



*Interim Report for the six  
months ended 30th June 2022*



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

- 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 2022 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 2022 has not been audited.
- III. Mr. Liu Yujun, the officer in charge of the Company, Ms. Jing Wanying, 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 appropriation or transfer of capital reserve fund to share capital for the reporting period as reviewed by the Board  
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  
No
- X. Other matters  
Unless indicated otherwise, financial figures in this Interim Report are denominated in RMB.

# I. Definitions

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

“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)
“Caring Company”	Tianjin Caring Technology Development Company Limited* (天津凱英科技發展股份有限公司)
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Fuyang Company”	Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)
“Group”	the Company and its subsidiaries
“Hangzhou Company”	Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創水務有限公司)
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.* (天津佳源興創新能源科技有限公司)
“Linxia Company”	Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司)
“Shandong Company”	Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司)
“Subsidiaries”	Subsidiaries of the Company
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited
“TMICL”	Tianjin Municipal Investment Co., Ltd.
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)
“Xi’an Company”	Xi’an Capital Water Co., Ltd.* (西安創業水務有限公司)

## 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	Liu Yujun

### 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	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

### III. CHANGES OF BASIC CORPORATE INFORMATION

Registered address of the Company	12/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Postal Code of the registered address of the Company	300381
Office address of the Company	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Postal code of the office address of the Company	300381
Website of the Company	<a href="http://www.tjcep.com">http://www.tjcep.com</a>
Email address	tjcep@tjcep.com

## II. Company Profile and Major Financial Indicators

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

Name of the newspaper designated by the Company 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 of the Company is available for inspection	Corporate Governance Center, 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 (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	212,928.9	190,395.40	11.84
Net profit attributable to the shareholders of the Company	39,636.3	30,448.90	30.17
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	36,190.3	26,435.20	36.90
Net cash flow from operating activities	32,240.5	68,947.50	-53.24
	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	731,139.9	712,019.8	2.69
Total assets	2,145,459.8	2,106,529.2	1.85

## II. Company Profile and Major Financial Indicators

### (2) Major financial indicators

Major financial indicators	During the reporting period (January – 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	0.21	30.52
Diluted earnings per share (RMB/share)	0.28	0.21	30.52
Basic earnings per share after deduction of extraordinary profit and loss (RMB/share)	0.25	0.19	31.58
Weighted average return on net assets ratio (%)	5.49	4.57	Increased by 0.92 percentage points
Weighted average return on net assets ratio after deduction of extraordinary profit and loss (%)	5.02	3.97	Increased by 1.05 percentage points

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

Not Applicable

## VIII. EXTRAORDINARY PROFIT AND LOSS ITEMS

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Items	Amount
Governmental subsidies counted into the current profit and loss, except for the one closely related with the normal operation of the company and gained constantly at a fixed amount or quantity according to certain standard based on state policies	4,157.5
Other non-operating income and expenses (excluding the above items)	-71.2
Other items falling within the definition of extraordinary profit and loss	0
Less: Effect on income tax	676.9
Effect on minority interests (after tax)	-36.6
Total	<u>3,446.0</u>

### III. Management Discussion and Analysis

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

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

During the period of the “14th Five-Year Plan”, the environment industry realized in-depth development in result-oriented systematized services. The sewage treatment business remained as the core business of the Company, at the same time extending its reach to water supply and recycled water businesses, composing the core business segment of the Company and establishing its capability in providing professional systematized services regarding water utilities continuously; the Company also developed strategic new businesses such as new energy heating and cooling supply, solid waste disposal, distributed photovoltaic power generation, environmental protection technology, etc., to create a comprehensive environmental service business layout for the Company by integrating the core business with different dimensions like business operations and resources etc., which in turn greatly supported the profitability of the Company, and resulting in its overall professional and systematized environmental service capability.

##### 1. Core businesses

As of the end of the reporting period, the total capacity of the equity-type sewage, water supply and recycled water utilities business of the Company amounted to approximately 5.6046 million m<sup>3</sup> 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 were approximately 4.8696 million m<sup>3</sup> per day, 315,000 m<sup>3</sup> per day and 420,000 m<sup>3</sup> 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 252,000 m<sup>3</sup> per day.

The operation model of sewage treatment and water supply mainly based on BOT, TOT and PPP models. The business model of recycled water is generating sales revenue from the production and sale of recycled water, as well as generating income from provision of recycled water pipeline connection services. There is no significant changes as compared with the beginning of the reporting period.

#### 2. *Strategic new businesses*

- (1) The gross service areas of new energy cooling and heating supply business amounted to 3.11 million m<sup>2</sup>, which was based mainly on BOT model and 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 314,600 m<sup>3</sup> with the comprehensive waste utilization capacity of 73,000 tons/year, which adopted the marketized pricing method for the provision of hazardous wastes disposal services to customers and 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 adopted the marketised pricing method for the provision of power supply services to sewage treatment plants and was mainly distributed in Tianjin and Dalian;
- (4) The total capacity of sludge treatment was 2,970 tons/day, which was mainly distributed in Tianjin, Gansu and Zhejiang. The Jiuquan project of Gansu was based BOT model, while the others are based on the entrusted operation model;
- (5) The application of the transformation of scientific and technological achievements to business operations is the main focus of the environmental protection technology business, which specifically, being the promotion of patented technology, consultation services, etc. to the market. The Company has entered into 4 new project contracts amounted to RMB9.4874 million for the first half of the year.

#### (II) **The Situation of the Company's Industry**

For the first half of 2022, the PRC government has issued various documents, which provided important guidance to the development of water utilities and environmental protection industry, in which the Company belongs to.

The NDRC and the Ministry of Water Resources have jointly issued the National Water Safety Assurance Plan under the 14th Five-Year Plan, which clearly indicates the enhancement in capabilities regarding prevention of flood and drought, conservative and intensive and safe utilisation of water resources, optimized allocation of water resources, as well as governance and protection of ecosystems in rivers and lakes by 2025, so as to improve the capability in securing water safety in the PRC.

### III. Management Discussion and Analysis

The NDRC has issued the Comprehensive Management Planning for the Water Environment of Key River Basins under the 14th Five-Year Plan, stating that a relatively completed city-wise water pollution prevention system will be established essentially by 2025, striving for the centralized collection rate of 70% or above for domestic sewage in cities and the essential elimination of black and odorous water in cities. As for the major rivers and lakes, the standardized rate of water quality in functional areas will increase continuously, the water and environment quality of major river basins will improve continuously and the essential elimination of heavily polluted water and Grade V water which would effectively support the implementation of key strategies such as the Coordinated Development of the Beijing-Tianjin-Hebei Region, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, integrated development of the Yangtze River Delta, the ecological protection and quality development in Yellow River basin and high quality development. With the continuous improvement in safety assurance of centralized drinking water resources and reduction in water pollution emission, no less than 93% of the centralized drinking water resources would reach Grade III or higher grades.

The five ministries including the Ministry of Ecology and Environment have jointly issued the Action Plan for the Battle of Agricultural and Rural Areas Pollution Control (2021-2025), which clearly states that the environmental renovation level of rural areas would be improved significantly, the pollution in agricultural aspects would be preliminarily under control, and the ecological environment in rural areas would continuously be improved by 2025. 80,000 new cases of administrative environmental renovation of rural areas will be completed, and the control rate of domestic sewage of these areas will reach 40%, black and odorous water of relatively larger volume will be essentially eliminated; the usage of fertilizers and pesticides will be continuously reduced, the utilization rates of major crops fertilizers and pesticides both reaching 43%, the recycle rate of agricultural films reaching 85%; and the integrated utilization rate of livestock and poultry manure exceeding 80%.

The above-mentioned industrial policies indicate that securing water safety, sewage disposal in villages and towns, as well as integrated governance of water and environment in basins would give rise to more market opportunities in the future. While the government is expected to establish a more refined business model, the water utilities and environmental protection corporations are required to improve their capabilities in providing integrated environmental services.

#### 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, adoptable 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 operations, the Company has obtained approval for non-public issuance of A shares, actively promoted water service projects, and responded to the national "dual-carbon" strategy to promote the development of new energy business.

In respect of technology R&D, the Company continued to increase investment in science and technology, attach great importance to digital development, initiate the preparation of digital solutions, focus on exploring the big data operation and management platform, and promote the establishment of a smart water services management system.

In respect of management, control and team building, in line with the strategic development direction, the Company re-integrated resources and strive to build a regional management and business development team.

In respect of brand building, the Company has been awarded the "Top Ten Influential Enterprises in China's Water Industry" for 17 consecutive years since 2005, building up a good corporate image and brand reputation.

### III. Management Discussion and Analysis

#### III. OPERATION DISCUSSION AND ANALYSIS

For the first half of 2022, adhering to the principle of pursuing progress while ensuring stability, the Company focused on strengthening and optimizing its principal business, and realizing quality development as its core beliefs. It strived to strengthen project operation and management to achieve cost reduction and efficiency enhancement, actively commence technological research and development to facilitate technological system upgrade, as well as handle its assets flexibly while expand financing channels, so as to steadily promoting various project operation and management of the Company.

- (1) Strengthening project operation and management to achieve cost reduction and efficiency enhancement. By integrating the specific situation of revenue model and technical operations technology of sewage, water recycling, water supply, hazardous waste, new energy and sludge businesses, the Company strengthened the innovation of operation and management and enhanced management efficiency with measures and methods including “One Plant, One Policy” cost standardization, project on-site “7S” model, overall surveillance of planning budget, and the in-depth consolidation of information technology and production operation. The Company also focused on the key factors of business costs, with measures targeting aspects such as electricity bills, chemical expenses, etc. The Company has adopted cost reduction methods, including the application of PAC manufactured by the resource recycling of hazardous wastes to our sewage plant, and realization of year-on-year decrease by 10% on chemical procurement unit price. With methods such as equipment optimization and facilities operation control measure, the water and electricity consumption of Jingu Sewage Plant and Dongjiao Sewage Plant recorded year-on-year decrease of 8% and 13.8% respectively.
- (2) Actively commencing technological research and development to facilitate technological system upgrade. In 2022, the Company planned to invest not less than RMB38.15 million in research and development new processes and applicable technologies for sewage, sludge treatments and other related business areas. During the reporting period, the Company has organized the commencement of 1 national level subject study and 1 municipal level subject study, 7 standard preparations, 8 municipal level subject declaration works, as well as more than 50 internal technological projects. At the same time, the Company has achieved 13 authorized patents, including 1 invention patent and 12 utility model patents.

- (3) Handling assets flexibly while expanding financing channels. The Company proactively expanded financing channels for options, flexibly handled its assets and established listing platform for assets; so as to improve overall investment profits. The Company intends to issue an infrastructure REITs with part of the sewage treatment projects it holds being the underlying assets. After careful selection, the Company has identified 4 major facilitation projects, namely the Tianjin Xiqing Dasi project, the Anhui Fuyang project, the Hefei Taochong project and the Hefei Yuwan project. The said infrastructure REITs is currently under the phase of preparation for application.

In July 2022, the Company has issued RMB630 million of Green Medium-term Notes, with coupon rate of 3.94%. The CSRC has approved the non-public issuance of A shares, and the issuance work is currently in progress.

Under the guidance of the above policies, for the first half of 2022, the various businesses of the Company operated steadily and recorded operating revenue of RMB2,129.289 million, representing an increase of 11.84% as compared to that in the same period last year. The net profit attributable to the Company was RMB396.363 million, representing an increase of 30.17% as compared to that in the same period last year. The revenue is mainly contributed by businesses such as sewage treatment, water recycling, tap water supply, new energy heating and cooling supply, etc., among which, sewage treatment business recorded revenue of RMB1,548.179 million, representing an increase of 12.07% as compared to that in the same period last year; water recycling business recorded revenue of RMB180.852 million, representing an increase of 7.51% as compared to that in the same period last year; tap water supply business recorded revenue of RMB59.282 million, representing an increase of 3.68% as compared to that in the same period last year, and new energy heating and cooling supply business recorded revenue of RMB130.194 million, representing an increase of 227.29% as compared to that in the same period last year. The growth in revenue is mainly attributable to, on one hand, the increase in sewage disposal volume, causing the increase in related income, and on the other hand, the increase in income related to sewage treatment and new energy heating and cooling businesses due to the recognition of construction services income regarding PPP projects under construction, pursuant to the requirements of the “Interpretation No. 14 of the Accounting Standards for Business Enterprises”.

**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 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	212,928.9	190,395.4	11.84
Operating cost	141,562.1	126,412.4	11.98
Selling expenses	1,271.8	1,267.9	0.31
Administrative expenses	9,031.3	8,285.2	9.01
Finance costs	11,145.7	16,170.2	-31.07
Research and development expenses	655.0	370.6	76.74
Net cash flows from operating activities	32,240.5	68,947.5	-53.24
Net cash flows from investing activities	-33,511.3	-121,105.4	-72.33
Net cash flows from financing activities	-4,426.8	71,179.6	-106.22
Credit impairment loss	-833.1	-207.6	301.30
Non-operating income	13.5	31.1	-56.59
Non-operating expenses	84.7	124.4	-31.91
Income tax	9,647.6	6,980.4	38.21
Minority interests	1,494.3	3,225.8	-53.68

Reasons for the change in operating revenue: on one hand, the increase in the business volume of sewage treatment and the increase in sewage disposal service fee of some of the sewage treatment plants which the income increases accordingly; on the other hand, in accordance with the provisions of the “Interpretation of Accounting Standards for Business Enterprises No. 14”, the Company has recognized the construction service income corresponding to the PPP projects in the construction process this year.

Reasons for the change in operating cost: on one hand, the increase of business volume of sewage treatment was accompanied by an increase in costs as revenue increased; on the other hand, in accordance with the provisions of the “Interpretation of Accounting Standards for Business Enterprises No. 14”, the Company has recognized the construction service costs corresponding to the PPP projects in the construction process this year.

Reasons for the change in selling expenses: the main reason is that the cost of hazardous wastes business personnel, the consultation services fee, etc. remain basically unchanged compared with the same period last year.

Reasons for the change in administrative expenses: mainly due to the increase in staff costs.

Reasons for the change in finance costs: mainly due to the recognition of interest income in relation to the availability service fee receivables in accordance with “Interpretation 14 of the Accounting Standards for Business Enterprises”, which was not available in 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 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 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 expenses for construction as well as merger and acquisition in the current period were lower than that of 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 lower than that of the same period last year.

Reasons for the change in credit impairment loss: the main reason is due to credit impairment loss due from Tianjin Qudong Media Co., Ltd.\* (天津驅動傳媒有限公司), which is in insolvency proceedings, during the current period.

Reasons for the change in non-operating income: the main reason is that the receipt of insurance settlement claims in the same period last year, which was not available in the current period.

Reasons for the change in non-operating expenses: the main reason is due to the payment of compensation in the same period last year, which was not available in the current period.

Reasons for the change in income tax: the increase in total profit resulting in the increase in income tax.

Reason for change in minority interest: it was mainly due to the decrease in net profit of non-wholly owned subsidiaries as compared with the same period of last year, and the corresponding decrease in minority interest calculated based on their respective shareholding.

### III. Management Discussion and Analysis

#### 2. Details of material changes in the business type, profits composition or profits sources of the Company

Not Applicable

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

Not Applicable

#### (III) 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
Prepayments	8,981.3	0.42	2,083.4	0.10	331.09	Mainly due to new prepaid operating expenses for sewage plants.
Other receivables	2,037.8	0.09	2,929.3	0.14	-30.43	Mainly due to the receipt of project deposits during the period.
Employee remuneration payable	2,335.3	0.11	10,456.8	0.50	-77.67	Mainly due to the payment of year-end bonus accrued at the end of 2021
Non-current assets due within one year	127,110.0	5.92	95,713.9	4.54	32.80	Mainly due to the increase in long-term borrowings matured within a year.

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 81. Assets with restricted ownership or right of use in item VII of the consolidated financial statements in “Section IX. Financial Report” of this report.

4. *Other Explanations*

Not Applicable

#### (IV) ANALYSIS OF INVESTMENT

1. *Overall analysis of external equity investment*

During the reporting period, the total amount of expected equity investment was approximately RMB20.91 million as compared to the same period last year, representing a decrease of RMB160.3762 million, mainly because the number of new projects secured by the Company in the first half of the year was less than that in the same period last year.

(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 to RMB65.91 million from RMB45.00 million after completing the injection. During the reporting period, the filings regarding the project to appropriate department of state-owned assets have been completed and is pending for approval.

### III. Management Discussion and Analysis

2. On 8 July 2022, in order to tighten its control over relevant subsidiaries, Fuyang Company, a wholly-owned subsidiary of the Company, restructured 100 % of its equity interests in Hanshan Capital Water Co., Ltd. and Jieshou Capital Water Co., Ltd, both of which are its wholly-owned subsidiaries, and transferred to the Company by way of transfer agreement. The transfer is currently pending for the approval of appropriate department of state-owned assets.

(2) *Major non-equity investment*

Not Applicable

(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%	116,143.99	29,478.34	5,625.03
Hangzhou Company	Hangzhou, Zhejiang	The supporting services such as operational maintenance, its related technical services and technical training for facilities for sewage treatment and recycled water usage	37,744.50	Limited company	70%	79,229.19	66,979.37	2,911.83
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 environmental protection technology	47,617	Limited company	100%	97,675.67	61,994.41	2,874.09
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	19,195.052	Limited company	100%	65,356.47	36,022.37	584.23
Caring Company	Tianjin	Environmental engineering management and technical advice etc.	3,333.3333	Stock Limited Company	60%	17,762.86	13,162.22	549.31
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%	113,524.87	110,626.71	292.65
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	43,123.52	8,343.03	-454.59
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%	131,185.99	64,116.41	4,052.84

Water Recycling Company recorded a revenue of RMB173.1712 million from principal operations and an operating profit of RMB83.5481 million in the first half of 2022.

Hangzhou Company recorded a revenue of RMB136.8831 million from principal operations and an operating profit of RMB36.1543 million in the first half of 2022.

(VII) STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Not Applicable

### III. Management Discussion and Analysis

## V. 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 fees comes mainly from the special sewage-treatment fee charged by the governments through the sales of tap water while the insufficient 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 fees from the governments. 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 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 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, one needs to focus on the risk of policy changes. 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 strict 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. From summer onwards, the operation of water plants also needs to meet flood control requirements and strengthen its quality and safety management. In addition, the impact of COVID-19 pandemic on the society and the economy as a whole will also be reflected in the water and environmental protection industry, such as the pandemic may have a certain degree of impact on industrial production, which in turn affects the business of hazardous waste disposal.

2. *Risk control measures*

(1) *Protect the Company's lawful interests by making full utilization 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, 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 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.

### III. Management Discussion and Analysis

#### *(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 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
2022 First Extraordinary General Meeting	10 March 2022	11 March 2022	To consider and approve the resolution in relation to provision of guarantee for loan to Tianjin Zhongshui Co., Ltd.
2021 Annual General Meeting	17 May 2022	18 May 2022	To consider and approve “The resolution in relation to the consideration and approval of the 2021 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 2021 and the operating strategy of the Company for the year 2022”, “The resolution in relation to the consideration and approval of the final financial accounts of the Company for the year 2021 and the financial budget for the year 2022”, “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 2021”, “The resolution in relation to the consideration and approval of the working report of the supervisory committee of the Company for the year 2021”, “The resolution in relation to the consideration and approval of the working report of independent non-executive Directors of the Company for the year 2021”, “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 consideration and approval of the provision of additional Guarantees by the Company for the financing of its Subsidiaries not exceeding the total amount of RMB2.995 billion and the matters relating to the authorization to the Board of the Company”.

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

Not Applicable

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

Proposed interim profit distribution plan or plan to transfer capital reserve fund into share capital

Profit distribution or transfer of capital reserve fund into share capital	No
Number of bonus shares per 10 shares (shares)	0
Amount of dividend per 10 shares (RMB) (inclusive of tax)	0
Number of shares converted per 10 shares (shares)	0

## IV. Corporate Governance

### 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 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 of the Share Option Incentive Scheme (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 is RMB6.28 per A share. On 29 January 2021, the Company completed the registration for 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 for the Reserved Grant under the 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, 21 December 2021 and 25 January 2022, and the relevant circular published on the website of the Stock Exchange on 8 December 2020.

#### (I) 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 restraint mechanism, fully mobilize the initiative, responsibility and sense of mission of the directors, senior management, other members of the leading 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.

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

As at the end of the reporting period, there are no more than 172 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.

The distribution details of the share options of each of the Participants as of the end of the Reporting Period are set out in the following table:

Name	Number of share options granted (In 10,000 options)	Percentage to the total number of share options granted under the Share Option Incentive Scheme	Percentage to the total share capital as at the end of the reporting period
Liu Yujun (劉玉軍)	30.00	2.10%	0.0210%
Tang Fusheng (唐福生)	30.00	2.10%	0.0210%
Wang Jing (王靜)	25.00	1.75%	0.0175%
Zhao Yi (趙毅)	25.00	1.75%	0.0175%
Zhang Jian (張健)	25.00	1.75%	0.0175%
Li Yang (李楊)	25.00	1.75%	0.0175%
Li Jinhe (李金河)	25.00	1.75%	0.0175%
Peng Yilin (彭怡琳)	25.00	1.75%	0.0175%
Niu Bo (牛波)	18.00	1.26%	0.0126%
Reserved options	210.00	14.72%	0.1472%
Other participants (no more than 146 persons)	989.00	69.31%	0.6931%
Total	1,427.00	100.00%	1.0000%

The distribution details of the Reserved Share Options among each of the Participants as at the end of the reporting period are set out in the following table:

Name	Number of share options granted (In 10,000 options)	Percentage to the total number of share options granted under the Share Option Incentive Scheme	Percentage to the total share capital as at the end of the reporting period
Zhao Mingwei (趙銘偉)	25.00	1.75%	0.0175%
Jing Wanying (景婉瑩)	25.00	1.75%	0.0175%
Middle management and core backbone employees (15 persons)	84.80	5.94%	0.0594%

Note: If there is any difference between the total number and the sum of the details in the above table, it is caused by rounding off the results.

## IV. Corporate Governance

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 Participants	Name of Participant	Outstanding	Date of Grant	Validity Period	Exercise Period	Exercise Price	Outstanding	Exercised	Cancelled	Lapsed
		as of 1 January 2022					as of 30 June 2022	during the period	during the period	during the period (Note 4)
Directors	Liu Yujun	0	21 January 2021	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	300,000	0	0	0
	Wang Jing	0	21 January 2021				250,000	0	0	0
	Niu Bo	0	21 January 2021				180,000	0	0	0
Employees (in aggregate)		0	21 January 2021				11,440,000	0	0	0
			21 December 2021				1,348,000	0	0	0

Note 1: 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.

Note 2: Please refer to (6) Exercise Period and Exercise Date under the section headed “Corporate Governance – IV. The Company Share Incentive Scheme, Employee Stock Ownership Plan, or Other Employee Incentive Scheme and Their Effects” of this report.

Note 3: Please refer to (7) The Exercise Price and Determination Method under the section headed “Corporate Governance – IV. The Company Share Incentive Scheme, Employee Stock Ownership Plan, or Other Employee Incentive Scheme and Their Effects” of this report.

Note 4: The difference between number of options lapsed during the period stated herein (i.e. 0 share) and the number of options lapsed during the period stated in Note 34(a) under the section headed “Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises – 4. Notes to the Consolidated Financial Statements” (i.e. 60 thousand shares) is explained as follow:

The Company held the 38th Meeting of the 8th Session of the Board on 27 November 2020, and considered and approved the “Proposal on the 2020 Share Option Incentive Scheme (Draft) and the Summary Thereof”; and held the 43rd Meeting of the 8th Session of the Board on 21 January 2021, and considered and approved the “Proposal on Matters Relating to the First Grant of the 2020 Share Option Incentive Scheme”, determined the date of grant for the Share Options Granted for the First Time as 21 January 2021 and the number of Participants as 155.

According to the relevant provisions of the Company’s “2020 Share Option Incentive Scheme (Draft)”, the vesting period shall be the interval between the date of grant and the first exercise date (i.e. 21 January 2023), and the vesting period for the share options granted to the Participants under this Scheme is 24 months, and the exercise of options is not allowed during the vesting period. In order to meet the exercise conditions of exercising the options on the first exercise date, Participants must pass the Company’s performance appraisal. The Company intends to hold a Board meeting before the first exercise date (i.e. 21 January 2023) to conduct the performance appraisal against all Participants (including sorting out whether the Participants have left the Company, etc.) to determine whether the Participants are ultimately eligible for exercise and to uniformly declare the share options of those ineligible Participants as lapsed. As at the end of the reporting period, the Share Option Incentive Scheme has not yet entered into the exercise period and still falls within the vesting period, therefore the Company has not reviewed and sorted out the status of share options. The Company has not yet declared the share options of certain Participants as lapsed even though they have left the Company or lost their interest in the Scheme during the vesting period. The Company will only complete the aforementioned confirmation process of sorting out the conditions of Participants and performance evaluation before the first exercise date (i.e. 21 January 2023).

However, in terms of accounting treatment, in accordance with the relevant provisions of “Accounting Standards for Enterprises No. 11 – Share-based Payments”, the number of share options expected to be exercisable will be revised at each balance sheet date of the vesting period based on the latest available further information such as changes in the number of Participants who are eligible for exercise and the attainability of performance targets, and therefore the share options of those Participants who have left the Company or lost their interests will be deemed lapse on that balance sheet date (but not on the date of the Board meeting of the Company held before the first exercise date). At the same time, services acquired in the period are charged to the relevant costs or expenses and capital reserve at fair value of the share options at the date of grant.

Based on the above analysis, in terms of the Company’s actual operation, the Company will uniformly declare some of the share options as lapsed at the date of the Board meeting before the first exercise date; while as regards the accounting treatment, if Participants left the Company or lost their interests, their share options are deemed lapse immediately at each balance sheet date during the vesting period. The Company’s actual operation and accounting treatment are slightly different. Meanwhile, as confirmed by the Company’s auditors, the financial expense concerned (even after taking into account the actual number of personnel who left the Company) would be insignificant, which is negligible and with no material impact.

### (III) Number of Share Options Proposed to be Granted Under the Share Option Incentive Scheme

The number of 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 1,427,228,430 shares as at the end of the reporting period; where 12,170,000 options will be granted for the first time representing approximately 0.85% of the total issued capital (1,427,228,430 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 0.15% of the total issued capital (1,427,228,430 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 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 the reporting period and the date on which the Share Option Incentive Scheme is approved by the shareholders.

## IV. Corporate Governance

### (IV) Maximum number granted for each participant

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

### (V) 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.

### (VI) 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 Rule of the Shanghai Stock Exchange.

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.

#### (VII) The Exercise Price and Determination Method

The exercise price of the share option granted under the Share Option Incentive Scheme is 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 Reserved Share Options is RMB6.98 per Share.

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 whichever is 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.

## IV. Corporate Governance

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.

### (VIII) 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.

### (IX) 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 RMB30.1097 million 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%	Adjust the grant of share options under The Share Option Incentive Scheme based on the ex-rights, ex-dividend etc. of the 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 47 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 indexes 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)	1000	

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 12,100 tonnes, 5,804 tonnes, 346 tonnes, and 120 tonnes, respectively. In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen, and total phosphorus, were eliminated by approximately 202,000 tonnes, 27,000 tonnes, 25,000 tonnes, and 3,100 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*

Not Applicable

### 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 202,000 tonnes, 27,000 tonnes, 25,000 tonnes, 3,100 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 cooling and heating 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

In order to actively fulfill its social responsibility, the Company undertook the twinning support work for Danhent Village in Meichang Township, Wuqing District, Tianjin Municipality, which is utilized to help Danheng Village in the aspects of increasing efficiency of industry, increasing cultural ability and improving the aestheticity of landscape of the village. The Company convened the 74th Meeting of the 8th Session of the Board of Directors on 23 May 2022 and considered and passed the "Motion on Donation to the Support Project of Danheng Village, Meichang Town, Wuqing District, Tianjin Municipality", agreeing that the Company to donate RMB2.95 million in cash to the support of Danheng Village, Meichang Town, Wuqing District, Tianjin Municipality. The funding will be allocated over two years, with RMB800,000 in 2022 and RMB2.15 million in 2023. The above-mentioned supporting funds will be allocated to the special account of the town where the village to be supported is located after the approval and filing by the state asset supervision department, for the exclusive use of the dedicated funds.

## VI. Major Events

### I. PERFORMANCE OF COMMITMENT

- (1) Commitment of the Company's Ultimate Controller, Shareholders, Related Parties, Offeror, 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 RELATED 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

- (I) Litigation and arbitration that were disclosed in the announcements without subsequent progress

Not Applicable

- (II) Litigation and arbitration that were not disclosed in the temporary announcements or have subsequent progress

Not Applicable

## 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

### (1) Connected Transactions in the Ordinary Course of Business

#### 1. *Connected transactions which have been disclosed in the announcements, but without subsequent progress or changes to their implementation*

On 26 April 2022, the Company executed the Sludge Disposal Contract (《污泥處置合同》) with Tianjin Investment Group, in which the Company entrusted Tianjin Investment Group to dispose of sludge at the Jinnan Sludge Treatment Plant invested and constructed by it. On the same day, Tianjin Investment Group, Caring Company and the Company signed the Entrusted Operation Agreement of Jinnan Sludge Disposal Plant (《津南污泥處理廠委託運營協議》), pursuant to which Tianjin Investment Group entrusted Caring Company to be responsible for the operation of Jinnan Sludge Treatment Plant, and discretionary entrusted the Company to supervise and manage the operation of the project. For details of the above connected transactions, please refer to the Company's announcement on the Sludge Disposal Contract and the Entrusted Operation Agreement of Jinnan Sludge Treatment Plant published on the website of the Stock Exchange on 26 April 2022.

#### 2. *Connected transactions which have been disclosed in the announcements, with subsequent progress or changes to their implementation*

Not Applicable

#### 3. *Connected transactions which have not been disclosed in the announcements*

Not Applicable

## VI. Major Events

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

Not Applicable

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

Not Applicable

### (IV) Creditor's Rights and Debts with Related Parties

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*

<b>Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries)</b>	
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
<b>Guarantees provided to subsidiaries of the Company</b>	
Total amount of guarantees provided to subsidiaries during the reporting period	104,500.00
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	536,617.90
<b>Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)</b>	
Total amount of guarantees (A+B)	536,617.90
Percentage of the total amount of guarantees to the net assets of the Company (%)	73.39
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)	75,815.43
Total amount of guarantees exceeding 50% of net assets (E)	171,047.95
Total of the above three classes of guarantees (C+D+E)	246,863.38
Explanation on contingent joint liability for undue guarantees	Not Applicable
Explanation on guarantees	Nil

## X. DETAILS OF OTHER MAJOR EVENTS

- (I) As compared with the previous accounting period, the changes made to accounting policies, accounting estimates and auditing method, the reasons for such changes and their effect

Not applicable

- (II) The occurrence of material accounting errors during the reporting period requiring ratification and restatement, the respective amounts, the reasons and their effect

Not applicable

- (III) 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. During the reporting period, the Audit Committee comprises the independent non-executive Directors, Mr. Xu Zhiming, Mr. Guo Yongqing, and Ms. Lu Yingying. The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed about 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 2022.

## VI. Major Events

### 3. *Liquidity and Financial Resources*

No seasonal changes have occurred to the borrowing needs of the Group. As of 30 June 2022, 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 2022.

According to the accounting reports prepared in accordance with the PRC's Accounting Standards for Business Enterprises, the liquidity ratio as of 30 June 2022 was 61.25%.

### 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 2022, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of approximately RMB3 million (30 June 2021: approximately RMB3 million) in the net profit of the Group. As at 30 June 2022, a 5% appreciation or depreciation of RMB against JPY, with other factors being constant, would result in an increase or decrease of approximately RMB7 million (30 June 2021: approximately RMB8 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 2022, 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 RMB43 million (30 June 2021: approximately RMB30 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 2022, the Group had 2,227 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB254.633 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.

6. *Contingent Liabilities*

The Group did not have any significant contingent liabilities as at 30 June 2022.

7. *Rights of Debt*

As at 30 June 2022, pursuant to the Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants of the Company including Jizhuangzi entered into between the Group, Tianjin Water Authority Bureau and Tianjin City Construction Committee which started to perform from 1 January 2014, the total receivables of the Group from Tianjin Water Authority Bureau amounted to RMB3.333 billion, representing approximately 40.54% of the total market capital of the Group as at 30 June 2022.

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. *Details of Preferred Shares*

The Company had no preferred shares during the reporting period.

## VI. Major Events

### 11. *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.

### 12. *Model Code for Securities Transactions by the Directors*

The Company has adopted a code of conduct regarding the securities transactions carried out by the Directors and Supervisors on the terms exactly the same as the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules. The Company, having made specific enquiries to all the Directors and Supervisors, confirmed that all the Directors and Supervisors have complied with the code of conduct regarding the securities transactions by the Directors and Supervisors during the reporting period.

### 13. *Non-public issuance of A Shares*

The related matters of the Non-public Issuance of A Shares of the Company have been presented and approved at the 63rd meeting of the 8th Board of the Company on 22 November 2022, and at the 2021 fourth EGM and, the 2021 second H Shareholders' Class Meeting and the 2021 second A Shareholders' Class Meeting on 24 December 2021.

On 11 January 2022, the Company received the Acceptance Notice of the Application for Administrative Permission from the CSRC (《中國證監會行政許可申請受理單》)(Acceptance No.: 213602) issued by the CSRC. The CSRC has reviewed the application materials for administrative permission of the approval of the Non-public Issuance of A Shares in accordance with the relevant laws and considered that the application materials were in compliance with the statutory form, thus it decided to accept the application for administrative permission.

On 16 May 2022, the Issuance Examination Committee of the CSRC reviewed the application of the Company for the Non-public Issuance of A Shares for 2021. According to the results of the review meeting, the Company's application for the Non-public Issuance of A Shares has been approved.

On 8 June 2022, the Company has received 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) from the CSRC. The Company's non-public issuance of not more than 428,168,529 new A Shares has been approved. In the event where there are changes to the total share capital resulting from conversion of capital reserve or other circumstances, the number of Shares to be issued under the Non-public Issuance of A Shares may be adjusted accordingly.

For details on the above, please refer to the relevant announcements and overseas regulatory announcements all 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 relating to the approval of Non-public Issuance of A Shares by Tianjin SASAC dated 10 December 2021, the announcement 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 dated 24 December 2021, the announcement relating to the acceptance of the application for Non-public Issuance of A Shares by the CSRC dated 11 January 2022, the relevant overseas regulatory announcements dated 7 February 2022, 21 February 2022, 3 March 2022, 17 March 2022 and 22 April 2022, as well as the announcement 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 dated 16 May 2022.

## VII. Details of Changes in Shares and Shareholders

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in Shares

During the reporting period, there were no changes in the total number of shares and the structure of share capital of the Company.

### II. DETAILS OF SHAREHOLDERS

#### (I) Number of shareholders:

Total number of ordinary shareholders as at the end of the reporting period (persons)	62,075
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Note: As at June 30, 2022, the total number of ordinary shareholders of the Company is 62,075, among which 61 are 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		Number of restricted shares held (shares)	Pledged, marked or moratorium Status of Shares	Number	Nature of the Shareholder
		Number of shares held at the end of the period (shares)	Percentage (%)				
TMICL	0	715,565,186	50.14	0	Pledged	115,000,000	State-owned legal person
HKSCC Nominees Limited	0	337,954,810	23.68	0	Unknown	Not Applicable	Other
Central Huijin Asset Management Co., Ltd.	0	13,868,294	0.97	0	Nil	Not Applicable	State-owned legal person
Hong Kong Securities Clearing Company Limited	-254,702	12,591,262	0.88	0	Nil	Not Applicable	Other
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設 工程有限公司)	447,903	7,470,000	0.52	0	Nil	Not Applicable	Domestic non-state-owned legal person
Li Mingguo (李命國)	-1,149,464	2,665,821	0.19	0	Nil	Not Applicable	Domestic natural person
Sun Meichun (孫梅春)	1,750,000	1,750,000	0.12	0	Nil	Not Applicable	Domestic natural person
Lin Zhimao (林志茂)	1,719,700	1,719,700	0.12	0	Nil	Not Applicable	Domestic natural person
Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限 公司)	827,388	1,599,900	0.11	0	Nil	Not Applicable	State-owned legal 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	Nil	Not Applicable	State-owned legal person

## VII. Details of Changes in Shares and Shareholders

### 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)
TMICL	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,954,810	H Shares	337,954,810
Central Huijin Asset Management Co., Ltd.	13,868,294	Ordinary RMB Shares	13,868,294
Hong Kong Securities Clearing Company Limited	12,591,262	Ordinary RMB Shares	12,591,262
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	7,470,000	Ordinary RMB Shares	7,470,000
Li Mingguo (李命國)	2,665,821	Ordinary RMB Shares	2,665,821
Sun Meichun (孫梅春)	1,750,000	Ordinary RMB Shares	1,750,000
Lin Zhimao (林志茂)	1,719,700	Ordinary RMB Shares	1,719,700
Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)	1,599,900	Ordinary RMB Shares	1,599,900
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
Description of the repurchase of special accounts among the top ten shareholders		Not Applicable	
Explanation of the voting rights being entrusted by and to the above-mentioned shareholders, and waiver of the voting rights of the above-mentioned shareholders		Not Applicable	
Notes on the connected relationship or parties acting in concert among the above shareholders	It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted circulating shares and the top 10 shareholders.		
	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 140,448,000 H shares of the Company, representing 9.841% 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.		
Notes on Holders of preference shares with their voting rights restored and the number of shares held	Not Applicable		

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

Not Applicable

## III. CHANGES IN THE CONTROLLING SHAREHOLDER AND THE ACTUAL CONTROLLER OF THE COMPANY

Not Applicable

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

As at 30 June 2022, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the "SFO"):

Name of shareholder	Capacity	Number and class of securities (Note)	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)	65.82%	50.14%
Ningbo Development Investment Group Limited Company* (寧波開發投資集團有限公司)	Interest of controlled corporation	139,410,000 H Shares (L)	41.00%	12.82%
Ningbo Energy Group Co., Ltd.* (寧波能源集團股份有限公司)	Interest of controlled corporation	139,410,000 H Shares (L)	41.00%	12.82%
Ningbo Ningdian Investment Development Co., Ltd.* (寧波寧電投資發展有限公司)	Beneficial owner	85,094,000 H Shares (L)	25.02%	7.83%
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%	3.14%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%

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.

## VII. Details of Changes in Shares and Shareholders

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 2022, 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.

## V. DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

### (I) Changes in the shareholding of the directors, supervisors and senior management

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 2022, the interests and 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 (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 Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ name of associated corporations	Capacity	Number and class of securities (Note)	Approximate percentage in the issued share capital of the Company/ associated corporations
Deputy General Manager Zhang Jian	The Company	Beneficial owner	822 domestic shares (non-restricted circulating shares) (L)	0.000058%

Note: The letter "L" represents the person's long positions in the shares, underlying shares and debentures of the Company or its associated corporations.

## VII. Details of Changes in Shares and Shareholders

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2022, 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, 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 Listing Rules, to be notified to the Company and the Stock Exchange.

# VIII.Details of the Company's Bonds

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

### I Basic information on corporate bonds

*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
Public Issue of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited to Professional Investors in 2021 (Phase I)	21 Jinchuang 01* (21津創01)	188867.SH	2021-10-14	2021-10-18	2026-10-18	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

### II Trigger and execution of the issuer or investor option terms and investor protection terms

Not Applicable

### III Adjustment of credit rating results

Not Applicable

### IV 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

## V Explanation of other situations of corporate bonds

Not Applicable

## VI Key accounting information and financial indicators

Unit: 0'000 Currency: RMB

Key indicators	As at the end	As at the end	Increase or decrease	Reason for changes
	of this	of the previous year	in this reporting	
	reporting period		period as compared	
			with the end	
			of the previous	
			year	
			(%)	
Current ratio	1.56	1.51	3.31	Increase in receivables as compared with the end of last year
Quick ratio	1.55	1.50	3.33	Increase in receivables as compared with the end of last year
Gearing ratio (%)	61.25	61.53	-0.28	Basically flat
Key indicators	The reporting	Same period last year	Increase/Decrease	Reason for changes
	period		for the reporting	
	(January – June)		period as compared	
			to the same period	
			last year	
			(%)	
Net profit net of non-recurring gain or loss	36,190.3	26,435.2	36.90	Increase in operating revenue and gross profit as compared with the same period last year
EBITDA to total debt ratio	0.11	0.11	0	Basically flat
Interest coverage ratio	3.88	3.34	16.17	Increase in total revenue as compared with the same period last year
Cash interest coverage ratio	2.55	4.16	-38.70	Decrease in operating cash flow as compared with the same period last year
EBITDA interest coverage multiple	5.59	5.23	6.88	Increase in total revenue as compared with the same period last year
Loan repayment rate (%)	100	100		
Interest coverage ratio (%)	100	100		

## VII Particulars of convertible corporate bonds

Not Applicable

# IX. Financial Reports

## Prepared in accordance with the PRC Accounting Standards

### Consolidated and Company Balance Sheet

As At 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

ASSETS	Note	Unaudited	Audited	Unaudited	Audited
		30 June 2022 Consolidated	31 December 2021 Consolidated	30 June 2022 Company	31 December 2021 Company
<b>Current assets</b>					
Cash at bank and on hand	4(1)	2,077,508	2,139,487	977,232	984,835
Notes receivable	4(2)	6,570	8,123	–	–
Trade receivables	4(3)/13(1)	2,769,826	2,325,550	1,584,179	1,289,179
Advances to suppliers	4(4)	89,813	20,834	68,328	2,303
Other receivables	4(5)/13(2)	20,378	29,293	75,288	61,741
Inventories	4(6)	23,109	21,828	6,785	6,659
Current portion of non-current assets	4(7)	215,067	241,114	24,567	23,001
Other current assets	4(8)	61,954	50,896	226,354	213,037
<b>Total current assets</b>		<b>5,264,225</b>	<b>4,837,125</b>	<b>2,962,733</b>	<b>2,580,755</b>
<b>Non-current assets</b>					
Long-term receivables	4(7)	3,854,410	3,811,904	1,938,775	1,949,531
Long-term equity investments	4(9)/13(3)	195,000	195,000	5,118,466	5,036,959
Other equity instruments investment	4(10)	2,000	2,000	2,000	2,000
Fixed assets	4(11)	948,741	973,273	125,922	133,094
Construction in progress	4(12)	37,660	29,660	4,001	3,728
Right-of-use assets	4(13)	7,460	9,021	7,460	9,021
Intangible assets	4(14)	10,251,558	10,331,691	3,581,941	3,692,720
Goodwill	4(15)	405,461	405,461	–	–
Deferred income tax assets	4(31)	18,299	19,268	49,365	49,750
Other non-current assets	4(17)	469,784	450,889	19	5,020
<b>Total non-current assets</b>		<b>16,190,373</b>	<b>16,228,167</b>	<b>10,827,949</b>	<b>10,881,823</b>
<b>TOTAL ASSETS</b>		<b>21,454,598</b>	<b>21,065,292</b>	<b>13,790,682</b>	<b>13,462,578</b>

**IX. Financial Reports**  
Prepared in accordance with the PRC Accounting Standards

Consolidated and Company Balance Sheet

As At 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

		Unaudited 30 June 2022 Consolidated	Audited 31 December 2021 Consolidated	Unaudited 30 June 2022 Company	Audited 31 December 2021 Company
<b>LIABILITIES AND OWNERS' EQUITY</b>	Note				
<b>Current liabilities</b>					
Short-term borrowings	4(18)	113,332	145,852	83,332	112,819
Trade payables	4(19)	422,107	429,522	89,056	95,365
Contract liabilities	4(20)	563,305	567,682	51,090	4,950
Taxes payable	4(21)	60,149	47,291	8,334	860
Other payables	4(22)	929,088	958,718	211,876	236,710
Employee benefits payable	4(23)	23,353	104,568	14,172	50,324
Current portion of non-current liabilities	4(24)	<u>1,271,100</u>	<u>957,139</u>	<u>1,049,165</u>	<u>666,242</u>
<b>Total current liabilities</b>		<u>3,382,434</u>	<u>3,210,772</u>	<u>1,507,025</u>	<u>1,167,270</u>
<b>Non-current liabilities</b>					
Long-term borrowings	4(25)	7,253,050	7,197,167	3,769,217	3,808,872
Debentures payable	4(26)	250,000	250,000	250,000	250,000
Lease liabilities	4(27)	4,760	6,230	4,760	6,230
Long-term payables	4(28)	176,562	196,256	174,162	193,856
Provisions	4(29)	15,212	15,212	11,665	11,665
Deferred income	4(30)	1,903,468	1,933,891	1,423,232	1,457,045
Deferred tax liabilities	4(31)	124,413	119,694	83,525	84,016
Other non-current liabilities	4(32)	<u>32,000</u>	<u>32,000</u>	<u>580,000</u>	<u>580,000</u>
<b>Total non-current liabilities</b>		<u>9,759,465</u>	<u>9,750,450</u>	<u>6,296,561</u>	<u>6,391,684</u>
<b>Total liabilities</b>		<u>13,141,899</u>	<u>12,961,222</u>	<u>7,803,586</u>	<u>7,558,954</u>
<b>Shareholder's equity</b>					
Share capital	4(33)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	4(34)	441,163	437,949	391,579	388,158
Surplus reserve	4(35)	677,336	677,336	677,336	677,336
Undistributed profits	4(36)	4,765,672	4,577,685	3,490,953	3,410,902
<b>Total equity attributable to equity owners of the parent</b>		<u>7,311,399</u>	<u>7,120,198</u>	<u>5,987,096</u>	<u>5,903,624</u>
Minority interests		<u>1,001,300</u>	<u>983,872</u>	<u>–</u>	<u>–</u>
<b>Total owners' equity</b>		<u>8,312,699</u>	<u>8,104,070</u>	<u>5,987,096</u>	<u>5,903,624</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>21,454,598</u>	<u>21,065,292</u>	<u>13,790,682</u>	<u>13,462,578</u>

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

Company representative:

Liu Yujun

Person in charge of accounting function:

Jing Wanying

Person in charge of accounting department:

Liu Tao

IX. Financial Reports  
Prepared in accordance with the PRC Accounting Standards

Consolidated and Company Income Statements

For the six months ended 30 June 2022  
(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2022 Consolidated	Unaudited Six Months Ended 30 June 2021 Consolidated	Unaudited Six Months Ended 30 June 2022 Company	Unaudited Six Months Ended 30 June 2021 Company
1. Revenue	4(37)/13(4)	2,129,289	1,903,954	782,855	806,985
Less: Cost of sales	4(37)/13(4)	(1,415,621)	(1,264,124)	(445,535)	(452,013)
Taxes and surcharges	4(38)	(21,948)	(20,498)	(8,193)	(9,077)
Selling and distribution expenses	4(39)	(12,718)	(12,679)	–	–
General and administrative expenses	4(39)	(90,313)	(82,852)	(41,363)	(37,670)
Research and development expenses	4(40)	(6,550)	(3,706)	(937)	(5)
Financial expenses	4(41)	(111,457)	(161,702)	(105,735)	(99,223)
Including: interest expense		(176,345)	(173,898)	(116,827)	(109,043)
interest income		60,942	10,253	7,032	7,650
Add: Other income	4(42)	46,143	51,167	34,738	33,455
Investment gains	13(5)	–	–	105,897	242,767
Including: Share of profit of associates		–	–	–	–
Assets impairment losses		–	–	–	–
Credit impairment losses	4(43)	(8,331)	(2,076)	–	–
Gains on disposals of assets		–	–	–	–
2. Operating profit		508,494	407,484	321,727	485,219
Add: Non-operating income		135	311	–	2
Less: Non-operating expenses	4(44)	(847)	(1,244)	–	(1,112)
3. Total profit		507,782	406,551	321,727	484,109
Less: Income tax expenses	4(45)	(96,476)	(69,804)	(33,300)	(37,259)
4. Net profit		411,306	336,747	288,427	446,850
Classified by continuity of operations					
Net profit from continuing operations		411,306	336,747	288,427	446,850
Net profit from discontinued operations		–	–	–	–
Classified by ownership of the equity					
Minority interests		14,943	32,258	–	–
Attributable to equity owners of the Company		396,363	304,489	288,427	446,850
5. Other comprehensive income after deduction of impact of income tax		–	–	–	–
6. Total comprehensive income		411,306	336,747	288,427	446,850
Attributable to equity owners of the Company		396,363	304,489	288,427	446,850
Attributable to minority shareholders		14,943	32,258	–	–
Earnings per share (in RMB Yuan)					
Basic	4(46)	0.28	0.21	–	–
Diluted	4(46)	0.28	0.21	–	–

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

Company representative:

Liu Yujun

Person in charge of accounting function:

Jing Wanying

Person in charge of accounting  
department:

Liu Tao

### Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2022 Consolidated	Unaudited Six Months Ended 30 June 2021 Consolidated	Unaudited Six Months Ended 30 June 2022 Company	Unaudited Six Months Ended 30 June 2021 Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		1,556,816	1,824,682	553,389	819,812
Refund of taxes and surcharges		28,812	9,390	9,371	2,380
Cash received relating to other operating activities	4(47)(c)	128,837	102,731	138,355	675,660
<b>Sub-total of cash inflows</b>		<b>1,714,465</b>	<b>1,936,803</b>	<b>701,115</b>	<b>1,497,852</b>
Cash paid for goods and services		(851,376)	(772,513)	(394,259)	(399,305)
Cash paid to and on behalf of employees		(254,633)	(238,773)	(84,619)	(86,628)
Payments of taxes and surcharges		(147,322)	(149,061)	(52,977)	(59,266)
Cash paid relating to other operating activities	4(47)(d)	(138,729)	(86,981)	(175,133)	(610,040)
<b>Sub-total of cash outflows</b>		<b>(1,392,060)</b>	<b>(1,247,328)</b>	<b>(706,988)</b>	<b>(1,155,239)</b>
<b>Net cash flows from operating activities</b>	4(47)(a)	<b>322,405</b>	<b>689,475</b>	<b>(5,873)</b>	<b>342,613</b>
<b>2. Cash flows from investing activities</b>					
Cash received from returns on investments		-	-	103,040	216,901
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8	204	-	-
<b>Sub-total of cash inflows</b>		<b>8</b>	<b>204</b>	<b>103,040</b>	<b>216,901</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(335,121)	(535,036)	(26,440)	(68,771)
Cash paid to acquire investments		-	(676,222)	(80,000)	(915,488)
<b>Sub-total of cash outflows</b>		<b>(335,121)</b>	<b>(1,211,258)</b>	<b>(106,440)</b>	<b>(984,259)</b>
<b>Net cash flows from investing activities</b>		<b>(335,113)</b>	<b>(1,211,054)</b>	<b>(3,400)</b>	<b>(767,358)</b>

IX. Financial Reports  
Prepared in accordance with the PRC Accounting Standards

Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2022  
(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2022 Consolidated	Unaudited Six Months Ended 30 June 2021 Consolidated	Unaudited Six Months Ended 30 June 2022 Company	Unaudited Six Months Ended 30 June 2021 Company
<b>3. Cash flows from financing activities</b>					
Cash received from borrowings		897,755	3,290,906	662,680	2,737,947
Cash received from capital contributions		2,812	490	–	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		2,812	490	–	–
<b>Sub-total of cash inflows</b>		<b>900,567</b>	<b>3,291,396</b>	<b>662,680</b>	<b>2,737,947</b>
Cash repayments of borrowings		(574,435)	(2,197,693)	(364,382)	(1,852,101)
Cash payments for distribution of interest expenses		(161,870)	(183,479)	(89,070)	(105,749)
Payments for distribution of dividends or profits		(208,530)	(198,428)	(207,330)	(171,409)
Including: Dividends and profits paid to minority shareholders by subsidiaries		(1,200)	(27,019)	–	–
<b>Sub-total of cash outflows</b>		<b>(944,835)</b>	<b>(2,579,600)</b>	<b>(660,782)</b>	<b>(2,129,259)</b>
<b>Net cash flows from financing activities</b>		<b>(44,268)</b>	<b>711,796</b>	<b>1,898</b>	<b>608,688</b>
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>5. Net (decrease)/increase in cash</b>		<b>(56,976)</b>	<b>190,217</b>	<b>(7,375)</b>	<b>183,943</b>
Add: Cash at beginning of period		2,093,556	1,652,657	979,607	617,960
<b>6. Cash at end of period</b>	4(47)(b)	<b>2,036,580</b>	<b>1,842,874</b>	<b>972,232</b>	<b>801,903</b>

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

Company representative:

Liu Yujun

Person in charge of accounting function:

Jing Wanying

Person in charge of accounting  
department:

Liu Tao

### Company Statement of Changes in Owners' Equity

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Attributable to owners of the parent					Total shareholders' equity
		Share capital	Capital surplus	Surplus reserve	Undistributed profits	Minority interests	
<b>Balance at 1 January 2021 (Audited)</b>		1,427,228	431,024	619,054	4,114,045	990,292	7,581,643
<b>Movements for the period ended 30 June 2021</b>							
Total comprehensive income							
Net profit		—	—	—	304,489	32,258	336,747
Total comprehensive income for the year		—	—	—	304,489	32,258	336,747
Capital contribution by shareholders		—	—	—	—	490	490
Profit distribution							
Dividend distribution to shareholders	4(36)	—	—	—	(171,267)	(27,019)	(198,286)
<b>Balance at 30 June 2021 (Unaudited)</b>		1,427,228	431,024	619,054	4,247,267	996,021	7,720,594
<b>Balance at 1 January 2022 (Audited)</b>		1,427,228	437,949	677,336	4,577,685	983,872	8,104,070
<b>Movements for the period ended 30 June 2022</b>							
Total comprehensive income							
Net profit		—	—	—	396,363	14,943	411,306
Total comprehensive income for the year		—	—	—	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(36)	—	—	—	(208,376)	(536)	(208,912)
<b>Balance at 30 June 2022 (Unaudited)</b>		1,427,228	441,163	677,336	4,765,672	1,001,300	8,312,699

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

Company representative:

Liu Yujun

Person in charge of accounting function:

Jing Wanying

Person in charge of accounting department:

Liu Tao

**IX. Financial Reports**  
**Prepared in accordance with the PRC Accounting Standards**

**Company Statement of Changes in Owners' Equity**

For the six months ended 30 June 2022  
 (All amounts in RMB thousand unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2021 (Audited)	1,427,228	380,788	619,054	3,057,638	5,484,708
<b>Movements for the period ended 30 June 2021</b>					
Total comprehensive income					
Net profit	—	—	—	446,850	446,850
Total comprehensive income for the year	—	—	—	446,850	446,850
Profit distribution					
Dividend distribution to shareholders	—	—	—	(171,267)	(171,267)
Balance at 30 June 2021 (Unaudited)	1,427,228	380,788	619,054	3,333,221	5,760,291
Balance at 1 January 2022 (Audited)	1,427,228	388,158	677,336	3,410,902	5,903,624
<b>Movements for the period ended 30 June 2022</b>					
Total comprehensive income					
Net profit	—	—	—	288,427	288,427
Total comprehensive income for the year	—	—	—	288,427	288,427
Capital contribution by shareholders					
Amount recorded in shareholders' equity arising from share-based payment arrangements	—	3,421	—	80,051	83,472
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

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

Company representative:

Liu Yujun

Person in charge of accounting function:

Jing Wanying

Person in charge of accounting department:

Liu Tao

## Notes to the Financial Statements

For the six months ended 30 June 2022

(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 2022, the total share capital of the Company was RMB1.427 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, and the construction and management of related facilities.

#### (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
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
Chaohu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau

IX. Financial Reports  
Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements  
For the six months ended 30 June 2022  
(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
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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**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

## 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 and Note 6.

These financial statements were approved by the Company's Board of Directors on 31 August 2022.

## 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)), and the timing of revenue recognition (Note 2(21)).

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.

## Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

### 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 2022 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 2022 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.

#### (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.

## 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**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.

## 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**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.

## 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.

At each balance sheet date, the ECL of financial instruments at different stages are measured respectively. 12-month ECL is recognised for financial instruments in Stage 1 which don't have a significant increase in credit risk since initial recognition; 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 lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

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

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

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 there exists a significant financing component.

Notes to the Financial Statements

For the six months ended 30 June 2022

(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** (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.

## 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 are met: (1) the contractual rights to receive the cash flows from the financial asset has expired, (2) 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 (3) the financial asset has been transferred 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 a financial asset is derecognised, the difference between the carrying amount and the consideration received as well as the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those measured at fair value through other comprehensive income, the difference aforementioned is recognised in retained earnings instead.

#### (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.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

## Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

### 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, finished goods and low-cost consumables are determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

##### (c) *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 at the excess amount of the carrying amounts 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 to completion and estimated costs necessary to make the sale and related taxes.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (10) Inventories (Continued)

- (d) The Group adopts the perpetual inventory system.
- (e) Spare parts and low-cost consumables are expensed when used.

### (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. Associates are the investees over which the Group has significant influence on their financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted to 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.

#### (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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)

(11) **Long-term equity investments** (Continued)

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

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.

## 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 are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date.

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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)

(12) **Fixed assets** (Continued)

(b) *Depreciation methods of fixed assets* (Continued)

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:

	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. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. 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)).

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (13) Construction in progress (Continued)

When the asset expenditure and borrowing expenses have already been incurred and the acquisition and construction activities necessary to bring the assets to the intended usable state have begun, borrowing costs incurred by the Group that are directly attributable to assets that require a considerable period of purchase and construction activity to reach the intended usable state begin to be capitalised and included in the cost of the asset. Capitalisation ceases when the acquired asset reaches its intended usable state, and subsequent borrowing costs are included in the profit or loss of the current period. If there is an abnormal interruption in the acquisition and construction activities of the assets, and the interruption lasts for more than 3 consecutive months, the capitalisation of borrowing costs is suspended until the acquisition and construction activities of the assets resume.

### (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.

## Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

### 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 agreement* 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 of Accounting Standard for Business Enterprises 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 agreement*, 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 state of use of the franchise project assets. During the period of the concession, 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 assets of concession project reach their intended usable state, the Group recognises the consideration amount of the assets of the relevant concession project or the recognised amount of the constructed revenue, which exceeds the amount entitled to receive cash of a determinable amount, as intangible assets. Amortization should be between 20 and 30 years on a straight-line basis during the franchise period.

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. If the acquisition costs of the land use rights and the buildings and structures 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 less accumulated amortization. Amortization 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, with adjustment made 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**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 expenditures for the research phase, which is included in the current profit and loss when 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)).

## 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, investment properties, 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 book value. For the assets to be swapped in, the enterprise shall use the book value of the assets to be swapped out and the relevant taxes and fees payable as the initial measurement amount of the assets to be swapped in; 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 book value, and multiple assets are exchanged in or out at the same time, for multiple assets that are exchanged 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 book value (involving the premium, plus the book value of the premium paid or the fair value of the premium received) is apportioned to the assets transferred, plus the relevant taxes and fees payable, as the initial measurement amount of the asset swapped in. If the fair value of the assets to be exchanged cannot be measured reliably, the book value of the assets to be exchanged may be apportioned according to the relative proportion of the original book value of the assets to be exchanged 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, investment properties measured using the cost model 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 which are not available for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**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 test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the 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**

*(a) Short-term 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.

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 costs and employee education costs, short-term paid absences. The short-term employee benefit liabilities are recognised 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 year or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

## 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; and 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 basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

#### Basic pensions

The Group's employees 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 the profit or loss for the current year 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.

## Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

### 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 other 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) *Processing of sewage water and heating and cooling supply services*

Revenues from processing of sewage water and heating and cooling supply services are recognised when services are rendered. Revenues from processing of sewage water and heating and cooling supply services are 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) *Construction of the concession right's assets*

Revenue from the construction services under the Services Concession Right Agreement 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (21) Revenue recognition (Continued)

#### (c) *Sales of tap water and recycled water*

Revenues from sales of tap water and recycled water are recognised when services are rendered. Sales of tap water and recycled water are 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 income is confirmed according to the amount of bill.

#### (d) *Sales of pipeline connection for recycled water*

The Group provides the pipeline connection for recycled water services and recognises the revenue within a period of time according to the proportion of completed achievements to the total results agreed in the contract. On the balance sheet date, the Group re-estimates the proportion of completed achievements to enable it to reflect changes in performance.

When the Group recognises its revenue in accordance with the progress of completing projects, the part of the Group's obtained unconditional collection right is confirmed as receivables, the rest is confirmed as contract assets, and the impairment loss provision is confirmed on the basis of ECL for receivables and contract assets (Note 2(9)). If the amount received or receivable by the Group exceeds the amount of completed works, the excess shall be recognised as contract liabilities and the Group shall list the assets and liabilities under the same contract on a net basis.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**

**(21) Revenue recognition (Continued)**

*(d) Sales of pipeline connection for recycled water (Continued)*

Contract costs include the performance cost and acquisition cost. The cost of providing pipeline connection identified as the contract implementation costs and the cost is recognised as operating cost according to the completing schedule included in the carrying forward cost of labour when recognise income. The incremental cost incurred by the Group to obtain the contract for the connection of water pipes is recognised as the contract acquisition cost. For the cost obtained in the contract with the amortization period of less than one year, the cost obtained by the contract shall be recorded into the current profit and loss when it occurs; for the cost obtained in the contract with the amortization period of more than one year, the Group shall, in accordance with the relevant contract, recognise the same basic amortization as the income of the project connected to the recycled water pipeline into profit and loss. If the Book Value of the contract cost is higher than the residual consideration expected to be obtained by providing the project minus the estimated cost to be incurred, the Group shall prepare the impairment provision for the excess part and recognise it as the impairment loss of assets. On the balance sheet date, the Group shall list the inventory and other non-current assets respectively according to whether the amortization period of the contract performance cost exceeds one year when it is initially recognised, so as to reduce the net amount after the relevant asset impairment provision. For the contract acquisition cost whose amortization period is longer than one year when the initial recognition is made, the net amount after the relevant asset impairment provision is deducted and listed as other non-current assets.

*(e) Sales of environmental protection 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 up to the end of the reporting period as a percentage of total estimated costs of each contract. Variations in contract work, 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 is mainly the achievement of technology research.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (21) Revenue recognition (Continued)

#### (f) *Hazardous waste processing income*

The Group provides hazardous and general solid waste treatment, and the disposal cycle of landfill treatment waste is 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) *Contract operation income*

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 revenue 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)

**(22) Government grants** (Continued)

The Group recognises government grants related to assets as deferred income and amortizes in profit or loss in a reasonable and systematic manner over the useful lives of related 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, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current year.

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 loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

**(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 apply 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (23) Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures 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.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same taxpayer 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 lease is a contract whereby the lessor assigns the right to use the asset to the lessee for consideration within a certain period of time.

#### *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 etc. Variable lease payments 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 included in the current portion of non-current liabilities.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)

(24) Leases (Continued)

*The Group as the lessee* (Continued)

Right-of-use assets of the Group comprise leased buildings, machinery and equipment, motor vehicles, etc. 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; otherwise, the asset is 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.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, 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 that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. 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 rent concessions as a direct result of COVID-19 and for the period ended 30 June 2022 only, 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (24) Leases (Continued)

#### *The Group Acts as a lessor*

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, machinery and equipment, and motor vehicles 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 in rental income as 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**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 transactions, in which the Group receives services from employees as consideration for equity instruments of the Company. The services received is measured as the fair value of the equity instruments on the grant date. If employees are granted share options conditional upon the achievement of the performance conditions and complete a specified period of services, the Group recognizes an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates on each balance sheet date. According to the fair value of the equity instruments on the grant date, the services received in the current period are recognized in the relevant costs or expenses, and the corresponding increase in equity during the vesting period. On the exercise date, the amount determined to be recognised as the share capital is calculated based on the number of equity instruments that 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (26) Segment information

The Group identifies operating segments based on the 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.

An operating segment is a component of the Group that satisfies all the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are 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 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 cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
- (2) the entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)

(27) **Critical accounting estimates and judgements** (Continued)

(a) *Critical judgments in applying the accounting policies* (Continued)

(i) Recognition of non-monetary assets exchange that lack of commercial substance (Continued)

The entire relocation and non-monetary assets exchange arrangement of the Company's Xianyang Road Sewage Plant and Dongjiao Water Plant are conducted based on the instructions of the Tianjin Government and the Group has not been exposed to or benefit from any significant changes in risks and rewards as a result of that arrangement. In view of this, the directors of the Company are of the view that the non-monetary assets exchange arrangement has no commercial substance.

(b) *Critical accounting estimates and key assumptions*

The critical accounting estimates and key assumptions that 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) The measurement of ECL

The Group recognises the loss provision based on expected credit losses ("ECL") and default exposure. ECL is determined by probability of default and loss rate of default. In determining the ECL, the Group uses internal historical credit loss experience, and adjusts the historical data in combination with the current situation and forward-looking information.

When considering forward-looking information, the Group takes different economic scenarios into consideration. In 2021, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 20% and 20% respectively (2020: 50%, 25% and 25% respectively). The Group regularly monitors, and reviews assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, Gross Domestic Product ("GDP"), external market environment and changes in customer conditions. And the Group monitors and reviews assumptions relating to the calculation of the ECL.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

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

(i) The measurement of ECL (Continued)

In 2021 and 2020, the Group has taken into account the uncertainties caused by the COVID-19 pandemic and updated the relevant assumptions and parameters accordingly. The key macroeconomic parameters used in each scenario are listed below:

	The economic situation		
	Benchmark	Adverse	Favourable
2021			
Estimated GDP in China	5.3%	4.5%	6.2%
2020			
Estimated GDP in China	5.3%	4.5%	7.0%

(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 judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final identified outcome of these tax matters is different from the initially recorded amount, such difference will impact the income tax expenses and deferred income tax in the period in which such determination is finally made.

Notes to the Financial Statements

For the six months ended 30 June 2022

(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 mentioned in Note 3(2), some subsidiaries of the Group are high-tech enterprises. The qualification of high-tech enterprises are 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 each subsidiaries in the past, the Group believes 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 income tax assets, deferred income tax liabilities will be affected.

The Group recognises the corresponding deferred income tax asset to the extent that it is likely to obtain the taxable income amount to offset the deductible loss in the future period. The taxable income obtained in future periods shall include the taxable income that can be realised by the Group through normal production and business activities, and the taxable income that will be increased when the taxable temporary differences arising from previous periods are reversed in future periods. The Group needs to use estimation and judgment when determining the time and amount of taxable income to be generated in the future period. Any discrepancy between the actual situation and the estimate may result in an adjustment to the carrying value of the deferred income tax assets.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (27) Critical accounting estimates and judgements (Continued)

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

##### (iii) Impairment of long-term assets

The Group determines at each balance sheet date whether there is any indication that assets may be impaired. When the current market price of assets decreases significantly compared with the expected significant decline due to the passage of time or normal use and the economic, technological, or legal environment in which the Group operates has undergone major adverse changes recently; market interest rates or other market investment returns increase which affects the discount rate of the present value of future cash flows and the assets are obsolete or has been damaged or has 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 book value 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.

##### (iv) Accounting estimation of goodwill impairment provision

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups or groups of asset groups is the higher of fair value less costs to sell and the present value of the future cash flows expected to be derived from them. These calculations require 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 will need to recognise further impairment against goodwill.

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(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)

(iv) Accounting estimation of goodwill impairment provision (Continued)

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 will need to recognise further impairment against goodwill.

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

(28) **Significant changes in accounting policies**

(a) *Other changes in accounting policies*

In 2021, the Ministry of Finance promulgated the Notice on Adjusting the Application Scope of the Provisions on the Accounting Treatment Regarding COVID-19-Related Rent Concessions (Cai Kuai [2021] No. 9), Q&A on Implementation of Accounting Standards for Business Enterprises in 2021. The financial statements for the six months ended 30 June 2022 have been prepared in accordance with the above standards, circulars and Q&A; and there's no material impact on presentation of the financial statements of the Group and the Company.

### 3 TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	0%-25%
Value added tax ("VAT") (Note(a) Note(b))	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current year)	3%-13%
City maintenance and construction tax	The payment amount of VAT	5%-7%
Educational surcharge	The 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 2022	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 April 13, 2019 (Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), and Announcement on Extending the Implementation Period of Some Preferential Tax Policies (Announcement No.4, 2022, issued by the Ministry of finance, the Taxation Administration), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 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 April 13, 2019 (Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), and Announcement on Extending the Implementation Period of Some Preferential Tax Policies (Announcement No.4, 2022, issued by the Ministry of finance, the Taxation Administration), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(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 2022	Reason for the preferential tax policy
Gui Zhou Capital Water Co., Ltd.	15 %	From 2011 to 2020, in accordance with the Guizhou Provincial State Administration of Taxation on implementing the preferential tax policies for the western development (QGSB [2011] No. 19), the enterprise income tax of the encouraged industrial enterprises set up in the western region is levied at a reduced rate of 15%. On April 23, 2020, the Ministry of finance, the State Administration of Taxation and the national development and Reform Commission issued the Announcement on extending the enterprise income tax policy of the western development (Announcement No. 23, 2020), which stipulates that the implementation period of the policy is extended to December 31, 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 %	From 2011 to 2020, in accordance with the Shaanxi Provincial State Administration of Taxation on implementing the preferential tax policies for the western development (Announcement No. 3, 2010), the enterprise income tax of the encouraged industrial enterprises set up in the western region is levied at a reduced rate of 15%. On April 23, 2020, the Ministry of finance, the State Administration of Taxation and the national development and Reform Commission issued the Announcement on extending the enterprise income tax policy of the western development (Announcement No. 23, 2020), which stipulates that the implementation period of the policy is extended to December 31, 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 April 13, 2019 (Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), and Announcement on Extending the Implementation Period of Some Preferential Tax Policies (Announcement No.4, 2022, issued by the Ministry of finance, the Taxation Administration), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2023.

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 2022	Reason for the preferential tax policy
Tianjin Caring Technology Development Co., Ltd.	15 %	In 2020, Caring Company has obtained the High-tech Enterprise Certificate (Certificate No. GR201812000566) issued by Tianjin Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Taxation Bureau of the State Administration of Taxation. The certificate is valid for 3 years. According to relevant provisions of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the enterprise income tax rate applicable for the six months ended 30 June 2022 is 15% (2021:15%).
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.	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 2017 for the first 3 years and reduction half for the next 3 years.
Linxia 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 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.

Notes to the Financial Statements

For the six months ended 30 June 2022

(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 2022	Reason for the preferential tax policy
Shandong Capital Environmental Protection Technology Consultant Co., Ltd.	0%	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.
Shandong tanchuang Environmental Protection Technology Development Co., Ltd	0%	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.	7.5%	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.	15%	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.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on April 13, 2019 (Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), and Announcement on Extending the Implementation Period of Some Preferential Tax Policies (Announcement No.4, 2022, issued by the Ministry of finance, the Taxation Administration), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2023.
	12.5%	Xianning Yong'an sewage treatment plant business 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.

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 2022	Reason for the preferential tax policy
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.
Gaoyou Compro Environmental Resources 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 2017 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.
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.
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 April 13, 2019 (Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), and Announcement on Extending the Implementation Period of Some Preferential Tax Policies (Announcement No.4, 2022, issued by the Ministry of finance, the Taxation Administration), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2023.

Notes to the Financial Statements

For the six months ended 30 June 2022

(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 2022	Reason for the preferential tax policy
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.	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 2020 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.

(3) **Tax policies on VAT**

Pursuant the ‘2019 Circular on Deeply Reform of Adjustment of Tax Rate of VAT (The General Administration of Customs of the State Administration of Taxation [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, where the original tax rate was applied as 16%, the tax rate was adjusted to 13%; where the original tax rate was applied as 10%, the tax rate was adjusted to 9%. The applicable tax rate of the Group’s VAT taxable income is adjusted accordingly.

According to the announcement of the State Administration of taxation on clarifying the collection and management of VAT on second hand car distribution and other issues, if the goods are not 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] 36), and the treatment fee charged by the trustee is subject to the VAT rate of 6%.

### 3 TAXATION (Continued)

#### (3) Tax policies on VAT (Continued)

According to the announcement of the Simplified VAT Collection Rate Policy (Cai Shui [2014] No. 57) and relevant provisions issued by the Ministry of Finance and the State Administration of Taxation, the original announcement of the Application of the Low VAT Rate and the Simplified Method for The Imposition of VAT on Partial Goods (Cai Shui (2009) No. 9) article 2(3) and Article 3 “in accordance with the 6% VAT rate” were adjusted to “in accordance with the 3% VAT rate”, and the applicable vat tax rate of the Group was adjusted accordingly.

#### (4) Preferential tax policies on VAT

According to Cai Shui [2015] No. 78 “Catalogue of Preferential VAT on Products and Services for Comprehensive Utilisation of Resources” of the Ministry of Finance and the State Administration of Taxation, VAT is applicable to the Group’s sewage treatment and recycled water activities. 70% of the VAT paid by the sewage treatment and 50% of the VAT paid by the recycled water should be levied and refunded immediately.

On 15 April 2019, the Ministry of Finance and the State Administration of Taxation 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 value-added tax. On 15 March 2021, the Ministry of Finance and the State Administration of Taxation 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 of the Ministry of Finance and the State Administration of Taxation on improving the value-added tax policy for comprehensive utilization of resources (Announcement No. 40 of the Ministry of Finance and the State Administration of Taxation in 2021), “taxpayers who are engaged in the projects of 2.15” sewage treatment plant effluent, industrial drainage (mine water), domestic sewage, garbage treatment plant infiltration (filtration) liquid, etc. “, 5.1” garbage treatment, sludge treatment and disposal services “and 5.2” sewage treatment services “can apply for The VAT refund upon collection policy specified in the catalogue III listed in the announcement, or the VAT exemption policy. Once selected, it shall not be changed within 36 months”. Some subsidiaries of the group have been exempt from VAT since 2022.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	Unaudited 30 June 2022	Audited 31 December 2021
Cash on hand	31	13
Cash at bank	2,036,549	2,093,543
Other cash balances	40,928	45,931
	<u>2,077,508</u>	<u>2,139,487</u>
Including: Bank deposits overseas	<u>9,376</u>	<u>8,964</u>

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

	Unaudited 30 June 2022	Audited 31 December 2021
Cash at bank and on hand	2,077,508	2,139,487
Less: Restricted bank deposits (Note (i))	(40,928)	(45,931)
Cash listed in cash flow statement (Note 4(47))	<u>2,036,580</u>	<u>2,093,556</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 2022	Audited 31 December 2021
Bank acceptance notes	<u>6,570</u>	<u>8,123</u>

*As at 30 June 2022, the Group has no pledged notes receivable.*

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Notes receivable (Continued)

*As at 30 June 2022, notes receivable endorsed but unmatured were as follows:*

	Derecognised	Not derecognised
Bank acceptance notes	8,476	—

For the six months ended 30 June 2022, insignificant portion of the bank acceptance notes were endorsed and derecognised by subsidiaries Caring Company, Shandong Company and Gaoyou Compro.

*Provision for bad debts:*

As at 30 June 2022, 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) Trade receivables

	Unaudited 30 June 2022	Audited 31 December 2021
Trade receivables	2,956,080	2,503,473
Less: Provision for bad debts	(186,254)	(177,923)
	<u>2,769,826</u>	<u>2,325,550</u>

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

	Unaudited 30 June 2022	Audited 31 December 2021
Within 1 year	2,479,230	2,123,978
1 to 2 years	245,853	190,992
2 to 3 years	76,402	71,371
3 to 4 years	60,134	56,836
4 to 5 years	43,978	41,665
Over 5 years	50,483	18,631
	<u>2,956,080</u>	<u>2,503,473</u>

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(b) As at 30 June 2022 (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	2,048,924	(42,070)	69%

(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 2022(unaudited), provision for bad debts by individual is analyzed as below:

	Carrying amount	ECL rate	Provision	Reasons
Tianjin Water Authority Bureau	1,468,135	0.05%	(805)	1)
Qijing Sewage Company	248,296	14.26%	(35,419)	2)
Hangzhou City Facilities Development Center	125,532	0.08%	(100)	1)
Xi'an Infrastructure Investment Group	61,972	0.09%	(56)	1)
Guiyang Water Authority Bureau	43,823	0.08%	(35)	1)
Jinghai Development Area Management Committee	34,455	52.88%	(18,220)	3)
Urad Rear Banner Finance Bureau	27,675	100.00%	(27,675)	4)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	17,923	77.74%	(13,933)	5)
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)
Zhejiang Xinsanyin Dyeing Co. Ltd.	1,564	65.03%	(1,017)	7)
Tianjin Goldin International Club Co. Ltd.	1,548	100.00%	(1,548)	8)
Inner Mongolia Zijin Zinc Industry Co., Ltd	1,314	100.00%	(1,314)	9)
Tianjin City Investment Urban Resources Management Co., Ltd.	1,200	100.00%	(1,200)	10)
Tianjin Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)	11)
Total	2,075,090		(142,975)	

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2022(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, Hangzhou City Water Facilities and River Protection Management Center, from Guiyang Water Authority Bureau, and Xi'an Infrastructure Investment Group, 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 0.05% to 0.09%.
- 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 14.26%.
- 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 52.88%.
- 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%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2022(unaudited), provision for bad debts by individual is analyzed as below: (Continued)

- 5) Receivables of the Company from Tianjin City Appearance Sanitation Construction and Development Co. Ltd. (“City Appearance Sanitation”) and Tianjin Shuangkou Municipal Solid Waste Landfill (“Tianjin Shuangkou Municipal Solid Waste Landfill”) comprise technical services fees. The book balance of accounts receivable of City Appearance Sanitation this year decreased, in order to collect partial accounts receivable arrears in 2020; while the remaining accounts receivable were aged for more than one year. The payment collection period exceeded that of the general government customer. There was no transaction between the Company and Tianjin Shuangkou Municipal Solid Waste Landfill during the last year. The receivables from them are under high credit risk. Taking into those account 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 rates are 77.74% 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 Tianjin Caring Technology Development Co., Ltd. from Zhejiang Xinsanyin Dyeing Co., Ltd. comprise construction of related facility and contract operation fees, whose repayment period is longer than that of general 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 65.03%.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) *Provision for bad debts:* (Continued)

(i) As at 30 June 2022(unaudited), provision for bad debts by individual is analyzed as below: (Continued)

- 8) Receivables of the Group from Tianjin Goldin International Club Co. Ltd. comprise contract operation 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%.
- 9) 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%.
- 10) 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%.
- 11) Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd comprise contract operation fees. The ending balance in 30 June 2022 was RMB1.52 million. 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%.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

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

Group – Government clients

	Unaudited 30 June 2022			Audited 31 December 2021		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Undue	136,840	1.25%	(1,710)	285,075	1.25%	(3,569)
1-180 days overdue	143,426	3.04%	(4,360)	116,013	3.04%	(3,526)
>180 days overdue	310,811	8.06%	(25,045)	145,469	10.31%	(14,993)
	<u>591,077</u>		<u>(31,115)</u>	<u>546,557</u>		<u>(22,088)</u>

Group – other clients

	Unaudited 30 June 2022			Audited 31 December 2021		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Undue	81,221	2.60%	(2,109)	101,712	2.61%	(2,652)
1-90 days overdue	88,292	2.68%	(2,366)	65,920	2.68%	(1,768)
>90 days overdue	120,400	6.39%	(7,689)	102,720	8.22%	(8,440)
	<u>289,913</u>		<u>(12,164)</u>	<u>270,352</u>		<u>(12,860)</u>

For the six months ended 30 June 2022, the group accrued bad debt reserves of RMB8 million, recovered bad debt reserves of RMB0 million, and the corresponding account balance of bad debt reserves was RMB186 million.

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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 2022		Audited 31 December 2021	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	82,155	83%	10,360	49%
1 to 2 years	6,948	16%	9,718	47%
Over 2 years	710	1%	756	4%
	<u>89,813</u>	<u>100%</u>	<u>20,834</u>	<u>100%</u>

As at 30 June 2022, advances to suppliers of RMB15 million (31 December 2021: RMB10.5 million) with aging over one year were mainly for construction funds for supporting projects.

(b) As at 31 June 2022 (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>70,632</u>	<u>79%</u>

(5) Other receivables

	Unaudited 30 June 2022	Audited 31 December 2021
Project deposits	6,896	8,173
VAT refund	5,046	5,758
Others	<u>9,366</u>	<u>16,292</u>
	21,308	30,223
Less: Provision for bad debts	<u>(930)</u>	<u>(930)</u>
	<u>20,378</u>	<u>29,293</u>

Notes to the Financial Statements

For the six months ended 30 June 2022

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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 2022	Audited 31 December 2021
Within 1 year	8,059	19,716
1 to 2 years	2,670	3,166
2 to 3 years	5,428	3,435
Over 3 years	5,151	3,906
	<u>21,308</u>	<u>30,223</u>
Total	<u>21,308</u>	<u>30,223</u>

(b) As at 30 June 2022 and 31 December 2021, other receivables at Stage 2 is analysed as follows:

Stage 2	Carrying amount	ECL rates	Provision for bad debts	Reason
Tianjin Installation Engineering Co., Ltd.	<u>3,128</u>	26.04%	<u>(814)</u>	(i)

- (i) As at 30 June 2022 and 31 December 2021, the amount of other receivables from Tianjin Installation Engineering Co., Ltd., which are pre-deposit for workers in the civil construction and outdoor network contract of the No. 2 energy station in Houtai Scenic Area, were RMB3.13 million. The amount was overdue, and the ageing is more than one year, the ECL has a significant increment in credit risk since initial recognition. The Group evaluated the cash flow forecast that might be collected under different varying scenarios, recognising the difference of RMB0.8 million between the present value of the cash flow that might be collected and the cash flow receivable from contract as provision for bad debts.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(c) As at 30 June 2022 and 31 December 2021, other receivables provisioned bad debts by group were all belong to stage 1. The analysis is as below:

	Unaudited 30 June 2022			Audited 31 December 2021		
	Carrying amount Amount	Provision Amount	%	Carrying amount Amount	Provision Amount	%
Project deposit Group:						
Within 1 year	2,637	(32)	1.22%	4,228	(43)	1.03%
1-2 years	1,569	(19)	1.22%	1,610	(17)	1.03%
2 to 3 years	84	(1)	1.22%	60	(1)	1.03%
Over 3 years	<u>2,606</u>	<u>(32)</u>	1.22%	<u>2,275</u>	<u>(23)</u>	1.03%
subtotal	<u>6,896</u>	<u>(84)</u>		<u>8,173</u>	<u>(84)</u>	
Other Group:						
Within 1 year	376	(1)	0.34%	9,730	(24)	0.24%
1-2 years	1,101	(4)	0.34%	384	(1)	0.24%
2 to 3 years	5,344	(18)	0.34%	1,420	(3)	0.24%
Over 3 years	<u>2,545</u>	<u>(9)</u>	0.34%	<u>1,630</u>	<u>(4)</u>	0.24%
subtotal	<u>9,366</u>	<u>(32)</u>		<u>13,164</u>	<u>(32)</u>	
total	<u>16,262</u>	<u>(116)</u>		<u>21,337</u>	<u>(116)</u>	

(d) For the six months ended 30 June 2022, the changes of other receivables' provision of the Group is not significant.

Notes to the Financial Statements

For the six months ended 30 June 2022

(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 2022 (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
Tianjin Installation Engineering Co., Ltd.	Deposits of migrant workers' wages	3,128	2 to 3 years	14.68%	(814)
Tianjin State Taxation Bureau	VAT receivable	2,054	Within 1 year	9.64%	–
Jieshou Municipal Finance Bureau	Project deposits	1,000	Over 3 years	4.69%	(12)
	government investment project performance bond special account				
Chibi Construction Bureau	Advance sludge disposal fee	829	Within 1 year	3.89%	(3)
Chibi Construction Bureau	Advance sludge disposal fee	285	1 to 2 years	1.34%	(1)
Ningxiang Economic and Technological Development Zone Management Committee	Wage deposit for migrant workers	800	Over 3 years	3.75%	(10)
		8,096		37.99%	(840)

(f) As at 30 June 2022 (unaudited), the Group's analysis of government grants confirmed by the amount receivables is as follows:

	Government grants program	Amount	Aging
Tianjin Water Recycling Co., Ltd.	VAT refund	2,054	Within 1 year
Wuhan Tianchuang Capital Water Co., Ltd.	VAT refund	1,075	Within 1 year
Deqing Capital Environmental Protection Water Co., Ltd.	VAT refund	848	Within 1 year
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	VAT refund	740	Within 1 year
Baoying Capital Water Co., Ltd.	VAT refund	240	Within 1 year
Wendeng Capital Water Co., Ltd.	VAT refund	83	Within 1 year
Fuyang Capital Water Co., Ltd.	VAT refund	6	Within 1 year
		5,046	

Based on the previous year's collection situation, the VAT refund is expected to be fully collected by June 2023.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories

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

	Unaudited 30 June 2022			Audited 31 December 2021		
	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	17,833	—	17,833	14,036	—	14,036
Finished goods	4,729	—	4,729	3,320	—	3,320
Spare parts and low cost consumables	547	—	547	4,472	—	4,472
	<u>23,109</u>	<u>—</u>	<u>23,109</u>	<u>21,828</u>	<u>—</u>	<u>21,828</u>

(7) Long-term receivables and non-current assets due within one year

	Unaudited 30 June 2022	Audited 31 December 2021
Receivables from concession rights (a)	2,013,728	2,037,524
Receivables from Tianjin Water Authority Bureau (b)	1,757,504	1,757,504
Toll road concession (c)	256,807	216,552
Receivables from Bayannur Finance Bureau (d)	81,673	81,673
Less: Bad debt provision	<u>(40,235)</u>	<u>(40,235)</u>
	4,069,477	4,053,018
Less: Listed in non-current assets due within one year	<u>(215,067)</u>	<u>(241,114)</u>
	<u>3,854,410</u>	<u>3,811,904</u>

(a) According to the concession service right agreements, the Group has the right to collect a determinable amount of cash from the recipients of the services for the concession service periods. Receiving such consideration is recognised as a long-term receivable upon completion of the construction of the assets of the concession project in accordance with Interpretation No. 14. The long-term receivables are received for a period of 10 to 30 years and the amortised cost is determined based on the effective interest rate. Since the customers are basically government customers other than the government customers of provincial capitals and municipalities directly under the central government, the expected credit loss rate for the aforesaid long-term receivables is 1.85. The balance of loss provision is RMB37.2 million.

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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (7) Long-term receivables and non-current assets due within one year (Continued)

- (b) Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of receivables of which collection is expected to be exceeding 12 months as long-term receivables. The expected credit loss rate for the aforesaid long-term receivables is 0.05%, which is consistent with expected credit loss rate as applied for the remaining accounts receivable with Tianjin Water Authority Bureau. The balance of loss provision is RMB1.2 million.
- (c) Receivables from toll road concession represent the amortised cost, using effective interest method, calculated with reference to a guaranteed minimum future traffic flow over the concession period. Tianjin Municipal Transportation Commission is a public institution under the Tianjin municipal government, which has low credit risk. According to historical experience, the Company can collect the receivables within the agreed period. Therefore, the Company estimates that the ECL rate of this receivable item is 0.12%. The balance of loss provision is RMB0.3 million.
- (d) Impacted by the COVID-19 pandemic, the actual collection of receivables from Bayannur Finance Bureau and Bayannur District Finance Bureau were significantly below expectation. Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of receivables of which collection is expected to be exceeding 12 months as long-term receivables. The expected credit loss rate for the aforesaid long-term receivables is 1.83%, which is consistent with expected credit loss rate as applied for the remaining accounts receivable with government clients except those in provincial capitals and municipalities. The balance of loss provision is RMB1.5 million.
- (e) As at 30 June 2022, The current portion of bank borrowings of RMB380 million (31 December 2021: RMB395 million) were pledged by the concession right of “Jiuquan Suzhou the first and the second Sewage Treatment Plant PPP Project” (Note 4(25)(b)). The concession right was accounted as an intangible asset in 2021 and prior years. In 2021, according to the Interpretation No. 14 of Accounting Standards for Business Enterprises, it is accounted for as long-term receivable. As at 30 June 2022, the carrying amount of long-term receivables, including non-current assets due within one year, is RMB551 million (31 December 2021: RMB584 million) (Note 4(14)(a)).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Other current assets

	Unaudited 30 June 2022	Audited 31 December 2021
Other current assets:		
Input VAT to be deducted	46,281	20,865
Anguo sewage project assets (a)	33,065	33,065
Input VAT to be verified	15,673	21,227
Income tax prepaid	—	8,804
	<u>95,019</u>	<u>83,961</u>
Less: Provision for impairment of other current assets (a)	<u>(33,065)</u>	<u>(33,065)</u>
	<u>61,954</u>	<u>50,896</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 2022	Audited 31 December 2021
Investment in an associate (a)	217,358	217,358
Less: Impairment of Long-term equity investments (b)	<u>(22,358)</u>	<u>(22,358)</u>
	<u>195,000</u>	<u>195,000</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%

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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 associate are as follows:

	Initial investment cost	31 December 2021 (Audited)	30 June 2022 (Unaudited)	Provision for impairment at the end of the period
International Machinery (i)	33,000	–	–	(22,358)
Tianjin Bihai (ii)	195,000	195,000	195,000	–
	<u>228,000</u>	<u>195,000</u>	<u>195,000</u>	<u>(22,358)</u>

- (i) Tianjin International Machinery Co., Ltd. (“International Machinery”) is a Sino-foreign joint venture registered in the Tianjin Economics Development Area. The businesses of International Machinery include research and development, production and sale of valve and actuating device, heater exchanger and the whole set, environment protection equipment, and general mechanical equipment.
- (ii) Tianjin Bihai Sponge City Co., Ltd. (“Bihai Sponge City”) is a limited liability company registered in Tianjin. The businesses of Bihai Sponge City include construction and operation 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; construction and operation of municipal engineering. The consortium formed by the company, Bishuiyuan Technology Co., Ltd. and Jiu’An Investment Group Co., Ltd. won the bid for the sponge city construction PPP project in the district of Tianjin Jiefang South Road. After winning the bid, Bihai Sponge City was registered and established on 30 July 2018. The company contributed 195 million yuan and held 30% of the shares. As at 30 June 2022, It was still under construction, and it is expected that it will be put into operation at the end of 2022.

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 2021	Additions	Disposals	Unaudited 30 June 2022
International Machinery	<u>22,358</u>	<u>–</u>	<u>–</u>	<u>22,358</u>

(10) Other equity instruments investment

	Unaudited 30 June 2022	Audited 31 December 2021
Equity of unlisted company Tianjin Beifang Rencaigang Company Ltd.		
– Cost	2,000	2,000
– Accumulated fair value changes	<u>–</u>	<u>–</u>
	<u>2,000</u>	<u>2,000</u>

Other equity instruments investment 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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets

	Buildings and structures (note (i)) Self-use	Machinery and equipment Self-use	Motor vehicles & others Self-use	Total
Cost –				
31 December 2021 (Audited)	752,205	639,512	112,917	1,504,634
Transfers from construction in progress	–	–	296	296
Other additions in the current period	–	2,561	4,474	7,035
30 June 2022 (Unaudited)	<u>752,205</u>	<u>642,073</u>	<u>117,687</u>	<u>1,511,965</u>
Accumulated depreciation –				
31 December 2021 (Audited)	(183,596)	(286,890)	(60,875)	(531,361)
Additions in the current period (note (i))	(7,523)	(20,583)	(3,757)	(31,863)
30 June 2022 (Unaudited)	<u>(191,119)</u>	<u>(307,473)</u>	<u>(64,632)</u>	<u>(563,224)</u>
Carrying Amount –				
30 June 2022 (Unaudited)	<u>561,086</u>	<u>334,600</u>	<u>53,055</u>	<u>948,741</u>
31 December 2021 (Audited)	<u>568,609</u>	<u>352,622</u>	<u>52,042</u>	<u>973,273</u>

- (i) The Group's depreciation expenses of RMB20 million (For the six months ended 30 June 2021: RMB33 million) have been included in cost of sales and RMB5 million (For the six months ended 30 June 2021: RMB5 million) in general and administrative expenses.
- (ii) As at 30 June 2022, the certificate of title to outsourced assets included in fixed assets, land use rights with cost of RMB172 million and carrying amount of RMB101 million (31 December 2021: cost of RMB172 million and carrying amount of RMB104 million) and non-monetary exchange assets with cost of RMB12 million and carrying amount of RMB8 million (31 December 2021: cost of RMB12 million and carrying amount of RMB8 million) 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.
- (iii) As at 30 June 2022, fixed assets with cost of RMB450 million (31 December 2021: RMB364 million) and a carrying amount of approximately RMB413 million (31 December 2021: RMB321 million) were used as collateral for long-term borrowings of RMB330 million (31 December 2021: RMB347 million) (Note 4(26) (c)).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Construction in progress

Name	Budgeted amount	31 December 2021 (Audited)	Increase in the current period	Transfer to fixed assets	30 June 2022 (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
Shandong – Yishui&Tancheng City Solid Waste Treatment project	572,986	15,313	-	-	15,313	72%	72%	12,869	-	-	Special loan and Self-raised fund
Shandong – Dongying Transit Station Project	20,539	5,896	897	-	6,793	33%	33%	-	-	-	Special loan and Self-raised fund
Jiayuan – Xinchuang Distributed Photovoltaic Power Generation Project	22,000	345	-	-	345	47%	47%	-	-	-	Special loan and Self-raised fund
Other projects		8,106	7,399	(296)	15,209			498	-	-	Special loan and Self-raised fund
		<u>29,660</u>	<u>8,296</u>	<u>(296)</u>	<u>37,660</u>			<u>13,367</u>	<u>-</u>		

As at 30 June 2022, the Group has no provision for construction in progress (31 December 2021: Nil).

(13) Right-of-use assets

	Machinery and equipment
Cost	
31 December 2021(Audited) and 30 June 2022 (Unaudited)	<u>11,648</u>
Accumulated depreciation	
31 December 2021 (Audited)	(2,627)
Charges for the period	<u>(1,561)</u>
31 December 2021 (Unaudited)	<u>(4,188)</u>
Net book value	
30 June 2022 (Unaudited)	<u>7,460</u>
31 December 2021 (Audited)	<u>9,021</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets

	Unaudited 30 June 2022	Audited 31 December 2021
Concession rights (a)	10,112,716	10,191,105
Land use rights (b)	134,085	135,653
Technical know-how and computer software (c)	4,757	4,933
	<u>10,251,558</u>	<u>10,331,691</u>

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

<b>Cost</b>	
31 December 2021 (Note (i)) (Audited)	13,786,049
Other additions in the current period	<u>188,896</u>
30 June 2022 (Note (i)) (Unaudited)	<u>13,974,945</u>
<b>Accumulated amortisation</b>	
31 December 2021 (Note (i)) (Audited)	(3,465,310)
Charge for the period	<u>(267,285)</u>
30 June 2022 (Note (i)) (Unaudited)	<u>(3,732,595)</u>
<b>Provision for impairment</b>	
31 December 2021 (Note (i)) (Audited) and 30 June 2022 (Note (i)) (Unaudited)	<u>(129,634)</u>
<b>Net Book Value</b>	
30 June 2022 (Note (i)) (Unaudited)	<u>10,112,716</u>
31 December 2021 (Note (i)) (Audited)	<u>10,191,105</u>

(i) As at 30 June 2022, certain concession rights with carrying amounts of RMB3,673 million (cost of RMB5,404 million) (31 December 2021: carrying amounts of RMB2,961 million (cost of RMB4,756 million)) have been pledged as securities for bank borrowing of RMB1,602 million (31 December 2021: RMB1,592 million) (Note 4(25)(b)).

(ii) The amortisation period of concession rights ranges from 8 to 30 years.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

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

Cost	
31 December 2021 (Audited) and 30 June 2022 (Unaudited)	<u>147,217</u>
Accumulated amortisation	
31 December 2021 (Audited)	(11,564)
Charge for the period	<u>(1,568)</u>
30 June 2022 (Unaudited)	<u>(13,132)</u>
Net Book Value	
30 June 2022 (Unaudited)	<u>134,085</u>
31 December 2021 (Audited)	<u>135,653</u>

- (i) As at 30 June 2022, bank borrowing of RMB283 million (31 December 2021: RMB300 million) is secured by land use right with carrying amount of RMB57 million and original cost of RMB62 million (31 December 2021: carrying amount of RMB80 million and original cost of RMB86 million) (Note 4(25)(a)).
- (ii) As at 30 June 2022, 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 2021: 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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

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

<b>Cost</b>	
31 December 2021 (Audited)	14,668
Other Increase	64
	<hr/>
30 June 2022 (Unaudited)	14,732
	<hr/>
<b>Accumulated amortisation</b>	
31 December 2021 (Audited)	(9,735)
Charge for the period	(240)
	<hr/>
30 June 2022 (Unaudited)	(9,975)
	<hr/>
<b>Net Book Value</b>	
30 June 2022 (Unaudited)	4,757
	<hr/>
31 December 2021 (Audited)	4,933
	<hr/>

(d) For the six months ended 30 June 2022, the amounts of amortization charged to cost of sales and general and administrative expenses were RMB268 million (For the six months ended 30 June 2021: RMB290 million) and RMB0.2 million (For the six months ended 30 June 2021: RMB0.6 million), respectively.

(e) The Research and development expenses of the Group for the six months ended 30 June 2022 are all related to the Research and development of the production process of environmental protection equipment, which are all included in profit or loss when incurred.

(15) Goodwill

	Unaudited 30 June 2022	Audited 31 December 2021
Jiangsu Yonghui Resources Utilization Co., Ltd.	217,304	217,304
Gaoyou Compro Environmental Resources Co., Ltd.	188,157	188,157
	<hr/>	<hr/>
	405,461	405,461
	<hr/>	<hr/>

The Group will stay tuned the risk of goodwill impairment.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Provision for asset impairment and loss

	31 December 2021 (Audited)	Reclassification	Increase in the current period	Decrease in the current period		30 June 2022 (Unaudited)
				Reversal	Write-off	
Provision for trade receivables (Notes(i))	177,923	–	8,331	–	–	186,254
Including: Individual provision for bad debts	142,975	–	–	–	–	142,975
Combined provision for bad debts	34,948	–	8,331	–	–	43,279
Provision for other receivables	930	–	–	–	–	930
Provision for long-term receivables (including other non-current assets due with one year)	40,235	–	–	–	–	40,235
Subtotal	219,088	–	8,331	–	–	227,419
Provision for intangible assets	129,634	–	–	–	–	129,634
Provision for goodwill	99,659	–	–	–	–	99,659
Provision for other non-current assets	3,160	–	–	–	–	3,160
Provision for other current assets	33,065	–	–	–	–	33,065
Provision for Long-term equity investments	22,358	–	–	–	–	22,358
Subtotal	287,876	–	–	–	–	287,876

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Other non-current assets

	Unaudited 30 June 2022	Audited 31 December 2021
Input VAT to be deducted	217,354	260,868
Contract assets	203,024	172,983
Prepayments of construction	47,961	5,213
Others	4,605	14,985
	<u>472,944</u>	<u>454,049</u>
Less: Provision for impairment of contract assets	(3,160)	(3,160)
	<u>469,784</u>	<u>450,889</u>

- (a) As at 30 June 2022, The second sewage treatment plant of “the subsidiary in Huoqiu with net book value of RMB170 million (cost of RMB173 million) (31 December 2021: RMB164 million) had been pledged as collateral for the bank borrowings of RMB139 million (31 December 2021: RMB122 million) (Note 4(25) (b)). The concession right was accounted for as an intangible asset in 2022 (Note 4(25)(b)).

(18) Short-term borrowings

	Unaudited 30 June 2022	Audited 31 December 2021
Unsecured	83,332	115,823
Guaranteed (a)	30,000	30,029
	<u>113,332</u>	<u>145,852</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Short-term borrowings (Continued)

- (a) As at 30 June 2022, bank borrowings of RMB30 million (31 December 2021: RMB30 million) are guaranteed by the Company for Shandong Company. The Group classifies them as bank guaranteed borrowings.
- (b) As at 30 June 2022, the weighted average interest rate of short-term borrowings is from 3.45% to 3.95% per annum (31 December 2020: 3.70% to 4.90%).

(19) Trade payables

	Unaudited 30 June 2022	Audited 31 December 2021
Trade payables (a)	<u>422,107</u>	<u>429,522</u>

- (a) As at 30 June 2022, trade payables are mainly for inventory purchase. Trade payables aged over one year are RMB138 million (31 December 2021: RMB101 million), mainly representing payables for source water of RMB60 million (31 December 2021: RMB57 million) from the subsidiary Qujing Capital Water Co., Ltd, and the subsidiary Tianjin Water Recycling Co., Ltd.'s project payable of RMB31 million (31 December 2021: RMB27 million). Since such amount has not been received from Qujing City Water General Company and the pipeline connection project of Tianjin Water Recycling Co., Ltd. has not been completed, so the payment has not been finalized.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Trade payables (Continued)

(b) *The ageing analysis of accounts payable based on the date of entry is as follows:*

	Unaudited 30 June 2022	Audited 31 December 2021
Within 1 year	284,377	328,642
Over 1 year	137,730	100,880
	<u>422,107</u>	<u>429,522</u>

(20) Contract Liabilities

	Unaudited 30 June 2022	Audited 31 December 2021
For pipeline connection service	490,896	515,301
For toll road fee	45,140	–
For hazard waste treatment	18,273	38,017
Others	8,996	14,364
	<u>563,305</u>	<u>567,682</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Taxes payable

	Unaudited 30 June 2022	Audited 31 December 2021
Unpaid VAT	28,999	19,436
Enterprise income tax payable	25,212	18,564
Others	5,938	9,291
	<u>60,149</u>	<u>47,291</u>

(22) Other payables

	Unaudited 30 June 2022	Audited 31 December 2021
Construction costs payable and deposits	642,631	678,045
Payable for purchase of fixed assets and concession rights	51,174	51,174
Payable for the old Dongjiao sewage plant's demolition assets transfer (a)	68,736	68,736
Dividends payable	2,136	2,800
Others	164,411	157,963
	<u>929,088</u>	<u>958,718</u>

As at 30 June 2022, other payables of RMB798 million (31 December 2021: RMB680 million) are aged over one year, which mainly represent construction costs payable and guarantee deposits for Dalian Oriental Chunliuhe sewage processing project, Karamay Sewage processing PPP project, Honghu bid upgrading and reconstruction project, etc. 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 RMB69 million for the transfer of demolition assets of an old Dongjiao sewage plant.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Accrued payroll

	Unaudited 30 June 2022	Audited 31 December 2021
Short-term employee benefits payable (a)	23,196	104,238
Defined contribution plans payable (b)	157	330
	23,353	104,568

(a) Short-term employee benefits payable

	Audited 31 December 2021	Increase in the current period	Decrease in the current period	Unaudited 30 June 2022
Wages and salaries, bonuses, allowances and subsidies	93,243	114,043	(196,105)	11,181
Staff welfare	151	5,663	(5,798)	16
Social security contributions	298	8,718	(8,780)	236
Including: Medical insurance	288	8,136	(8,194)	230
Work injury insurance	3	236	(233)	6
Maternity insurance	7	346	(353)	-
Housing funds	39	24,624	(24,648)	15
Labor union funds and employee education funds	10,507	5,560	(4,319)	11,748
	104,238	158,608	(239,650)	23,196

(b) Defined contribution plans payable

	Audited 31 December 2021	Increase in the current period	Decrease in the current period	Unaudited 30 June 2022
Basic pensions	329	11,737	(11,918)	148
Annuity	-	5,455	(5,455)	-
Unemployment	1	393	(385)	9
	330	17,585	(17,758)	157

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) Current portion of non-current liabilities

	Unaudited 30 June 2022	Audited 31 December 2021
Current portion of long-term borrowings	1,214,028	911,758
Current portion of long-term payables	41,240	35,555
Current portion of provision	4,253	4,253
Current portion of lease liabilities	3,075	3,115
Current portion of debentures payable interests	8,504	2,458
	<u>1,271,100</u>	<u>957,139</u>

(25) Long-term borrowings

	Unaudited 30 June 2022	Audited 31 December 2021
Long-term borrowings		
Unsecured	3,057,509	2,670,637
Guaranteed (a)	2,553,794	2,561,395
Pledged (b)	2,526,508	2,529,219
Mortgaged (c)	329,267	347,674
	<u>8,467,078</u>	<u>8,108,925</u>
Less: Current portion of long-term borrowings (Note 4(25))		
Unsecured	(777,338)	(308,900)
Guaranteed (a)	(230,527)	(302,967)
Pledged (b)	(166,536)	(263,428)
Mortgaged (c)	(39,627)	(36,463)
	<u>(1,214,028)</u>	<u>(911,758)</u>
	<u>7,253,050</u>	<u>7,197,167</u>

- (a) As at 30 June 2022, the long-term borrowings of RMB2,245 million (31 December 2021: RMB2,238 million) were guaranteed by the Company for its subsidiaries. The long-term borrowings of RMB16 million (31 December 2021: RMB31 million) were guaranteed by Tianjin Infrastructure Investment Group. The long-term borrowings of RMB293 million (31 December 2021: 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 2022 to 2036.

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**4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(25) Long-term borrowings (Continued)**

- (b) As at 30 June 2022, the long-term borrowings of RMB1,602 million (31 December 2021: RMB1,592 million) were pledged by intangible assets of the Group (Note 4(14)). The long-term borrowings of RMB406 million (31 December 2021: RMB420 million) were pledged by the long-term equity investment of the Group (Note 13(3)). The long-term borrowings of RMB380 million (31 December 2021: RMB395 million) were pledged by the long-term receivables (Note 4(7)). The long-term borrowings of RMB139 million (31 December 2021: RMB122 million) were pledged by other non-current assets of the Group (Note 4(17)).

The interests of pledged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2022 to 2041.

- (c) As at 30 June 2022, the long-term borrowings of RMB143 million (31 December 2021: RMB155 million) is mortgaged by land use right (Note 4(14)) and equipment (Note 4(11)) of the Group. The long-term borrowings of RMB140 million (31 December 2021: RMB145 million) is mortgaged by land use right (Note 4(14)) and equipment (Note 4(11)). The long-term borrowings of RMB47 million (31 December 2020: RMB47 million) is mortgaged by the Group's plants (Note 4(11)).

The interests of mortgaged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2022 to 2030.

- (d) As at 30 June 2022, the balance of long-term borrowings due within one year included the accrual of interest expenses of RMB2 million.
- (e) As at 30 June 2022, these long-term borrowings bore interest rates between 3.30% and 5.15% (31 December 2021: between 3.30% and 5.15%).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Debentures payable

	Audited 31 December 2021	Issue	Payment	Amortization	Unaudited 30 June 2022
Debentures payable					
– Par value	250,000	–	–	–	250,000
– Transaction cost	–	–	–	–	–
	<u>250,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>250,000</u>
Less: Current portion of debentures payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>250,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>250,000</u>

General information of debentures payable are as follows:

	Per Value	Issuance date	Maturity	Issuance amount
Corporate Debenture (a)	250,000	2021-10-14	5 years	250,000

Interests payable of debentures are analyzed as follows:

	Audited 31 December 2021	Interest Accrued		Unaudited 30 June 2022
		Interest accrued in the current period	Interest paid in the current period	
Corporate debenture (a)	<u>2,458</u>	<u>6,046</u>	<u>–</u>	<u>8,504</u>

- (a) On 18 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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Lease liabilities

	Unaudited 30 June 2022	Audited 31 December 2021
Lease liabilities	7,835	9,345
Less: Current portion (Note 4(24))	<u>(3,075)</u>	<u>(3,115)</u>
	<u>4,760</u>	<u>6,230</u>

- (a) As at 30 June 2022, the future minimum lease payments of short-term leases adopting the CAS 21 – Lease revised by The Ministry of Finance in 2018 were RMB1 million, which should be paid within one year.

(28) Long-term payables

	Unaudited 30 June 2022 Unrecognised financial charges			Audited 31 December 2021 Unrecognised financial charges		
	Payables	Total	Total	Payables	Total	Total
Payable for assets acquisition	359,886	(146,884)	213,002	361,266	(138,055)	223,211
Payable for sale-leaseback assets	<u>4,800</u>	–	<u>4,800</u>	<u>8,600</u>	–	<u>8,600</u>
	364,686	(146,884)	217,802	369,866	(138,055)	231,811
Less: Current portion (Note 4(24))			<u>(41,240)</u>			<u>(35,555)</u>
			<u>176,562</u>			<u>196,256</u>

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

	Maturity date	Effective interest rate	Payable balance	Less: Current portion	Ending balance
Tianjin Sewage Company ("Sewage Company")	20 March 2041	5.94%	213,002	(38,840)	174,162
Tianjin City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd.	3 September 2023	3.80%	<u>4,800</u>	<u>(2,400)</u>	<u>2,400</u>
			<u>217,802</u>	<u>(41,240)</u>	<u>176,562</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Long-term payables (Continued)

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

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 2022	Audited 31 December 2021
JPY	153,469	165,627
USD	59,533	57,584
CNY	4,800	8,600
	<u>217,802</u>	<u>231,811</u>

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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 2022	Audited 31 December 2021
JPY	282,997	266,227
USD	76,889	95,039
CNY	4,800	8,600
	<u>364,686</u>	<u>369,866</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 2022, the current portion of long-term payables of RMB41 million (31 December 2021: RMB36 million) was classified as current liabilities.

	Unaudited 30 June 2022	Audited 31 December 2021
Within 1 year	41,240	35,555
1-2 years	40,624	31,135
2-5 years	62,455	67,758
Over 5 years	73,483	97,363
	<u>217,802</u>	<u>231,811</u>

(29) Provisions

	Audited 31 December 2021	Increase in the current period	Decrease in the current period	Unaudited 30 June 2022
Maintenance cost of sewage water processing plants	15,919	–	–	15,919
Others	3,546	–	–	3,546
Less: Provisions expected to be paid within one year (Note 4(24))	<u>(4,253)</u>	<u>–</u>	<u>–</u>	<u>(4,253)</u>
	<u>15,212</u>	<u>–</u>	<u>–</u>	<u>15,212</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) 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 2021	Additions	Recognised in other income	Unaudited 30 June 2022	Relating to assets/costs
Sewage water processing project:					
– Jingu	1,104,690	–	(25,643)	1,079,047	assets
– Jingu upgrading project	143,440	–	(3,260)	140,180	assets
– Beichen upgrading project	79,200	–	(1,800)	77,400	assets
– Xianyang Road-upgrading project	51,990	–	(1,182)	50,808	assets
– Dongjiao upgrading project	36,482	–	(829)	35,653	assets
– Ningxiang upgrading project	22,407	–	(465)	21,942	assets
– Linxia reconstruction and extension project	8,746	–	(160)	8,586	assets
– Beishiqiao upgrading project	8,197	–	(358)	7,839	assets
– Chibi upgrading project	7,750	–	(546)	7,204	assets
– Shijiazhuang Gaocheng Zhenxing plant upgrading project	22,388	7,693	–	30,081	assets
Water recycling project:					
– Jingu	188,377	–	(2,772)	185,605	assets
– Dongjiao	19,056	–	(337)	18,719	assets
– Beichen	16,537	–	(262)	16,275	assets
– Xianyanglu	11,462	–	–	11,462	assets
Heating and cooling supply service project	206,334	–	–	206,334	assets
Others	6,835	–	(502)	6,333	costs
Total	<u>1,933,891</u>	<u>7,693</u>	<u>(38,116)</u>	<u>1,903,468</u>	

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Deferred tax assets and deferred tax liabilities

(a) *Deferred income tax assets before offsetting*

	Unaudited 30 June 2022		Audited 31 December 2021	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets	199,592	48,698	195,841	48,682
Unrecognised financing income	133,024	25,780	133,024	25,780
Deductible tax losses	117,356	5,377	29,339	5,275
Recognition of concession gains in financial asset model	14,668	3,667	19,671	4,918
Accrued expenses	20,901	4,180	20,901	4,180
Accrued liabilities	14,075	2,111	14,075	2,111
Lease liabilities	7,875	1,181	9,345	1,402
	<u>507,491</u>	<u>90,994</u>	<u>422,196</u>	<u>92,348</u>
Including:				
Expected to be recovered within one year (inclusive)		12,104		14,812
Expected to be recovered after one year		<u>78,890</u>		<u>77,536</u>
		<u>90,994</u>		<u>92,348</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) 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 2022	Audited 31 December 2021
Deductible temporary difference – provision for assets	287,876	287,876
Deductible losses	181,185	145,662
Deductible temporary difference – credit impairment	41,763	23,248
Share-based payment	10,790	7,370
Accrued liabilities	5,391	5,391
	<u>527,005</u>	<u>469,547</u>

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

	Unaudited 30 June 2022	Audited 31 December 2021
2021	2,561	–
2022	8,503	2,561
2023	31,060	8,503
2024	22,614	31,060
2025	80,924	22,614
2026	35,523	80,924
	<u>181,185</u>	<u>145,662</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(c) *Deferred income tax liabilities before offsetting*

	Unaudited 30 June 2022		Audited 31 December 2021	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Amortization of intangible assets	617,224	154,306	604,604	151,151
Business combination	98,504	24,626	100,536	25,134
Recognition of concession gains in financial asset model	107,964	17,057	69,328	15,136
Right-of-use assets	7,460	1,119	9,021	1,353
	<b>831,152</b>	<b>197,108</b>	<b>783,489</b>	<b>192,774</b>
Including:				
Expected to be recovered within one year (inclusive)		17,196		8,528
Expected to be recovered after one year		179,912		184,246
		<b>197,108</b>		<b>192,774</b>

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

	Unaudited 30 June 2022		Audited 31 December 2021	
	Set-off amount	After offsetting the balance	Set-off amount	After offsetting the balance
Deferred income tax assets	(72,695)	18,299	(73,080)	19,268
Deferred income tax liabilities	(72,695)	124,413	(73,080)	119,694

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Other non-current liabilities

	Unaudited 30 June 2022	Audited 31 December 2021
Heating service fee	<u>32,000</u>	<u>32,000</u>

(33) Share capital

Movement of the Company's authorized, issued and fully paid up capital is set out below. All of the Company's shares are ordinary shares with par value of RMB1.

	Circulating A shares	Circulating H shares	Total
At 30 June 2022 (Unaudited), 31 December 2021 (Audited) and 31 December 2020 (Audited)	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

All the A-shares and H-shares rank pari passu in all respects.

(34) Capital surplus

	Audited 31 December 2021	Increase in the current period	Decrease in the current period	Unaudited 30 June 2022
Share premium	431,024	–	–	431,024
Other capital surplus – Share-based payment (a)	<u>6,925</u>	<u>3,214</u>	<u>–</u>	<u>10,139</u>
	<u>437,949</u>	<u>3,214</u>	<u>–</u>	<u>441,163</u>
	Audited 31 December 2020	Increase in the current period	Decrease in the current period	Audited 31 December 2021
Share premium	431,024	–	–	431,024
Other capital surplus – Share-based payment (a)	<u>–</u>	<u>6,925</u>	<u>–</u>	<u>6,925</u>
	<u>431,024</u>	<u>6,925</u>	<u>–</u>	<u>437,949</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) 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 of share options to certain directors and senior management. The number of share options proposed to be granted under the scheme is 14.27 million; and the corresponding number of underlying shares is 14.27 million A shares, representing not more than 1.0% of the Company's total issued share capital; where 12.17 million options was granted on 21 January 2021, 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 participants shall exercise the options if exercise conditions and performance indicators assessment are fulfilled in 2021 to 2023. 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 exercise arrangement is as follows:

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

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Capital surplus (Continued)

(a) *Share-based payment* (Continued)

Statement of changes in share-based payment:

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

**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 2022, due to changes in the number of participants, the fair value adjustment of share options were adjusted to RMB21 million and RMB3 million, respectively. For the six months ended 30 June 2022, based on the type of services provided by the participants, general and administrative expenses and cost of sales were recognized and the corresponding increase in equity attributable to shareholders of the Company were RMB3 million and minority interests by RMB0.2 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Surplus reserve

	Audited 31 December 2021	Increase in the current period	Decrease in the current period	Unaudited 30 June 2022
Statutory surplus reserve	677,336	–	–	677,336
	Audited 31 December 2020	Increase in the current year	Decrease in the current year	Audited 31 December 2021
Statutory surplus reserve	619,054	58,282	–	677,336

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.

(36) Undistributed profits

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Undistributed profits at the beginning of the period (audited)	4,577,685	4,114,045
Add: Net profit attributable to owners of the parent for the current period	396,363	304,489
Less: Appropriation for statutory surplus reserve	–	–
Ordinary share dividends payable (i)	(208,376)	(171,267)
Undistributed profits at the end of the period (unaudited)	4,765,672	4,247,267

- (i) As at 11 June 2021, the board of shareholders proposed a cash of RMB1.46 (gross tax) for every 10 shares to all shareholders on the basis of 1,427 million shares issued. Cash dividends to be distributed amounted to RMB208 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales

	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	2,037,643	1,337,338	1,805,527	1,202,378
Other operations	91,646	78,283	98,427	61,746
	<u>2,129,289</u>	<u>1,415,621</u>	<u>1,903,954</u>	<u>1,264,124</u>

(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 2022		Unaudited For the six months ended 30 June 2021	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Processing of sewage water	1,548,179	996,479	1,381,489	925,026
Heating and cooling supply services	130,194	112,488	39,779	26,088
Water recycling and connection project	180,852	108,902	168,224	117,230
Hazardous waste treatment	82,693	70,990	109,958	80,739
Tap water supplying	59,282	41,384	57,178	40,739
Sale of environmental protection equipment	1,544	1,274	17,460	8,625
Others	34,899	5,821	31,439	3,931
	<u>2,037,643</u>	<u>1,337,338</u>	<u>1,805,527</u>	<u>1,202,378</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

(a) Revenue from principal operations and cost of sales (Continued)

Analysis by locations is as follows:

	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Tianjin	1,111,279	645,027	968,989	552,008
Hangzhou	136,883	93,902	127,712	72,648
Xi'an	137,928	88,870	64,868	40,496
Qijing	59,070	41,251	58,299	42,911
Others	592,483	468,288	585,659	494,315
	<u>2,037,643</u>	<u>1,337,338</u>	<u>1,805,527</u>	<u>1,202,378</u>

(b) Revenue from other operations and cost of sales

	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	Revenue from other operations	Cost of sales	Revenue from other operations	Cost of sales
Contract operation income	81,096	68,647	81,051	58,166
Technical service fee	4,608	5,930	12,992	2,298
Rental income(i)	–	–	286	–
Others	5,942	3,706	4,098	1,282
	<u>91,646</u>	<u>78,283</u>	<u>98,427</u>	<u>61,746</u>

- (i) The Group's rental income comes from the rental of its own buildings and structures. For the six months ended 30 June 2022, there's no variable rental income based on a certain percentage of the lessee's sales.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

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

	For the six months ended 30 June 2021 (Unaudited)						Group
	Processing of sewage	Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	Others	
Principal operations confirm at a point in time	-	-	-	-	-	-	-
Confirm over 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>
Other operating income							
Confirm over time	-	-	-	-	-	91,646	91,646
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,646</u>	<u>91,646</u>

  

	For the six months ended 30 June 2021 (Unaudited)						Group
	Processing of sewage	Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	Others	
Principal operations confirm at a point in time	-	-	-	-	-	-	-
Confirm over time	1,381,489	168,224	39,779	57,178	17,460	141,397	1,805,527
	<u>1,381,489</u>	<u>168,224</u>	<u>39,779</u>	<u>57,178</u>	<u>17,460</u>	<u>141,397</u>	<u>1,805,527</u>
Other operating income							
Confirm over time	-	-	-	-	-	98,427	98,427
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,427</u>	<u>98,427</u>

Notes to the Financial Statements

For the six months ended 30 June 2022

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

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

As at 30 June 2022, 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.

(38) Taxes and surcharges

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Land use tax	10,150	8,033
Property tax	8,141	7,976
City maintenance and construction tax	1,615	1,699
Educational surcharge	708	757
Local educational surcharge	606	665
Others	728	1,368
	<u>21,948</u>	<u>20,498</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Selling expenses and general and administrative expenses

	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	General and administrative expenses	Selling expenses	General and administrative expenses	Selling expenses
Employee benefits	66,109	3,620	56,483	3,110
Consulting service fees	6,811	5,664	7,017	8,149
Depreciation of fixed assets	5,773	60	5,340	20
General office expenses	2,675	46	2,369	49
Repair and maintenance expenses	2,310	–	1,745	–
Audit fees	1,559	–	1,872	–
Travelling, meeting and business entertainment expenses	1,266	354	1,976	537
Expenses of secretary of the board	782	–	1,974	–
Utilities expenses	617	–	603	–
Amortisation of intangible assets	222	–	604	–
Other taxes	1	–	133	–
Packing fee	–	2,262	–	–
Freight fee	–	246	–	–
Others	2,188	466	2,736	814
	<u>90,313</u>	<u>12,718</u>	<u>82,852</u>	<u>12,679</u>

(40) Research and development expenses

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Employee benefits	3,958	3,379
Utilities expenses	1,099	–
Depreciation & Amortisation expenses	620	–
Raw material consumption	240	43
Repair and maintenance expenses	162	–
Travelling, meeting and business entertainment expenses	4	2
Others	467	282
	<u>6,550</u>	<u>3,706</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) Financial expenses

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Loan Interest expenses	177,769	213,606
Add: Interest expenses on lease liabilities	185	–
Less: Amount capitalized on qualifying assets	<u>(1,609)</u>	<u>(39,708)</u>
Interest expenses	176,345	173,898
Less: Interest income	(60,942)	(10,253)
Including: From long-term receivables	(53,314)	(4,022)
From bank deposits	(7,628)	(6,231)
Exchange gains	(4,365)	(2,822)
Others	<u>419</u>	<u>879</u>
	<u>111,457</u>	<u>161,702</u>

For the six months ended 30 June 2022, the exchange gains on the long-term payables denominated in JPY and US dollar were RMB4.37 million (For the six months ended 30 June 2021: the exchange gains were RMB2.82 million).

(42) Other Income

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021	Related to assets/incomes
Government Grants (a)	41,575	46,784	Assets/Incomes
VAT refund	4,528	4,210	Incomes
Withholding and paying individual income tax refund	<u>40</u>	<u>173</u>	
	<u>46,143</u>	<u>51,167</u>	

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Other Income (Continued)

(a) Details of government grants

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021	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 recycled water plant project	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
Chibi sewage treatment plant bid upgrading and expansion project	546	–	Assets
Allowance for Hanshou Yuanquan water plant concession project	–	9,200	Incomes
Others-Related to assets	5,543	4,870	Assets/Incomes
	<u>41,575</u>	<u>46,784</u>	

(43) Credit impairment losses

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Trade receivables losses	<u>8,331</u>	<u>2,076</u>

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For the six months ended 30 June 2022

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Non-operating expenses

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021	Unaudited Amount recognised in non-recurring profit or loss for the six months ended 30 June 2022
Penalty fee for tax overdue	733	–	733
Losses on disposal of fixed assets	–	3	–
Others	114	1,241	114
	<u>847</u>	<u>1,244</u>	<u>847</u>

(45) Income tax expenses

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Current income tax calculated based on tax law and related regulations	95,156	65,673
Deferred income tax	1,320	4,131
	<u>96,476</u>	<u>69,804</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 2022	Unaudited For the six months ended 30 June 2021
Total profit	<u>507,782</u>	<u>406,551</u>
Calculated at applicable income tax rates (25%)	126,946	101,638
Effect of favorable tax rates	(39,379)	(25,946)
Income not subject to tax	(9,200)	(27,577)
Costs, expenses and losses not deductible for tax purposes	12,243	16,474
Utilization of previously tax temporary deductible losses or which no deferred income tax asset was recognised	(1,252)	(1,571)
Utilization of deductible tax losses for which no deferred income tax assets was recognised	5,043	6,270
Tax temporary differences for which no deferred income tax asset was recognised	2,075	516
Income tax expenses	<u>96,476</u>	<u>69,804</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) 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 RMB396 million (For the six months ended 30 June 2021: RMB304 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (For the six months ended 30 June 2021: 1,427 million shares).

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Consolidated net profit attributable to ordinary shareholders of the Company	396,363	304,489
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,427,228</u>	<u>1,427,228</u>
Basic earnings per share (RMB Yuan)	<u>0.28</u>	<u>0.21</u>
Including:		
– Basic earnings per share for operations on a going concern	0.28	0.21
– 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 2022 (For the six months ended 30 June 2021: Nil), diluted earnings per share equal to basic earnings per share.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47) 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 2022	Unaudited For the six months ended 30 June 2021
Net profit	411,306	336,747
Add:		
Credit impairment losses	(8,331)	(2,076)
Depreciation of fixed assets and investment properties	31,863	37,916
Depreciation of right-of-use assets	1,561	–
Amortisation of intangible assets	269,093	290,920
Net gains from disposal of fixed assets	–	3
Net financial expenses	171,980	171,076
Increase in deferred tax liabilities	5,688	3,155
Increase in inventories	(1,281)	(4,143)
Increase in operating receivables	(395,712)	(551,976)
(Decrease)/increase in operating payables	(163,762)	407,853
Net cash flows from operating activities	322,405	689,475
Net movement in cash		
Cash at the end of the period	2,036,580	1,842,874
Less: Cash at the beginning of the period	(2,093,556)	(1,652,657)
Net (decrease)/increase in cash	(56,976)	190,217

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

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Cash		
Including: Cash on hand	31	38
Cash at bank	2,036,549	1,842,836
Cash listed in cash flow statement	2,036,580	1,842,874

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47) 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 2022	Unaudited For the six months ended 30 June 2021
Interest income from bank deposits	7,676	6,231
Government grants received	30,884	39,663
Deposit on project bids received	2,144	4,807
Others	88,133	52,030
	<u>128,837</u>	<u>102,731</u>

(d) Cash paid relating to other operating activities

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Repair and maintenance expenses	90,699	65,765
Consulting service fees	17,402	13,110
Deposit on project bids paid	20,118	4,301
Travelling, meeting and business entertainment expenses	526	1,283
Expenses of secretary of the board	782	1,972
Others	9,202	550
	<u>138,729</u>	<u>86,981</u>

5 CHANGE IN CONSOLIDATION SCOPE

For the six months ended 30 June 2022, the Company contributed RMB80 million to set up Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd. The shareholding ratio is 100%.

## Notes to the Financial Statements

For the six months ended 30 June 2022

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### 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 Capital Alternative 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 combination
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

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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 combination
Gaoyou Compro Environmental Resources Co., Ltd.	B	Gaoyou	Gaoyou	Collection, storage and transfer of hazardous waste	100	-	Business combination
Shandong Tianchuang 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	Heating and cooling services, property management; R & D, consultation, service, exchange, transfer and promotion of emerging energy technologies	100	-	Capital contribution

A: Holding subsidiary

B: Wholly-owned subsidiary

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6 EQUITY IN OTHER ENTITIES (Continued)

(b) Subsidiaries with significant minority interests

Name	Minority interests ratio	Minority interests for the six months ended 30 June 2022	Declared distribution of cash dividends for the six months ended 30 June 2022	Minority interests as at 30 June 2022 (Unaudited)
Bayannur Capital Water Co., Ltd. ("Bayannur Company")	30.00%	884	–	331,900
Hangzhou Tianchuang Capital Water Co., Ltd. ("Hangzhou Company")	30.00%	8,748	–	214,481
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd. ("Guojin Company")	41.00%	2,208	–	97,735
Shandong Capital Environmental Protection Technology Development Co., Ltd. ("Shandong Company")	45.00%	(2,031)	–	78,412
Tianjin Caring Technology Development Co., Ltd. ("Caring Company")	40.00%	2,242	–	51,576
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd. ("Shandong Tianchuang")	45.00%	(3,195)	–	(8,873)

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

Balance Sheet

	30 June 2022 (Unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Company	267,487	524,805	792,292	57,352	65,146	122,498
Bayannur Company	81,006	1,054,243	1,135,249	16,902	12,080	28,982
Caring Company	171,251	6,378	177,629	42,267	3,739	46,006
Shandong Company	173,113	258,122	431,235	79,165	268,640	347,805
Guojin Company	72,943	291,717	364,660	45,258	81,279	126,537
Shandong Tianchuang	26,624	219,051	245,675	170,079	–	170,079
	<u>792,424</u>	<u>2,354,316</u>	<u>3,146,740</u>	<u>411,023</u>	<u>430,884</u>	<u>841,907</u>
	31 December 2021 (Audited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Company	271,594	583,088	854,682	83,439	85,470	168,909
Bayannur Company	58,976	1,073,339	1,132,315	16,659	12,316	28,975
Caring Company	177,824	6,363	184,187	54,319	3,739	58,058
Shandong Company	214,824	249,099	463,923	94,967	282,292	377,259
Guojin Company	70,939	283,618	354,557	47,334	74,413	121,747
Shandong Tianchuang	26,534	223,730	250,264	167,567	–	167,567
	<u>820,691</u>	<u>2,419,237</u>	<u>3,239,928</u>	<u>464,285</u>	<u>458,230</u>	<u>922,515</u>

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6 EQUITY IN OTHER ENTITIES (Continued)

(b) Subsidiaries with significant minority interests (Continued)

	For the six month ended 30 June 2022 (Unaudited)			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Hangzhou Company	137,204	29,118	29,118	4,567
Bayannur Company	41,773	2,927	2,927	(805)
Caring Company	60,146	5,493	5,493	13,494
Shandong Company	23,596	(4,546)	(4,546)	20,186
Guojin Company	28,963	5,313	5,313	1,825
Shandong Tianchuang	25,377	(7,101)	(7,101)	(4,942)
	<u>317,059</u>	<u>31,204</u>	<u>31,204</u>	<u>34,325</u>

  

	For the six month ended 30 June 2021 (Unaudited)			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Hangzhou Company	127,712	33,469	33,469	123,160
Bayannur Company	41,228	7,288	7,288	6,215
Caring Company	51,666	9,635	9,635	7,480
Shandong Company	68,358	3,762	3,762	2,937
Guojin Company	31,583	16,316	16,316	18,236
Shandong Tianchuang	—	—	—	—
	<u>320,547</u>	<u>70,470</u>	<u>70,470</u>	<u>158,028</u>

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

(c) Non-essential information of joint ventures

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Total book value of investment	195,000	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.

## Notes to the Financial Statements

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### 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.

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7 SEGMENT INFORMATION (Continued)

(a) 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(37))	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(41))	2,975	222	46,037	4,434	538	3,403	12	3,321	60,942
Interest expenses (Note 4(41))	(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

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For the six months ended 30 June 2022

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### 7 SEGMENT INFORMATION (Continued)

(b) Segment information as at and for the six months ended 30 June 2021 (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(23))	719,721	127,712	534,056	168,224	39,779	57,178	17,460	239,824	1,903,954
Cost for operations	(457,119)	(72,648)	(395,259)	(117,230)	(26,088)	(40,739)	(8,625)	(146,416)	(1,264,124)
Interest income (Note 4(27))	2,739	193	1,145	1,326	422	30	189	4,209	10,253
Interest expenses (Note 4(27))	(95,769)	(2,233)	(65,040)	(393)	(1,318)	(238)	–	(8,907)	(173,898)
Results before share of profits of an associate	154,497	45,631	62,103	65,062	10,756	22,483	6,207	39,812	406,551
Segment total profit	154,497	45,631	62,103	65,062	10,756	22,483	6,207	39,812	406,551
Income tax expenses	(23,485)	(12,801)	(5,211)	(17,177)	(2,900)	(3,315)	(931)	(3,984)	(69,804)
Segment net profit	131,013	32,830	56,892	47,884	7,856	19,168	5,276	35,828	336,747
Net profit									336,747
Depreciation expenses	(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)
Segment assets	7,098,946	792,417	7,552,287	1,416,541	642,683	636,082	57,631	1,704,460	19,901,047
Long-term equity investment in associate									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
Non-current assets addition (i)	59,106	–	256,999	572	5,062	18,415	–	37,708	377,862

(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 2022, the income from processing of sewage water segment of RMB740 million is derived from a single customer, accounting for 32% of the Group's total revenue (For the six months ended 30 June 2021: RMB713 million, 37%).

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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 company	Tianjin, China	An Pindong	Development and management 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 2021	Increase in the period	Decrease in the period	Unaudited 30 June 2022
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 2022		Audited 31 December 2021	
	Share holding (%)	Voting Rights (%)	Share holding (%)	Voting Rights (%)
Municipal Investment	50.14%	50.14%	50.14%	50.14%

(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).

Notes to the Financial Statements

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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 City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd.	Controlled by the same ultimate holding company

(5) Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions between the Group and its related parties during the year:

(a) Purchase or sale of goods, provide or receive of services

Purchase of goods, receive of services:

		Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Related Party Name	Nature of Transaction		
City Infrastructure Construction and Investment	Contracted operating expenses	18,549	18,549
City Infrastructure Construction and Investment	Sewage mud processing expenses	36,165	–
		36,165	–

Rendering of services

		Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Related party name	Nature of transaction		
Tianjin Lecheng Properties Co., Ltd.	Income from heating and cooling supply	11,296	13,012
City Infrastructure Construction and Investment	Commission income from contract operation	27,831	38,847
City Infrastructure Construction and Investment	Commission income from technical services	–	5,930
		39,127	57,789

Pricing on heating supply service with related parties is based on the reference price stipulated by government.

Pricing on other services with related parties is negotiated by counter parties and referred to the market price.

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8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) *Sale-leaseback*

Rent payment

Funders	Type of leased assets	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Tianjin City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd.	Fixed assets	3,800	3,800

(c) *Guarantee:*

Guarantor	Guarantee	Amount	Starting date	Due date	Fully performed or not
City Infrastructure Construction and Investment	Xi'an Capital Water Co., Ltd.	16,000	28 September 2008	27 September 2022	No

(d) *Key management compensation*

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Remuneration of key management	4,608	8,032
Share – based payment	192	–
	<u>4,800</u>	<u>8,032</u>

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**8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**

(6) Receivables from and payables to related parties

Receivables from related parties

	Related party name	Unaudited 30 June 2022		Audited 31 December 2021	
		Carrying amount	Provision	Carrying amount	Provision
Trade receivable	City Infrastructure Construction and Investment	93,397	(4,128)	138,310	(4,666)
	Tianjin Lecheng Properties Co., Ltd.	3,432	(10)	550	(10)
	Tianjin City Resource Operation Co., Ltd.	1,200	(1,200)	1,200	(1,200)
		<u>98,029</u>	<u>(5,338)</u>	<u>140,060</u>	<u>(5,876)</u>

The receivables from related parties arise mainly from daily transactions and are due within one year after the date of sales. The receivables are unsecured in nature and bear no interest.

Payables to related parties

	Related party name	Unaudited 30 June 2022	Audited 31 December 2021
Non-current liabilities due within one year	Tianjin City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd.	<u>2,400</u>	<u>6,200</u>
Long-term payables	Tianjin City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd.	<u>2,400</u>	<u>2,400</u>

(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.

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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 2022 RMB million	Audited 31 December 2021 RMB million	Unaudited 30 June 2022 RMB million	Audited 31 December 2021 RMB million
Intangible assets – Concession right				
– Sewage processing project	432	280	–	–
– Heating and cooling supply project	129	126	–	–
Property, plant and Equipment				
– Solid waste treatment project	216	119	–	–
	<u>777</u>	<u>525</u>	<u>–</u>	<u>–</u>

10 FINANCIAL INSTRUMENTS AND THEIR RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Those financial risks and the Group's overall risk management program which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance are as below:

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 developed risk management policies to identify and analyze the risks faced by the Group. These risk management policies have specified specific risks, covering many aspects such as market risk, credit risk and liquidity risk management etc. The Group regularly assesses the market environment and changes in the Group's business activities to determine whether the risk management policies and systems are updated. The risk management of the Group shall be conducted by the risk management committee in accordance with the policy approved by the board of directors. The risk management committee identifies and assesses and avoids risks through close cooperation with other business units of the Group. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the results to the audit committee of the Group.

## Notes to the Financial Statements

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### 10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(1) **Market risk:**

(a) *Foreign exchange risk:*

The Group has no significant foreign exchange risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. All of the Group's borrowings are denominated in RMB. The sole foreign exchange risk of the Group arises from fluctuation of USD and JPY pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from Sewage Company (Note 4(28)(b)).

As at 30 June 2022, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been RMB3 million (30 June 2021: RMB3 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the year would have been RMB7 million (30 June 2021: RMB8 million) higher/lower.

(b) *Interest rate risk:*

The Group's interest rate risk arises mainly from interest-bearing liabilities including 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 2022, the Group's long-term interest bearing borrowings is USD-denominated with floating rates linked to six-month LIBOR, amounting to RMB60 million (Note 4(28)). As at 30 June 2022, the Group yet to complete the replacement of benchmark interest rate.

The Group's finance department at its headquarters continuously monitor the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group 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 2022 and 2021, the Group did not enter into any interest rate swap agreements.

The tables below set out the Group's and the Company's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorized by the maturity dates.

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(1) Market risk: (Continued)

(b) Interest rate risk (Continued):

	Fixed	Floating	Total
At 30 June 2022 (Unaudited)			
Short-term borrowings	113,332	–	113,332
Non-current liabilities due within one period:			
Current portion of long-term borrowings	–	1,214,028	1,214,028
Current portion of Debentures payable and interest	8,504	–	8,504
Current portion of long-term payables	18,206	23,034	41,240
Long-term borrowings	–	7,253,050	7,253,050
Long-term payables	135,263	41,299	176,562
Debentures payable	250,000	–	250,000
	<u>525,305</u>	<u>8,531,411</u>	<u>9,056,716</u>
Total			
	Fixed	Floating	Total
At 31 December 2021 (Audited)			
Short-term borrowings	145,852	–	145,852
Non-current liabilities due within one period:			
Current portion of long-term borrowings	–	911,758	911,758
Current portion of long-term payables	15,357	20,198	35,555
Current portion of Debentures payable and interest	2,458	–	2,458
Long-term borrowings	–	7,197,167	7,197,167
Long-term payables	150,270	45,986	196,256
Debentures payable	250,000	–	250,000
	<u>563,937</u>	<u>8,175,109</u>	<u>8,739,046</u>
Total			

As at 30 June 2022, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher by RMB43 million (At 30 June 2021: RMB30 million).

The Group analyses its interest rate exposure by considering refinancing, renewal of existing positions and alternative financing resolution.

## Notes to the Financial Statements

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### 10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

#### (2) Credit risk:

Credit risk arises from cash at bank, notes receivable, trade receivables, other receivables and contract assets. As at 30 June 2022, the book value of the Group's financial assets represents its maximum credit exposure.

The Group manages credit risk on cash at bank by placing the majority of its cash at state owned/listed banks in the PRC. The Group has not had any significant loss arising from non-performance by these parties in the past and management does not expect so in the future.

In addition, the Group has policies to limit the credit exposure on notes receivable, trade receivables, other receivables and contract assets. 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 use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2022, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2021: Nil).

#### (3) Liquidity risk:

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. 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, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(3) Liquidity risk: (Continued)

The Group's financial liabilities are analyzed at the balance sheet date to the contractual maturity date, using the contracted undiscounted cash flows, as follows:

	30 June 2022 (Unaudited)					Carrying amount
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	
Short-term borrowings	37,391	–	–	–	37,391	113,332
Long-term borrowings	1,540,286	2,232,747	2,906,735	3,062,913	9,742,681	8,467,078
Long-term payables	36,497	33,826	81,984	217,559	369,866	217,802
Trade payables	422,107	–	–	–	422,107	422,107
Other payables	929,088	–	–	–	929,088	929,088
Lease liabilities	3,336	2,941	1,992	–	8,269	7,835
Debentures payable	12,125	12,125	284,354	–	308,604	258,504
	<u>2,980,830</u>	<u>2,281,639</u>	<u>3,275,065</u>	<u>3,280,472</u>	<u>11,818,006</u>	<u>10,415,746</u>
	31 December 2021 (Audited)					Carrying amount
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	
Short-term borrowings	148,642	–	–	–	148,642	145,852
Long-term borrowings	1,235,513	1,832,027	3,772,860	3,013,273	9,853,673	8,108,925
Long-term payables	36,497	33,826	81,984	217,559	369,866	231,811
Accounts payable	429,522	–	–	–	429,522	429,522
Other payables	958,718	–	–	–	958,718	958,718
Lease liabilities	3,451	3,167	3,345	–	9,963	9,345
Debentures payable	12,125	12,125	284,354	–	308,604	252,458
	<u>2,824,468</u>	<u>1,881,145</u>	<u>4,142,543</u>	<u>3,230,832</u>	<u>12,078,988</u>	<u>10,136,631</u>

## Notes to the Financial Statements

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### 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 2022 (unaudited), the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 3	Total
Other equity instruments investment — Unlisted equity instrument investments of Tianjin Beifang Rencaigang Co., Ltd.	2,000	2,000
Total financial assets	2,000	2,000
Total assets	2,000	2,000

As at 31 December 2021 (audited), the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 3	Total
Other equity instruments investment — Unlisted equity instrument investments of Tianjin Beifang Rencaigang Co., Ltd.	2,000	2,000
Total financial assets	2,000	2,000
Total assets	2,000	2,000

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.

## 11 FAIR VALUE ESTIMATION (Continued)

### (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, trade receivables, 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.

## 12 CAPITAL MANAGEMENT

The Group's objectives when managing capital are 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 debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, debentures payable, long-term payables and government loan of the Group) less cash. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

## Notes to the Financial Statements

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### 12 CAPITAL MANAGEMENT (Continued)

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

	Unaudited 30 June 2022	Audited 31 December 2021
Total borrowings	9,056,717	8,739,046
Short-term borrowings	113,332	145,852
Long-term borrowings	8,467,078	8,108,925
Debentures payable	258,504	252,458
Long-term payables	217,802	231,811
Less: Cash at bank and on hand	<u>(2,036,580)</u>	<u>(2,093,556)</u>
Net debt	7,020,137	6,645,490
Total equity	<u>8,312,699</u>	<u>8,104,070</u>
Total capital	<u>15,332,836</u>	<u>14,749,560</u>
Gearing ratio	<u>46%</u>	<u>45%</u>

### 13 NOTES TO THE COMPANY FINANCIAL STATEMENTS

#### (1) Trade receivables

	Unaudited 30 June 2022	Audited 31 December 2021
Trade receivables	1,636,713	1,341,713
Less: Provision for bad debts	<u>(52,534)</u>	<u>(52,534)</u>
	<u>1,584,179</u>	<u>1,289,179</u>

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Trade receivables (Continued)

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

	Unaudited 30 June 2022	Audited 31 December 2021
Within 1 year	1,580,839	1,230,663
1 to 2 years	10,750	64,534
2 to 3 years	11,979	11,979
3 to 4 years	13,141	13,141
4 to 5 years	17,819	18,839
Over 5 years	2,185	2,557
Total	<u>1,636,713</u>	<u>1,341,713</u>

(b) *As at 30 June 2022 (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>1,410,028</u>	<u>(49,439)</u>	<u>98%</u>

(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.

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13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2022 (unaudited), provision for bad debts by individual is analyzed as below:

	Carrying amount	ECL rate	Provision	Reasons
Tianjin Water Authority Bureau	1,468,135	0.05%	(805)	Note 4 (3)(c)(i)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	17,923	77.74%	(13,933)	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.	<u>152</u>	100.00%	<u>(152)</u>	Note 4 (3)(c)(i)
Total	<u>1,517,983</u>		<u>(46,663)</u>	

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

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

	Unaudited 30 June 2022			Audited 31 December 2021		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Group 3 – Government clients						
Undue	–	–	–	–	–	–
1-180 days overdue	–	–	–	12,580	3.55%	(446)
>180 days overdue	93,683	4.42%	(4,141)	81,535	4.42%	(3,607)
	<u>93,683</u>		<u>(4,141)</u>	<u>94,115</u>		<u>(4,053)</u>

	Unaudited 30 June 2022			Audited 31 December 2021		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Group 4 – Other customers						
Undue	3,236	0.48%	(13)	5,849	0.48%	(28)
1-90 days overdue	7,882	2.40%	(189)	6,824	2.40%	(164)
>90 days overdue	13,929	10.97%	(1,528)	19,577	8.30%	(1,626)
	<u>25,047</u>		<u>(1,730)</u>	<u>32,250</u>		<u>(1,818)</u>

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Other receivables

	Unaudited 30 June 2022	Audited 31 December 2021
Receivables from subsidiaries	38,855	19,862
Dividends receivable from subsidiaries	33,400	36,710
VAT refund receivable	–	1,530
Project deposits	1,982	2,536
Others	1,107	1,159
	<u>75,344</u>	<u>61,797</u>
Less: Provision for bad debts	(56)	(56)
	<u>75,288</u>	<u>61,741</u>

As at 30 June 2022, there were no other receivables overdue but unimpaired (31 December 2021: Nil).

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

	Unaudited 30 June 2022	Audited 31 December 2021
Within 1 year	73,189	58,032
1 to 2 years	–	1,558
2 to 3 years	994	896
Over 3 years	1,161	1,311
	<u>75,344</u>	<u>61,797</u>
Total	<u>75,344</u>	<u>61,797</u>

IX. Financial Reports  
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For the six months ended 30 June 2022  
(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 2022 and 31 December 2021, 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 2022			Audited 31 December 2021		
	Carrying amount Amount	Provision Amount	Percentage	Carrying amount Amount	Provision Amount	Percentage
Related parties within consolidation scope Group:						
Within 1 year	72,154	–	0.00%	55,014	–	0.00%
1-2 years	–	–	0.00%	1,558	–	0.00%
2-3 years	101	–	0.00%	–	–	0.00%
Subtotal	72,255	–		56,572	–	
Project Deposits Group:						
Within 1 year	957	(23)	2.42%	1,410	(27)	1.90%
Over 3 years	1,025	(25)	2.42%	1,126	(21)	1.90%
Subtotal	1,982	(48)		2,536	(48)	
Other Group:						
Within 1 year	78	(1)	0.72%	79	(1)	0.69%
2-3 years	893	(6)	0.72%	895	(6)	0.69%
Over 3 years	136	(1)	0.72%	185	(1)	0.69%
Subtotal	1,107	(8)		1,159	(8)	
Total	75,344	(56)		60,267	(56)	

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

**13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)**

(2) Other receivables (Continued)

(c) For the six months ended 30 June 2022, the changes of other receivables' provision of the Company is not significant.

(d) As at 30 June 2022 (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
Guizhou Capital Water Co., Ltd.	Subsidiary dividend	30,400	Within 1 year	40.35%	–
Qijing Capital Water Co., Ltd.	Subsidiary dividend	3,000	Within 1 year	3.98%	–
State Grid Tianjin electric power company	Project deposits	1,000	Over 3 years	1.33%	(24)
Guosen International Engineering Consulting Group Co., Ltd	Project deposits	800	Within 1 year	1.06%	(19)
Tianjin Second Municipal Highway Engineering Co., Ltd	Project deposits	74	Over 3 years	0.10%	(2)
		35,274		46.82%	(45)

(3) Long-term equity investments

	Unaudited 30 June 2022	Audited 31 December 2021
Investment in subsidiaries (a)	5,239,799	5,158,292
Associate (b)	195,000	195,000
Less: Impairment of Long-term equity investments (c)	(316,333)	(316,333)
	5,118,466	5,036,959

IX. Financial Reports  
Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements  
For the six months ended 30 June 2022  
(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December		Movement for the period			30 June	Provision for impairment
	Investment cost	2021 (Audited)	Additions	Disposals	Provision	2022 (Unaudited)	
Xi'an Capital Water Co., Ltd.	476,362	476,292	70	-	-	476,362	-
Hangzhou Tianchuang Capital Water Co., Ltd.	264,257	264,214	43	-	-	264,257	-
Qijing Capital Water Co., Ltd.	155,087	155,039	48	-	-	155,087	-
Guizhou Capital Water Co., Ltd.	114,321	114,229	92	-	-	114,321	-
Fuyang Capital Water Co., Ltd.	456,247	456,130	117	-	-	456,247	-
Tianjin Water Recycling Co., Ltd.	100,836	100,714	122	-	-	100,836	-
Wuhan Tianchuang Capital Water Co., Ltd.	197,326	197,268	58	-	-	197,326	-
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	62,987	12,706	-	-	-	12,706	(50,281)
Wendeng Capital Water Co., Ltd.	68,696	68,648	48	-	-	68,696	-
Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd.	191,938	191,841	97	-	-	191,938	-
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd. (note(i))	80,000	-	80,000	-	-	80,000	-
Anguo Capital Water Co., Ltd.	41,000	-	-	-	-	-	(41,000)
Baoying Capital Water Co., Ltd.	58,219	58,185	34	-	-	58,219	-
Tianjin Capital New Materials Co., Ltd.	26,536	36	15	-	-	51	(26,500)
Tianjin Caring Technology Development Co., Ltd.	16,343	16,230	113	-	-	16,343	-
Tianjin Jinning Capital Water Co., Ltd.	22,560	7,560	-	-	-	7,560	(15,000)
Tianjin Jinghai Capital Water Co., Ltd.	37,553	17,330	-	-	-	17,330	(20,223)
Yingshang Capital Water Co., Ltd.	53,118	53,084	34	-	-	53,118	-
Shandong Capital Environmental Protection Technology Consultant Co., Ltd.	45,219	45,185	34	-	-	45,219	-
Shandong Tanchuang	60,500	60,500	-	-	-	60,500	-
Subtotal	2,529,105	2,295,191	80,925	-	-	2,376,116	(153,004)

Notes to the Financial Statements

For the six months ended 30 June 2022

(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 2021 (Audited)	Movement for the year			30 June 2022 (Unaudited)	Provision for impairment
			Additions	Disposals	Provision		
Changsha Tianchuang Capital Environmental Protection Co., Ltd.	37,638	37,590	48	-	-	37,638	-
Karamay Tianchuang Capital Water Co., Ltd.	108,118	108,084	34	-	-	108,118	-
Anhui Tianchuang Capital Water Co., Ltd.	63,670	-	-	-	-	-	(63,670)
Linxia Capital Water Co., Ltd.	45,051	45,036	15	-	-	45,051	-
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	48,184	48,126	58	-	-	48,184	-
Changsha Tianchuang Capital Water Co., Ltd.	17,002	17,002	-	-	-	17,002	-
Inner Mongolia Bayannur Capital Water Co., Ltd.	777,024	777,005	19	-	-	777,024	-
Honghu Tianchuang Capital Water Co., Ltd.	111,772	111,717	55	-	-	111,772	-
Hefei Capital Water Co., Ltd.	206,126	206,078	48	-	-	206,126	-
Deqing Capital Water Co., Ltd.	54,169	54,121	48	-	-	54,169	-
Hebei Guojin Tianchuang Capital Water Co., Ltd.	128,576	128,504	72	-	-	128,576	-
Hanshou Tianchuang Capital Water Co., Ltd.	33,908	33,848	60	-	-	33,908	-
Jiuquan Capital Water Co., Ltd.	158,305	158,286	19	-	-	158,305	-
Huize Capital Water Co., Ltd.	32,761	32,732	29	-	-	32,761	-
Huoqiu Capital Water Co., Ltd.	37,274	37,240	34	-	-	37,274	-
Dongying Tianchi Environmental Protection Technology Consultant Co., Ltd.	2,550	2,550	-	-	-	2,550	-
Jiangsu Yonghui Resources Utilization Co., Ltd.	350,090	296,998	-	-	-	296,998	(53,092)
Gaoyou Compro Environmental Resources Co., Ltd.	382,912	336,345	43	-	-	336,388	(46,567)
Honghu Tianchuang Capital Environmental Protection Co., Ltd.	53,400	53,400	-	-	-	53,400	-
Tianjin Xiqing Tianchuang Capital Environmental Protection Co., Ltd.	62,106	62,106	-	-	-	62,106	-
Subtotal	2,710,636	2,546,768	582	-	-	2,547,350	(163,329)
Total	5,239,741	4,841,959	81,507	-	-	4,923,466	(316,333)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) *Subsidiaries* (Continued)

- (i) For the six months ended 30 June 2022, the Company contributed RMB80 million to set up Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd. The shareholding ratio is 100%.
- (ii) As at 30 June 2022, the Company increased its long-term equity investment of RMB1.5 million to its subsidiaries as a result of share-based payments.

(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 195 million yuan, and the shareholding ratio is 30% (Note 4(9)(a)).

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

	Audited 31 December 2021	Additions	Unaudited Disposals	30 June 2022
Anhui Yuwan	63,670	–	–	63,670
Jiangsu Yonghui	53,092	–	–	53,092
Gaoyou Compro	46,567	–	–	46,567
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 Jinning Capital Water Co., Ltd.	15,000	–	–	15,000
Tianjin Jing Hai Capital Water Co., Ltd.	20,223	–	–	20,223
	<u>316,333</u>	<u>–</u>	<u>–</u>	<u>316,333</u>

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(4) Revenue and cost of sales

	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	774,368	421,400	744,416	402,087
Other operations	8,487	24,135	62,569	49,926
	<u>782,855</u>	<u>445,535</u>	<u>806,985</u>	<u>452,013</u>

(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 2022		Unaudited For the six months ended 30 June 2021	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Processing of sewage water	740,855	417,840	713,167	398,527
Road tolls	33,513	3,860	31,249	3,560
	<u>774,368</u>	<u>421,400</u>	<u>744,416</u>	<u>402,087</u>

(b) Revenue from other operations and cost of sales

	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	Revenue from other operations	Cost of sales	Revenue from other operations	Cost of sales
Contract operation income	8,487	24,135	53,920	44,292
Technical service	–	–	7,491	498
Rental	–	–	1,135	4,796
Others	–	–	23	340
	<u>8,487</u>	<u>24,135</u>	<u>62,569</u>	<u>49,926</u>

IX. Financial Reports  
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Notes to the Financial Statements  
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(All amounts in RMB thousand unless otherwise stated)

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:

	For the six months ended 30 June 2022 (Unaudited)						
	Processing of sewage water Tianjin	Road tolls	Contract operation income	Rental	Technical service	Others	Total
Revenue	740,855	33,513	-	-	-	-	774,368
Of which: confirm at a point in time	-	-	-	-	-	-	-
Confirm over time	740,855	33,513	-	-	-	-	774,368
Other operating income	-	-	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>
	For the six months ended 30 June 2021 (Unaudited)						
	Processing of sewage water Tianjin	Road tolls	Contract operation income	Rental	Technical service	Others	Total
Revenue	713,167	31,249	-	-	-	-	744,416
Of which: confirm at a point in time	-	-	-	-	-	-	-
Confirm over time	713,167	31,249	-	-	-	-	744,416
Other operating income	-	-	53,920	1,135	7,491	23	62,569
	<u>713,167</u>	<u>31,249</u>	<u>53,920</u>	<u>1,135</u>	<u>7,491</u>	<u>23</u>	<u>806,985</u>

As at 30 June 2022, service bills of the Company's sewage water processing service are regularly issued to customers, based on contract agreed price and actual sewage water treatment capacity. And the amount of bills represent the entity's progress toward complete satisfaction of the performance obligation to transfer each distinct good or service in the series 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 2022	Unaudited For the six months ended 30 June 2021
Dividend income from other equity instruments investment	99,730	235,714
Interest income from entrusted loans	<u>6,167</u>	<u>7,053</u>
	<u>105,897</u>	<u>242,767</u>

## Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

### 1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Government Grants	41,575	46,784
Losses on disposal of non-current assets	–	(3)
Other non-operating income and expenses – net	(712)	(757)
	<u>40,863</u>	<u>46,024</u>
Effect of income tax	(6,769)	(8,196)
Effect of minority interests (after tax)	<u>366</u>	<u>2,309</u>
Total	<u><u>34,460</u></u>	<u><u>40,137</u></u>

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

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss [2008]* from 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 recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

### 2 RECONCILIATION STATEMENT OF INLAND AND ABROAD FINANCIAL STATEMENT

There is no difference on inland and abroad financial statement of the Group.

### 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 2022	Unaudited For the six months ended 30 June 2021	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021
Net profit attributable to ordinary shareholders of the Company	5.49	4.57	0.28	0.21
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	5.02	3.97	0.25	0.19

## 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 chief accountant).
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: Liu Yujun