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Tianjin Capital Environmental Protection Group Company Limited

天津創業環保集團股份有限公司

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

(Stock Code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

§1 IMPORTANT

- 1.1 The board of directors (the “**Board**”), the supervisory committee, directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) guarantee that information in this 2021 interim report (the “**Interim Report**”) does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.
- 1.2 The interim financial statements of the Company for the six months ended 30 June 2021 has not been audited.
- 1.3 Did the controlling shareholder of the Company and its connected persons misappropriate the Company's funds for non-operating purposes?

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

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

§2 COMPANY PROFILE

2.1 Basic information

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

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

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

2.2.1 Major accounting data and financial indicators

Major accounting data

Unit: 0' 000 Currency: RMB

| Major accounting data | During the reporting period (from January to June) | During the same period last year | Increase/ decrease for the current reporting period as compared to the same period last year (%) |
|---|---|---|---|
| Operating income | 190,395.4 | 152,139.0 | 25.15 |
| Net profit attributable to the shareholders of the Company | 30,448.9 | 25,694.8 | 18.50 |
| Net profit attributable to the shareholders of the Company after deduction of extraordinary items | 26,435.2 | 22,655.0 | 16.69 |
| Net cash flow from operating activities | 66,228.4 | 25,509.3 | 159.62 |
| | As at the end of the current reporting period | As of the end of last year | Increase/ decrease as at the end of the current reporting period as compared to the end of last year (%) |
| Net assets attributable to the shareholders of the Company | 672,457.3 | 659,135.1 | 2.02 |
| Total assets | 2,009,604.7 | 1,880,296.9 | 6.88 |

Major financial indicators

| Major financial indicators | During the reporting period (from January to June) | During the same period last year | Increase/ decrease for the current reporting period as compared to the same period last year (%) |
|--|---|----------------------------------|--|
| Basic earnings per share (RMB/share) | 0.21 | 0.18 | 18.33 |
| Diluted earnings per share (RMB/share) | 0.21 | 0.18 | 18.33 |
| Basic earnings per share after deduction of extraordinary items (RMB/share) | 0.19 | 0.16 | 18.75 |
| Weighted average return on net assets ratio (%) | 4.57 | 4.13 | 0.44 |
| Weighted average return on net assets ratio after deduction of extraordinary items (%) | 3.97 | 3.64 | 0.33 |

2.2.2 Extraordinary profit and loss items

Unit: 0' 000 Currency: RMB

| Extraordinary Profit and Loss Items | Amount |
|--|----------------|
| Gain or loss on disposal of non-current assets | -0.3 |
| Government grants recognized in current profit and loss, except for those closely relating to business operation of the Company, in compliance with national policy and settled in certain amount which are constantly granted by government | 4,678.4 |
| Other non-operating income and expenses (excluding the above items) | -75.7 |
| Effect on minority interests | 230.9 |
| Effect on income tax | -819.6 |
| Total | 4,013.7 |

2.2.3 Difference in accounting standards between the PRC and overseas

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

§3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of ordinary shareholders as at the end of the reporting period 65,406

Note: As of June 30, 2021, the total number of ordinary shareholders of the Company is 65,406, among which 63 are holders of H Shares.

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

| 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 (%) | Number of restricted shares held (shares) | Pledged, marked or frozen number | Nature of the Shareholder |
| Tianjin Municipal Investment Company Limited | 0 | 715,565,186 | 50.14 | 0 | None | State-owned legal person |
| HKSCC Nominees Limited | 46,000 | 337,938,810 | 23.68 | 0 | Unknown | Other |
| Central Huijin Asset Management Co., Ltd. | 0 | 14,169,800 | 0.99 | 0 | None | State-owned legal person |
| Hong Kong Securities Clearing Company Limited | -1,406,509 | 7,299,447 | 0.51 | 0 | None | Other |
| Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司) | 208,000 | 6,417,800 | 0.45 | 0 | None | Domestic non-state-owned legal person |
| Deng Tuquan (鄧圖全) | 5,159,873 | 5,159,873 | 0.36 | 0 | None | Domestic natural person |
| Hou Hongyan (侯紅燕) | 1,350,000 | 3,100,000 | 0.22 | 0 | None | Domestic natural person |
| Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司) | 0 | 1,500,000 | 0.11 | 0 | None | State-owned legal person |
| Huang Qiangsheng (黃強勝) | -225,000 | 1,282,100 | 0.09 | 0 | None | Domestic natural person |
| Zhou Lunhui (周倫慧) | 1,270,000 | 1,270,000 | 0.09 | 0 | None | Domestic natural person |

| Shareholdings of the top ten shareholders of non-restricted shares | | | |
|---|---|---------------------------|-----------------|
| Name of shareholder | Number of non-restricted circulating shares held (shares) | Type and number of shares | |
| | | Type | Number (shares) |
| Tianjin Municipal Investment Company Limited | 715,565,186 | Ordinary RMB Shares | 715,565,186 |
| HKSCC Nominees Limited | 337,938,810 | H Shares | 337,938,810 |
| Central Huijin Asset Management Co., Ltd. | 14,169,800 | Ordinary RMB Shares | 14,169,800 |
| Hong Kong Securities Clearing Company Limited | 7,299,447 | Ordinary RMB Shares | 7,299,447 |
| Zhejiang Jinxin Construction Engineering Co., Ltd. | 6,417,800 | Ordinary RMB Shares | 6,417,800 |
| Deng Tuquan (鄧圖全) | 5,159,873 | Ordinary RMB Shares | 5,159,873 |
| Hou Hongyan (侯紅燕) | 3,100,000 | Ordinary RMB Shares | 3,100,000 |
| Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司) | 1,500,000 | Ordinary RMB Shares | 1,500,000 |
| Huang Qiangsheng (黃強勝) | 1,282,100 | Ordinary RMB Shares | 1,282,100 |
| Zhou Lunhui (周倫慧) | 1,270,000 | Ordinary RMB Shares | 1,270,000 |
| Notes on the connected relationship or parties acting in concert among the above shareholders | <p>It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted circulating shares and the top 10 shareholders.</p> <p>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 the 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) held a total of 108,200,000 H shares of the Company, representing 7.58% of the total share capital of the Company, and none of the shares were pledged.</p> <p>(2) The top ten shareholders are not strategic investors of the Company.</p> | | |

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

Not Applicable

§4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

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

Not Applicable

4.2 Share option incentives granted to Directors, Supervisors and senior management during the reporting period

Unit: Shares

| Name | Position held | Number of share options held at the beginning of the period | Number of new share options granted during the reporting period | Exercisable shares during the reporting period | Share options exercised during the reporting period | Number of share options held at the end of the period |
|--------------------|-------------------|---|---|--|---|---|
| Liu Yujun (劉玉軍) | Director | 0 | 300,000 | 0 | 0 | 300,000 |
| Tang Fusheng (唐福生) | Senior Management | 0 | 300,000 | 0 | 0 | 300,000 |
| Li Yang (李楊) | Senior Management | 0 | 250,000 | 0 | 0 | 250,000 |
| Wang Jing (王靜) | Director | 0 | 250,000 | 0 | 0 | 250,000 |
| Zhao Yi (趙毅) | Senior Management | 0 | 250,000 | 0 | 0 | 250,000 |
| Zhang Jian (張健) | Senior Management | 0 | 250,000 | 0 | 0 | 250,000 |
| Li Jinhe (李金河) | Senior Management | 0 | 250,000 | 0 | 0 | 250,000 |
| Peng Yilin (彭怡琳) | Senior Management | 0 | 250,000 | 0 | 0 | 250,000 |
| Niu Bo (牛波) | Director | 0 | 180,000 | 0 | 0 | 180,000 |
| Total | / | 0 | 2,280,000 | 0 | 0 | 2,280,000 |

4.3 Changes in Directors, Supervisors and senior management

| Name | Position held | Changes |
|--------------|------------------------|-------------|
| Tang Fusheng | General Manager | Resignation |
| Li Yang | General Manager | Appointment |
| Zhao Mingwei | Deputy General Manager | Appointment |

§5 REPORT OF THE BOARD

A. Company Business Overview

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

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

In line with its strategic objective of being a comprehensive environmental service provider, during the reporting period, the principal business of the Company includes basic business and strategic new business. There was no material change in the business scope and business model of the Company's principal business as compared with the previous year.

1. Basic business refers to the business of municipal sewage treatment, water supply and water recycling. The basic business is the main business of the Company, which is the main source of revenue and profit.

During the reporting period, the Company's basic business focused on strengthening and improving the operation quality of the existing water utilities projects. The new equity-type sewage treatment capacity was 84,500 m³ per day, and new pipe network length was 183 km. There was no significant change in the scale of other water utilities business as compared to the beginning of the reporting period. As of the end of the reporting period, the total capacity of the equity-type water utilities business of the Company amounted to approximately 5.6046 million m³ per day, among which the sewage treatment capacity, water supply capacity (including tap water and industrial water supply capacity) and recycled water capacity under the PPP model was approximately 4.8696 million m³ per day, 315,000 m³ per day and 420,000 m³ per day, respectively, and the pipe network length under the integrated plant network was 1,190 km. The above projects are distributed in 15 provinces, municipalities and autonomous regions in China and the sewage treatment capacity under the entrusted operation model was approximately 512,100 m³ per day.

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

2. Strategic new business includes new energy heating and cooling, solid waste treatment, sludge treatment, photovoltaic power generation, technological achievements transformation, etc. In respect of profitability, economic added value, and payback period, it can form a good complement with the basic business and optimize the overall business structure.

During the reporting period, the business scales and operation models of new energy heating and cooling supply business, hazardous waste business and photovoltaic power generation business have not changed significantly as compared with the beginning of the reporting period. As of the end of the reporting period:

- (1) The service areas of new energy cooling and heating supply business amounted to 2 million m², which was mainly operated in Tianjin;
- (2) The hazardous wastes business included four projects with the disposal capacity of 128,000 tons/year, and a storage and transit project with the capacity of 20,000 tons/year and a waste landfill project with the aggregate storage of 600,000 m³ with the comprehensive waste utilization capacity of 73,000 tons/year, which were mainly distributed in Shandong Province and Jiangsu Province;
- (3) For the distributed photovoltaic power generation project, the planned annual electricity generation amounted to 2.9216 million kWh which was mainly distributed in Tianjin and Dalian;
- (4) The total capacity of sludge treatment was 1,560 tons/day, which was mainly distributed in Tianjin and Jiuquan of Gansu.

During the reporting period, the technological achievements transformation business included one new projects with the contract value of RMB825,000. The business promotion model and technical optimization route have not changed significantly as compared with the beginning of the reporting period.

(II) Explanation of Industry Situation

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

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

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

Not applicable

III. Analysis of Core Competitiveness During the Reporting Period

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 for being trustworthy, responsible, standardized and reliable. These four core competitiveness complement one another in which corporate integrity, diligent employees and technology innovation provide an ultimate assurance to customers, thereby resulting in the Company's positive brand influence in environmental protection.

After the development in 2021, the Company further consolidated its strengths and enhanced its overall competitiveness.

In respect of basic business, the Company invested to establish Honghu Tianchuang Environmental Protection Co., Ltd.* (洪湖市天創環保有限公司) and Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.* (天津西青天創環保有限公司) and at the same time increased its capital contributions in the Company's two subsidiaries, Fuyang Company and Jieshou Capital Water Co., Limited* (界首市創業水務有限公司) ("**Jieshou Company**") in order to consolidate and upgrade its main water business.

In respect of new environmental protection business, the Company completed the industrial and commercial registration changes of the acquisition of the two companies (Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司) ("**Gaoyou Compro**") and Jiangsu Yonghui Resources Utilization Co., Ltd. (江蘇永輝資源利用有限公司) ("**Jiangsu Yonghui**")), which were acquired at the end of 2020, in order to further promote the development of the Company's new business in hazardous waste, which was conducive to the improvement of its comprehensive environmental service capabilities.

In respect of technical R&D, the Company optimized its technical R&D system. On the one hand, we continued to explore smart water services and pay attention to the impacts of "carbon peak and neutrality" on the environmental protection industry. On the other hand, we carried out R&D innovation and technological achievements transformation in various forms.

In respect of system reform, the Company fully leveraged the country's regional development strategy during the "14th Five-Year Plan" period to further integrate different resources, adjust its authorization, and strive to build a regional management and business development team.

B. Operation Discussion and Analysis

I. Operation Discussion and Analysis

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

During the reporting period, the Company carried out its work according to the operational plans and strategies for 2021 as formulated by the Board by improving economic efficiency as the core, strengthening the operation and the construction strength as the foundation, enhancing the operation management and maximizing efforts in market exploration and innovation on management, thereby accelerating the development of the Company's overall strength and completing various tasks in an orderly manner.

- (1) Vigorously develop strategic new business while consolidating the basic water utilities business. The Company invested RMB780 million to acquire Gaoyou Compro and Jiangsu Yonghui, thereby realizing the implementation of its first merger and acquisition project and also enabling the Company to achieve a new pattern of north-south coordination in the field of hazardous wastes treatment. The Company successfully won the bids for the Xiqing Dasi* (西青大寺) project, Honghu Phase II* (洪湖二期) project, and Jieshou project* (界首項目), thereby consolidating its basic water utilities business.
- (2) Leverage our advantages in operation and construction to ensure the operation quality and revenue of projects while meeting the requirements for improving water quality standards. The Company made full use of its operational and technical advantages while increasing its investment to ensure that all projects are operating in a stable and compliant manner according to corresponding standards. The Company also instructed all operating and engineering projects to earnestly implement the requirements of the Ministry of Ecology and Environment and the local governments on pandemic prevention and control, so as to strictly ensure the safety in production and daily life and fully guarantee the safety of operation and construction projects. At the same time, the Company successfully maintained the concession agreement of each project, ensuring that the projects achieve their expected revenues.
- (3) Promote the effective implementation of the reforms while further optimizing the organizational structure. During the reporting period, based on the effectiveness of market-oriented reforms, the Company reintegrated its regional subsidiaries, optimized its market layout, and achieved regional integration and development. At the same time, the Company improved the long-term control and high-quality development mechanism of its subsidiaries located in other places to further improve the market competitiveness and risk management and control capabilities of the subsidiaries.
- (4) Strengthen basic management work and further improve management standards and management efficiency. Recently, the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") announced the list of benchmarking enterprises, benchmarking projects and benchmarking models in the Management Benchmarking Action of Key State-owned Enterprises* (國有重點企業管理標桿創建行動標桿企業、標桿項目和標桿模式名單). After enterprise declaration, expert review and consultation, the Company was selected as a "benchmarking enterprise" (標桿企業) and was the only selected enterprise in Tianjin. In the future, the Company will continue to improve basic management and further consolidate the foundation for development.

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

During the reporting period, the Group recorded an operating revenue of RMB1,903.954 million, representing an increase of 25.15% as compared to that in the same period last year. The operating costs were RMB1,267.803 million, representing an increase of 21.53% as compared to that in the same period last year. Net profit attributable to the Company was RMB304.489 million, representing an increase of 18.50% as compared to that in the same period last year. The changes in the above results were mainly due to the increased volume of the sewage treatment business.

(1) Analysis of the principal businesses

During the reporting period, the Group's principal business segments did not change significantly and was still engaged in the sewage treatment business, recycled water business, tap water supply, new energy heating and cooling supply business, toll collection business, technological achievements transformation business and hazardous wastes business. It recorded income from principal business of RMB1,805.527 million, representing 94.83% of operating income of the Group.

- ① Sewage treatment business recorded an income of RMB1,381.489 million, representing an increase of 26.36% as compared to the same period last year, which was mainly attributable to the increased volume of sewage treatment and the upraised sewage treatment service fees of partially sewage treatment plant. During the reporting period, the Group processed a total of 740.16 million m³ of sewage water, representing an increase of 5.01% as compared to the same period last year. On the one hand, the volume of sewage treated by existing projects has increased; on the other hand, certain newly-developed sewage treatment projects were put into operation.
- ② Recycled water business recorded an income of RMB168.224 million, representing an increase of 23.03% as compared to the same period last year. On the one hand, the income from the pipe connection business increased as compared to the same period last year. On the other hand, the water consumption volume of users increased, so the sales income from recycled water increased as compared to the same period last year. During the reporting period, the sales volume of recycled water was 36.59 million m³, representing an increase of 14.93% as compared to the same period last year.
- ③ Tap water supply business recorded an income of RMB57.178 million, representing an increase of 21.85% as compared to the same period last year, which was mainly attributable to the increased water consumption volume by users. The water sales volume was 30.81 million m³, representing an increase of 19.94% as compared to the same period last year.
- ④ New energy heating and cooling supply business recorded an income of RMB39.779 million, representing a decrease of 13.63% as compared to the same period last year, which was mainly attributable to the decreased area of heating supply.

- ⑤ Technological achievements transformation business recorded an income of RMB17.460 million, representing an increase of 28.66% as compared to the same period last year, which was mainly attributable to the increased work quantity of the deodorization business.
- ⑥ Toll collection business recorded an income of RMB31.249 million, which remained more or less the same as the same period last year.
- ⑦ The hazardous wastes business recorded an income of RMB109.958 million, representing an increase of 232.91% as compared to the same period last year, which was mainly attributable to the increased volume of hazardous wastes treatment of two additional hazardous wastes treatment projects (Gaoyou Compro and Jiangsu Yonghui).

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

3. Other business

The Group's other business mainly includes the sewage treatment entrusted operation business under the technical service model, as well as the technical and engineering consulting business. During the reporting period, it realized an income of RMB98.427 million, representing a decrease of 5.69% as compared to that in the same period last year. The decrease was mainly due to the fact that the recognition of debugging fee income from the sewage treatment plant relocation project in the same period last year is not available in the current period.

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 during the reporting period and are expected to have a significant impact on the Company's operations in the future

Not applicable

II · Major operating conditions during the reporting period

(I) Analysis of principal businesses

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

Unit: 0'000 Currency: RMB

| Item | Amount for the current period | Amount for the same period last year | Percentage change (%) |
|--|--|---|----------------------------------|
| Income from operations | 190,395.4 | 152,139.0 | 25.15 |
| Costs of operations | 126,780.3 | 104,322.9 | 21.53 |
| Distribution costs | 1,267.9 | 792.2 | 60.05 |
| Administrative expenses | 8,285.2 | 7,025.3 | 17.93 |
| Impairment losses on financial assets | -207.6 | — | -100.00 |
| Other losses-net | -93.3 | -258.5 | 63.91 |
| Financial expenses-net | 16,170.2 | 11,298.7 | 43.12 |
| Non-controlling interests | 3,225.8 | 2,009.3 | 60.54 |
| Net cash flows from operating activities | 66,228.4 | 25,509.3 | 159.63 |
| Net cash flows from investing activities | -118,386.3 | -75,781.5 | -56.22 |
| Net cash flows from financing activities | 71,179.6 | 22,824.5 | 211.86 |

Explanation of changes in income from operations: It was mainly due to the increase in treatment volume of sewage and hazardous wastes business, thus the income increased accordingly.

Explanation of changes in costs of operations: It was mainly due to the increased business and higher effluent quality standards, resulting in increased costs of operations.

Explanation of changes in distribution costs: It was mainly due to the increased hazardous wastes business, resulting in increased distribution expenses.

Explanation of changes in administrative expenses: It was mainly due to new projects and the commencement of operation of projects, resulting in increased administrative expenses.

Explanation of changes in financial costs: It was mainly due to the increase in loan principal and the expensed interest expenses after commencement of operation of projects, resulting in increased financial costs.

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

Explanation of changes in net cash flows from investing activities: It was mainly due to the payment for the acquisition of Gaoyo Compro and Jiangsu Yonghui in the current period, while there was no such event in the same period of last year.

Explanation of changes in net cash flows from financing activities: It was mainly due to the increase in new debt financing during the period as compared with the corresponding period of last year.

Explanation of changes in non-controlling interests: It was mainly because the net profit of non-wholly owned subsidiaries for the current period was higher than that of the corresponding period of last year, and therefore the non-controlling interests based on equity ratio increased accordingly.

2 Details of material changes in business type, profit composition or profit source of the Company during the period

Not applicable

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

Not applicable

(III) Analysis of assets and liabilities

Unit: 0'000 Currency: RMB

| Items | Amount as of the end of the current period | Percentage of the amount as of the end of the current period to the total assets (%) | Amount as of the end of the same period last year | Percentage of the amount as of the end of the same period last year to the total assets (%) | Percentage of change in amount as of the end of the current period as compared to the end of same period last year (%) | Explanation |
|--------------------------|--|--|---|---|--|---|
| Construction in progress | 1,716.6 | 0.09 | 985.9 | 0.05 | 74.12 | Mainly due to the increase in investment in construction of projects such as cooling and heating supply and hazardous waste |
| Advances to suppliers | 9,404.6 | 0.47 | 2,622.0 | 0.14 | 258.68 | Mainly due to the prepaid sludge disposal expenses during the period |
| Other current assets | 11,918.90 | 0.59 | 8,222.80 | 0.44 | 44.95 | Mainly due to the increase in input VAT to be deducted |
| Goodwill | 49,876.6 | 2.48 | 0 | 0 | Not applicable | Mainly due to the recognition of goodwill upon the acquisition of hazardous waste projects during the period |
| Long term borrowings | 639,499.2 | 31.82 | 422,789.4 | 22.49 | 51.26 | Mainly due to the new long-term borrowings during the period |
| Accrued payroll | 2,386.9 | 0.12 | 8,562.0 | 0.46 | -72.12 | Mainly due to the year-end bonus accrued at the end of 2020 |
| Debentures payable | 0.0 | 0.00 | 109,884.8 | 5.84 | -100.00 | Mainly due to the repayment of corporate bonds of 18 津創 (Phase I) during the period |

(IV) Analysis of investment

1. Overall analysis of equity investment

During the reporting period, the total amount of equity investment of the Company amounted to RMB181.2862 million, representing a decrease of RMB34.8717 million as compared to the same period last year, which was mainly because there were fewer new projects secured by the Company in the first half of the year compared to that in the same period last year.

(1) Major equity investment

- (1) On 24 June 2020, the Board of the Company approved to make an additional investment of RMB142.17 million to Xi'an Company for implementing the upgrade and renovation and covering and deodorization project of the sewage treatment plant and the sewage treatment center in Xi'an. Upon the capital increase, the registered capital of Xi'an Company was increased from RMB334 million to RMB476.17 million. During the reporting period, the change of industrial and commercial registration in relation to such capital increase was not yet completed.
- (2) On 24 December 2020, the Board of the Company approved to acquire the entire equity interest of Gaoyou Compro to make up for the shortcomings of the hazardous waste business segment of the Company, enhance market competitiveness through regional layout and increase of hazardous waste disposal capacity, and build a full industry chain and regional comprehensive service capacity. Gaoyou Compro was established on 31 March 2016, with a registered capital of RMB100 million and an asset value of RMB405 million as appraised and filed by SASAC. After negotiation with the shareholders of Gaoyou Compro, the base consideration for the acquisition of Compro Company is RMB382.91 million, which will be funded by the Company's own funds and merger and acquisition loans. The actual payment shall be determined after deducting the outstanding debts of Compro Company as of the date of completion of the equity transfer. During the reporting period, the change of industrial and commercial registration in relation to the transfer of the equity interest has been completed.
- (3) On 24 December 2020, the Board of the Company approved to acquire the entire equity interest of Jiangsu Yonghui Resources Utilization Co., Ltd. to make up for the shortcomings of the hazardous waste business segment of the Company, enhance market competitiveness through regional layout and increase of hazardous waste disposal capacity, and build a full industry chain and regional comprehensive service capacity. Jiangsu Yonghui was established on 9 January 2018 with a registered capital of RMB50 million and an asset value of RMB420 million as appraised and filed by SASAC. After negotiation with the shareholders of Jiangsu Yonghui, the base consideration for the transfer was RMB397.09 million, which was funded by the Company's own funds and loans for mergers and acquisitions. The actual payment shall be determined after deducting the outstanding debts of Yonghui Company as of the date of completion of the equity transfer. During the reporting period, the change of industrial and commercial registration in relation to the transfer of the equity interest has been completed.

- (4) On 21 January 2021, the Board of the Company approved to jointly establish Honghu Tianchuang Environmental Protection Co., Ltd.* (洪湖市天創環保有限公司) with CCCC Tianjin Dredging Co., Ltd.* (中交天津航道局有限公司) (“**CCCC Tianjin Dredging**”) and Honghu Water Pollution Control Center for the investment, financing, construction, operation and maintenance of newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage water processing plant. The registered capital was RMB60 million, which was contributed in cash by the shareholders of the project company in proportion to their shareholdings, of which RMB53.4 million was contributed by the Company, accounting for 89%; RMB600,000 was contributed by CCCC Tianjin Dredging, accounting for 1%; and RMB6 million was contributed by the government on behalf of Honghu Water Pollution Control Centre, accounting for 10%. During the reporting period, the business registration of Honghu Tianchuang Environmental Protection Co. was completed.
- (5) On 30 April 2021, the Board of the Company approved to establish Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.* (天津西青天創環保有限公司) by capital contribution for the purpose of investment and financing, operation and maintenance of the TOT project of Dasi Sewage Treatment Plant of Xiqing District, Tianjin. The registered capital of the project company was RMB62.1060 million, of which RMB62.1060 million was contributed by the Company, representing 100% of its equity interest; during the reporting period, the business registration of Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd. was completed.
- (6) On 30 April 2021, the Board of the Company approved to increase the capital of Fuyang Company by RMB65.7802 million for the investment and financing, construction, operation and maintenance of the PPP Project (Third Batch) of Sewage Treatment in Jieshou City. According to the capital increase arrangement, after the Company first made capital contribution to Fuyang Company, Fuyang Company then made capital contribution of RMB65.7802 million to Jieshou Company. Upon completion of the capital increase, the registered capital of Fuyang Company will increase from RMB389.9085 million to RMB455.6887 million, and the registered capital of Jieshou Company will change from RMB235.1822 million to RMB300.9624 million. During the reporting period, the capital increase of Fuyang Company has not yet been completed.

(2) Significant non-equity investment

Not applicable

(3) Financial assets measured at 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

| Subsidiaries | Principal Place of Business | Major Products or Services | Registered Capital | Type of Legal Person | Percentage of interest | Asset Size | Net Assets | Net Profits |
|---|-----------------------------|--|--------------------|-----------------------|------------------------|------------|------------|-------------|
| Tianjin Water Recycling Co., Ltd.* (天津中水有限公司) ("Water Recycling Company") | Tianjin | Production and sales of recycled water; development and construction of water recycling facilities; and manufacturing, installation, debugging, and operation of water recycling facilities, etc. | 10,000 | Limited company | 100% | 114,212.46 | 25,536.53 | 4,511.53 |
| Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創水務有限公司) ("Hangzhou Company") | Hangzhou, Zhejiang | Operation and maintenance of facilities for sewage treatment and recycled water usage, and supporting services such as its technical services and technical training | 37,744.50 | Limited company | 70% | 75,176.80 | 61,364.04 | 3,346.91 |
| Xi'an Capital Water Co., Ltd.* (西安創業水務有限公司) ("Xi'an Company") | Xi'an, Shaanxi | Development, construction, operation, and management of municipal sewage treatment plants, and tap water and its supporting facilities; and R&D and promotion of environment protection technology | 33,400 | Limited company | 100% | 78,380.26 | 59,143.84 | 1,809.21 |
| Tianjin Jiayuanxing Innovative Energy Technology Company Limited* (天津佳源興創新能源科技有限公司) ("Jiayuanxing") | Tianjin | Development, consulting, service, and transfer of energy conservation and new energy technologies; property management services; heating supply service; and cooling supply service | 19,195.052 | Limited company | 100% | 115,888.77 | 33,736.32 | 790.51 |
| Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司) ("Caring Company") | Tianjin | Environmental engineering management and technical advice, etc. | 3,333.3333 | Stock Limited Company | 60% | 16,182.36 | 12,835.33 | 963.50 |
| Inner Mongolia Bayannur Capital Water Co., Ltd.* (內蒙古巴彥淖爾創業水務有限責任公司) ("Bayannur Company") | Bayannur, Inner Mongolia | Processing of sewage water, production and sales of recycled water and supply of tap water | 106,757.79 | Limited company | 70% | 113,988.23 | 111,797.61 | 728.83 |
| Shandong Capital Environmental Protection Technology Development Co., Ltd.* (山東創業環保科技發展有限公司) ("Shandong Company") | Shandong | Disposal of solid wastes, industrial wastes, hazardous wastes, sludge, kitchen wastes, etc. | 19,200 | Limited company | 55% | 56,551.92 | 19,287.58 | 376.16 |
| Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司) ("Fuyang Company") | Fuyang, Anhui | Development, construction and management of municipal sewage treatment plants, tap water and their supporting facilities and solid waste treatment facilities; Research and development and promotion of environmental protection technology | 38,990.85 | Limited company | 100% | 115,888.77 | 57,583.89 | 5,803.97 |

Water Recycling Company recorded a revenue of RMB160.7803 million from principal operations and an operating profit of RMB62.2961 million in the first half of 2021.

Hangzhou Company recorded a revenue of RMB127.7119 million from principal operations and an operating profit of RMB46.0241 million in the first half of 2021.

II. OTHER DISCLOSURE

(I) Possible risks

1. Possible risks

(1) Risk of government credit

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

(2) Risk of change in policy

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

(3) Risk of operation and management

The government's increasingly stricter requirements on environmental governance 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 franchise agreement. In addition, whether the sludge disposal after sewage treatment can form a more complete business model is also worthy of attention. Moreover, after the beginning of summer, the operation of water plants also needs to meet flood control requirements and strengthen quality and safety management.

2. Risk control measures

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

The Company strengthens the concept of corporate governance in accordance with the laws and protects its lawful interests by making full use of its overall legal advisory 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, and provides for the government obligations to pay according to contracts and the rights for investors to get reasonable returns under the laws, so as to reduce the risk related to government credibility and the financial risk of the investors.

(2) Strengthen comprehensive risk management

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

(3) Continue to raise the standards of operating management

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

(II) The Share Option Incentive Scheme

Related equity incentive matters which have been disclosed in announcements, but without subsequent progress or changes to their implementation

Matters related to the 2020 share option incentive scheme of the Company were considered and approved at 38th meeting of the 8th 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. On 21 January 2021, the grant conditions under the Share Option Incentive Scheme were met. The Board approved the grant of an aggregate of 12,170,000 share options (the **"First Grant"**) to 155 participants (the **"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 (i.e. 20 January 2021) is RMB6.28/A share. On 29 January 2021, the Company completed the registration for the First Grant of share options under the 2020 share option incentive scheme.

For details of the above 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 and 29 January 2021, and the relevant circular published on the website of the Stock Exchange on 8 December 2020.

(III) Non-public Issuance of A Shares

On 13 July 2020, the Board has approved the proposed issuance of 323,741,007 new A shares (inclusive) to 3 specific target investors (i.e. Tianjin Municipal Investment Company Limited* (天津市政投資有限公司) (**"TMICL"**), Yangtze Ecological Environmental Protection Group. Co., Ltd.* (長江生態環保集團有限公司) (**"Yangtze Ecology"**) and Three Gorges Capital Holdings Co., Ltd.* (三峽資本控股有限責任公司) (**"Three Gorges Capital"**)) (**"Non-public Issuance of A Shares"**). The issue price of Non-public Issuance of A Shares is RMB5.56/share (**"Issue Price"**). It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1.8 billion (inclusive), which will be used to repay interest-bearing liabilities and supplement the Company's working capital after deducting the offering expenses.

As part of the Non-public Issuance of A Shares, the Company entered into the subscription agreement with TMICL on 13 July 2020, pursuant to which TMICL conditionally agreed to contribute RMB200 million in cash to subscribe for 35,971,223 A shares to be issued based on the Non-public Issuance of A Shares according to the Issue Price, accounting for approximately 11.11% of the total number of A shares to be issued under the Non-public Issuance of A Shares (**"TMICL Subscription Agreement"**). Immediately after the completion of the Non-public Issuance of A Shares (assuming that (i) a total of 323,741,007 new A Shares will be issued to TMICL, Yangtze Ecology and Three Gorges Capital under the Non-public Issuance of A Shares, respectively and (ii) there is no other change to the shareholding structure of the Company since 13 July 2020 save for the issuance of the A Shares pursuant to the Non-public issuance of A Shares), TMICL will hold approximately 42.92% of the total issued shares of the Company.

On 28 August 2020, the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People's Government agreed with the proposal of the Non-public Issuance of A Shares of the Company in 2020 in principle. On 7 September 2020, the resolutions relating to the Non-public Issuance of A Shares were considered and approved by the 2020 first extraordinary general meeting, the 2020 first H shareholders' class meeting and the 2020 first A shareholders' class meeting of the Company. The Non-public Issuance of A Shares still remains subject to the approval from the China Securities Regulatory Commission.

On 30 March 2021, the Board considered and approved the relevant resolutions in relation to the adjustments to the proposed Non-public Issuance of A Shares and the adjustments to the Proposed Introduction of the Strategic Investor Subscription, pursuant to which, the Three Gorges Capital will no longer subscribe for the shares to be issued under the Non-public Issuance of A Shares. Therefore, the adjusted Non-public Issuance of A Shares is intended for 2 target subscribers: Yangtze Ecology and TMICL, and the gross proceeds to be raised by this adjusted Non-public Issuance of A Shares will not exceed RMB1.2 billion (inclusive). There is no amendment and adjustment to any terms and conditions under the TMICL Subscription Agreement. Immediately after the completion of the adjusted Non-public Issuance of A Shares (assuming that (i) a total of 215,827,338 new A Shares will be issued to TMICL and Yangtze Ecology under the adjusted Non-public Issuance of A Shares, respectively and (ii) there is no other change to the shareholding structure of the Company since 30 March 2021 save for the issuance of the A Shares pursuant to the adjusted Non-public issuance of A Shares), TMICL will hold approximately 45.74% of the total issued shares of the Company.

At the 2020 Annual General Meeting of the Company held on 27 May 2021, the Shareholders considered and approved the resolution in relation to the 2020 profit distribution plan of the Company, pursuant to which the Company shall distribute a final dividend of RMB1.20 (tax inclusive) in cash for every 10 Shares (the **"2020 Equity Distribution"**) to all Shareholders calculated based on the total number of 1,427,228,430 shares of the Company, which amounted to RMB171,267,411.60. The 2020 Equity Distribution of the Company was conducted on 30 June 2021. As at the date of this announcement, the 2020 Equity Distribution of the Company has been completed. As disclosed in the circular dated 21 August 2020, the issue price and the number of Shares to be issued under the Non-public Issuance of A Shares shall be adjusted accordingly in the event of ex-rights or ex-dividends matters such as distribution of dividend, bonus issuance and conversion of capital reserve into share capital of the Company during the period from the Price Determination Date to the date of the issuance. As the implementation of the 2020 Equity Distribution of the Company has been completed, the issue price and quantity of A Shares under the Non-public Issuance of A Shares has to be adjusted as follows: the issue price of the Non-public Issuance of A Shares is adjusted from RMB5.56 per share to RMB5.44 per share; and the number of shares to be issued under the Non-public Issuance of A Shares is adjusted from no more than 215,827,338 shares to not more than 220,588,234 shares. Immediately after the completion of the aforementioned adjusted Non-public Issuance of A Shares (assuming that (i) a total of 220,588,234 new A Shares will be issued to TMICL and Yangtze Ecology under the adjusted Non-public Issuance of A Shares, respectively and (ii) there is no other change to the shareholding structure of the Company save for the issuance of the A Shares pursuant to the aforementioned adjusted Non-public issuance of A Shares), TMICL will hold approximately 45.66% of the total issued shares of the Company.

For details of the Non-public issuance of A Shares, please refer to the announcements and overseas regulatory announcements of the Company dated 13 July 2020, the circular dated 21 August 2020, the announcement on the resolutions passed at the 2020 first extraordinary general meeting, the 2020 first H shareholders' class meeting and the 2020 first A shareholders' class meeting dated 7 September 2020, the overseas regulatory announcements dated 28 August 2020, 29 September 2020, 30 October 2020, 17 November 2020 and 28 January 2021, and the announcements dated 28 January 2021, 30 March 2021 and 2 July 2021.

§6 GUARANTEE

Unit: 0'000 Currency: RMB

| Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries) | |
|--|----------------|
| Total amount of guarantees provided during the reporting period (excluding guarantees provided to subsidiaries) | 0 |
| Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to subsidiaries) | 0 |
| Guarantees provided to subsidiaries of the Company | |
| Total amount of guarantees provided to subsidiaries during the reporting period | 42,665.37 |
| Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B) | 456,089.98 |
| Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries) | |
| Total amount of guarantees (A+B) | 456,089.98 |
| Percentage of the total amount of guarantees to the net assets of the Company (%) | 59.07 |
| 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) | 84,835.30 |
| Total amount of guarantees exceeding 50% of net assets (E) | 70,060.24 |
| Total of the above three classes of guarantees (C+D+E) | 154,895.54 |
| Explanation on contingent joint liability for undue guarantees | Not applicable |
| Explanation on guarantees | Nil |

§7 FINANCIAL REPORTS

7.1 Audit Opinion

Financial Report ☒ unaudited ☐ audited

7.2 Prepared in accordance with Hong Kong Financial Reporting Standards

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR OF 2021

(All amounts in RMB thousand unless otherwise stated)

| | Notes | Unaudited Half-year 2021 RMB'000 | 2020 RMB'000 |
|--|-------|---|------------------|
| Continuing operations | | | |
| Revenue | 2(a) | 1,903,954 | 1,521,390 |
| Cost of sales | | (1,267,830) | (1,043,229) |
| Tax expenses and surcharge | | (20,498) | (22,178) |
| Gross profit | | 615,626 | 455,983 |
| Distribution costs | | (12,679) | (7,922) |
| Administrative expenses | | (82,852) | (70,253) |
| Impairment losses on financial assets | | (2,076) | – |
| Other income | | 51,167 | 73,977 |
| Other losses – net | | (933) | (2,585) |
| Operating profit | 3 | 568,253 | 449,200 |
| Finance income | | 10,253 | 12,328 |
| Finance expenses | | (171,955) | (125,315) |
| Finance expenses – net | | (161,702) | (112,987) |
| Profit before income tax | | 406,551 | 336,213 |
| Income tax expense | 4 | (69,804) | (59,172) |
| Profit for the half-year | | 336,747 | 277,041 |
| Total comprehensive income for the half-year | | 336,747 | 277,041 |
| Profit/Total comprehensive income for the half-year is attributable to: | | | |
| – Owners of the Company | | 304,489 | 256,948 |
| – Non-controlling interests | | 32,258 | 20,093 |
| | | 336,747 | 277,041 |
| Earnings per share for profit attributable to the ordinary equity holders of the Company (in RMB per share) | | | |
| – Basic earnings per share | | 0.21 | 0.18 |
| – Diluted earnings per share | | 0.21 | 0.18 |
| Interim dividends | 5 | – | – |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2021

(All amounts in RMB thousand unless otherwise stated)

| | | As at | |
|---|-------|---|---|
| | Notes | 30 June 2021 Unaudited RMB'000 | 31 December 2020 Audited RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,012,759 | 819,354 |
| Intangible assets | | 12,464,286 | 11,922,211 |
| Deferred income tax assets | | 13,661 | 12,965 |
| Right-of-use assets | | 114,509 | 77,607 |
| Investments accounted for using the equity method | | 195,000 | 195,000 |
| Financial asset at fair value through other comprehensive income | | 2,000 | 2,000 |
| Long-term receivables | | 1,635,907 | 1,647,402 |
| Other non-current assets | | 335,917 | 330,971 |
| Total non-current assets | | 15,774,039 | 15,007,510 |
| Current assets | | | |
| Inventories | | 21,603 | 17,460 |
| Trade receivables | 6 | 2,181,574 | 1,961,739 |
| Other current assets | | 140,714 | 102,277 |
| Other receivables | | 21,208 | 24,117 |
| Prepayments | | 94,046 | 26,220 |
| Cash and cash equivalents | | 1,842,874 | 1,652,657 |
| Restricted cash | | 19,989 | 10,989 |
| Total current assets | | 4,322,008 | 3,795,459 |
| Total assets | | 20,096,047 | 18,802,969 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021 (continued)

(All amounts in RMB thousand unless otherwise stated)

| | | As at | |
|---|-------|---|---|
| | Notes | 30 June 2021 Unaudited RMB'000 | 31 December 2020 Audited RMB'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 6,619,496 | 5,574,476 |
| Deferred revenue | | 1,974,313 | 1,981,434 |
| Deferred income tax liabilities | | 104,650 | 100,799 |
| Other non-current liabilities | | 34,000 | 34,000 |
| Provisions for other liabilities and charges | | 14,373 | 13,737 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 8,746,832 | 7,704,446 |
| Current liabilities | | | |
| Trade payables | 7 | 359,753 | 294,973 |
| Contract liabilities | 7 | 573,057 | 527,410 |
| Wages payables | | 23,869 | 85,620 |
| Income tax and other taxes payables | 7 | 49,590 | 56,841 |
| Dividend payable | | — | 142 |
| Other payables | 7 | 971,354 | 955,631 |
| Borrowings | | 1,638,920 | 1,582,982 |
| Provisions for other liabilities and charges | | 12,078 | 13,281 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 3,628,621 | 3,516,880 |
| | | <hr/> | <hr/> |
| Total liabilities | | 12,375,453 | 11,221,326 |
| | | <hr/> | <hr/> |
| Net assets | | 7,720,594 | 7,581,643 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Attributable to the Company's equity holders | | | |
| Share capital | | 1,427,228 | 1,427,228 |
| Other reserves | | 1,050,078 | 1,050,078 |
| Retained earnings | | 4,247,267 | 4,114,045 |
| Equity attributable to owners of the Company | | 6,724,573 | 6,591,351 |
| | | <hr/> | <hr/> |
| Non-controlling interests | | 996,021 | 990,292 |
| | | <hr/> | <hr/> |
| Total equity | | 7,720,594 | 7,581,643 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Liu Yujun

Niu Bo

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021

(All amounts in RMB thousand unless otherwise stated)

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the half-year ended 30 June 2021 and any public announcement made by the Group during the interim reporting period.

2 Revenue and segment information

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

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

| | Unaudited Half-year 2021 | 2020 |
|---|---|------------------|
| | RMB'000 | RMB'000 |
| Revenue from contracts with customers (Note 2(b)) | 1,903,954 | 1,521,390 |
| Other income | 51,167 | 73,977 |
| | <u>1,955,121</u> | <u>1,595,367</u> |

(b) Operating segment analysis

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

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

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

2 Revenue and segment information (continued)

(b) Operating segment analysis (continued)

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

(i) For the half-year ended 30 June 2021 (Unaudited)

| | Sewage processing and facility construction services | | | Recycled water and pipeline connection | Heating and cooling services | Tap water operations | Sale of environmental protection equipment | All other segments | Group |
|---|---|------------------------------|----------------------------|---|------------------------------------|-------------------------|---|-----------------------|--------------|
| | Tianjin plants RMB'000 | Hangzhou plant RMB'000 | Other plants RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment revenue | 719,721 | 127,712 | 534,056 | 168,224 | 39,779 | 57,178 | 17,460 | 239,824 | 1,903,954 |
| Timing of revenue recognition: | | | | | | | | | |
| At a point in time | - | - | - | - | - | - | - | - | - |
| Over time | 719,721 | 127,712 | 534,056 | 168,224 | 39,779 | 57,178 | 17,460 | 239,824 | 1,903,954 |
| Segment expense | (457,119) | (72,648) | (395,259) | (117,230) | (26,088) | (40,739) | (8,625) | (146,416) | (1,264,124) |
| Results before share of profits of an associate | | | | | | | | | 406,551 |
| Profit before income tax | | | | | | | | | 406,551 |
| Income tax expense | | | | | | | | | (69,804) |
| Profit for the period | | | | | | | | | 336,747 |
| Segment assets | 7,036,837 | 792,417 | 7,614,396 | 1,416,541 | 642,683 | 636,082 | 57,631 | 1,704,460 | 19,901,047 |
| Investment accounted for using the equity method | | | | | | | | | 195,000 |
| Total assets | | | | | | | | | 20,096,047 |
| Total liabilities | (6,605,959) | (151,102) | (3,665,752) | (901,621) | (305,320) | (98,202) | (22,372) | (625,125) | (12,375,453) |
| Other information | | | | | | | | | |
| - Interest income | 2,739 | 193 | 1,145 | 1,326 | 422 | 30 | 189 | 4,209 | 10,253 |
| - Interest expenses | (95,769) | (2,233) | (65,040) | (393) | (1,318) | (238) | - | (8,907) | (173,898) |
| - Depreciation | (590) | - | (1,273) | (12,668) | (839) | (98) | (538) | (21,910) | (37,916) |
| - Amortization | (84,225) | (29,316) | (148,880) | (3,087) | (12,382) | (10,585) | - | (2,445) | (290,920) |
| - Capital expenditures | 59,106 | - | 256,999 | 572 | 5,062 | 18,415 | - | 37,708 | 377,862 |

2 Revenue and segment information (continued)

(b) Operating segment analysis (continued)

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

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

3 Operating profit

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

| | Unaudited Half-year 2021 | 2020 |
|--|---|-------------|
| | RMB'000 | RMB'000 |
| Other income | 51,167 | 73,977 |
| Charging: | | |
| Depreciation and amortisation expenses | 328,836 | 278,908 |
| Staff costs | 195,026 | 155,942 |
| Raw materials and consumables used | 143,418 | 167,362 |
| Repair and maintenance expenses | 65,765 | 49,135 |

4 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2021 (30 June 2020: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Tax charges comprises:

| | Unaudited Half-year 2021 | 2020 |
|---------------------|---|-------------|
| | RMB'000 | RMB'000 |
| Current income tax | 65,673 | 58,934 |
| Deferred income tax | 4,131 | 238 |
| | 69,804 | 59,172 |

5 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the half-year ended 30 June 2021 (30 June 2020: Nil).

6 Trade receivables

Details of the trade receivables are as follows:

| | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|----------------------------------|---|---|
| Receivables from third parties | | |
| – Trade receivables | 2,193,489 | 2,059,332 |
| – Notes receivable | 2,730 | 2,656 |
| Receivables from third parties | 2,196,219 | 2,061,988 |
| Receivables from related parties | 155,960 | 68,280 |
| | <u>2,352,179</u> | <u>2,130,268</u> |
| Less: loss allowance (Note(a)) | <u>(170,605)</u> | <u>(168,529)</u> |
| | <u>2,181,574</u> | <u>1,961,739</u> |

(a) The aging of trade receivables is analysed below

| | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|---------------|---|---|
| Within 1 year | 2,034,026 | 1,856,018 |
| 1 to 2 years | 177,426 | 139,324 |
| 2 to 3 years | 64,256 | 69,336 |
| 3 to 4 years | 40,451 | 45,704 |
| 4 to 5 years | 16,935 | 10,538 |
| Over 5 years | 19,085 | 9,348 |
| | <u>2,352,179</u> | <u>2,130,268</u> |
| Total | <u>2,352,179</u> | <u>2,130,268</u> |

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

| | | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|-------------------------------------|-------|---|---|
| | Notes | | |
| Trade payables | (a) | 359,753 | 294,973 |
| Contract liabilities | (b) | 573,057 | 527,410 |
| Other payables | (c) | 971,354 | 955,631 |
| Income tax and other taxes payables | | 49,590 | 56,841 |
| | | <u>1,953,754</u> | <u>1,834,855</u> |

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

- (a) As at 30 June 2021, trade payables are mainly for inventory purchase. Trade payables with aging more than 1 year are mainly source water charges payable by Qujing Company of RMB53 million (31 December 2020: RMB43 million), and the subcontract costs payable by Tianjin Water Recycling Co., Ltd of RMB47 million (31 December 2020: RMB30 million). As the Group has not yet recovered the relevant sewage treatment charges and the related projects have not yet been completed, the Group has not settled the related payable balances.

- (b) Contract liabilities

| | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|---|---|---|
| For recycled water and pipeline connection services | 495,892 | 509,271 |
| For toll road fee | 43,995 | – |
| For hazardous wastes | 22,614 | 3,145 |
| For Hangu project | 4,876 | 4,876 |
| For heating and cooling supply service | 3,357 | 7,190 |
| For equipment sales | 373 | 2,028 |
| Others | 1,950 | 900 |
| | <u>573,057</u> | <u>527,410</u> |

- (c) Other payables comprise:

| | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|--|---|---|
| Construction costs payable | 671,835 | 838,871 |
| Interest payable for borrowings | 1,515 | 2,097 |
| Payable for purchases of property, plant and equipment and concession right | 17,569 | 18,930 |
| Others | 280,435 | 95,733 |
| | <u>971,354</u> | <u>955,631</u> |

As at 30 June 2021, other payables of RMB564 million (31 December 2020: RMB642 million) were aged over one year, which mainly represented payables and deposits for sewage plants upgrading projects. The balances had yet to be settled as those projects and their final accounts have not been completed.

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

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

§9 CORPORATE GOVERNANCE CODE

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

§10 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Guo Yongqing, Mr. Di Xiaofeng and Mr. Wang Xiangfei. The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2021.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
25 August 2021

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

** For identification purpose only*