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

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

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **§ 1 IMPORTANT**

- 1.1 The board of directors (the “**Board**”), the supervisory committee of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management guarantee that information in the 2023 interim report (the “**Interim Report**”) does not contain any false information, misleading statements or material omissions, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.
- 1.2 The interim financial report of the Company for the six months ended 30 June 2023 has not been audited.
- 1.3 Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes?  
  
No
- 1.4 Did the Company provide external guarantees in violation of any prescribed decision-making procedures?  
  
No
- 1.5 Mr. Ji Guanglin, the officer in charge of the Company, Ms. Nie Yanhong, the officer in charge of accounting operations, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have warranted the truthfulness, accuracy and completeness of the financial reports contained in the Interim Report.

## § 2 COMPANY PROFILE

### 2.1 Basic information

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

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

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

### 2.2.1 Major accounting data and financial indicators

#### Major accounting data

*Unit: 0'000 Currency: RMB*

<b>Major accounting data</b>	<b>During the reporting period (from January to June</b>	<b>During the same period last year</b>	<b>Increase/ Decrease for the reporting period as compared to the same period last year (%)</b>
Operating revenue	210,896.6	212,928.9	-0.95
Net profit attributable to the shareholders of the Company	43,784.6	39,636.3	10.47
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	40,132.2	36,190.3	10.89
Net cash flow from operating activities	71,575.3	32,240.5	122.00
	<b>As at the end of the reporting period</b>	<b>As at the end of last year</b>	<b>Increase/ Decrease as at the end of the reporting period as compared to the end of last year (%)</b>
Net assets attributable to the shareholders of the Company	869,434.5	847,947.3	2.53
Total assets	2,374,613.7	2,296,967.4	3.38

## Major financial indicators

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

### 2.2.2 Extraordinary profit and loss items

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Items	Amount
Profit/loss from disposal of non-current assets	-1.8
Government grants recognized in current profit and loss, except for those closely related to normal business operation of the Company, in compliance with requirements of national policy and settled in certain amount or quantity which are constantly granted by government	3,969.1
Other non-operating income and expenses other than the foregoing items	322.1
Less: Effect of income tax	698.1
Effect of minority interests (after tax)	-61.1
Total	<u><u>3,652.4</u></u>

## § 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### 3.1 Table of share changes

#### 3.1.1 Changes in shares

*Unit: Share*

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

### ***3.1.2 Explanations on changes in shares***

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

On 30 September 2022, the Company published the Announcement on Results of Non-public Issuance of A Shares and Changes in Share Capital on the website of the SSE, the website of the Stock Exchange and the designated media for information disclosure. Upon the completion of the issuance, tradable A Shares with sales restrictions of the Company has been increased by 143,189,655 shares, which are subject to a 6-month sales restriction period. On 23 March 2023, the Company published the Announcement on the Listing and Circulation of Tradable Shares with Sales Restrictions in the Non-public Issuance on the website of the SSE, the website of the Stock Exchange and the designated media for information disclosure, and the date of listing and circulation of the tradable shares with sales restrictions of the Non-public Issuance was 28 March 2023. Currently, all the shares of the Company are tradable shares without sales restrictions in circulation.

### ***3.1.3 Effect of the changes in the number of shares after the reporting period on financial indicators such as earnings per share and net assets per share (if any)***

Not applicable

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

Not applicable

## 3.2 Changes in restricted shares

*Unit: Share*

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares unlocked during the reporting period	Number of restricted shares increased during the reporting period	Number of restricted shares at the end of the reporting period	Reason for sales restrictions	Date of unlocking
Changhe (Tianjin) Investment Management Co., Ltd.–Tianjin Shengjin Haihe Zhonghe Equity Investment Fund Partnership (Limited Partnership)* (長和(天津)投資管理有限公司–天津聖金海河中和股權投資基金合夥企業(有限合夥))	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
China National Gold Group Asset Management Co. Ltd.* (中國黃金集團資產管理有限公司)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Pacific Securities Co., Ltd. * (太平洋證券股份有限公司)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Qingdao Huixin Investment Partnership (Limited Partnership)* (青島惠鑫投資合夥企業(有限合夥))	8,620,689	8,620,689	0	0	Participation in the issuance	28 March 2023
Ningbo Zhengye Hongyuan Investment Co., Ltd. * (寧波正業宏源投資有限公司)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Ningbo Meishan Free Trade Port Fengtu Investment Management Co., Ltd. – Fengtu Fengtai Private Equity Investment Fund I* (寧波梅山保稅港區灃途投資管理有限公司–灃途灃泰壹號私募股權投資基金)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Nuode Asset Management Co., Ltd. * (諾德基金管理有限公司)	20,637,931	20,637,931	0	0	Participation in the issuance	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of “Huatai Asset Management – Industrial Bank – Huatai Asset Selected Value-added Management Product”) * (華泰資產管理有限公司(代「華泰資管–興業銀行–華泰資產價值精選資產管理產品」))	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of “Huatai Asset Management – Industrial Bank – Huatai Asset Huatai Steady Value-added Asset Management Product”) * (華泰資產管理有限公司(代「華泰資管–興業銀行–華泰資產華泰穩健增益資產管理產品」))	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of “Huatai Premium Commingled No. 5 Pension Product – Bank of China Limited”) * (華泰資產管理有限公司(代「華泰優逸五號混合型養老金產品–中國銀行股份有限公司」))	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Liu Jieqi* (劉姊琪)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Guotai Junan Securities Co., Ltd. * (國泰君安證券股份有限公司)	5,000,000	5,000,000	0	0	Participation in the issuance	28 March 2023
Jinan Hanxiang investment management partnership (L.P.) * (濟南瀚祥投資管理合夥企業(有限合夥))	8,620,689	8,620,689	0	0	Participation in the issuance	28 March 2023
UBS AG	7,586,206	7,586,206	0	0	Participation in the issuance	28 March 2023
JPMorgan Chase Bank, National Association	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Chen Xuegeng* (陳學廣)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares unlocked during the reporting period	Number of restricted shares increased during the reporting period	Number of restricted shares at the end of the reporting period	Reason for sales restrictions	Date of unlocking
Dong Weiguo* (董衛國)	4,310,344	4,310,344	0	0	Participation in the issuance	28 March 2023
Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	41,000,012	41,000,012	0	0	Participation in the issuance	28 March 2023
Total	143,189,655	143,189,655	0	0	/	/

### 3.3 Number of shareholders and their shareholdings

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

*Note:* As at 30 June 2023, the total number of ordinary shareholders of the Company is 61,569, among which 60 are holders of H Shares.

#### Shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders of non-restricted shares) as at the end of the reporting period

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

**Shareholdings of the top ten shareholders**

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

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

Name of shareholder	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
Tianjin Municipal Investment Co., Ltd.	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	337,906,810	H Shares	337,906,810
Central Huijin Asset Management Co., Ltd.* (中央匯金資產管理有限責任公司)	13,868,294	Ordinary RMB Shares	13,868,294
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	10,958,393	Ordinary RMB Shares	10,958,393
Qingdao Huixin Investment Partnership (Limited Partnership)* (青島惠鑫投資合夥企業(有限合夥))	8,620,689	Ordinary RMB Shares	8,620,689
Jinan Hanxiang investment management partnership (L.P.)* (濟南瀚祥投資管理合夥企業(有限合夥))	8,620,689	Ordinary RMB Shares	8,620,689
Zhejiang Jinxin Construction Engineering Co., Ltd.* (浙江錦鑫建設工程有限公司)	7,474,800	Ordinary RMB Shares	7,474,800
Caitong Fund – Ding Fu Tong Da Selection No. 1 Private Equity Investment Fund – Caitong Fund Ding Fu Fixed Increase No. 1 Single Asset Management Plan* (財通基金—鼎富通達精選1號私募股權投資基金—財通基金鼎富定增1號單一資產管理計劃)	7,329,718	Ordinary RMB Shares	7,329,718
Wang Caijin* (王財進)	4,793,700	Ordinary RMB Shares	4,793,700

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

Name of shareholder	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
China National Gold Group Asset Management Co., Ltd. * (中國黃金集團資產管理有限公司)	4,310,344	Ordinary RMB Shares	4,310,344

Notes on the connected relationship or parties acting in concert among the above shareholders

Among the abovementioned top ten shareholders, Qingdao Huixin Investment Partnership (Limited Partnership)\* (青島惠鑫投資合夥企業(有限合夥)) and Jinan Hanxiang investment management partnership (L.P.)\* (濟南瀚祥投資管理合夥企業(有限合夥)) are parties acting in concert.

Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. As at the end of reporting period, Ningbo BSL Trade Co., Ltd.\* (寧波百思樂斯貿易有限公司) and its concert parties Ningbo Ningdian Investment Development Co., Ltd.\* (寧波寧電投資發展有限公司) and LVNENG Investment & Development Co., Ltd. (Hong Kong)\* (綠能投資發展有限公司(香港)) held a total of 156,956,000 H shares of the Company, representing 9.99% of the total share capital of the Company, and none of the shares were pledged.

(2) The top ten shareholders are not strategic investors of the Company.

### **3.4 Changes in the controlling shareholder and the actual controller of the Company**

Not applicable

## **§ 4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT**

### **4.1 Changes in the shareholding of the directors, supervisors and senior management**

Not Applicable

### **4.2 Share option incentives granted to directors, supervisors and senior management during the reporting period**

Not Applicable

## **§ 5 REPORT OF THE BOARD**

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

#### ***(i) Industries where the company operates***

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

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

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

In the field of new energy business, photovoltaic power generation continued to maintain rapid growth. 78.423 million kilowatts of new grid-connected capacity were added in the first half of 2023, of which 37.460 million kilowatts were centralised photovoltaic power plants and 40.963 million kilowatts were distributed photovoltaic power plants; and the cumulative grid-connected capacity as at the end of June 2023 was 470.020 million kilowatts, of which 271.774 million kilowatts were centralised photovoltaic power plants and 198.228 million kilowatts were distributed photovoltaic power plants. The promulgation and implementation of the Notice on the Promotion of Renewable Electricity Consumption Through the Full Coverage of Renewable Energy Green Power Certificates (the “**Notice**”), jointly released by the National Development and Reform Commission, the Ministry of Finance and the National Energy Administration, will provide strong support in the promotion of the full coverage of green certificate issuance and trading, and further lay a solid foundation for the expansion of green electricity supply and the promotion of green electricity consumption; it will effectively enhance the authority and uniqueness of green certificates, and further enhance the credibility of green electricity consumption; it will effectively expand the application of green certificates, the demand for green certificates, and further stimulate the vitality of the green electricity consumption market, which has important practical significance for promoting the green and low-carbon energy transformation, by creating a green consumption environment, accelerating the formation of green production methods and lifestyles, and helping the overall green and low-carbon development of the economy and society; it will also help the photovoltaic power generation industry to improve marginal income.

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

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

**(ii) *Principal business and business model of the Company***

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

**1. *The situation of principal businesses***

As at the end of the reporting period, the total capacity of the Company’s sewage, water supply and recycled water business was approximately 5,678,050 m<sup>3</sup> per day, of which the capacity of sewage treatment under the PPP model was approximately 4,943,050 m<sup>3</sup> per day, the capacity of the water supply business was 315,000 m<sup>3</sup> per day (including tap water and industrial water supply) and the capacity of the recycled water business was 420,000 m<sup>3</sup> per day, and the aforesaid projects were distributed in 15 provinces, municipalities and autonomous regions across the country; the capacity of sewage treatment under the entrusted operation model is about 317,600 m<sup>3</sup> per day.

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

## 2. *The situation of strategic new business*

- (1) In terms of the dual-carbon new energy business, the total service area of new energy cooling and heating is 3,410,000 m<sup>2</sup>, mainly in BOT model and mainly distributed in Tianjin; the distributed photovoltaic power generation business has a planned annual capacity of 2,921,600 kilowatts, adopting a market-based pricing model to provide power supply services for sewage plants, mainly distributed in Tianjin and Dalian;
- (2) In terms of the solid waste business, the Company's hazardous waste business has 4 projects with a total disposal capacity of 181,300 tonnes/year, and a storage and transfit project with the capacity of 20,000 tonnes/year, with a comprehensive waste utilisation scale of 73,000 tonnes/year, which adopts the market-based pricing to provide hazardous waste disposal services for the users, and were mainly distributed in Shandong Province and Jiangsu Province; the total capacity on sludge treatment business was 2,810 tonnes/day, which was mainly distributed in Tianjin, Gansu and Zhejiang. Jinnan Sludge Disposal Plant was an independent project, the Gansu Jiuquan Project was operated under BOT model while the remaining sludge treatment projects were operated under the entrusted operation model;
- (3) In terms of environmental protection science and technology business, currently it mainly comprises the transformation business of scientific and technological achievements, which specifically, being the promotion of patented technology, consultation services, etc. to the market. The Company has entered into 5 new project contracts amounted to RMB7,474,300 for the first half of the year.

## II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

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

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

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

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

### III. OPERATION DISCUSSION AND ANALYSIS

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

- (1) The Company gave full play to operational advantages, guaranteed that each project operating stably and satisfied standards in accordance with corresponding standards, strictly ensured production and construction safety, and comprehensively secured the safety of operation and construction projects; conducted maintenance of concession agreements for each project to ensure that the project achieved the expected income level; through centralized procurement and other methods, the Company reasonably controlled operating costs; while keeping basic operation management, the Company continued to build a large operation management system, carried out the construction of a smart water standard system, explored the formation of a full-business production cost quota, and improved the full-business operation standards.
- (2) According to the strategic positioning and layout, the Company reorganized the ideas of market expansion, reshaped the business system of market expansion, fully combined the existing business distribution and future overall business planning, established a development plan with guidance and clear goals, and actively promoted the project to implement. In the first half of the year, the projects in the southern suburbs of Karamay and En'shi city, Hubei Province were launched, with an additional investment of RMB1.42 billion and an additional sewage treatment capacity of 200,000 m<sup>3</sup> per day; awarded the "Water Supply Security Project under the Utilization of Reclaimed Water and Comprehensive River Ecology Restoration Project in Jinnan District", with a daily water supply of approximately 200,000 m<sup>3</sup>, marking one of the boldest attempts by the Company in the comprehensive utilization of water resources.
- (3) Based on the overall logic of strategic management and control, the Company improved the headquarters, adjusted the functional settings of the departments, enhanced the professional management and control capabilities and levels of the various departments of headquarters, and firmed up the business implementation functions; effectively strengthened the business functions and profit center positioning of regional companies, and strengthened business units; simplified business entities, optimized project quality, and improved operational efficiency. Based on the principle of large river basins and large regions, the Company constructed a layout with five regional companies as the core; at the same time, the Company integrated the business layout, with water treatment and water resources utilization as "one body", and double carbon and new energy and sludge treatment and solid waste recycling as "two wings", to build a business structure of "one body and two wings".

- (4) The Company focused on the strategic layout of “5+3+2”, on the basis of optimizing the five major regions and realizing three professional affiliated companies, reconstructed the technology innovation system, and set up a technology product center to undertake the three major functions including technological solution output, technological research and development and commercialization; Tianjin Tianchuang Environmental Technology Co., Ltd.\* (天津天創環境技術有限公司) was registered and established to open up the Group’s domestic circulation system in terms of operation, construction, technical services, etc., made up for the shortcomings of the industrial chain, and formed a professional platform for asset-light operation.
- (5) The Company further promoted the construction of a digital and intelligent operation system, took the technology product center as the main body, focused on pollution reduction, energy saving, emission reduction and quality improvement, and facilitated the implementation and promotion of scientific research projects, promoted the formation of process packages and product packages with independent intellectual property rights, and improved the transformation speed and efficiency of scientific and technological achievements. During the reporting period, the Company organized to apply for 9 quality research projects to Tianjin Municipal Bureau of Quality Supervision, won 3 awards including low-carbon and zero-carbon application scenario cases granted by the Municipal Development and Reform Commission, and obtained 20 authorized patents.

Under the guidance of the above strategy, during the reporting period, the various businesses of the Company operated steadily and recorded operating revenue of RMB2,108.966 million, representing a decrease of 0.95% as compared to that in the same period last year. The slight decrease in revenue was mainly because the fact that the amount of PPP projects under construction in the current period was lower than that in the same period last year, therefore, the construction income decreased compared to that in the same period last year. After excluding the impact of construction income, the Company’s income from sewage treatment, recycled water and recycled water supporting projects business was higher than that in the same period last year. The net profit attributable to the Company was RMB437.846 million, representing an increase of 10.47% as compared to that in the same period last year. The performance contribution was mainly from the sewage treatment, recycled water treatment business, tap water supply, new energy cooling and heating and other businesses; among which, the sewage treatment business realized income of RMB1,573.51 million, representing an increase of 1.64% as compared to that in the same period last year; the recycled water business recorded revenue of RMB197.208 million, representing an increase of 9.04% as compared to that in the same period last year. Tap water supply business recorded revenue of RMB59.136 million, representing a decrease of 0.25% as compared to that in the same period last year; new energy cooling and heating business recorded revenue of RMB74.748 million, representing a decrease of 42.59% as compared to that in the same period last year, mainly because the construction income was lower than that in the same period last year.

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

Not applicable

#### IV. THE PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

##### (I) Analysis of the principal businesses

###### 1 Analysis of changes in relevant items in financial statements

Unit: 0'000 Currency: RMB

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

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

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

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

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

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

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

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

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

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

Reasons for the change in credit impairment losses: the main reason is due to credit impairment loss due from Tianjin Qudong Media Co., Ltd.\* (天津驅動傳媒有限公司), which is in insolvency proceedings, during the same period last year. There are no such matter during the current period.

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

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

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

Not applicable

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

Not applicable

**(III) Analysis of assets and liabilities**

Unit: 0'000 Currency: RMB

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

Other Explanations

Nil

## ***(IV) Analysis of investment***

### *1. Overall analysis of external equity investment*

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

#### **(1) Major equity investment**

1. On 11 May 2022, the Board agreed to inject RMB20.91 million into Linxia Capital Water Co., Ltd. (“**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 million after completing the injection. During the reporting period, such capital injection has been completed.
2. On 30 September 2022, the Board of the Company agreed on the injection of capital by Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd. (“**Jiayuanxing**”) to Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd for the implementation of an outbound distributed photovoltaic power generation project. The Board of the Company approved the cancellation the project on 10 July 2023 due to the adjustment of Shandong’s electricity price policy. During the reporting period, the capital injection was not completed and the project was cancelled.
3. According to the specific requirements of Tianjin SASAC on the overall deployment of deepening state-owned enterprise reform, and taking into account the actual situation of the Company, on 25 October 2022, the Board of the Company approved the deregistration of EDMS (Hong Kong) Limited. During the reporting period, deregistration of EDMS (Hong Kong) Limited has been completed.
4. On 21 December 2022, the Board of the Company approved the capital injection to Tianjin Jiayuansheng Innovative Energy Technology Company Limited (“**Jiayuansheng**”) for the purpose of capital injection of Jiayuansheng, to implement the project of the franchised operation project of the Tianjin Houtai Scenic Spot 2# Energy Station. The adjusted total investment of the project is RMB183.4802 million, of which the RMB54 million capital will be settled by existing registered capital of Jiayuansheng of RMB33 million as well as shareholders’ capital injection. The Company proposed to inject RMB21 million of capital to Jiayuanxing for capital increase of Jiayuansheng. During the reporting period, such capital increase was completed.

5. The Jieshou sewage operation PPP project (the first batch) was eligible for a government grants of RMB46.54 million for improving weak links in infrastructure, which should be invested in the project by way of equity investment by the government. On 21 December 2022, the Board of the Company agreed to utilize the dedicated fund by way of capital increase from the Government to Jieshou Company. According to the evaluation results, after the government grants of RMB46.54 million has been invested in Jieshou Company, the shareholding percentage of the Company and the government capital contribution representative in Jieshou Company should be 87.001% and 12.999%, respectively; the capital injection has been completed during the reporting period.
6. On 24 March 2023, the Board of the Company agreed to establish the Karamay Tianchuang Capital Water Co., Ltd. for the implementation of the concession project of Karamay Nanjiao Sewage Treatment Plant. The registered capital was RMB113.8732 million, which was 100% funded by the Company. The capital injection was completed during the reporting period.
7. On 7 April 2023, the Board of the Company approved the establishment of Anyang Capital Chengfa Water Co., Ltd. for the implementation of Anyang Municipal Sewage Treatment Centre (Phase I) project. The registered capital is RMB20 million, of which RMB11.8 million was contributed by the Company in cash, representing a shareholding of 59.0%; RMB8 million was contributed by Anyang Urban Development Investment Co. Ltd. in cash, representing a shareholding of 40.0%; and RMB0.2 million was contributed by China Railway Tenth Bureau Group Co., Ltd. in cash, representing a shareholding of 1%. During the reporting period, the project company had not been established and the capital injection had not been completed.
8. On 23 May 2023, the Board of the Company approved the establishment of Enshi City Capital Water Co., Ltd. for the implementation of the franchising project of Enshi Dashaba Phase I and Phase II (Tanjiaba) Sewage Treatment Plant and Supporting Pipeline Network Project. The registered capital was RMB170.8609 million, of which the Company contributed RMB162.317855 million in cash, representing a shareholding of 95%; Wuhan Municipal Construction Group Co., Ltd. contributed RMB8.543045 million in cash, representing a shareholding of 5%. During the reporting period, the capital injection was completed.

9. On 23 May 2023, the Board of the Company approved that Honghu Tianchuang Environmental Protection Co., Ltd. shall make changes and adjustments to the scope of implementation and the investment plan of PPP Project (Phase II) for the Construction, Upgrading and Ancillary Pipe Networking of the Rural Sewage Treatment Plants in Honghu City in accordance with the relevant requirements of the City Government and the Housing and Urban-Rural Development Bureau of Honghu City. The total investment of the adjusted project is approximately RMB148.3199 million. After adjustment, the registered capital of the project company was reduced from RMB60 million to RMB30 million. During the reporting period, the adjustment of the investment programme of the project has been completed and filed with the higher level state-owned assets management unit, and the capital reduction is not yet completed.
10. On 14 June 2023, the Board of the Company approved the establishment of Tianjin Tianchuang Environmental Technology Co., Ltd. to carry out asset-light business, with a registered capital of RMB20 million and an initial registered capital contribution of RMB7 million. During the reporting period, the initial capital contribution was not completed.

(2) Major non-equity investment

On 21 December 2022, the Board approved the acquisition of the assets of Jinnan Sludge Disposal Plant owned by Tianjin Investment Group. The Company intended to acquire the assets at a cash consideration of RMB471.8259 million. The aforesaid acquisition has been considered and approved at the first extraordinary general meeting of 2023 of the Company. As at the end of the reporting period, the Company had paid RMB424.64331 million for the acquisition of such assets in accordance with the “Conditionally Effective Asset Transfer Agreement in respect of Jinnan Sludge Disposal Plant”, with RMB47.18259 million remained outstanding. For details, please refer to the “Announcement on the Related Party Transaction in Relation to the Acquisition of Assets of Jinnan Sludge Disposal Plant”, the “Announcement on Resolutions of the First Extraordinary General Meeting of 2023” and the “Announcement on the Progress of the Acquisition of the Assets of Jinnan Sludge Disposal Plant” disclosed on the website of SSE and the website of the Stock Exchange by the Company on 22 December 2022, 2 March 2023 and 18 March 2023, respectively.

(3) Financial assets measured by fair value

Not applicable

**(V) Disposal of major assets and equity interest**

Not applicable

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

*Unit: 0'000 Currency: RMB*

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Shareholding of the Company	Asset Size	Net Assets	Net Profits
Tianjin Water Recycling Co., Ltd. (“Water Recycling Company”)	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; and manufacturing, installation, debugging, and operation of water recycling facilities etc	10,000	Limited company	100%	143,604.87	46,843.30	7,580.50
Hangzhou Tianchuang Capital Water Co., Ltd. (“Hangzhou Company”)	Hangzhou, Zhejiang	Operation and maintenance for facilities for sewage treatment and recycled water usage, and supporting services such as its technical services and technical training	37,744.50	Limited company	70%	80,688.25	72,286.33	2,882.63
Xi’an Capital Water Co., Ltd.	Xi’an, Shaanxi	Development, construction, operation, and management of municipal sewage treatment plants, and tap water and its supporting facilities; and R&D and promotion of environment protection technology	47,617	Limited company	100%	102,210.50	66,707.29	3,205.19
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	21,295.05	Limited company	100%	70,916.74	39,978.37	1,008.19
Tianjin Caring Technology Development Co., Ltd.	Tianjin	Environmental engineering management and technical advice etc	3,333.3333	Stock limited company	60%	18,326.65	13,176.72	608.35
Inner Mongolia Bayannur Capital Water Co., Ltd.	Bayannur, Inner Mongolia	Sewage treatment, production and sales of recycled water, supply of tap water.	106,757.79	Limited company	70%	112,621.72	109,392.48	702.32
Shandong Capital Environmental Protection Technology Co., Ltd.	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	32,857.31	13,334.58	-635.69
Fuyang Company	Fuyang, Anhui	Development, construction and management of municipal sewage treatment plants, tap water and their supporting facilities and solid waste treatment facilities; Research and development and promotion of environmental protection technology	45,568.87	Limited company	100%	152,416.75	75,204.26	3,741.89

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

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

*(VII) Structured entities controlled by the Company*

Not applicable

**V. OTHER DISCLOSURE**

**(I) Possible risks**

**1. Possible risks**

*(1) Risk of government credit*

Given the 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.

**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.

(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.

## § 6 GUARANTEE

*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	16,759.47
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	304,935.68
<b>Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)</b>	
Total amount of guarantees (A+B)	304,935.68
Percentage of the total amount of guarantees to the net assets of the Company (%)	35.07
Of which:	
Amount of guarantees provided to shareholders, ultimate controllers, and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to guaranteed entities with a gearing ratio of over 70% (D)	62,360.11
Total amount of guarantees exceeding 50% of net assets (E)	0
Total of the above three classes of guarantees (C+D+E)	62,360.11
Explanation on contingent joint liability for undue guarantees	Not applicable
Explanation on guarantees	Nil

## § 7 FINANCIAL REPORTS

### INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2023

(All amounts in RMB thousand unless otherwise stated)

		As at	
		30 June 2023	31 December 2022
	Notes	Unaudited RMB'000	Audited RMB'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,045,762	3,252,060
Notes receivables		7,813	7,535
Accounts receivables	6	3,062,613	2,745,022
Advance to suppliers		29,303	35,223
Other receivables		21,514	16,212
Inventories		29,018	31,144
Current portion of non-current assets		188,439	197,367
Other current assets		64,174	64,321
		<hr/>	<hr/>
<b>Total current assets</b>		<b>6,448,636</b>	<b>6,348,884</b>
		<hr/>	<hr/>
<b>Non-current assets</b>			
Long-term receivables		4,491,316	4,475,777
Long-term equity investments		193,108	193,108
Other equity instruments investment		2,000	2,000
Fixed assets		1,341,740	911,347
Construction in progress		191,498	151,957
Right-of-use assets		4,592	8,247
Intangible assets		10,310,830	10,130,264
Goodwill		319,813	319,813
Deferred tax assets		9,347	7,398
Other non-current assets		433,257	420,879
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>17,297,501</b>	<b>16,620,790</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>23,746,137</b>	<b>22,969,674</b>
		<hr/> <hr/>	<hr/> <hr/>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

AS AT 30 JUNE 2023 (Continued)

(All amounts in RMB thousand unless otherwise stated)(Continued)

		As at	
		30 June	31 December
		2023	2022
		Unaudited	Audited
	Notes	RMB'000	RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings		2,532	1,001
Accounts payables	7	609,856	511,159
Contract liabilities	7	537,541	513,471
Employee benefits payables		27,021	93,046
Taxes payable	7	60,477	54,064
Other payables	7	840,152	897,121
Current portion of non-current liabilities		1,616,879	1,276,471
Other current liabilities		990	490
<b>Total current liabilities</b>		<b>3,695,448</b>	<b>3,346,823</b>
<b>Non-current liabilities</b>			
Long-term borrowings		7,289,221	7,097,305
Debentures payable		878,688	878,373
Lease liabilities		4,609	4,443
Long-term payables		146,606	168,703
Deferred revenue		1,818,412	1,855,645
Deferred tax liabilities		91,967	86,089
Other non-current liabilities		30,000	30,000
<b>Total non-current liabilities</b>		<b>10,259,503</b>	<b>10,120,558</b>
<b>Total liabilities</b>		<b>13,954,951</b>	<b>13,467,381</b>
<b>EQUITY</b>			
Share capital		1,570,418	1,570,418
Capital surplus		1,114,322	1,111,156
Surplus reserve		722,389	722,389
Undistributed profits		5,287,216	5,075,510
Total equity attributable to shareholders of the Company		8,694,345	8,479,473
Minority interests		1,096,841	1,022,820
<b>Total shareholders' equity</b>		<b>9,791,186</b>	<b>9,502,293</b>
<b>Total liabilities and shareholders' equity</b>		<b>23,746,137</b>	<b>22,969,674</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR OF 2023**

(All amounts in RMB thousand unless otherwise stated)

	Notes	Unaudited Half-year	
		2023 RMB'000	2022 RMB'000
<b>Revenue</b>	2(a)	<b>2,108,966</b>	2,129,289
Less: Cost of sales		(1,322,894)	(1,415,621)
Taxes and surcharges		(22,648)	(21,948)
Selling expenses		(11,184)	(12,718)
Administrative expenses		(96,756)	(90,313)
Research and development expenses		(11,575)	(6,550)
Finance expenses – net		(118,987)	(111,457)
Including: interest expenses		(192,106)	(176,345)
interest income		71,112	60,942
Add: Other income		40,447	46,143
Investment income		–	–
Including: investment income from associates		–	–
Less: Credit impairment losses		(1,878)	(8,331)
Assets impairment losses		–	–
Losses on disposals of assets		–	–
<b>Operating profit</b>	3	<b>563,491</b>	508,494
Add: Non-operating income		5,416	135
Less: Non-operating expenses		(2,213)	(847)
<b>Total profit</b>		<b>566,694</b>	507,782
Less: Income tax expenses	4	(111,649)	(96,476)
<b>Net profit</b>		<b>455,045</b>	411,306
Classified by continuity of operations			
Net profit from continuing operations		455,045	411,306
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		437,846	396,363
Minority interests		17,199	14,943
<b>Other comprehensive income, net of tax</b>		–	–
<b>Total comprehensive income</b>		<b>455,045</b>	411,306
Attributable to shareholders of the Company		437,846	396,363
Attributable to minority interests		17,199	14,943
<b>Earnings per share</b>	5		
Basic earnings per share (RMB Yuan)		0.28	0.28
Diluted earnings per share (RMB Yuan)		0.28	0.28

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT 30 JUNE 2023

(All amounts in RMB thousand unless otherwise stated)

## 1 Basis of preparation of half-year report

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and 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 interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2022 and any public announcements made by the Group during the interim reporting period.

## 2 Revenue and segment information

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

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

	Unaudited Half-year	
	2023	2022
	RMB’000	RMB’000
Revenue from contracts with customers (Note 2(b))	2,108,966	2,129,289
Other income	40,447	46,143
	<b>2,149,413</b>	<b>2,175,432</b>

### (b) Operating segment analysis

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

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

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

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

## 2 Revenue and segment information (Continued)

### (b) Operating segment analysis (Continued)

#### (i) For the half-year ended 30 June 2023 (Unaudited)

	Sewage water processing and sewage treatment plant construction			Recycled water and auxiliary projects	Heating and cooling supply	Tap water and water plant construction	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants <i>RMB'000</i>	Hangzhou plant <i>RMB'000</i>	Other plants <i>RMB'000</i>						
Revenue from external customers	841,483	130,259	601,769	197,208	74,748	59,136	4,330	200,033	2,108,966
Cost for sales	(503,745)	(75,525)	(387,464)	(101,412)	(58,902)	(41,172)	(4,144)	(150,530)	(1,322,894)
Interest income	6,342	1,273	56,389	715	606	1,970	17	3,800	71,112
Interest expenses	(113,569)	(1,064)	(64,871)	(1,397)	(567)	(2,221)	-	(8,417)	(192,106)
Results before share of profits of an associate	207,021	50,620	151,236	102,921	14,480	12,214	583	27,619	566,694
Segment total profit	207,021	50,620	151,236	102,921	14,480	12,214	583	27,619	566,694
Income tax expenses	(30,059)	(22,569)	(21,136)	(24,030)	(4,684)	(2,314)	(87)	(6,770)	(111,649)
Segment net profit	176,962	28,051	130,100	78,891	9,796	9,900	496	20,849	455,045
Net profit									455,045
Depreciation expenses	(1,253)	-	(2,200)	(9,109)	(1,058)	(211)	(443)	(35,239)	(49,513)
Amortization	(86,811)	(29,347)	(113,539)	(2,950)	(12,510)	(9,214)	-	(12,724)	(267,095)
Segment assets	8,438,931	859,131	8,223,027	1,165,109	829,204	661,924	41,536	3,334,167	23,553,029
Equity investments in associate									193,108
Total assets									23,746,137
Total liabilities	7,232,602	97,328	3,856,950	739,833	357,529	137,171	5,683	1,527,855	13,954,951
Addition of non-current assets (iii)	(9,122)	(3,788)	429,435	42,422	31,094	-	-	473,693	963,734

## 2 Revenue and segment information (Continued)

### (b) Operating segment analysis (Continued)

#### (ii) For the half-year ended 30 June 2022 (Unaudited)

	Sewage water processing and sewage treatment plant construction			Recycled water and auxiliary projects	Heating and cooling supply	Tap water and water plant construction	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants RMB'000	Hangzhou plant RMB'000	Other plants RMB'000						
Revenue from external customers	772,856	136,883	638,440	180,852	130,194	59,282	1,544	209,238	2,129,289
Cost for sales	(446,249)	(94,306)	(455,924)	(108,902)	(112,488)	(41,384)	(1,274)	(155,094)	(1,415,621)
Interest income	2,975	222	46,037	4,434	538	3,403	12	3,321	60,942
Interest expenses	(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
Equity investments 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
Addition of non-current assets (iii)	75	28,398	81,424	6,196	86,033	-	6	2,158	204,290

#### (iii) Non-current assets excludes financial assets, long-term equity investments and 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 half-year ended 30 June 2023, the income from processing of sewage water segment of approximately RMB806 million is derived from a single customer, accounting for 38% of the Group's total revenue (for the half-year ended 30 June 2022: approximately RMB741 million, 35%).

### 3 Operating profit

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

	Unaudited Half-year	
	2023 RMB'000	2022 RMB'000
Other income	40,447	46,143
Charging:		
Depreciation and amortisation expenses	316,608	302,517
Staff costs	203,234	212,155
Raw materials and consumables used	101,551	142,510
Repair and maintenance expenses	74,588	85,072

### 4 Income tax expenses

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2023 (30 June 2022: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax expenses comprises:

	Unaudited Half-year	
	2023 RMB'000	2022 RMB'000
Current income tax	107,720	95,156
Deferred income tax	3,929	1,320
	111,649	96,476

### 5 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the half-year ended 30 June 2023 (30 June 2022: Nil).

## 6 Accounts receivables

Details of the accounts receivables are as follows:

	<b>Unaudited 30 June 2023 RMB'000</b>	<b>Audited 31 December 2022 RMB'000</b>
Accounts receivables	3,279,064	2,959,595
Less: loss allowance	<u>(216,451)</u>	<u>(214,573)</u>
	<b><u>3,062,613</u></b>	<b><u>2,745,022</u></b>

(a) The aging of accounts receivables is analysed below:

	<b>Unaudited 30 June 2023 RMB'000</b>	<b>Audited 31 December 2022 RMB'000</b>
Within 1 year	2,440,281	2,364,118
1 to 2 years	516,908	336,156
2 to 3 years	156,990	111,184
3 to 4 years	72,732	63,061
4 to 5 years	49,633	42,588
Over 5 years	<u>42,520</u>	<u>42,488</u>
Total	<b><u>3,279,064</u></b>	<b><u>2,959,595</u></b>

## 7 Accounts payables, contract liabilities, other payables and taxes payable

	<i>Notes</i>	<b>Unaudited 30 June 2023 RMB'000</b>	<b>Audited 31 December 2022 RMB'000</b>
Accounts payables	<i>(a)</i>	609,856	511,159
Contract liabilities	<i>(b)</i>	537,541	513,471
Other payables	<i>(c)</i>	840,152	897,121
Taxes payable		<u>60,477</u>	<u>54,064</u>
		<b><u>2,048,026</u></b>	<b><u>1,975,815</u></b>

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

**(b) Contract liabilities**

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	Audited 31 December 2022 <i>RMB'000</i>
For recycled water and pipeline connection services	<b>449,614</b>	487,613
For toll road fee	<b>69,465</b>	–
For hazard waste treatment	<b>15,718</b>	15,686
Others	<b>2,744</b>	10,172
	<b>537,541</b>	513,471

**(c) Other payables comprise:**

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	Audited 31 December 2022 <i>RMB'000</i>
Construction costs payable and deposits payable	<b>613,508</b>	658,283
Payable for purchases of fixed assets and intangible assets	<b>91,233</b>	66,999
Payable for the old Dongjiao sewage plant's assets transfer (a)	<b>68,300</b>	68,300
Others	<b>67,111</b>	103,539
	<b>840,152</b>	897,121

As at 30 June 2023, other payables of RMB 530 million (31 December 2022: RMB 726 million) were aged over one year, which mainly represented construction costs payable and guarantee deposits for Dalian Chunliuhe sewage treatment project, Karamay sewage treatment plant PPP project, Yuwan sewage treatment plant PPP project, Taochong sewage treatment plant PPP project and other construction projects. The balance is yet to be settled as the projects have not been completed.

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

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

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

## **§ 9 CORPORATE GOVERNANCE CODE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, 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.

## **§ 10 AUDIT COMMITTEE**

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Xue Tao, Mr. Wang Shanggan, and Ms. Liu Fei. The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed 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 2023.

By order of the Board  
**Ji Guanglin**  
*Chairman*

Tianjin, the PRC  
25 August 2023

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

\* *For identification purpose only*