



*Interim Report for the six
months ended 30th June 2024*



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

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

- I. The board of directors (the “**Board**”), supervisory committee (the “**Supervisory Committee**”), directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) guarantee that the information set out in the 2024 interim report (the “**Interim Report**”) contains no false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.
- II. All Directors of the Company attended the Board meeting.
- III. The interim financial report of the Company for the six months ended 30 June 2024 has not been audited.
- IV. Mr. Tang Fusheng, 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.
- V. The proposal on profit distribution or transfer of capital reserve fund to share capital for the reporting period as approved by the Board by way of a resolution
Not applicable
- VI. Risk statements for the forward-looking statement
Not Applicable
- VII. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes
No
- VIII. Did the Company provide external guarantees in violation of any specified decision-making procedures
No
- IX. Whether more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of the Interim Report disclosed by the Company
No
- X. Significant risks warning
None
- XI. Other matters
Unless indicated otherwise, financial figures in the Interim Report are denominated in RMB.

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Section 1 Definitions

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

“Bohai Chemical”	Tianjin Bohai Chemical Industry (Group) Co., Ltd.* (天津渤海化工(集團)股份有限公司)
“Caring Company”	Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司)
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Compro Company”	Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司)
“Dongying Company”	Dongying Tianchi Environmental Technology Co., Ltd.* (東營天馳環保科技有限公司)
“Fuyang Company”	Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)
“Group”	the Company and its subsidiaries
“Guizhou Company”	Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司)
“Guokong Jincheng”	Hebei Guokong Jincheng Environmental Control Co., Ltd.* (河北國控津城環境治理有限責任公司)
“Hangzhou Company”	Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創水務有限公司)
“Hefei Company”	Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司)
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Limited (天津創業環保(香港)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)

Section 1 Definitions

“Jiayuan Kaichuang”	Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd.* (天津佳源開創新能源科技有限公司)
“Jieshou Company”	Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司)
“Jiuquan Company”	Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)
“Shandong Company”	Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司)
“Subsidiaries”	the subsidiaries of the Company
“Tianchuang Green Energy”	Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司)
“Tianjin Investment”	Tianjin City Infrastructure Construction and Investment Group Co., Ltd.* (天津城市基礎設施建設投資集團有限公司)
“TMICL”	Tianjin Municipal Investment Co., Ltd.* (天津市政投資有限公司)
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)
“Weng’an Company”	Weng’an Capital Water Co., Ltd.* (甕安創環水務有限公司)
“Yonghui Company”	Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用有限公司)

Section 2 Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSON AND METHOD

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

III. CHANGES OF BASIC CORPORATE INFORMATION

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

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

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

V. PROFILE OF THE SHARES OF THE COMPANY

Share Class	Listed on	Stock Abbreviation	Stock Code	Previous Stock Abbreviation
A Share	Shanghai Stock Exchange (the “SSE”)	Tianjin Capital	600874	Bohai Chemical
H Shares	The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)	Tianjin Capital	01065	Tianjin Bohai

VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(I) Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	During the reporting period (from January to June)	During the same period last year	Increase/decrease for the reporting period as compared to the same period last year (%)
Operating revenue	221,816.6	210,896.6	5.18
Net profit attributable to the shareholders of the Company	42,192.8	43,784.6	-3.64
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	38,167.8	40,132.2	-4.89
Net cash flow from operating activities	43,899.9	71,575.3	-38.67
	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	928,388.0	912,217.7	1.77
Total assets	2,504,715.7	2,446,065.4	2.40

(II) Major financial indicators

Currency: RMB

Major financial indicators	During the reporting period (from January to June)	During the same period last year	Increase/decrease for the reporting period as compared to the same period last year (%)
Basic earnings per share (RMB/share)	0.27	0.28	-3.57
Diluted earnings per share (RMB/share)	0.27	0.28	-3.57
Basic earnings per share after deduction of extraordinary profit and loss (RMB/share)	0.24	0.26	-7.69
Weighted average return on net assets ratio (%)	4.58	5.10	Decreased by 0.52 percentage points
Weighted average return on net assets ratio after deduction of extraordinary profit and loss (%)	4.15	4.67	Decreased by 0.52 percentage points

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

Not Applicable

VIII. EXTRAORDINARY PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Items	Amount
Gains and losses on disposal of non-current assets, including reversal of provision for impairment of assets	-0.2
Government subsidies recorded in current profit and loss (except government subsidies closely related to normal business operation of the Company, in compliance with the requirements of national policy and granted in a certain amount or quantity and continuously affecting the profit and loss of the Company)	4,274.5
Other non-operating revenue and expenses other than the foregoing items	473.3
Less: Effect of income tax	763.9
Effect of minority interests (after tax)	-41.3
Total	<u>4,025</u>

Section 3 Management Discussion and Analysis

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

(I) Industries where the Company operates

An important deployment was made at the Third Plenary Session of the Twentieth Central Committee of the Party to further deepen the reform and promote the Chinese path to modernization, among which, it is proposed to deepen the reform of ecological civilization system, improve the ecological civilization infrastructure, develop sound ecological governance system and enhance the green, low-carbon development mechanism. Along with the progress of related reforms and the introduction of the system, not only the business model for water and environmental conservation area may change further, many segments and emerging areas would also unleash the room for growth in the future.

In terms of business model, the PPP model has been further rationalised. With the promulgation of the amended “Measures for the management of infrastructure and public utilities concession” (《基礎設施和公用事業特許經營管理辦法》), the relationship between infrastructure and public utilities concession and Public Private Partnership (PPP) has been further clarified, underscoring that the infrastructure and public utilities concession is a user-payment based PPP model.

In terms of market space, various local governments have been launching relevant policies to put in place the new policy that promotes large-scale equipment replacement and consumer goods trade-in, increasing the room for water market development. For example, the issuance of “Tianjin Municipal Implementation Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Trade-in” (《天津市推動大規模設備更新和消費品以舊換新實施方案》) made a clear call to accelerate the progress in mending shortcomings and strengthening weaknesses for urban domestic sewage and garbage treatment facilities and equipment, and continue to implement the upgrading and renovation of the gas, drainage, water supply, heating and other aging pipelines. The issuance of “Hebei Provincial Implementation Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Trade-in” (《河北省推動大規模設備更新和消費品以舊換新實施方案》) proposed to remove, renew and upgrade drainage pipe networks for more than 193 kilometers, and to renew and update old heat supply pipe networks for more than 335 kilometers. The issuance of “Hubei Provincial Implementation Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Trade-in” (《湖北省推動大規模設備更新和消費品以舊換新實施方案》) proposed to support the renewal and upgrading of facilities and equipment in 10 areas, such as sewage treatment and heating, and strive for the cumulative upgrading of 40 sewage treatment plants by 2027.

Regarding plant-network integration, it is encouraged, together with urban renewal, to establish a professional operation and maintenance model for urban domestic sewage with plant-network coordination. The “Notice on Strengthening the Construction, Operation and Maintenance of Urban Domestic Sewage Pipeline Networks” (《關於加強城市生活污水管網建設和運行維護的通知》) was issued, proposing continued furtherance in the professional operation and maintenance of “plant-network integration”. The competent drainage departments should set up a pollutant-collecting efficiency-oriented pipe network operation and maintenance performance appraisal system and payment system, in which fees are charged based on the efficiency for the interconnection between the sewage treatment plant and the pipe network. The sewage pipeline network construction and operation and maintenance cost guarantee system should be improved, the tariffs for sewage treatment be adjusted justifiably, and the construction and operation and maintenance of sewage pipeline network be strengthened. The local people’s governments may provide operating subsidies as appropriate. A sound fund-raising mechanism should be established by encouraging private capital to participate via concessions and other ways, and by studying, exploring and regulating the right to the project revenue, concessions and other pledged financing guarantees. Moreover, the “Notice on Launching Urban Renewal Model Work” (《關於開展城市更新示範工作的通知》) was released subsequently, which further clarified that the central financial subsidy should be focused on supporting the “plant-network integrated” construction and upgrading of sewage pipeline networks. The Ministry of Finance and the Ministry of Housing and Urban-Rural Development have identified certain cities through competitive selection to carry out typical demonstrations, and the central government will provide fixed subsidies to the model cities. The first batch of 15 model cities would be selected, with the focus tilted towards mega and major cities, and large cities along the Yangtze River Economic Belt, and the central financial subsidy would be focused on supporting the renewal and renovation of urban underground pipeline networks and the “plant-network integrated” construction and renovation of sewage pipeline networks.

For resource utilisation, the use of reclaimed water has a broad market outlook. The “Water Conservation Ordinance” (《節約用水條例》) was issued to further promote the use of reclaimed water as a trend, specifically including: local people’s governments at the county level or above should coordinate the planning and construction of sewage resource utilisation infrastructure, and promote the use of sewage resources. The water used for urban greening, road sweeping, vehicle washing, building construction, and ecological landscape, among others, should be the reclaimed water, at priority, which is in line with the standard requirements. In addition, the National Development and Reform Commission and other two departments jointly issued the “Three-year Action Plan to Promote the Use of Reclaimed Water in Key Cities” (《推進重點城市再生水利用三年行動實施方案》), requiring selection of 50 cities at prefecture level and above for focused promotion of the use of reclaimed water.

For price adjustment, the reform of public utility pricing continued, and attention is required to the trend of water price adjustment. In March 2024, the Qingpu District and Pudong New District of Shanghai adjusted their water supply prices, and in May 2024, the central urban area of Guangzhou held a hearing on water supply price reforms.

In early August 2024, the Central Committee of the Communist Party of China and the State Council published the “Opinions on Accelerating Comprehensive Transition Towards Green Economic and Social Development” (《關於加快經濟社會發展全面綠色轉型的意見》), which proposes a series of specific quantitative targets. For example, by 2030, the scale of the energy-saving and environmental protection industry will reach approximately RMB15 trillion, the proportion of non-fossil energy consumption will increase to approximately 25%, the installed capacity of pumped storage capacity will exceed 120 million kilowatts, the annual utilization of bulk solid wastes will reach approximately 4.5 billion tonnes, and so on. This will undoubtedly further unleash the market space for energy-saving and environmental protection industries. On the one hand, in line with steady promotion of the green and low-carbon energy transition, we should accelerate the construction of a new type of power system. As of the end of June 2024, China’s installed capacity of renewable energy reached 1.653 billion kilowatts, accounting for 53.8% of the total installed capacity. This requires a scientific layout of pumped storage, new energy storage, solar thermal power generation, enhanced safe operation of the power system and integrated regulation capability; the construction of smart grids, accelerating construction of micro-grids, virtual power plants, and source network, load and storage-integrated projects; deepening the reform of the power system, and further improving institutional mechanism to adapt to the new type of power system. On the other hand, in line with the implementation of a all-round conservation strategy, we should vigorously develop a circular economy. Specifically, it involves promoting the classification of domestic wastes, enhancing the utilization of resources; improving the waste recycling and utilization system, strengthening the capabilities for waste classification, disposal and recycling, and upgrading the level of recycling in terms of scale, standardization and refinement. The gradual implementation of the above policies will help the Company with further development of new energy, energy storage, virtual power plant, organic solid waste, hazardous waste, medical waste treatment and disposal and other new businesses on the basis of consolidating and enhancing the water treatment and water resources business.

(II) Principal business 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 reclaimed water etc., which are the main source of revenue and profit of the Company; strategic new businesses mainly include dual-carbon new energy business which mainly comprises new energy cooling and heating and photovoltaic power generation, as well as solid waste business which mainly comprises sludge disposal and resource-oriented utilization, hazardous waste business. The strategic new businesses are complementary to the principal businesses in terms of profitability, economic value-added and payback period, and optimise the overall business structure.

1. *The situation of principal businesses*

As of the end of the reporting period, the total capacity of the Company's water business was 6,128,400 m³/day. The total capacity of the equity-type water utilities business of the Company amounted to 5,850,100 m³/day, among which the sewage treatment capacity amounted to 5,115,100 m³/day, water supply capacity (including tap water and industrial water supply capacity) amounted to 315,000 m³/day; and reclaimed water capacity amounted to 420,000 m³/day, newly added reclaimed water pipeline network for break point connection purpose amounted to 28.6 km, the above projects are distributed in 15 provinces, municipalities and autonomous regions; the sewage treatment capacity under the entrusted operation model was 218,300 m³/day, and the scale of recycled water was 60,000 m³/day.

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

2. *Particulars of strategic new businesses*

- (1) As regards new energy cooling and heating supply business, as of the end of the reporting period, the total service areas amounted to 3.9 million m², which was mainly operated in Tianjin under BOT model and self invested model.
- (2) As regards distributed photovoltaic power generation projects, as of the end of the reporting period, the total designed installed capacity were 31MWp, designed installed capacity of energy storage at user side were 5.5MWh, the projects were mainly distributed in Tianjin, Dalian and Xi'an, and their management mode was mainly fully market-oriented operation.
- (3) As regards hazardous waste business, there were no changes during the reporting period. As of the end of the reporting period, the Company has four projects with the total disposal capacity of 181,300 tonnes/year, and a storage and transit project with the capacity of 20,000 tonnes/year and a waste landfill project with the aggregate storage of 314,600 tonnes with the comprehensive waste utilisation capacity of 78,000 tonnes/year, which were mainly distributed in Shandong Province and Jiangsu Province. On the premise of obtaining the hazardous waste operation permit, the Company chose waste-producing units to offer hazardous waste disposal services under the guide price of local governments and charged for hazardous waste disposal service by adopting a fully market-oriented operation mode.

- (4) As regards sludge treatment business, as of the end of the reporting period, the total scale was 2,810 tonnes/day, mainly distributed in Tianjin, Gansu, Zhejiang and Anhui, among which equity-type sludge treatment business comprises Linxia sludge project and Jinnan Sludge Treatment Plant project, with a scale of 890 tonnes/day, while the remaining sludge disposal projects adopt the entrusted operation mode, with a scale of 1,920 tonnes/day.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

In terms of operation management, we focused on cost reduction and efficiency enhancement to systematically improve the level of operation control, on the one hand, we carried out scientific and reasonable production cost quota preparation and review for the entire business line, so as to realize the optimization of resource allocation to the operating units and reasonable cost reduction; on the other hand, we completed the preparation of the large-scale operation system of the "six enhancements" construction program, and refined management was promoted through lean management to reduce expenses, strengthen the budgetary control of production and enhance the level of automated control.

In terms of scientific and technological research and development, we have continued to increase our investment in science and technology, optimizing and upgrading its digital, intelligent and low-carbon operation system on the one hand, and focusing on consolidating the technological capability to effectively support the "five-dimensional integrated" business model on the other hand; we were granted 18 patents during the reporting period (5 patents for inventions, 12 patents for utility models, and 1 patent for design) and applied for 3 software copyrights. We organized and carried out the preparation of 9 national, industrial, local and group-level standards, won 1 first prize of China Award for Science and Technology in Construction, and was successfully approved as the Tianjin Municipal Ecological Environmental Protection Collaborative Innovation Center Platform, making new contributions to the development of new productivity.

In terms of management, control and team building, based on the strategic control model to improve the Group's management structure in accordance with the idea of strengthening the headquarters, reinforce the regions and simplifying the projects; take the initiative to serve the Company's strategic development of the "One Body, Two Wings", selecting the strongest and the best team, and focusing on building a cadre team with outstanding comprehensive ability, sufficient reserves, and capable of assuming the important responsibility of corporate development.

In terms of brand building, during the reporting period, the Company was honored as one of the “Top Ten Influential Enterprises in China’s Water Industry” for the 19th consecutive year. The process control team of Guizhou Company won the honorary title of “Worker Pioneer” in Guiyang; the Yingnan Sewage Treatment Plant of Fuyang Company was selected as one of the “Excellent Cases of Water Environment Management” of the E20 Environment Platform; the Taochong Sewage Treatment Plant of Hefei Company was honored with the titles of “Ecological Benchmarking Sewage Treatment Plant” and “Five-star Enterprise of Ecological Optimization and Social Opening Service”; Caring Company was successfully recognized as a Specialized, High-end and Innovation-driven Small and Medium-sized Enterprise of Tianjin Municipality. Our various operating units have practiced the corporate mission in their respective fields, and established good corporate image and brand reputation.

III. OPERATION DISCUSSION AND ANALYSIS

During the reporting period, the Company took the “14th Five-Year Plan” strategy as the guidance, continued to establish our “one body and two wings” business layout, focused on the “three quantities” and “three new” work requirements, and continued to innovate the “five-dimensional integrated” business model. In addition, the Company continues to enrich the business structure of “one heavy, one light and one industry”, that is, based on the original heavy asset business to strengthen customer customized value-added services with energy management contract (EMC) and operation and maintenance (OM) as the core, and light-end businesses such as engineering services in relation to the extension of the engineering construction management industry chain (EPC/PC), and highlight the promotion of technology productization and marketization with technological innovation. The Company achieved certain results in accelerating the cultivation of new quality productivity and increasing high-quality increment, promoting the realization of the annual business plan formulated by the Board.

1. Focus on creating profits from existing projects and tap into cost control potential

Steadily increase the production capacity of the water business, carry out “one enterprise, one policy” and coordinated operation of the factory network to increase the incoming amount of sewage water, accelerate the construction and improvement of the reclaimed water pipeline network, and continuously expand the application scenarios of ecological water usage; steadily expand the solid waste business market, based on resource endowments to develop and promote resource-based products and achieve the ultimate goal of resource-based products; steadily develop the new energy sector, and the distributed photovoltaic power generation projects of the three sewage plants in Beicang, Xianyang Road and Jingu have achieved grid connection; carry out cost reduction and efficiency enhancement of key costs, in accordance with the procurement principle of “carry out centralized procurement for everything in need”, we carried out annual centralized procurement of four major categories of commonly used materials for operational fixed assets, and continuously sort out the three-level procurement management and control system; we composed a “one factory, one policy” work plan for existing sewage treatment projects, carry out precise management and control, optimization of treatment processes and parameter adjustments, improve pollutant removal efficiency and reduce chemical and energy consumption.

2. Cultivate high-quality incremental projects, to promote stability with progress and actively expand the market

During the reporting period, our franchise transfer project of the second and third phase sewage treatment plants in Weng'an County and the third-phase construction (expansion) concession project of the sewage treatment plant in Huize County were completed; we won the bid for the entrusted operation service project of the second phase of the Chengnan Sewage Treatment Plant in Yingshang County and Dongli Lake Resort and Tourism Area Sewage Service Project for 2024-2026; Tianchuang Green Energy won the bid for the Junliangcheng Heating Station Commission Project in Dongli District, Tianjin, and successfully added approximately 3 million square meters of heating service area; we carried out our planning in contract energy management, signed 28 light-asset contracts; our Jin'gu Plant has achieved a “five-dimensional” business combination of “sewage + reclaimed water + sludge (anaerobic) + new energy cooling and heating + photovoltaics”, setting a benchmark for comprehensive resource utilization in the industry, improved the market development collaborative combat capabilities and set a good example.

3. Create core technical reinforcement and develop new productivity with high standards

During the reporting period, the IoT data of 26 sewage projects were connected to the first phase of the digital platform, the core business data chain was established and connected, and real-time monitoring of the core business sectors' operating status was established to achieve deep integration of all levels of business and finance; focusing on “five-dimensional integration” to improve the technical reinforcement for project source planning, integrate and sort out 17 core technical supports such as “high-standard sewage treatment technology” and “customized service process equipment” to realize the transformation of core technology from single-dimensional to multi-dimensional and develop new quality productivity.

4. Devote efforts in both directions of capital and funds, proactively improve market value management capabilities

During the reporting period, the registration and filing of the RMB1 billion technological innovation green corporate bond was carried out in an orderly manner, we obtained the small-amount rapid equity financing authorization, and the quota registration of the RMB1 billion medium-term notes was completed in July 2024; we formulated plans to resolve accounts receivable on a “one enterprise, one policy” basis, and actively explored mitigation measures for existing debts; we actively promoted the construction of the ESG system and incorporated ESG management functions into the Company's decision-making level; responded to the requirement to include market value management in assessments, organized and carried out the relevant works for market value management, and increased the emphasis on market value management works; steadily promoted investor relations management, actively interacted with shareholders, organized performance briefings, and spoke out in the capital market.

5. Control risks and hazards in all areas and build a solid foundation for enterprise development

We strengthened front-end risk identification, compiled and issued the “Risk Identification Checklist v1.0”, and promoted quantitative risk management; sorted out legacy issues, clarified historical risk points and mitigation measures, set up 2024 goals and assessment systems, and resolved multiple legacy risks during the reporting period; strengthened safety management, carried out in-depth promotion of the establishment and implementation of safety production standardization works, and continuously improved safety production awareness and management level. We also organized all employees to sign safety production responsibility letters, ensuring full coverage of safety responsibilities, and strictly controlled procurement risks. The “Guidelines for Procurement of Non-Statutory Bidding Projects” (《非法定招標項目採購工作指引》) and “Bid Evaluation Methods for Routine Maintenance and Bidding of Facilities (Buildings and Structures)” (《設施(建築物、構築物)日常維修維護招標採購評標辦法》) were released to further improve the procurement specification system.

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

Not applicable

IV. THE PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(I) Analysis of principal business

1. Analysis of changes in relevant items on financial statements

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change in percentage (%)
Operating revenue	221,816.6	210,896.6	5.18
Operating cost	137,517.7	132,289.4	3.95
Sales expenses	511.4	1,118.4	-54.27
Administrative expenses	9,470.2	9,675.6	-2.12
Finance expenses	17,727.2	11,898.7	48.98
R&D expenses	2,082.8	1,157.5	79.94
Net cash flow from operating activities	43,899.9	71,575.3	-38.67
Net cash flow from investing activities	-42,000.8	-107,342.2	60.87
Net cash flow from financing activities	510.1	16,925.3	-96.99
Credit impairment loss	-121.8	-187.8	-35.14
Non-operating expenses	12.7	221.3	-94.26
Profit or loss for minority shareholders	3,875	1,719.9	125.3

Explanation of reasons for changes in operating revenue: the revenue from the sewage treatment business increased on a year-on-year basis, primarily due to the increase in the volume of water settled for the existing projects and the commissioning of new projects during the current period.

Explanation of reasons for changes in operating cost: the cost increased slightly while revenues improved, primarily in line with the increase in the volume of sewage treatment business. In addition, the work volume of PPP projects under construction of the Company was higher than that of the same period last year, and the corresponding construction and service cost increased.

Explanation of reasons for changes in sales expenses: primarily due to the year-on-year decrease in sales expenses of the Company's hazardous waste business for the current period.

Explanation of reasons for changes in administrative expenses: the office and other expenses decreased primarily as a result of enhanced cost control during the current period.

Explanation of reasons for changes in finance expenses: primarily due to the interest income from long-term receivables amounting to approximately RMB69 million being reclassified and presented as "operating revenue" during the current period in accordance with the disclosure benchmark of last year's annual report.

Explanation of reasons for changes in R&D expenses: primarily due to the increase in the R&D investment and labor costs of the Company during the current period.

Explanation of reasons for changes in net cash flow from operating activities: primarily due to the lower operating cash inflow from sewage treatment service and others in the current period as compared to the same period last year.

Explanation of reasons for changes in net cash flow from investing activities: primarily due to the lower investment expenditures on photovoltaic, cooling and heating, sewage treatment plant and water pipeline network, etc. in the current period as compared to the same period last year.

Explanation of reasons for changes in net cash flow from financing activities: primarily due to the higher debt repayment in the current period as compared to the same period last year.

Explanation of reasons for changes of credit impairment loss: primarily due to the lower impairment loss on accounts receivable in the current period as compared to the same period last year.

Explanation of reasons for changes in non-operating expenses: primarily due to the donation expenditure of approximately RMB2.15 million in the same period last year. There is no such matter during the current period.

Section 3 Management Discussion and Analysis

Explanation of reasons for changes in profit or loss for minority shareholders: the net profit of non-wholly-owned Subsidiaries was higher than that of the same period last year, and profit or loss for minority shareholders increased accordingly.

2. *Details of material changes in business types, profits structure or profits sources of the Company for the reporting period*

Not applicable

(II) Explanation of material changes in profit caused by non-principal business

Not applicable

(III) Analysis of assets and liabilities

Unit: 0'000 Currency: RMB

Name of project	Amount at the end of the current period	Amount at the end of the current period over total assets (%)	Amount at the end of the corresponding period of last year	Amount at the end of the corresponding period of last year over total assets (%)	Change in balance as at the end of the current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Other receivables	3,650.2	0.15	2,076.6	0.08	75.78	Primarily attributable to the increase in deposits receivable in the current period.
Non-current assets due within one year	14,485.10	0.58	22,839.4	0.93	-36.58	Primarily attributable to the decrease in availability service fees receivable due within one year in the current period.
Right-of-use assets	428.4	0.02	667.1	0.03	-35.78	Primarily attributable to the amortization of right-of-use assets in the current period.
Investment properties	663.4	0.03	0	0	N/A	Primarily attributable to the external leasing of Subsidiaries' properties during the current period.
Short-term borrowings	1,379.3	0.06	199.2	0.01	592.42	Primarily attributable to the new short-term borrowings of certain Subsidiaries in the current period.
Employee remuneration payable	3,225.4	0.13	10,626.8	0.43	-69.65	Primarily attributable to the year-end bonus accrued at the end of 2023 being paid in the current period.
Other current liabilities	199.0	0.01	149.0	0.01	33.56	Primarily attributable to the addition of loans payable to minority shareholders by Subsidiaries in the current period.

Other explanations

None

(IV) Investment analysis

1. Overall analysis of external equity investments

During the reporting period, the Company's external equity investments were distributed in business fields such as waterwork and new energy, and were mainly used to establish project companies.

1. On 24 November 2023, the Board approved Tianchuang Green Energy to establish Tianjin Tianchuang Shengcheng New Energy Co., Ltd.* (天津天創盛城新能源有限公司), which is responsible for the implementation of the urban renewal energy station project in the southern area of Jinzhonghe Street in Tianjin. The registered capital is RMB32.24 million, which shall be 100% contributed by Tianchuang Green Energy. The establishment of Tianjin Tianchuang Shengcheng New Energy Co., Ltd.* (天津天創盛城新能源有限公司) was completed on 11 January 2024, and the capital injection had not been completed during the reporting period.
2. On 15 December 2023, the Board approved the Company's non-public acquisition by way of agreement of 5% equity interest in Guizhou Company held by TMICL at a consideration of RMB8.8939 million, so as to convert Guizhou Company to a wholly-owned subsidiary of the Company. During the reporting period, change of business registration was completed.

3. On 16 January 2024, the Board approved the establishment of Weng'an Company, which is responsible for the implementation of the second and third phases of the sewage treatment plant concession project in Weng'an County. The registered capital is RMB53.5950 million, of which the Company contributed RMB51.9872 million, accounting for 97% and Beijing Municipal Construction Group Co., Ltd.* (北京市政建設集團有限責任公司) contributed RMB1.6079 million, accounting for 3%. The establishment of Weng'an Company was completed on 30 January 2024, and all capital injection amount had been paid.

(1) *Major equity investments*

Not applicable

(2) *Major non-equity investments*

Not applicable

(3) *Financial assets measured at fair value*

Not applicable

(V) **Disposal of major assets and equities**

Not applicable

Section 3 Management Discussion and Analysis

(VI) Analysis of major Subsidiaries, associates and joint ventures

Unit: 0'000 Currency: RMB

Subsidiary	Principal Place of Business	Main Products Or Services	Registered Capital	Type of Legal Person	Shareholding Ratio	Asset Size	Net Assets	Net Profit
Water Recycling Company	Tianjin	Production and sales of recycled water; development and construction of recycled water facilities; manufacturing, installation, commissioning and operation of recycled water equipment, etc.	10,000	Limited company	100%	148,658.85	47,741.25	3,819.78
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance of facilities for sewage treatment and recycled water usage, and provision of supporting services such as technical services and technical training	37,744.50	Limited company	70%	83,910.70	75,677.10	5,604.00
Jiayuanxing	Tianjin	Development, consulting, provision of services and transfer in relation to energy conservation and new energy technologies; provision of property management services	21,295.052	Limited company	100%	75,909.78	41,434.67	1,269.56
Caring Company	Tianjin	Environmental engineering management and technical consulting, etc.	3,333.3333	Stock limited company	60%	22,521.90	14,409.90	399.70
Shandong Company	Shandong	Treatment and disposal of solid waste and hazardous waste	8,200	Limited company	55%	33,018.00	12,660.00	-284.00
Weng'an Company	Weng'an County, Guizhou Province	Sewage treatment and recycling; water pollution control; water environment pollution prevention and control services; provision of environmental consulting services, etc.	5,359.50	Limited company	97%	13,688.10	5,428.16	68.66

Water Recycling Company recognized revenue of RMB127.3990 million from its principal operations and an operating profit of RMB53.4812 million during the reporting period.

Hangzhou Company recognized revenue of RMB143.3735 million from its principal operations and an operating profit of RMB65.7330 million during the reporting period.

(VII) Particulars of 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; the deficient amount will be supplemented by the local governments. Most of the concession 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 determines the importance and cruciality of the government credibility. Whether water utilities companies can recoup the investment as scheduled and obtain the expected rate of return depends on the fiscal revenue of the government and the level of its credibility. In case the risk related to government credibility occurs, the project companies will face cash flow problems, which may generate capital risks such as financial risks and financing risks.

(2) Risk of change in policy

Currently, the PRC will be in the process of comprehensive deepening of reform for a long period of time. In the future, it is expected that there will be transformative changes in policies related to economy, finance, prices, financial taxation and government functions, etc. For example, the successive promulgation of the “Guiding Opinions on Standardizing the Implementation of the New Mechanism for Government-Private Cooperation” (關於規範實施政府和社會資本合作新機制的指導意見) and the “Infrastructure and Utility Franchise Management Measures” (基礎設施和公用事業特許經營管理辦法) will continue to have an impact on the business models of the public utilities, water and environmental protection industries. Also, even if 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 particularly on the risk of policy changes.

(3) Risk of operation and management

With the continuous upgrade of national environmental governance requirements, the demand for sewage treatment plants to adapt to the new standards of upgrading and transformation has also gradually spawned. 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 Company is also facing the risk of the adjustment of the original franchise agreement. In addition, whether sludge disposal after sewage treatment can form a more complete business model is also worthy of attention.

(4) Legal risks

The Group has the possibility of incurring negative legal consequences for themselves due to changes in the external legal environment or due to the failure of legal entities, including the Group itself, to effectively exercise rights and perform obligations in accordance with legal provisions or contractual agreements. The Group's current contract types mainly include franchises, construction projects, etc. Franchise contracts have the risk of default due to the government's default in service fees, resulting in tight capital flows for the affiliated project companies and arrears of downstream payments. Construction engineering contracts have the risk of illegal outsourcing/subcontracting of the contracted projects, and the actual construction workers suing and requiring the Company to bear joint and several liability within the scope of unpaid dues due to the general contractor's tight cash flow.

2. Risk control measures

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

Strengthen the concept of corporate governance in accordance with the law and protect the lawful interests of the enterprise. Meanwhile, the Company calls for the further assurance of equality of the contracting parties under the concession projects, tightens up the performance assessment and profit distribution mechanisms, and provides for government payment obligations under contracts and the rights for investors to get reasonable returns under contract terms, so as to reduce the risk related to government credibility and the financial risk of the investors. In view of the risk of contracting parties such as the government defaulting on payment, we will consider using litigation management methods based on the actual situation, promoting payment collection via "fight to promote negotiation", continue to implement the mindset of "strong case management to promote risk resolution", and utilize technical legal means to protect the legitimate interests of the Company, and also focus on assisting the Company to improve management and create value.

(2) Strengthen comprehensive risk management

To determine the target for comprehensive risk management; establish the institutional framework for comprehensive risk management, strengthen the analysis and early warning of various policy risks, improve the risk prevention and control mechanism, from the aspects such as doing a good job in project maintenance, promoting the completion and settlement of legacy projects, ensuring safe production and compliance procurement, we would identify, analyze, evaluate and respond to risks hidden in different business links to strengthen the Company's capabilities for risk and compliance management and control.

(3) Continue to raise the standards of operation management

As a listed company in the environmental protection field, the Company exercises management and 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, while, at the same time, organizing the operating units to systematically review the legal compliance obligations related to sewage, sludge and odour, and initially forming a list of specific compliance obligations, and strictly fulfilling the management responsibilities according to the list of specific compliance obligations, so as to reduce the risks of operation and management; strengthening the maintenance and protection of facilities for proper preservation of asset value and stable operation; improving the monitoring of quality, promoting control over the whole process to ensure the end products could meet the standards of discharge; developing water environment remedial plans and safe production plans, so as to ensure the careful operation and the best environmental performance of the Company under force majeure conditions. Moreover, we shall maintain smooth contact and strengthen communication with local governments and regulatory authorities.

Section 4 Corporate Governance

I. SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Convening date	Date of disclosure of the resolutions on the Stock Exchange's website	Resolutions
2024 First Extraordinary General Meeting	16 January 2024	16 January 2024	At the meeting, Mr. Tang Fusheng, Mr. Pan Guangwen and Ms. Nie Yanhong were elected as executive director of the Company; Mr. Wang Yongwei was elected as a non-executive director of the Company.
2023 Annual General Meeting, 2024 First A Shareholders' Class Meeting and 2024 First H Shareholders' Class Meeting	5 June 2024	5 June 2024	A total of 11 resolutions were considered and passed, including the Company's 2023 annual report and its summary, which were published both domestically and overseas.

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

Name	Position	Change
Tang Fusheng	Chairman	Elected
Pan Guangwen	Director	Elected
Nie Yanhong	Director	Elected
Wang Yongwei	Director	Elected
Ji Guanglin	Former chairman	Departed
Li Yang	Former Director and general manager	Departed
Jing Wanying	Former Director	Departed
Peng Yilin	Former Director	Departed
Jiang Nan	Former deputy general manager	Terminated

Descriptions of changes in Directors, Supervisors and senior management of the Company

Mr. Ji Guanglin, Mr. Li Yang, Ms. Peng Yilin and Ms. Jing Wanying, Directors of the ninth session of the Board of the Company, applied to resign from their positions as Directors on 22 December 2023 due to work adjustment. On 16 January 2024, the Company convened the 2024 First Extraordinary General Meeting, on which Mr. Tang Fusheng, Mr. Wang Yongwei, Mr. Pan Guangwen and Ms. Nie Yanhong were elected as Directors of the ninth session of the Board of the Company, with the term of office commencing from 16 January 2024 to the expiration of the term of the ninth session of the Board.

During the reporting period, in accordance with the provisions of the relevant system for the management of remuneration and assessment of professional managers of the Company, the Board agreed to terminate the appointment of Mr. Jiang Nan as the deputy general manager.

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

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

Whether distribution or transfer is to be carried out No

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

Matters related to the 2020 A share option incentive scheme ("Share Option Incentive Scheme") were considered and approved by the shareholders of the Company at 38th meeting of the eighth session of the Board of the Company held on 27 November 2020 and the 2020 Second Extraordinary General Meeting, 2020 Second A Shareholder's Class Meeting and 2020 Second H Shareholder's Class Meeting of the Company held on 23 December 2020.

For details of the Share Option Incentive Scheme, please refer to the relevant announcements and overseas regulatory announcements published on the website of Stock Exchange on 27 November 2020, 23 December 2020, 21 January 2021, 29 January 2021, 21 December 2021, 25 January 2022, 22 February 2023, 25 May 2023, 29 June 2023, 23 January 2024, 26 January 2024, 14 March 2024, 27 May 2024, 24 June 2024 and 2 July 2024 and the relevant circular published on the website of the Stock Exchange on 8 December 2020.

(I) Purpose of the Share Option Incentive Scheme

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

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

As at the end of the reporting period, there are no more than 152 Participants for the Share Option Incentive Scheme, including the Directors, senior management (excluding the independent non-executive Directors, external Directors and Supervisors), other members of the leadership team and core technology, management, business and skill backbones of the Company.

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

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

Class of Grantees	Name of Grantees	Outstanding as of		Validity Period	Exercise Period	Exercise Price (RMB) (Note 4)	Outstanding	Exercised during the period	Cancelled during the period	Lapsed during the period
		31 December 2023	Date of Grant				as of 30 June 2024			
Directors	Li Yang (Note 1)	250,000	21 January 2021	(Note 2)	(Note 3)	6.58	0	0	250,000	0
	Jing Wanying (Note 1)	250,000	21 December 2021			6.69	0	0	250,000	0
Employees (in aggregate)		9,754,500	21 January 2021			6.414	6,401,040	0	3,353,460	0
		1,098,000	21 December 2021			6.524	848,000	0	250,000	0

Note 1: Mr. Li Yang and Ms. Jing Wanying, have retired as Directors with effect from 16 January 2024. For details, please refer to the relevant announcements of the Company published on the website of the Stock Exchange on 22 December 2023 and 16 January 2024.

Note 2: Please refer to (8) Validity Period under this section.

Note 3: Please refer to (6) Exercise Period and Exercise Date under this section.

Note 4: Please refer to (7) The Exercise Price and Determination Method under this section.

During the reporting period, on 26 January 2024, in view of the fact that 2 original Participants under the Share Option Incentive Scheme had terminated their employment relationship with the Company or were no longer working in the Company system due to re-designations, the Board of the Company considered and approved the cancellation of 500,000 Reserved Share Options granted to these original Participants but have not yet exercised. The number of Participants holding Reserved Share Options was adjusted from 17 to 15. For details, please refer to the relevant announcement and overseas regulatory announcement of the Company published on the website of the Stock Exchange on 26 January 2024.

On 14 March 2024, in view of the fact that 3 original Participants under the Share Option Incentive Scheme had terminated their employment relationship with the Company or were no longer working in the Company system due to re-designations, the Board of the Company considered and approved the cancellation of 260,001 Share Options Granted for the First Time granted to these original Participants but have not yet exercised. Besides, 4 Participants were entitled to 90% Exercise for the Second Exercise Period as they have attained a pass in the 2022 personal performance assessment. The Board of the Company considered and approved the cancellation of the remaining 10%, a total of 8,667 Share Options Granted for the First Time. Therefore, the number of Participants holding Share Options Granted for the First Time was adjusted from 140 to 137. For details, please refer to the relevant announcement and overseas regulatory announcement of the Company published on the website of the Stock Exchange on 14 March 2024.

(iii) Number of share options granted under the Share Option Incentive Scheme

As of the end of the reporting period, the number of A share options proposed to be granted under the Share Option Incentive Scheme is 7,249,040 and the corresponding number of underlying shares is 7,249,040 A shares, representing not more than 0.46% of the Company's total issued share capital of 1,570,418,085 shares as at the end of the reporting period; where 6,401,040 options will be granted for the first time (the "**Share Options Granted for the First Time**"), representing approximately 0.41% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and approximately 88.30% of the total number of the current share options granted; and 848,000 options will be reserved (the "**Reserved Share Options**"), representing approximately 0.05% of the total issued capital of 1,570,418,085 Shares of the Company as at the end of the reporting period, and 11.70% of the total number of the current share options granted.

The number of Shares that may be issued as a result of A share options to be granted under the Share Option Incentive Scheme during the half year ended 30 June 2024 (i.e. 7,249,040 Shares) divided by the weighted average number of Shares in issue during the half year ended 30 June 2024 (i.e. 1,570,418,085 Shares) is 0.46%. The total number of shares available for issue under the Share Option Incentive Scheme is 7,249,040 Shares, which represents approximately 0.46% of the issued Shares as at the date of this report.

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

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

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

On 22 February 2023, 15 original Participants under the A share option incentive scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company, adjustment of their positions or re-designation, and 2,165,500 share options granted but not yet exercised were cancelled by the Company. Therefore, the number of Share Options Granted for the First Time was adjusted from 12,170,000 to 10,004,500 and the total number of share options required to be cancelled by the Company was 2,165,500.

On 26 January 2024, 2 original Participants under the A share option incentive scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company or adjustment of their job positions, and 500,000 share options granted but not yet exercised were cancelled by the Company. Therefore, the number of Reserved Share Options was adjusted from 1,348,000 to 848,000 and the total number of share options required to be cancelled by the Company was 500,000.

On 14 March 2024, 3 original Participants under the A share option incentive scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company or adjustment of their job positions, and 260,001 share options granted but not yet exercised were cancelled by the Company. In addition, 4 Participants shall exercise 90% of their options for the second exercise period due to the “pass” result of their 2022 individual performance appraisal, and the remaining 10% of the Share Options Granted for the First Time of 8,667 share options were cancelled by the Company. Therefore, the number of second exercise period of Share Options Granted for the First Time was adjusted from 3,334,792 to 3,196,126 and the total number of share options required to be cancelled by the Company was 268,668.

(IV) Maximum number granted for each participant

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

(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 Rules Governing the Listing of Stocks on SSE.

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

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

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

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

On 26 January 2024, the Board announced that the exercise conditions for the first exercise period of the 15 Participants holding the Reserved Share Options had been fulfilled. According to the exercise arrangement of the Share Incentive Scheme, the ratio of the number of options exercisable in the first exercise period to the number of share options granted was 1/3, i.e. a total of 282,665 Reserved Share Options are to be exercised by the 15 Participants of the Company in the first exercise period. The exercise period would start from the completion of the approval procedures for the independent exercise of share options by China Securities Depository & Clearing Corporation Limited Shanghai Branch and end on 20 December 2024.

On 14 March 2024, the Board announced that the exercise conditions for the second exercise period of the 137 Participants holding the Share Options Granted for the First Time had been fulfilled. According to the exercise arrangement of the Share Incentive Scheme, the ratio of the number of options exercisable in the second exercise period to the number of share options granted was 1/3, i.e. a total of 3,196,126 Reserved Share Options are to be exercised by the 137 Participants of the Company in the second exercise period. The exercise period would start from the completion of the approval procedures for the independent exercise of share options by China Securities Depository & Clearing Corporation Limited Shanghai Branch and end on 20 January 2025.

(VII) The Exercise Price and Determination Method

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

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

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

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

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

In view of the completion of (i) the Company's profit distribution plan for the year 2020, a cash dividend of RMB0.12 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB171,267,411.60, (ii) the Company's profit distribution plan for the year 2021, a cash dividend of RMB0.146 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB208,375,350.78; (iii) the Company's 2022 annual profit distribution plan, which is based on the Company's total share capital of 1,570,418,085 shares, with a cash dividend of RMB0.144 per share (tax inclusive), and a total cash dividend of RMB226,140,204.24; and the Company's 2023 annual profit distribution plan, which is based on the Company's total share capital of 1,570,418,085 shares, with a cash dividend of RMB0.166 per share (tax inclusive), and a total cash dividend of RMB260,689,402.11.

On 22 February 2023, the Board considered and approved the "Resolution on Adjustment of Exercise Price of Share Options under the Company's 2020 Share Option Incentive Scheme" (《關於調整公司2020年股票期權激勵計劃股票期權行權價格的議案》), which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Share Options Granted for the First Time after the adjustment was RMB6.72 per share.

On 29 June 2023, the Board considered and approved the "Resolution on Adjustment of Exercise Price of Share Options under the Company's 2020 Share Option Incentive Scheme", which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Share Options Granted for the First Time after the adjustment was RMB6.58 per share.

On 26 January 2024, the Board considered and approved the "Resolution on Adjustment of Exercise Price of Share Options under the Company's 2020 Share Option Incentive Scheme", which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Reserved Share Options after the adjustment was RMB6.69 per share.

On 28 June 2024, the Board considered and approved the “Resolution on Adjustment of Exercise Price of Share Options under the Company’s 2020 Share Option Incentive Scheme”, which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Share Options Granted for the First Time after the adjustment was RMB6.414 per share, the exercise price of the Reserved Share Options after the adjustment was RMB6.524 per share.

(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 RMB30,109,700 by using this model. The valuation results of share options here are not used as the basis for accounting treatment. The fair value of share options used to calculate accounting costs will be re-estimated after the actual completion of the grant by collecting real-time market data at the date of grant. Relevant valuation inputs and results are set out in the below table:

Parameter inputs	Parameter values	Definition
Expected volatility	33.00%	Historic volatility in recent 4 years of the Company
Expected dividend rate	0.00%	The Share Option Incentive Scheme to adjust the grant of share options for ex-rights, ex-dividends, etc. on target shares
Risk-free interest rate	2.42%	On linear extrapolation, being the interest rate of the national debt with same expected period as the share options
Expected period	4 years	Expected period = $0.5 \times (\text{weighted expected period} + \text{total Validity Period})$
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 upon 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.

I. ENVIRONMENT INFORMATION

- (I) Environmental protection information of companies and their important subsidiaries on the watch list of key pollutant discharging units published by the environmental protection authority

1. *Pollutant Discharging*

The Company is mainly engaged in the sewage treatment which is to collect and treat 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 54 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 include 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 indices requiring national standard first-grade A.

Section 5 Environmental and Social Responsibility

No.	Pollutant indices 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 from 1 January 2006 onwards	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 pollutant indexes 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 13,600 tonnes, 6,950 tonnes, 462 tonnes, and 162 tonnes, respectively. In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen, and total phosphorus, were eliminated by approximately 200,800 tonnes, 27,700 tonnes, 26,800 tonnes, and 3,200 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.

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 EIA procedures and obtained approvals and environmental acceptance upon construction completion from the competent environmental authorities.

4. *Emergency Plans for Sudden Environmental Incidents*

The entities of the Company's sewage treatment business have all 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, 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 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

During the reporting period, the Company reduced environmental pollutants of Chemical Oxygen Demand (COD) by approximately 200,800 tonnes, Total Nitrogen by approximately 27,700 tonnes, Ammonia Nitrogen by approximately 26,800 tonnes, and Total Phosphorus by approximately 3,200 tonnes, making great contributions to the governance of the water environment.

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

During the reporting period, the Company's projects, such as new energy cooling and heating supply business, distributed photovoltaic power generation, expansion of reclaimed water supply, promotion of the application of energy-efficient equipment, optimization of process control to save carbon sources and pharmaceuticals, and implementation of digital transformation, had a certain effect on and contributed to the reduction of carbon emissions.

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

Not applicable

I. PERFORMANCE OF COMMITMENTS

- (I) Commitment of the Company's Ultimate Controller, Shareholders, Related Parties, Purchaser, 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

The Company was not involved in any material litigation or arbitration during the reporting period

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

Not applicable

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

Not applicable

VIII. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily operations

1. Events disclosed in the announcements and without subsequent development or change in implementation

- a. On 1 February 2024, Tianjin Chengze Real Estate Development Co., Ltd.* (天津城澤房地產開發有限公司) (“**Tianjin Chengze**”) (an indirect subsidiary of Tianjin Investment Group, the ultimate holding company of the Company) entered into the Entrustment Agreement for Auxiliary Reclaimed Water Networks of New Residential and Public Housing in Tianjin with Water Recycling Company (a wholly-owned subsidiary of the Company), pursuant to which, Tianjin Chengze entrusted Water Recycling Company to carry out construction for auxiliary reclaimed water equipment within the planned red line of Phases I, II and III (Zexi Park) of the Houtai Lot G Project. For details of this connected transaction, please refer to the announcement of the Company dated 14 March 2024 regarding the Auxiliary Heat Supply Contract for Houtai Lot G Project and Entrustment Agreement for Auxiliary Reclaimed Water Networks of New Residential and Public Housing in Tianjin published on the website of the Stock Exchange.
- b. On 14 March 2024, Tianjin Chengze (an indirect subsidiary of Tianjin Investment Group, the ultimate holding company of the Company) entered into the Auxiliary Heat Supply Contract for Houtai Lot G Project with Jiayuan Kaichuang (a wholly-owned subsidiary of the Company), pursuant to which, Tianjin Chengze entrusted Jiayuan Kaichuang to carry out construction works for auxiliary heat supply equipment for Houtai Lot G Project. For details of this connected transaction, please refer to the announcement of the Company dated 14 March 2024 regarding the Auxiliary Heat Supply Contract for Houtai Lot G Project and Entrustment Agreement for Auxiliary Reclaimed Water Networks of New Residential and Public Housing in Tianjin published on the website of the Stock Exchange.
- c. On 27 May 2024, Tianjin Jinzhong Urban Renewal Construction Development Company Limited* (天津金鐘城市更新建設發展有限公司) (“**Jinzhong Urban Renewal**”) (an indirect subsidiary of TMICL, the controlling shareholder of the Company) entered into the Reclaimed Water Pipe Network Ancillary Entrustment Agreement for New Residential and Public Buildings in Tianjin with Water Recycling Company (a wholly-owned subsidiary of the Company), pursuant to which, Jinzhong Urban Renewal commissions Water Recycling Company to be responsible for the construction of reclaimed water ancillary facilities inside buildings 1-15 at Lot 8 of the Urban Renewal Project (Qingxiyuan* (清溪園)) located south to Jinzhonghe Street, Tianjin. For details of this connected transaction, please refer to the section headed “Previous Agreements” of the announcement of the Company dated 2 August 2024 regarding the Reclaimed Water Pump House and High-pressure Pipeline Project Construction Agreement for New Residential and Public Buildings in Tianjin published on the website of the Stock Exchange.
- d. On 18 June 2024, Jinzhong Urban Renewal (an indirect subsidiary of TMICL, the controlling shareholder of the Company) entered into the Reclaimed Water Meter Agreement (Ground Meter) and the Reclaimed Water Meter Agreement (Household Meter) with Water Recycling Company (a wholly-owned subsidiary of the Company), pursuant to which, Jinzhong Urban Renewal commissions Water Recycling Company to be responsible for the purchase, installation and daily maintenance management of reclaimed water meters (ground meters and household meters) at Lot 8 of the Urban Renewal Project located south to Jinzhonghe Street, Tianjin. For details of this connected transactions, please refer to the section headed “Previous Agreements” of the announcement of the Company dated 2 August 2024 regarding the Reclaimed Water Pump House and High-pressure Pipeline Project Construction Agreement published on the website of the Stock Exchange.

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

Not applicable

3. *Matters that have not been disclosed in the Company's announcements*

Not applicable

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

1. *Events disclosed in the announcements and without subsequent development or change in implementation*

Not applicable

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

Not applicable

3. *Matters that have not been disclosed in the announcements*

Not applicable

4. *In case of any guaranteed performance, whether the performance is achieved for the reporting period shall be disclosed*

Not applicable

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

1. *Events disclosed in the announcements and without subsequent development or change in implementation*

Not applicable

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

Not applicable

3. *Matters that have not been disclosed in the announcements*

Not applicable

Section 6 Major Events

(IV) Amounts due to or from related parties

1. *Events disclosed in the announcements and without subsequent development or change in implementation*

Not applicable

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

Not applicable

3. *Matters that have not been disclosed in the announcements*

Not applicable

(V) Financial business between the Company and its related financial companies, financial companies under its control and related parties

Not applicable

(VI) Other significant connected transactions

Not applicable

(VII) Other matters

Not applicable

IX. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION**1 Custody, contracting and leasing matters**

Not applicable

2 Significant guarantees performed and those performed but not yet completed during the reporting period*Unit: 0'000 Currency: RMB*

Guarantees provided to external parties by the Company (excluding guarantees provided to Subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding those for Subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to Subsidiaries)	0
Guarantees provided to subsidiaries of the Company	
Total amount of guarantees provided to Subsidiaries during the reporting period	10,712.39
Total balance of guarantees provided to Subsidiaries as at the end of the reporting period (B)	297,231.55
Total amount of guarantees provided by the Company (including guarantees provided to Subsidiaries)	
Total amount of guarantees (A+B)	297,231.55
Percentage of the total amount of guarantees to net assets of the Company (%)	32.58
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)	49,044.28
Total amount of guarantees exceeding 50% of net assets (E)	0
Total of the above three classes of guarantees (C+D+E)	49,044.28
Explanation on contingent joint liability for undue guarantees	Not applicable
Explanation on guarantees	None

3 Other Major Contracts

Not applicable

X. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Others

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 Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

2. *Audit and Risk Control 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. On 2 August 2024, the Board approved that the Audit Committee be renamed as the Audit and Risk Control Committee. Responsibilities on, among other things, considering and approving, if thought fit, major risk control strategies and risk mitigation plans will be added on top of the existing responsibilities. The Audit and Risk Control Committee comprises the non-executive Director, Mr. Wang Yongwei, the independent non-executive Directors, Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei. The Audit and Risk Control Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting including the review of the unaudited interim results and this report. The Audit and Risk Control 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 2024.

3. *Liquidity and Financial Resources*

No seasonal changes have occurred to the borrowing needs of the Group. As at 30 June 2024, 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 2024.

According to the accounting reports prepared in accordance with the PRC’s Accounting Standards for Business Enterprises, the gearing ratio as at 30 June 2024 was 58.44%.

4. *Foreign Exchange Risk*

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

As at 30 June 2024, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of approximately RMB1 million (30 June 2023: approximately RMB2 million) in the net profit of the Group. As at 30 June 2024, a 5% appreciation or depreciation of RMB against JPY, with other factors being constant, would result in an increase or decrease of approximately RMB8 million (30 June 2023: approximately RMB9 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 2024, 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 RMB65 million (31 December 2023: approximately RMB98 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 2024, the Group had 2,305 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB260 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 2024.

7. *Rights of Debt*

As at 30 June 2024, pursuant to the Tianjin Capital Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants of the Company including Jizhuangzi Sewage Water Treatment Plant (《天津創業環保紀莊子等四座污水處理廠特許經營協議》) entered into between the Group, Tianjin Water Bureau* (天津市水務局) and Tianjin Housing and Urban-Rural Construction Commission which started to perform from 1 January 2014, the total receivables of the Group from Tianjin Water Bureau* (天津市水務局) amounted to RMB4.505 billion, representing approximately 57.34% of the total market capitalisation of the Group as at 30 June 2024.

8. *Charge on Assets*

For details about charge on assets of the Company, please refer to the financial reports as set out below.

9. *Acquisitions and disposals of Subsidiaries, associates and joint ventures*

During the reporting period, the Group had no material acquisitions and disposals of Subsidiaries, associates and joint ventures.

10. *Public Float*

Based on published information and to the best of the knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules as at the date of this report.

11. *Plans for Major Investments and Acquisition of Capital Assets*

The Group did not have any plans for major investments and acquisition of capital assets during the reporting period.

12. *Details of Preferred Shares*

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

13. 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.

14. Model Code for Securities Transactions by the Directors

The Company has adopted a code of practice with standards not less exacting than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules for securities transactions conducted by the Directors. During the reporting period, all Directors have complied with the model code in relation to securities transactions conducted by the Directors.

15. Pre-emptive Rights

There is no provision regarding pre-emptive rights under the Articles of Association of the Company and there is no restriction on such rights under the laws of the PRC.

16. Tax Concession

Holders of listed securities of the Company were not granted any tax concession for holding securities of the Company.

According to paragraph 40 of Appendix D2 to the Listing Rules, save as disclosed herein, the Company confirms that the current corporate information in relation to those matters set out in paragraph 32 of Appendix D2 to the Listing Rules has no material changes as compared with the information disclosed in the Company's 2023 Annual Report.

Section 7 Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. *Table of changes in shares*

There was no change in the total number of shares and the structure of share capital of the Company during the reporting period.

2. *Explanation of changes in shares*

Not applicable

3. *Effect of changes in shares on financial indicators such as earnings per share and net assets per share within the period from the end of the reporting period to the disclosure date of the Interim Report (if any)*

Not applicable

4. *Other information disclosure which the Company deems necessary or is required by the securities regulatory authority*

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

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

4. *Other information disclosure which the Company deems necessary or is required by the securities regulatory authority* (Continued)

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

1. To follow the policy situation and seize market opportunities

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

2. Optimise capital structure to relieve working capital pressure

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

4. *Other information disclosure which the Company deems necessary or is required by the securities regulatory authority* (Continued)

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

Details of the use of proceeds from the Non-public Issuance of A Shares as of 30 June 2024 (including the expected timeline for the intended use of the proceeds not yet utilized) are as follows:

No.	Committed Investment Projects	Proposed investment amount of proceeds to be utilized <i>Approximately RMB0'000</i>	Change of investment amount of Proceeds <i>(Note) Approximately RMB0'000</i>	Proceeds utilized for the year ended 30 June 2024 <i>Approximately RMB0'000</i>	Balance of unutilized proceeds as of 30 June 2024 <i>Approximately RMB0'000</i>	Estimated timetable for use of unutilized proceeds as of 30 June 2024
1	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	21,900.00	21,900.00	10,208.33	11,691.67	The balance of the proceeds is expected to be used up by 31 December 2025
2	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	14,800.00	14,800.00	12,646.60	2,153.40	The balance of the proceeds is expected to be used up by 31 August 2025
3	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	21,450.00	11,150.00	6,427.17	4,722.83	The balance of the proceeds is expected to be used up by 31 December 2025
4	Karamay Nanjiao Water Treatment Plant Concession Project	0.00	10,300.00	2,012.53	8,287.47	The balance of the proceeds is expected to be used up by 31 December 2025
5	The repayment of interest-bearing liabilities and supplement the working capital	22,925.66	22,925.66	22,925.66	-	-
	Total	81,075.66	81,075.66	54,220.29	26,855.37	

4. *Other information disclosure which the Company deems necessary or is required by the securities regulatory authority* (Continued)

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

Note: The Company held the 14th meeting of the ninth session of the Board of Directors on 23 May 2023 to consider and approve the proposal on the adjustment of the change of the investment plan of Honghu Project, and a supplemental project agreement was entered into between the Honghu project company and Honghu Municipal Bureau of Housing and Urban-Rural Development on 7 August 2023, which stipulated that the scope of the Honghu Project was adjusted to the construction of the Honghu Fengkou East Domestic Sewage Treatment Plant and ancillary pipeline network and the construction of the pipeline network for the villages on the outskirts of the townships of Honghu City. The total scale of recent sewage treatment is 3,000m³/day and the total investment of the Honghu Project is adjusted to RMB148,319,900, of which the capital expenditure is approximately RMB118,253,800. The 18th meeting of the ninth session of the Board of Directors and the 8th meeting of the ninth session of the Board of Supervisors were held on 7 August 2023 and the 2023 Second Extraordinary General Meeting was held on 21 September 2023, both of which had considered and passed a resolution on changing the purpose of part of the proceeds, agreeing to the Company's change of use of the proceeds of the Honghu Project of RMB103.00 million for the investment and construction expenditure of the concessionary project of the Karamay Nanjiao Sewage Treatment Plant. In order to improve the efficiency of the use of the proceeds, safeguard the long-term interests of the Company and arrange the use of the proceeds, the Company intends to use RMB103,000,000 of the remaining proceeds of RMB181,393,100 of the Honghu Project for the construction of the Karamay Nanjiao Project. The remaining proceeds of RMB78,393,100 will continue to be used for the construction of the Honghu Project, thereby promoting the long-term and steady development of the Company's business and protecting the interests of the Company and shareholders. For further details, please refer to the Company's announcement dated 7 August 2023 in relation to the proposed change in the use of part of the proceeds, the circular dated 4 September 2023 in relation to the proposed change in the use of part of the proceeds and the Announcement of Resolution of the 2023 Second Extraordinary General Meeting posted on the Stock Exchange website.

During the half year ended 30 June 2024, the Company has used or proposed to use the proceeds from the Non-public Issuance of A Shares in accordance with the previously disclosed intentions and there has been no material change or delay in the use of the proceeds.

As of 30 June 2024, the Company expects to utilize all of the proceeds from the Non-public Issuance of A Shares by 31 December 2025, the usage and proposed usage are consistent with those set out in the circular dated 8 December 2021 in relation to the proposed Non-public Issuance of A Shares and the circular dated 4 September 2023 in relation to the proposed change in the use of part of the proceeds.

4. *Other information disclosure which the Company deems necessary or is required by the securities regulatory authority* (Continued)

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

For more information about this Non-public Issuance of A Shares, please refer to the relevant announcements and overseas regulatory announcements dated 22 November 2021 of the Company in relation to (1) the termination of 2020 Adjusted Non-public Issuance of A Shares; (2) the proposed Non-public Issuance of A Shares; (3) the Specific Mandate; and (4) the proposed adoption of the Shareholders' Return Plan, the relevant circular dated 8 December 2021, the notice of 2021 fourth extraordinary general meeting and the notice of 2021 second H shareholders' class meeting dated 8 December 2021, the announcement dated 10 December 2021 in relation to the approval of Non-public Issuance of A Shares by Tianjin SASAC, the announcement dated 24 December 2021 on the resolutions passed at the 2021 fourth extraordinary general meeting, the 2021 second H shareholders' class meeting and the 2021 second A shareholders' class meeting, the announcement dated 11 January 2022 in relation to the acceptance of the application for Non-public Issuance of A Shares by the CSRC, the relevant overseas regulatory announcements dated 7 February 2022, 21 February 2022, 3 March 2022, 17 March 2022 and 22 April 2022, the announcement dated 16 May 2022 in relation to the approval obtained from the Issuance Examination Committee of the CSRC for the application for the Non-public Issuance of A Shares, the announcement dated 8 June 2022 in relation to the approval obtained from the CSRC for the application for the Non-public Issuance of A Shares, the announcement dated 29 September 2022 in relation to the results of the Non-public Issuance of A Shares and changes in share capital and the relevant overseas regulatory announcement, the relevant overseas regulatory announcement dated 27 March 2023, the announcement in relation to the proposed change in the use of part of the proceeds and the relevant overseas regulatory announcement dated 7 August 2023, the relevant overseas regulatory announcement dated 25 August 2023, the relevant circular dated 4 September 2023, the relevant overseas regulatory announcement dated 22 September 2023, the relevant overseas regulatory announcement dated 17 November 2023, the relevant overseas regulatory announcement dated 22 March 2024, and the relevant overseas regulatory announcement dated 23 August 2024.

(II) Particulars of changes of restricted shares

Not applicable

II. DETAILS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the reporting period (persons) 57,642

Note: As at 30 June 2024, the total number of ordinary shareholders of the Company is 57,642, among which 62 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) as at the end of the reporting period

Shareholdings of the top ten shareholders (excluding shares lent through refinancing)

Name of shareholder	Increase/ decrease during the reporting period (share(s))	Number of shares held at the end of the period (share(s))	Percentage (%)	Pledged, marked or frozen			Nature of shareholder
				Number of restricted shares held (share(s))	Status of shares	Number (shares)	
TMICL	0	715,565,186	45.57	0	Pledged	263,000,000	State-owned legal person
HKSCC Nominees Limited	0	337,846,810	21.51	0	Nil	Not applicable	Others
Greatwall Life Insurance Co., Ltd. - Self-owned funds	17,192,300	17,192,300	1.09	0	Nil	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	Nil	Not applicable	State-owned legal person
Hong Kong Securities Clearing Company Limited	2,483,113	11,688,682	0.74	0	Nil	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	Nil	Not applicable	Others
Zhejiang Jinxin Construction Engineering Co., Ltd.* (浙江錦鑫建設工程有限公 司)	161,000	7,554,000	0.48	0	Nil	Not applicable	Domestic non-state owned legal person
Wang Caijin	476,762	6,896,600	0.44	0	Nil	Not applicable	Domestic natural person
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—資產管理 計劃)	-112,000	4,517,718	0.29	0	Nil	Not applicable	Others
China National Gold Group Asset Management Co., Ltd.* (中國黃 金集團資產管理有限公司)	-4,000	4,198,000	0.27	0	Nil	Not applicable	State-owned legal person

Section 7 Details of Changes in Shares and Shareholders

Shareholdings of the top ten shareholders of non-restricted circulating shares (excluding shares lent through refinancing)

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	337,846,810	Overseas listed foreign shares	337,846,810
Greatwall Life Insurance Co., Ltd. – Self-owned funds	17,192,300	Ordinary RMB Shares	17,192,300
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	11,688,682	Ordinary RMB Shares	11,688,682
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)	7,554,000	Ordinary RMB Shares	7,554,000
Wang Caijin	6,896,600	Ordinary RMB Shares	6,896,600
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號私募基金—財通基金鼎富定增1號單一資產管理計劃)	4,517,718	Ordinary RMB Shares	4,517,718
China National Gold Group Asset Management Co., Ltd.* (中國黃金集團資產管理有限公司)	4,198,000	Ordinary RMB Shares	4,198,000
Description of special accounts for repurchase purpose among the top ten shareholders	Not applicable		
Explanation of the above shareholders' proxy voting rights, entrusted voting rights and waiver of voting rights	Not applicable		
Notes on the connected party relationship or parties acting in concert among the above shareholders	(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)* (綠能投資發展有限公司(香港)) held a total of 156,956,000 H shares of the Company, representing 9.99% of the total share capital of the Company, and none of the shares were pledged.	
	(2)	The top ten shareholders are not strategic investors of the Company.	
Description of preferred shareholders with restored voting rights and the number of shares they hold	Not applicable		

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

Not applicable

III. DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

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

Not applicable

(II) Share option incentives granted to Directors, Supervisors and senior management during the reporting period

Not applicable

(III) The Company's Directors', Supervisors' and 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 2024, the Directors, Supervisors and chief executives of the Company did not have any interests and/or short positions of in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which were taken as or deemed to have pursuant to the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

IV. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE DE FACTO CONTROLLER

Not applicable

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

As at 30 June 2024, so far as is known to or can be ascertained after reasonable enquiries by the Directors, Supervisors or chief executive of the Company, the following entities (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the relevant class of securities	Approximate percentage of the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	58.16%	45.57%
Ningbo Development Investment Group Limited Company (寧波開發投資集團有限公司)	Interest of controlled corporation	156,956,000 H Shares (L)	46.16%	9.99%
Ningbo Energy Group Co., Ltd. (寧波能源集團股份有限公司)	Interest of controlled corporation	156,956,000 H Shares (L)	46.16%	9.99%
Ningbo Ningdian Investment Development Co., Ltd. (寧波寧電投資發展有限公司)	Beneficial owner	107,552,000 H Shares (L)	31.63%	6.85%
Ningbo BSLS Trade Co., Ltd. (寧波百思樂斯貿易有限公司)	Beneficial owner	45,142,000 H Shares (L)	13.28%	2.87%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.10%

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

Save as disclosed above, there is no other person (other than the Directors, Supervisors or chief executive of the Company) so far as is known to the Directors, Supervisors or chief executives of the Company who, as at 30 June 2024, 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 which were recorded in the register required to be kept under section 336 of the SFO, or was 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.

Section 8 Details of the Company's Bonds

I. CORPORATE BONDS (INCLUDING ENTERPRISE BONDS) AND NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

(I) Corporate bonds (including enterprise bonds)

1. Basic information of corporate bonds

Unit: '0,000 Currency: RMB

Name of Bond	Abbreviation	Code	Issue Date	Value Date	Latest Resale		Balance of Bond	Coupon (%)	Debt Service	Trading Place	Leading Underwriter	Trustee	Investor	Trading Mechanism	Risk of Delisting
					Date after 31 August 2024	Maturity Date							Suitability Arrangement (if any)		
Public Issue of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited to Professional Investors in 2021 (Phase I)	21 Jinchuang 01* (21津创01)	188867.SH	14 October 2021	18 October 2021	18 October 2024	18 October 2026	25,000.00	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. Principal will be repaid upon maturity together with interest payable for the last period.	the SSE	CITIC Securities Ping An Securities	CITIC Securities	Professional investors	Bidding + Fixed income	No

Counter-measures to the risks of listing termination of the Issuer

Not applicable

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

Not applicable

3. Adjustments to credit rating results

Not applicable

Section 8 Details of the Company's Bonds

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

Not applicable

(II) Non-financial enterprise debts financing instruments of the inter-bank bond market

1. Basic information on debt financing instruments for non-financial enterprises

Unit: 0'000 Currency: RMB

Name of Bond	Abbreviation	Code	Issue Date	Value Date	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place	Investor Suitability		
										Arrangement (if any)	Trading Mechanism	Risk of Delisting
2022 First Tranche Green Mediumterm Notes of Tianjin Capital Environmental Protection Group Company Limited	22 Jinchuanghuanbao GN001*(22津創環保 GN001)	132280072	26 July 2022 27 July 2022	28 July 2022	28 July 2025	63,000.00	3.94	Interest is payable annually, with the last installment paid together with the principal	Interbank Bond Markets	Nil	Nil	No

Counter-measures to the risks of listing termination of the Issuer

Not applicable

Overdue bonds

Not applicable

Description of overdue debts

Not applicable

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

Not applicable

3. *Adjustments to credit rating results*

Not applicable

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

Not applicable

5. *Description of other debt financing instruments for non-financial enterprises*

Not applicable

Section 8 Details of the Company's Bonds

(III) Particulars of proceeds of corporate bonds

None of the Company's corporate bonds involved the use of proceeds or rectification during the reporting period.

(IV) Other matters that should be disclosed for special variety bonds

Not applicable

(V) Important matters in relation to corporate bonds during the reporting period

1. *Funds Outstanding for Non-operating Transactions and Borrowing of Funds*

(1). Balance of Funds Outstanding for Non-operating Transactions and Borrowing of Funds

At the beginning of the reporting period, the balance of the Company's consolidated accounts receivable and loans to others not directly arising from production and operations (the "**Funds Outstanding for Non-operating Transactions and Borrowing of Funds**") amounted to RMB0 billion.

During the reporting period, there was no violation of the relevant agreements or undertakings in the offering prospectus in respect of Funds Outstanding for Non-operating Transactions and Borrowing of Funds.

As at the end of the reporting period, the total amount of uncollected Funds Outstanding for Non-operating Transactions and Borrowing of Funds was RMB0 billion.

(2). Breakdown of Funds Outstanding for Non-operating Transactions and Borrowing of Funds

As at the end of the reporting period, the percentage of consolidated uncollected Funds Outstanding for Non-operating Transactions and Borrowing of Funds to consolidated net assets of the Company is 0%, which has not exceeded 10% of consolidated net assets.

- (3). Implementation of payback arrangements disclosed in previous reporting periods

Fully implemented

2. Liabilities

- (1). Interest-bearing debt and changes therein

1.1 Debt structure of the Company

At the beginning of the reporting period and at the end of the reporting period, the balance of interest-bearing debt of the Company (not within the scope of consolidation of the Company) amounted to RMB6,110.5585 million and RMB6,226.2113 million respectively, with a year-on-year change of 1.89% in the balance of interest-bearing debt during the reporting period.

Unit: 0'000 Currency: RMB

Type of interest-bearing debts	Overdue	Due time		Total amount	Amount percentage to interest-bearing debts
		Up to and including 6 months (%)	More than 6 months		
Corporate credit bonds	0.00	28,159.12	62,963.25	91,122.37	14.64
Bank loan	0.00	63,793.92	452,058.64	515,852.56	82.85
Loans from non-bank financial institutions	0.00	0.00	0.00	0.00	0.00
Other interest-bearing debts	0.00	4,136.49	11,509.71	15,646.20	2.51
Total	0.00	96,089.53	526,531.60	622,621.13	–

As at the end of the reporting period, of the Company's corporate credit bonds in existence, the balance of corporate bonds was RMB281.5912 million, the balance of enterprise bonds was RMB0 million, the balance of non-financial corporate debt financing instruments was RMB629.6325 million, and a total of RMB256.7692 million of corporate credit bonds would become due for maturity or resale for repayment in September to December 2024.

1.2 Structure of the Company's interest-bearing debt on a consolidated basis

At the beginning of the reporting period and at the end of the reporting period, the balance of interest-bearing debt of the Company within the scope of consolidated statements of the Company amounted to RMB10,038.974 million and RMB10,356.4302 million respectively, with a year-on-year change of 3.16% in the balance of interest-bearing debt during the reporting period.

Unit: 0'000 Currency: RMB

Type of interest-bearing debts	Overdue	Due time		Total amount (%)	Amount percentage to interest-bearing debts (%)
		Up to and including 6 months (%)	More than 6 months		
Corporate credit bonds	0.00	28,159.12	62,963.25	91,122.37	8.80
Bank loan	0.00	103,504.00	825,136.61	928,640.61	89.67
Loans from non-bank financial institutions	0.00	0.00	0.00	0.00	0.00
Other interest-bearing debts	0.00	4,335.49	11,509.71	15,845.20	1.53
Total	0.00	136,033.45	899,609.57	1,035,643.02	—

As at the end of the reporting period, of the Company's corporate credit bonds in existence on consolidated basis, the balance of corporate bonds was RMB281.5912 million, the balance of enterprise bonds was RMB0 million, the balance of non-financial corporate debt financing instruments was RMB629.6325 million, and a total of RMB256.7692 million of corporate credit bonds would become due for maturity or resale for repayment in September to December 2024.

1.3 Status of overseas bonds

As at the end of the reporting period, the balance of overseas bonds issued within the scope of the Company's consolidated financial statements amounted to RMB0 million, and the balance of overseas bonds maturing within September to December 2024 amounted to RMB0 billion.

- (2). As at the end of the reporting period, the Company and its Subsidiaries had interest-bearing debt with an overdue amount of more than RMB10 million or corporate credit bonds that were overdue

Not applicable

(3). Major liabilities and reasons for changes thereof

Unit: 0'000 Currency: RMB

Liability items	Balance as at the end of the period	Balance in 2023	Change in percentage (%)	If the change in percentage is more than 30%, explain the reason
Accounts payable	78,810.44	66,888.78	17.82	Not applicable
Contract liabilities	43,455.46	41,177.98	5.53	Not applicable
Non-current liabilities due within one year	199,769.97	201,092.57	-0.66	Not applicable
Other payables	106,584.40	103,647.65	2.83	Not applicable
Long-term borrowings	760,115.71	725,762.45	4.73	Not applicable
Bonds payable	62,963.25	62,963.25	0.00	Not applicable
Deferred income	175,476.60	179,127.87	-2.04	Not applicable

(4). Particulars of prioritized liabilities against third parties

As at the end of the reporting period, the liabilities under the Company's consolidated statements that are senior to third parties

Not applicable

(VI) Losses in the scope of the Company's consolidated statements for the reporting period exceeded 10% of net assets at the end of the previous year

Not applicable

Section 8 Details of the Company's Bonds

(VII) Major accounting data and financial indicators

Unit: 0'000 Currency: RMB

Major indicators	As at the end of this reporting period	As at the end of the previous year	Increase/decrease at the end of this reporting period as compared to the end of last year (%)	Reasons for changes
Current ratio	1.56	1.45	7.59	Current asset increased when compared to the end of the previous year
Quick ratio	1.55	1.44	7.64	Current asset increased when compared to the end of the previous year
Gearing ratio (%)	58.44	58.24	0.34	Basically unchanged
	Current reporting period (From January to June)	Corresponding period of last year	Increase/decrease for this reporting period as compared to the same period last year (%)	Reasons for changes
Net profit after deduction of non-recurring gain or loss	38,167.80	40,132.20	-4.89	Basically unchanged
Debt to EBITDA ratio	0.11	0.11	0.00	Basically unchanged
Interest coverage multiple	3.92	3.95	0.76	Basically unchanged
Cash interest coverage multiple	2.01	5.00	-59.80	Net operating cash flow for the current period decreased
EBITDA interest cover multiple	5.70	5.58	1.97	Basically unchanged
Debt service ratio (%)	100	100	0.00	Unchanged
Interest coverage rate (%)	100	100	0.00	Unchanged

II. PARTICULARS OF CONVERTIBLE CORPORATE BONDS

Not applicable

Consolidated Balance Sheet

30 June 2024

Prepared by: Tianjin Capital Environmental Protection Group Company Limited Unit: '000 Currency: RMB

Item	Notes	30 June 2024	31 December 2023
Current assets:			
Cash at bank and on hand		2,621,761	2,612,622
Clearing settlement fund			
Placements with banks			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable		25,586	27,711
Accounts receivable		3,967,285	3,261,907
Receivables financing			
Advances to suppliers		19,643	19,809
Premium receivables			
Reinsurance accounts receivable			
Reinsurer's share of insurance contract reserves			
Other receivables		36,502	20,766
Including: Interest receivable		0	0
Dividend receivable		0	0
Financial assets purchased under resale agreements			
Inventories		42,169	35,685
Including: Data resources			
Contractual assets			
Assets held for sale			
Current portion of non-current assets		144,851	228,394
Other current assets		30,216	28,760
Total current assets		6,888,013	6,235,654
Non-current assets:			
Release of loans and advances			
Debt investments			
Other debt investments			
Long-term receivables		4,839,361	4,828,821
Long-term equity investments		188,650	188,650
Investments in other equity instruments		2,000	2,000
Other non-current financial assets			
Investment properties		6,634	0
Fixed assets		1,299,491	1,286,923
Construction in progress		385,869	421,446
Productive biological assets			
Oil and gas assets			
Right-of-use assets		4,284	6,671
Intangible assets		10,833,513	10,894,759
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill		150,051	150,051
Long-term unamortized expenses			
Deferred income tax assets		33,335	32,081
Other non-current assets		415,956	413,598
Total non-current assets		18,159,144	18,225,000
Total assets		25,047,157	24,460,654

Section 9 Financial Reports

Consolidated Balance Sheet

30 June 2024

Prepared by: Tianjin Capital Environmental Protection Group Company Limited Unit: '000 Currency: RMB

Item	Notes	30 June 2024	31 December 2023
Current liabilities:			
Short-term borrowings		13,793	1,992
Borrowings from central bank			
Taking from banks and other financial institutions			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		788,104	668,888
Advance receipts			
Contract liabilities		434,555	411,780
Financial assets sold for repurchase			
Deposit taken and deposit in interbank market			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensations payable		32,254	106,268
Taxes payable		78,036	69,113
Other payables		1,065,843	1,036,474
Including: Interest payable		0	0
Dividend payable		127,498	7,024
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Current portion of non-current liabilities		1,997,700	2,010,926
Other current liabilities		1,990	1,490
Total current liabilities		4,412,275	4,306,931
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings		7,601,157	7,257,625
Debentures payable		629,633	629,633
Including: Preference shares		0	0
Perpetual bonds		0	0
Lease liabilities		3,367	3,176
Long-term payables		115,097	140,960
Long-term employee compensations payable			
Accrued liabilities			
Deferred income		1,754,766	1,791,279
Deferred income tax liabilities		93,761	87,289
Other non-current liabilities		28,000	28,000
Total non-current liabilities		10,225,781	9,937,962
Total liabilities		14,638,056	14,244,893

Consolidated Balance Sheet

30 June 2024

Prepared by: Tianjin Capital Environmental Protection Group Company Limited Unit: '000 Currency: RMB

Item	Notes	30 June 2024	31 December 2023
Total owners' (or shareholders') equity:			
Paid-up capital (or share capital)		1,570,418	1,570,418
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,115,257	1,114,793
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserves		786,585	786,585
General risk provision			
Undistributed profits		5,811,620	5,650,381
		<hr/>	<hr/>
Total equity attributable to owners of the parent (or shareholders' equity)		9,283,880	9,122,177
Minority interests		1,125,221	1,093,584
		<hr/>	<hr/>
Total owners' (or shareholders') equity		10,409,101	10,215,761
		<hr/>	<hr/>
Total liabilities and owners' equity (or shareholders' equity)		25,047,157	24,460,654
		<hr/>	<hr/>

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Section 9 Financial Reports

Balance Sheet of the Parent Company

30 June 2024

Prepared by: Tianjin Capital Environmental Protection Group Company Limited Unit: '000 Currency: RMB

Item	Notes	30 June 2024	31 December 2023
Current assets:			
Cash at bank and on hand		1,234,927	1,394,632
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable		1,619,592	1,258,933
Receivables financing			
Advances to suppliers		392	321
Other receivables		38,412	32,006
Including: Interest receivable		0	0
Dividend receivable		8,328	10,148
Inventories		10,294	11,030
Including: Data resources			
Contractual assets			
Assets held for sale			
Current portion of non-current assets		28,526	29,411
Other current assets		766,204	804,408
Total current assets		3,698,347	3,530,741
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		2,933,467	2,945,153
Long-term equity investments		5,698,014	5,293,375
Investments in other equity instruments		2,000	2,000
Other non-current financial assets			
Investment properties			
Fixed assets		481,195	515,025
Construction in progress		18,407	17,120
Productive biological assets			
Oil and gas assets			
Right-of-use assets		2,002	3,921
Intangible assets		3,246,050	3,329,190
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		32,799	31,314
Other non-current assets		527,359	273,750
Total non-current assets		12,941,293	12,410,848
Total assets		16,639,640	15,941,589

Balance Sheet of the Parent Company

30 June 2024

Prepared by: Tianjin Capital Environmental Protection Group Company Limited Unit: '000 Currency: RMB

Item	Notes	30 June 2024	31 December 2023
Current liabilities:			
Short-term borrowings			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		95,415	100,066
Advance receipts			
Contract liabilities		47,579	74
Employee compensations payable		16,422	42,233
Taxes payable		5,925	611
Other payables		1,091,494	737,797
Including: Interest payable		0	0
Dividend payable		120,474	0
Liabilities held for sale			
Current portion of non-current liabilities		1,646,241	1,670,676
Other current liabilities			
Total current liabilities		2,903,076	2,551,457
Non-current liabilities:			
Long-term borrowings		3,837,825	3,443,564
Debentures payable		629,633	629,633
Including: Preference shares		0	0
Perpetual bonds		0	0
Lease liabilities		1,522	1,420
Long-term payables		115,549	140,960
Long-term employee compensations payable			
Accrued liabilities			
Deferred income		1,288,992	1,322,225
Deferred income tax liabilities			
Other non-current liabilities		470,000	470,000
Total non-current liabilities		6,343,521	6,007,802
Total liabilities		9,246,597	8,559,259

Section 9 Financial Reports

Balance Sheet of the Parent Company

30 June 2024

Prepared by: Tianjin Capital Environmental Protection Group Company Limited Unit: '000 Currency: RMB

Item	Notes	30 June 2024	31 December 2023
Total owners' (or shareholders') equity:			
Paid-up capital (or share capital)		1,570,418	1,570,418
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,065,703	1,065,703
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserves		786,585	786,585
Undistributed profits		<u>3,970,337</u>	<u>3,959,624</u>
Total owners' (or shareholders') equity		<u>7,393,043</u>	<u>7,382,330</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>16,639,640</u>	<u>15,941,589</u>

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Consolidated Profit Statement

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
I. Total revenue from operations		2,218,166	2,108,966
Including: Operating income		2,218,166	2,108,966
Interest income			
Earned premium			
Handling charges and commission fee			
II. Total operating cost		1,695,502	1,584,044
Including: Operating cost		1,375,177	1,322,894
Interest expenses			
Handling charges and commission expenses			
Surrenders			
Net claim expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Taxes and other levies		22,409	22,648
Selling expenses		5,114	11,184
General and administrative expenses		94,702	96,756
Research and development expenses		20,828	11,575
Financial expenses		177,272	118,987
Including: Interest expenses		195,465	192,106
Interest income		15,903	71,112
Add: Other income		44,007	40,447
Gain from investment (loss is represented by brackets)			
Including: Investment revenue in associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost (loss is represented by brackets)			
Exchange gains (loss is represented by brackets)			
Net exposure hedging gains (loss is represented by brackets)			
Gain on fair value changes (loss is represented by brackets)			
Impairment loss of credit (loss is represented by brackets)		(1,218)	(1,878)
Impairment loss of assets (loss is represented by brackets)			
Disposal gain on asset (loss is represented by brackets)			
III. Profit from operations (loss is represented by brackets)		565,453	563,491
Add: Non-operating income		4,858	5,416
Less: Non-operating expenses		127	2,213
IV. Total profit (total loss is represented by brackets)		570,184	566,694
Less: Income tax expenses		109,506	111,649
V. Net profit (net loss is represented by brackets)		460,678	455,045
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss is represented by brackets)		460,678	455,045
2. Net profit from discontinued operations (net loss is represented by brackets)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the parent (net loss is represented by brackets)		421,928	437,846
2. Profit or loss attributable to minority shareholders (net loss is represented by brackets)		38,750	17,199

Section 9 Financial Reports

Consolidated Profit Statement

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to shareholders of the parent, net of tax			
1. Other comprehensive income not subject to reclassification to profit or loss			
(1) Remeasure the change in the set benefit plan			
(2) Other comprehensive income under the equity method that cannot be converted into profit or loss in future			
(3) Change in fair value of other equity instrument investments			
(4) Changes in the fair value of the enterprise's own credit risk			
2. Other comprehensive income to be reclassified into profit or loss in future			
(1) Other comprehensive income of convertible profit or loss under the equity method			
(2) Changes in the fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedging reserve			
(6) Conversion difference of foreign currency statement			
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		460,678	455,045
(I) Total comprehensive income attributable to shareholders of the parent		421,928	437,846
(II) Total comprehensive income attributable to minority shareholders		38,750	17,199
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		0.27	0.28
(II) Diluted earnings per share (Yuan/per share)		0.27	0.28

For business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0, and the net profit recognized by the merged party in the previous period was RMB0.

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Profit Statement of the Parent Company

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
I. Operating income		795,529	856,970
Less: Operating cost		367,545	387,763
Taxes and other levies		9,565	9,302
Selling expenses			
General and administrative expenses		42,006	44,652
Research and development expenses		11,843	3,195
Financial expenses		111,008	110,248
Including: Interest expenses		121,661	122,653
Interest income		8,139	10,243
Add: Other income		33,313	33,313
Gain from investment (loss is represented by brackets)		27,866	12,266
Including: Investment revenue in associates and joint ventures		0	0
Gains from derecognition of financial assets measured at amortized cost (loss is represented by brackets)			
Net exposure hedging gains (loss is represented by brackets)			
Gain on fair value changes (loss is represented by brackets)			
Impairment loss of credit (loss is represented by brackets)			
Impairment loss of assets (loss is represented by brackets)			
Disposal gain on asset (loss is represented by brackets)			
II. Profit from operations (loss is represented by brackets)		314,741	347,389
Add: Non-operating income		4,569	5,003
Less: Non-operating expenses		14	2,168
III. Total profit (total loss is represented by brackets)		319,296	350,224
Less: Income tax expenses		47,894	52,534
IV. Net profit (net loss is represented by brackets)		271,402	297,690
(I) Net profit from continuing operations (net losses are stated by “-”)		271,402	297,690
(II) Net profit from discontinued operations (net loss is represented by brackets)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income not subject to reclassification to profit or loss			
1. Remeasure the change in the set benefit plan			
2. Other comprehensive income under the equity method that cannot be converted into profit or loss in future			
3. Change in fair value of other equity instrument investments			
4. Changes in the fair value of the enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss in future			
1. Other comprehensive income of convertible profit or loss under the equity method			
2. Changes in the fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provisions			
5. Cash flow hedging reserve			
6. Conversion difference of foreign currency statement			
7. Others			
VI. Total comprehensive income		<u>271,402</u>	<u>297,690</u>
VII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/per share)			

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Section 9 Financial Reports

Consolidated Cash Flow Statement

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		1,551,482	1,837,518
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fee and commission			
Net increase in placements			
Net increase in capital from repurchase business			
Net cash from brokerage for trading securities			
Refund of taxes and levies		4,739	3,718
Other cash received relating to operating activities		99,275	95,630
Subtotal of cash inflows of operating activities		1,655,496	1,936,866
Cash paid for goods purchased and services received		682,940	713,581
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation payments under original insurance contracts			
Net increase in placements with banks and other financial institutions			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividends			
Cash paid to or on behalf of employees		268,127	251,991
Taxes and levies paid		147,646	147,208
Other cash paid relating to operating activities		117,784	108,333
Subtotal of cash outflows from operating activities		1,216,497	1,221,113
Net cash flows from operating activities		438,999	715,753
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash from investment income			
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets		12	2
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		12	2
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		411,126	1,073,424
Cash paid for investments		8,894	
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Subtotal of cash outflows from investing activities		420,020	1,073,424
Net cash flows from investing activities		(420,008)	(1,073,422)

Consolidated Cash Flow Statement

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
III. Cash flows from financing activities:			
Cash received from capital injection		1,608	56,583
Including: Cash received from capital injection of minority shareholders in subsidiaries		1,608	56,583
Cash received from acquisition of loans		1,471,621	1,586,772
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities		1,473,229	1,643,355
Cash paid for repayment of borrowings		1,159,626	1,083,180
Cash paid for distribution of dividends, profits or payment of interest expenses		308,502	390,922
Including: Dividends and profits paid to minority shareholders by subsidiaries		0	2,777
Cash paid relating to other financing activities			
Subtotal of cash outflows from financing activities		1,468,128	1,474,102
Net cash flows from financing activities		5,101	169,253
IV. Effect on cash and cash equivalent from change of exchange rate			
V. Net increase in cash and cash equivalents		24,092	(188,416)
Add: Balance of cash and cash equivalents as at the beginning of the Period		2,571,362	3,188,344
VI. Balance of cash and cash equivalents as at the end of the Period		2,595,454	2,999,928

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Section 9 Financial Reports

Cash Flow Statement of the Parent Company

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		501,357	778,420
Refund of taxes and levies received			139
Other cash received relating to operating activities		1,732,980	655,029
Subtotal of cash inflows of operating activities		2,234,337	1,433,588
Cash paid for goods purchased and services received		232,088	272,427
Cash paid to or on behalf of employees		88,439	82,870
Taxes and levies paid		62,869	64,776
Other cash paid relating to operating activities		2,030,058	837,562
Subtotal of cash outflows from operating activities		2,413,454	1,257,635
Net cash flows from operating activities		(179,117)	175,953
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash from investment income		1,820	
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets		11	
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		1,831	0
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		20,844	351,757
Cash paid for investments		78,291	318,101
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Subtotal of cash outflows from investing activities		99,135	669,858
Net cash flows from investing activities		(97,304)	(669,858)
III. Cash flows from financing activities:			
Cash received from absorption of investment			
Cash received from acquisition of loans		1,200,000	1,096,495
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities		1,200,000	1,096,495
Cash paid for repayment of borrowings		861,385	897,343
Cash paid for distribution of dividends, profits or payment of interest expenses		227,109	311,242
Cash paid relating to other financing activities			
Subtotal of cash outflows from financing activities		1,088,494	1,208,585
Net cash flows from financing activities		111,506	(112,090)

Cash Flow Statement of the Parent Company

From January to June 2024

Unit: '000 Currency: RMB

Item	Notes	Half year of 2024	Half year of 2023
IV. Effect on cash and cash equivalent from change of exchange rate		<u> </u>	<u> </u>
V. Net increase in cash and cash equivalents		(164,915)	(605,995)
Add: Balance of cash and cash equivalents as at the beginning of the Period		<u>1,394,632</u>	<u>2,275,272</u>
VI. Balance of cash and cash equivalents as at the end of the Period		<u>1,229,717</u>	<u>1,669,277</u>

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Consolidated Statement of Changes in Shareholders' Equity

From January to June 2024

Unit: '000 Currency: RMB

Item	Half year of 2024														
	Equity attributable to owners of the parent												Total shareholders' equity		
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	General risk provision	Undistributed profits	Others		Sub-total	Minority interests
I. Closing balance of the previous year	1,570,418				1,114,793				786,585		5,650,381		9,122,177	1,093,584	10,215,761
Add: Changes in accounting policies															
Correction of prior period errors															
Others															
II. Opening balance for the year	1,570,418				1,114,793				786,585		5,650,381		9,122,177	1,093,584	10,215,761
III. Changes during the period (decreases are shown with brackets)					464						161,239		161,703	31,637	193,340
(I) Total comprehensive income											421,928		421,928	38,750	460,678
(II) Owners' inputs and capital reduction					464								464	(7,113)	(6,649)
1. Ordinary shares invested by owners														1,608	1,608
2. Capital contributions from holders of other equity instruments															
3. Amount of share-based payments credited to owners' equity															
4. Others					464								464	(8,721)	(8,257)
(III) Profit distribution											(260,689)		(260,689)		(260,689)
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											(260,689)		(260,689)		(260,689)
4. Others															
(IV) Internal transfer of owners' equity															
1. Capitalization of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Make up losses by surplus reserves															
4. Carry forward of retained earnings in respect of changes in defined benefit plans															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawals during the period															
2. Utilization during the period															
(VI) Others															
IV. Closing balance of the Period	1,570,418				1,115,257				786,585		5,811,620		9,283,880	1,125,221	10,409,101

Consolidated Statement of Changes in Shareholders' Equity

From January to June 2024

Unit: '000 Currency: RMB

Item	Half year of 2023														
	Equity attributable to owners of the parent														
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	General risk provision	Undistributed profits	Others	Sub-total	Minority interests	Total shareholders' equity
I. Closing balance of the previous year	1,570,418				1,111,156				722,389		5,075,510		8,479,473	1,022,820	9,502,293
Add: Changes in accounting policies															
Correction of prior period errors															
Others															
II. Opening balance for the year	1,570,418				1,111,156				722,389		5,075,510		8,479,473	1,022,820	9,502,293
III. Changes during the period (decreases are shown with brackets)					3,166					211,706		214,872	74,021	288,893	
(I) Total comprehensive income										437,846		437,846	17,199	455,045	
(II) Owners' inputs and capital reduction					3,166							3,166	56,822	59,988	
1. Ordinary shares invested by owners													56,822	56,822	
2. Capital contributions from holders of other equity instruments															
3. Amount of share-based payments credited to owners' equity					3,166							3,166	239	3,405	
4. Others															
(III) Profit distribution										(226,140)		(226,140)		(226,140)	
1. Appropriation to surplus reserve										(226,140)		(226,140)		(226,140)	
2. Appropriation to general risk provision															
3. Distribution to owners (or shareholders)										(226,140)		(226,140)		(226,140)	
4. Others															
(IV) Internal transfer of owners' equity															
1. Capitalization of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Make up losses by surplus reserves															
4. Carry forward of retained earnings in respect of changes in defined benefit plans															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawals during the period															
2. Utilization during the period															
(VI) Others															
IV. Closing balance of the Period	1,570,418				1,114,322				722,389		5,287,216		8,694,345	1,096,841	9,791,186

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Statement of Changes in Shareholders' Equity of the Parent Company

From January to June 2024

Unit: '000 Currency: RMB

Item	Half year of 2024										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Closing balance of the previous year	1,570,418				1,065,703				786,585	3,959,624	7,382,330
Add: Changes in accounting policies											
Correction of prior period errors											
Others											
II. Opening balance for the year	1,570,418				1,065,703				786,585	3,959,624	7,382,330
III. Changes during the period (decreases are shown with brackets)										10,713	10,713
(I) Total comprehensive income										271,402	271,402
(II) Owners' inputs and capital reduction											
1. Ordinary shares invested by owners											
2. Capital contributions from holders of other equity instruments											
3. Amount of share-based payments credited to owners' equity											
4. Others											
(III) Profit distribution										(260,689)	(260,689)
1. Appropriation to surplus reserve											
2. Distribution to owners (or shareholders)										(260,689)	(260,689)
3. Others											
(IV) Internal transfer of owners' equity											
1. Capitalization of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves to capital (or share capital)											
3. Make up losses by surplus reserves											
4. Carry forward of retained earnings in respect of changes in defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawals during the period											
2. Utilization during the period											
(VI) Others											
IV. Closing balance of the Period	1,570,418				1,065,703				786,585	3,970,337	7,393,043

Statement of Changes in Shareholders' Equity of the Parent Company

From January to June 2024

Unit: '000 Currency: RMB

Item	Half year of 2023										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Closing balance of the previous year	1,570,418				1,061,780				722,389	3,608,004	6,962,591
Add: Changes in accounting policies											
Correction of prior period errors											
Others											
II. Opening balance for the year	1,570,418				1,061,780				722,389	3,608,004	6,962,591
III. Changes during the period (decreases are shown with brackets)					3,405					71,550	74,955
(I) Total comprehensive income										297,690	297,690
(II) Owners' inputs and capital reduction					3,405						3,405
1. Ordinary shares invested by owners											
2. Capital contributions from holders of other equity instruments											
3. Amount of share-based payments credited to owners' equity					3,405						3,405
4. Others											
(III) Profit distribution										(226,140)	(226,140)
1. Appropriation to surplus reserve											
2. Distribution to owners (or shareholders)										(226,140)	(226,140)
3. Others											
(IV) Internal transfer of owners' equity											
1. Capitalization of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves to capital (or share capital)											
3. Make up losses by surplus reserves											
4. Carry forward of retained earnings in respect of changes in defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawals during the period											
2. Utilization during the period											
(VI) Others											
IV. Closing balance of the Period	1,570,418				1,065,185				722,389	3,679,554	7,037,546

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

1. BASIC INFORMATION REGARDING THE ENTERPRISE

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was formerly 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”). The Shares (the “H Shares”) were issued to foreign investors, listed in The Stock Exchange of Hong Kong Ltd. in May 1994; then listed in the Shanghai Stock Exchange (the “A Shares”) in June 1995. Due to significant losses, Bohai Chemical Industry completed the major equity and assets reorganisation, and became Tianjin Capital Environmental Protection Group Company Limited at the end of 2000. As at 30 June 2023, the total share capital of the Company was RMB1.57 billion with a par value of RMB1 per share.

The registered address of the Company is 12th Floor, TCEP Building, No.76 Weijin South Road, Nankai District, Tianjin, the PRC. The parent company of the Company is Tianjin Municipal Investment Company Limited (“TMICL”) and the ultimate holding company of the Company is Tianjin Infrastructure Construction & Investment (Group) Co., Ltd. (“Tianjin Investment”).

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

(1) 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 terms agreed upon:

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-Rural Construction Bureau
Honghu, Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou, Zhejiang	20 November 2006	Hangzhou Urban Water Facilities and River Protection Management Center
Jinghai, Tianjin	12 September 2007	Management Committee of Tianjin Tianyu Science Technology Park
Wendeng, Weihai, Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an, Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo, Hebei	28 September 2008	The People’s Government of Anguo City
Xianning, Hubei	16 October 2008	Xianning Construction Committee
Yingdong, Fuyang, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Ninghe District, Tianjin	21 September 2010	Management Committee of Modern Industrial Zone of Ninghe District

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

1. BASIC INFORMATION REGARDING THE ENTERPRISE (Continued)

(1) 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
Qujing, Yunnan	16 August 2011	Qujing Housing and Urban-Rural Construction Bureau
Ma’anshan, Anhui	25 August 2011	Ma’anshan Hanshan Housing and Urban-Rural Construction Bureau
Jinnan District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Xiqing District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Dongli District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Beichen District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Yingshang County, Fuyang, Anhui	16 June 2016	Fuyang Yingshang Housing and Urban-Rural Construction Bureau
Karamay, Xinjiang	4 November 2016	Karamay Construction Bureau
Linxia, Gansu	13 May 2017	Linxia Housing and Urban-Rural Construction Bureau
Ningxiang, Hunan	5 June 2017	Administrative Committee of Ningxiang Economic & Technological Development Zone
Hefei, Anhui	16 June 2017	Hefei Urban-Rural Construction Committee
Dalian, Liaoning	1 November 2017	Dalian Urban Construction Bureau
Bayannur, Inner Mongolia	12 December 2017	Bayannur Water Bureau and Bayannur Hetao Water Affair Group Co., Ltd.
Ningxiang, Hunan	27 April 2018	Administrative Committee of Ningxiang Economic & Technological Development Zone
Honghu, Hubei	9 June 2018	Honghu Housing and Urban-Rural Construction Bureau
Shibing County, Qiandongnan Prefecture, Guizhou	12 July 2018	Shibing Water Bureau
Hefei, Anhui	28 November 2018	Hefei Urban-Rural Construction Committee
Deqing County, Huzhou, Zhejiang	21 November 2018	Deqing County Qianyuan Township People’s Government
Jieshou, Anhui	2 March 2019	Jieshou Housing and Urban-Rural Construction Committee
Gaocheng District, Shijiazhuang, Hebei	2 April 2019	Management Committee of Shijiazhuang Gaocheng Economic and Technological Development Zone
Jiuquan, Gansu	22 June 2019	Jiuquan Suzhou District People’s Government
Yingdong District, Fuyang, Anhui	26 August 2019	Fuyang Urban-Rural Construction Bureau
Huoqiu County, Lu’an, Anhui	2 January 2020	Lu’an Huoqiu Housing and Urban-Rural Construction Bureau
Huize County, Qujing, Yunnan	24 February 2020	Qujing Huize Housing and Urban-Rural Construction Bureau
Honghu, Hubei	18 March 2021	Honghu Housing and Urban-Rural Construction Bureau
Xiqing District, Tianjin	12 May 2021	Tianjin Xiqing District Water Affairs Center
Karamay, Xinjiang	24 March 2023	Karamay Housing and Urban-Rural Construction Bureau
Enshi, Hubei	9 June 2023	Enshi Housing and Urban-Rural Construction Bureau
Ma’anshan, Anhui	22 September 2023	Ma’anshan Hanshan Housing and Urban-Rural Construction Bureau
Weng’an County, Qiannan Prefecture, Guizhou Province	17 January 2024	Weng’an County Bureau of Water Affairs

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

1. BASIC INFORMATION REGARDING THE ENTERPRISE (Continued)

(2) Tap water supply business

Pursuant to Service Concession Right Agreements, tap water supply service business of the Group was initially at the predetermined price. According to the changes in the factors affecting the cost of water price, the unit price of tap water supply service will 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 Affair Group Co., Ltd.
Hanshou County, Changde, Hunan	11 March 2019	Changde Hanshou Water Bureau
Qujing, Yunnan	25 December 2005	Qujing Sewage Company

(3) Recycled water business

The Group's recycled water business mainly 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 of recycled water treatment process and equipment.

(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 District, 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 District, Tianjin	16 June 2016	Tianjin Urban-Rural Construction Commission
Hexi District, Tianjin	16 March 2011	Tianjin Urban-Rural Construction and Transportation Commission
Xiqing District, Tianjin	31 December 2021	Tianjin Xiqing District Housing and Construction Committee and Tianjin Xiqing District Urban Management Committee

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

1. BASIC INFORMATION REGARDING THE ENTERPRISE (Continued)

(5) Hazardous waste treatment

This business segment mainly comprises the treatment of hazardous waste and general solid waste. The means of disposal currently adopted include incineration, landfill, materialization and solidification, so as to realize the overall objective of waste treatment of waste minimization, resource utilization and harmlessness through the selection of treatment processes suitable for local condition.

The financial statements were approved and authorised for issue by the board of directors on 23 August 2024.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(i) Basis of preparation

These financial 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 “CASs”) and the 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 Company’s H Shares are listed and traded on The Stock Exchange of Hong Kong Ltd. Related matters have been disclosed in the financial statements in accordance with the requirements of the Hong Kong Companies Ordinance which came into effect on 3 March 2014.

(ii) Continuing operations

The Company financial statements are prepared on a going concern basis.

3. 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 (“ECL”) on receivables and contract assets, depreciation of fixed assets, amortisation of intangible assets and right-of-use assets, impairment of intangible assets and goodwill, the timing of revenue recognition, and deferred tax assets and deferred tax liabilities.

Key judgements, critical accounting estimates and key assumptions adopted by the Group in determining material accounting policies are detailed in “3.(xxv) Other critical accounting policies and accounting estimates”.

(i) **Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflected the financial position as at 30 June 2024, as well as the results of operations and cash flows for the period from January to June 2024 and other relevant information.

(ii) **Accounting period**

The Company’s accounting year starts on 1 January and ends on 31 December. The financial statement covers the period from 1 January 2024 to 30 June 2024.

(iii) **Business cycle**

The Company takes one year (12 months) as its normal operating cycle, and the operating cycle is used as a criterion for classifying the liquidity of assets and liabilities.

(iv) **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 the subsidiary operates, and except the recording currency of Tianjin Capital Environmental Protection (Hong Kong) Limited is HKD, the remaining subsidiaries’ recording currency is RMB. The financial statements are presented in RMB.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(v) Methodology for determining materiality criteria and basis for selection**

Item	Materiality criteria
Significant individual bad debt provision receivables	Individual accounts receivable amounting to 5% or more of the consolidated accounts receivable balance
Significant construction in progress	The estimated investment amount is 5% or more of the latest audited owner's equity attributable to the parent company
Significant non-wholly owned subsidiaries	Comprehensive consideration of whether the subsidiary is a listed company and its minority interests account for more than 1% of the Group's consolidated shareholders' equity

(vi) Accounting treatment of business combinations between companies under common control and companies not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(vii) Criteria for judgment of control and 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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(vii) Criteria for judgment of control and preparation of consolidated financial statements (Continued)

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.

(viii) Determination criteria for 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.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(ix) Foreign currency business and translation of foreign currency financial statements****1. 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. 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.

2. 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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(x) 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.

1. *Financial assets*

(1) 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 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

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(x) Financial instruments** (Continued)**1. Financial assets** (Continued)**(1) 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.

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. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables and long-term receivables. Long-term receivables that are due within one year (inclusive) as from the balance sheet date are presented as current portion of non-current asset.

Equity instruments:

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(x) Financial instruments (Continued)

1. Financial assets (Continued)

(2) Impairment

The Group recognises loss provision on the basis of the ECL for financial assets and contract assets measured at amortised cost.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, 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 contractual cash flows receivable and the cash flows expected to be collected.

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

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

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

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

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(x) Financial instruments** (Continued)**1. Financial assets** (Continued)**(2) 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.

The credit risk characteristics of various financial assets with expected credit losses calculated on individual basis are significantly different from those of other financial assets in this category. In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of grouping and the method of provision are as follows:

Group 1	Related parties within the consolidation scope (for Company's financial statements only)	Receivables from related parties within the consolidation scope
Group 2	Bank acceptance notes	Banks with lower credit risk
Group 3	Government clients	Government clients other than those affiliated with the franchisors in provincial capital cities and municipalities, using the initial recognition point as the starting point for aging calculation
Group 4	Other clients	Other clients, using the initial recognition point as the starting point for aging calculation
Group 5	Project deposits	Project deposits receivables
Group 6	Others	Other receivables other than VAT refund receivable and project deposits

For accounts receivable, and notes receivable and long-term receivables arising from the sales of goods and rendering of services in the ordinary course of operating activities which are categorised 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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(x) Financial instruments (Continued)

1. Financial assets (Continued)

(2) Impairment (Continued)

For other receivables which are categorised into different 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 provision or reversal for losses in profit or loss for the current period.

(3) Derecognition

A financial asset is derecognised when one of the following criteria is met: (1) the contractual rights to receive cash flows from the financial asset have 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 to the transferee and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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

2. 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.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(x) Financial instruments** (Continued)**2. Financial liabilities** (Continued)

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

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

3. 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 the valuation, the Group adopts the valuation technique which is applicable to the current situation and supportable by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered by market participants in relevant transactions of assets or liabilities, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(xi) Inventories**1. Classification of inventories**

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xi) Inventories (Continued)

2. *Costing of inventories*

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

3. *Inventory system*

The Group adopts the perpetual inventory system as its stock-taking policy.

4. *Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories*

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

(xii) Long-term equity investments

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

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

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

Investments in associates are accounted for using the equity method.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xii) Long-term equity investments (Continued)****1. Determination of investment cost**

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

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

2. 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 distributions declared by the investees are recognised as investment income in profit or loss.

For 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 that 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 period 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 amount of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of changes in the investee's owners' 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 amount 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 investee.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xii) Long-term equity investments (Continued)

2. Subsequent measurement and recognition of related profit and loss (Continued)

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. In preparing the consolidated financial statements, for the portion of unrealized internal transaction gains or losses attributable to the Group arising from downstream transactions in which the Group invests in or sells assets to the investee, the Group offsets the portion of unrealized revenues and costs or gains or losses on disposal of assets attributable to the Group on the basis of offsetting in the financial statements of the Company and adjusts investment income accordingly; for the portion of unrealized internal transaction gains and losses attributable to the Group arising from reverse flow transactions in which the investee invests in or disposes of assets to the Group, the Group eliminates the portion of unrealized internal transaction gains and losses attributable to the Group included in the book value of the relevant assets on the basis of elimination in the financial statements of the Company and adjusts the book value of the long-term equity investment accordingly. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

3. Basis for determination of control and significant influence over investees

Control is the right over the investee that entitles 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.

4. Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xiii) Investment properties**

Investment properties are properties held for rental purposes and are initially measured at cost. Subsequent expenditures relating to investment properties are recognized at the cost of investment properties when it is probable that the related economic benefits will flow to the Group and the cost can be measured reliably; otherwise, they are recognized in profit or loss for the current period as incurred.

The Group applies the cost model for subsequent measurement of all investment properties, whereby buildings are depreciated or amortized over their estimated useful lives and at net residual value rates. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

Category	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	40 to 50 years	5%	1.9% to 2.4%

(xiv) Fixed assets**1. Fixed asset recognition conditions**

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xiv) Fixed assets (Continued)****2. Depreciation methods of fixed assets**

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

The estimated useful 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.

The carrying amount of the fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

Disposals 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 period.

Category	Depreciation method	Depreciation (year)	Residual values	Annual depreciation rates
Buildings	Straight-line method	10 to 50 years	0% to 5%	1.9% to 10%
Machinery and equipment	Straight-line method	10 to 20 years	0% to 5%	4.8% to 10%
Motor vehicles and others	Straight-line method	5 to 10 years	0% to 5%	9.5% to 20%

(xv) Construction in progress

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xvi) Borrowing costs**

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xvii) Intangible assets

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

1. Concession rights

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xvii) Intangible assets (Continued)****2. Land use rights**

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

3. Technical know-how and software

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

4. Periodical review of useful life and amortisation method

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

5. Research and development

The Group's research and development expenditures mainly include expenditures on materials consumed for the implementation of the Group's research and development activities, remuneration of staff in the research and development department, depreciation and amortization of assets such as equipment and software used in research and development, research and development testing, research and development technical service fees and licensing fees.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xvii) Intangible assets (Continued)

5. *Research and development* (Continued)

Expenditure for the planned investigation, evaluation and selection phases for the study of the production process of environmental protection equipment is expenditure for the research phase, which is recognised in profit or loss in the period in which it is incurred. Prior to mass production, expenditure in the relevant design and testing phases for the final application of the environmental protection equipment production process is expenditure on the development phase. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied: (1) The development of the environmental protection equipment production process has been fully demonstrated by the technical team; (2) Management has approved the budget for environmental protection equipment production process development; (3) Research and analysis of previous market survey indicate that the products produced by the environmental protection equipment production process have marketing capabilities; (4) Adequate technical and financial support for the development of the environmental protection equipment production process and subsequent mass production; and (5) Expenditure on environmental protection equipment production process development can be reliably collected.

Other development expenditures that do not meet the above conditions 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.

6. *Impairment of intangible assets*

The carrying amount of the intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xviii) Impairment of long-term assets**

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xix) 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.

1. *Accounting treatment of short-term employee benefits*

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

2. *Accounting treatment of post-employment benefits*

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

Basic pensions

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xx) Share-based payments****1. 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.

Equity-settled share-based payments

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

2. The method of determining the fair value of equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxi) Revenue

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

1. *Revenue from processing of sewage water and heating and cooling supply services*

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

2. *Revenue from construction of the concession project assets*

Revenue from the construction services under the Service Concession Right Agreements (the “PPP Project Contracts”) 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.

3. *Revenue from supply of tap water and recycled water*

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xxi) Revenue (Continued)****4. Revenue from provision of pipeline connection services for recycled water**

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxi) Revenue (Continued)

5. Revenue from provision of environmental protection equipment customisation services

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

6. Revenue from hazardous waste treatment

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

7. Revenue from contract operation

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

8. Technical service income

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xxii) Government grants**

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, 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 obtaining long-term assets through purchase, construction or other means. Government grants related to income refer to those which are not related to assets.

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

The Group applies the presentation method consistently to the same types of government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit and are otherwise recorded in non-operating income.

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxiii) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred income tax assets and deferred income tax liabilities are presented on a net offsetting basis when the following conditions are simultaneously met:

the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and

that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xxiv) Leases**

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

1. Accounting treatment of the Group as the lessee

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxiv) Leases (Continued)

1. *Accounting treatment of the Group as the lessee* (Continued)

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

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

2. *The Group's lease classification standards and accounting treatment methods as 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.

Operating leases

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xxv) Other critical accounting policies and accounting estimates**

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

1. Critical judgements in applying the accounting policies

Recognition of non-monetary assets exchanges that lack commercial substance

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxv) Other critical accounting policies and accounting estimates (Continued)

2. *Critical accounting estimates and key assumptions*

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

(1) Measurement of ECL

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

(2) Income taxes and deferred income taxes

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

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

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xxv) Other critical accounting policies and accounting estimates** (Continued)**2. Critical accounting estimates and key assumptions** (Continued)**(2) Income taxes and deferred income taxes** (Continued)

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

(3) Impairment of long-term assets

The Group assesses 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; 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 have been damaged or have become idle, the Group considers that there are signs of asset impairment. At each balance sheet date, the Group will evaluate the recoverable amount of the long-term assets that have shown signs of impairment. The assessment of the recoverable amount requires the Group to estimate the future cash flow and other conditions. When accounting estimates change, the carrying amount of long-term assets and the amount included in asset impairment losses will also change. Once the impairment provision is accrued, it cannot be reversed.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxv) Other critical accounting policies and accounting estimates (Continued)

2. *Critical accounting estimates and key assumptions* (Continued)

(4) Accounting estimates on impairment of goodwill

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(xxvi) Others****1. Non-monetary asset exchange**

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(xxvi) Others (Continued)

2. Dividends distribution

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

3. Segment information

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

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

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4. TAXATION

(i) The main categories and rates of taxes

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

(ii) Important tax incentives and approvals

1. Corporate income tax

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Tianjin Capital Environmental Protection Group Company Limited	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Cai Shui [2023] No. 38) (《關於從事污染防治的第三方企業所得稅政策問題的公告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027

4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Fuyang Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公報》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027
Guizhou Capital Water Co., Ltd.		Shibing sewage project, Niudachang sewage project: 0%
		Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2022 for the first 3 years and reduction half for the next 3 years.

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
	Other sewage projects: 15%	According to the Notice of Guizhou Provincial Tax Services of State Taxation Administration on Implementation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (Qian Guo Shui Han [2011] No. 19) (《貴州省國家稅務局關於執行西部大開發稅收優惠政策的通知》(黔國稅函[2011]19號)), the Company is entitled to a preferential corporate income tax rate from 2011 to 2020. On 23 April 2020, the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission issued the Announcement [2020] No. 23, the Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (《關於延續西部大開發企業所得稅政策的公告》), stipulating that the implementation period of the policy would be extended to 31 December 2030
Xi'an Capital Water Co., Ltd.	Sewage water projects' upgrading: 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2021 for the first 3 years and reduction half for the next 3 years
	Other projects: 15%	According to the Notice of Shaanxi Provincial Tax Service of State Taxation Administration on Issuing Measures for Review and Management of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (Notice [2010] No. 3) (《陝西省國家稅務局關於發佈<西部大開發企業所得稅優惠政策審核管理辦法>的公告》(公告2010年第3號)), the Company is entitled to a preferential corporate income tax rate from 2011 to 2020. On 23 April 2020, the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission issued the Announcement [2020] No. 23, the Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (《關於延續西部大開發企業所得稅政策的公告》), stipulating that the implementation period of the policy would be extended to 31 December 2030

4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Hangzhou Tianchuang Capital Water Co., Ltd. (“Hangzhou Company”)	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的通告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027
Tianjin Caring Technology Development Co., Ltd (“Caring Company”)	15%	In 2021, Caring Company has obtained the High-tech Enterprise Certificate (Certificate No. GR202112000412) issued by Tianjin Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Municipal Tax Service of the State Taxation Administration. The certificate is valid for 3 years. According to relevant provisions of the income tax law, the corporate income tax rate applicable for the first half year of 2024 was 15%
Tianjin Water Recycling Co., Ltd. (“Water Recycling Company”)	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

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Karamay Tianchuang Capital Water Co., Ltd.	15%	According to the Notice on Implementing Policies for Encouraging Industries in the Western Regions (Xin Fa Gai Xi Kai [2021] No. 215) (《關於落實西部地區鼓勵類產業政策的通告》的通告(新發改西開[2021]215號)), the Company is entitled to a preferential corporate income tax rate from 2021 to 2030
Linxia Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Inner Mongolia Bayannur Capital Water Co., Ltd. (“Bayannur Company”)	Sewage water project: 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years
	Recycled water project: The taxable income is calculated at 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. According to the Announcement on Continuing the Enterprise Income Tax Policy for Western Development (The Ministry of Finance, State Administration of Taxation, National Development and Reform Commission [2020] No. 23) (《關於延續西部大開發企業所得稅政策的公告》(財政部稅務總局國家發展改革委公告2020年第23號)), the company is entitled to a preferential corporate income tax rate from 2021 to 2030
	Recycled water and tap water project: 15%	

4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027
Shandong Capital Environmental Protection Technology Co., Ltd. ("Shandong Company")	12.5%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	12.5%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
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 corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Jiuquan Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Huize 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 corporate income tax commencing 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 corporate income tax commencing from 2022 for the first 3 years and reduction half for the next 3 years

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Wuhan Tianchuang Capital Water Co., Ltd.	Business in relation to Honghu Sewage Treatment Plant: 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公 告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Wuhan Tianchuang Capital Water Co., Ltd.	Business in relation to Chibi Sewage Treatment Plant: 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Wuhan Tianchuang Capital Water Co., Ltd.	Business in relation to Yong'an, Xianning Sewage Treatment Plant: 15%	On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), stipulating that qualified companies engaged in third-party enterprises engaged in pollution prevention and control (hereinafter referred to as third-party prevention and control enterprises) are levied a reduced corporate income tax at a rate of 15%, and the implementation period starts from 1 January 2024 and ends at 31 December 2027
Honghu Tianchuang Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027

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4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Jiangsu Yonghui Resources Utilisation Co., Ltd. (“Jiangsu Yonghui”)	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Changsha Tianchuang 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 corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years
Tianjin Xiqing Tianchuang 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 corporate income tax commencing from 2021 for the first 3 years and reduction half for the next 3 years
Changsha Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Anhui 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 corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years

4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Wendeng Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策》(財政部稅務總局國家發展改革委生態環境部公告2019年第60號)) issued on 13 April 2019, corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021 after submission of information. On 24 August 2023, the State Taxation Administration issued the Announcement in relation to the Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control (Announcement [2023] No. 38 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment) (《關於從事污染防治的第三方企業所得稅政策問題的公告》(財政部稅務總局國家發展改革委生態環境部公告2023年第38號)), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027
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 corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd. ("Guojin Company")	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years
Karamay Capital Water Co., Ltd	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2023 for the first 3 years and reduction half for the next 3 years

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

1. Corporate income tax (Continued)

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

Entities	Enterprise income tax rate for the half year of 2024	Details of the preferential tax policy
Enshi Capital Water Co., Ltd	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2023 for the first 3 years and reduction half for the next 3 years
Jieshou Capital Water Co., Ltd	12.5% and 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 to 2023 for the first 3 years and reduction half for the next 3 years
Weng'an Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2024 to 2029 for the first 3 years and reduction half for the next 3 years

2. Value-added tax ("VAT")

(1) Tax rate policies on VAT

Pursuant to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Cai Shui Haiguan [2019] No. 39) (《關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告[2019]39號)) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the VAT rate for revenue from sewage water processing applicable to the Group and its subsidiaries is 6%; the tax rate for revenue from recycled water processing is 13%; the tax rate for revenue from heating and cooling supply services is 9%; the tax rate for revenue from hazardous waste treatment is 6%; the tax rate for revenue from tap water supply is 3%; the tax rate for revenue from environmental protection equipment customisation is 13%; the tax rate for revenue from auxiliary projects and facility construction is 9%; and the tax rate for other businesses is from 5% to 13%.

4. TAXATION (Continued)

(ii) Important tax incentives and approvals (Continued)

2. Value-added tax (“VAT”) (Continued)

(1) Tax rate policies on VAT (Continued)

According to the Announcement on Clarifying the Collection and Management of VAT on Second Hand Car Distribution and Other Issues (Announcement [2020] No. 9) (《關於明確二手車經銷等若干增值稅征管問題的公告》(國家稅務總局公告[2020]9號)) issued by the State Taxation Administration, if no goods are produced after professional treatment by means of landfill, incineration, etc., and the trustee belongs to the “professional and technical services” in the “modern services” provided in the Sales Services, Intangible Assets, Real Estate Notes (Cai Shui [2016] No. 36) (《銷售服務、無形資產、不動產注釋》(財稅[2016]36號文件印發)), the treatment fee charged by the trustee is subject to the VAT rate of 6%.

(2) Preferential tax policies on VAT

On 15 April 2019, the Ministry of Finance and the State Taxation Administration issued the Announcement on Continued Implementation of Tax Preferential Policies for Rural Drinking Water Safety Projects (Cai shui [2019] No. 67) (《關於繼續實行農村飲水安全工程稅收優惠政策的公告》財稅[2019]67號), stipulating that from 1 January 2019 to 31 December 2020, in the tap water supply business of the Group, the tap water sales income obtained by providing rural residents with domestic water is exempt from VAT. On 15 March 2021, the Ministry of Finance and the State Taxation Administration issued the Announcement on Extending the Implementation Period of Certain Preferential Tax Policies (Cai Shui [2021] No. 6) (《關於延長部分稅收優惠政策執行期限的公告》財稅[2021]6號), which stipulates that the implementation period of the policy will be extended to 31 December 2023.

According to the Announcement on Improving the VAT Policy for Comprehensive Utilisation of Resources (Announcement [2021] No. 40) (《關於完善資源綜合利用增值稅政策的公告》(國家稅務總局公告[2021]40號)) issued by the State Taxation Administration, and other relevant regulations, engagement in “sewage treatment service” and “recycled water business” included in the Catalogue of Preferential VAT on Products and Services for Comprehensive Utilisation of Resources is entitled to 70% refund of VAT upon collection, or applicable VAT exemption policies. The preferential policy, once selected, shall not be changed within 36 months. Some subsidiaries of the Group have chosen to adopt the VAT exemption policy since 2022.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(i) Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	0	1
Cash at bank	2,595,454	2,571,361
Other cash balances	26,307	41,260
Deposit financial company deposits	0	0
	<hr/>	<hr/>
Total	2,621,761	2,612,622
	<hr/>	<hr/>
Including: Gross amount of bank deposits overseas	8,607	8,632
	<hr/>	<hr/>

Other explanations

Cash presented in the cash flow statement includes:

	30 December 2024	31 December 2023
Cash at bank and on hand	2,621,761	2,612,622
Less: Restricted cash at bank (i)	26,307	41,260
	<hr/>	<hr/>
Cash in the cash flow statement	2,595,454	2,571,362
	<hr/>	<hr/>

- (i) The restricted cash at bank represents the deposit for the purpose of applying for unconditional, irrevocable bank letters of guarantee and bank deposits frozen by lawsuit.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) Notes receivable

1. Classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance notes	25,586	27,711
Commercial acceptance notes	<u>0</u>	<u>0</u>
Sub-total		
Less: Provision for bad debts	<u>0</u>	<u>0</u>
Total	<u>25,586</u>	<u>27,711</u>

2. Notes receivable endorsed or discounted at the end of the period but not yet due at the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance notes	<u>28,925</u>	<u>0</u>
Total	<u>28,925</u>	<u>0</u>

From January to June 2024, the Company's subsidiaries, Caring Company, Shandong Company, Bayannur Company, Jiangsu Yonghui Company, and Gaoyou Compro Environmental Resources Co., Ltd. ("Gaoyou Compro"), only endorsed part of the bankers' acceptances receivable, and have been derecognized.

3. Information on provision for bad debts

As at 30 June 2024 and 31 December 2023, the Group does not have bank acceptance notes with provision for impairment loss assessed on an individual basis, and the Group considers that there is no significant credit risk in the bank acceptance notes.

Other explanations:

As at 30 June 2024, the Group had no pledged notes receivable.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable

1. Disclosure by age

Ageing	Closing balance	Opening balance
Within 1 year	3,301,786	2,539,347
1 to 2 years	723,690	587,245
2 to 3 years	83,185	258,198
3 to 4 years	50,599	78,476
4 to 5 years	60,821	47,735
Over 5 years	54,894	57,378
Sub-total	4,274,975	3,568,379
Less: Provision for bad debts	307,690	306,472
Total	3,967,285	3,261,907

2. Categorized and disclosed by methods of bad debt accrual

Category	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)	
Accounts receivable for which bad debt provision is made on an individual basis	2,103,968	49.22	163,550	7.77	1,940,418
Accounts receivable for which provision for bad debts is made on a portfolio basis	2,171,007	50.78	144,140	6.64	2,026,867
Including: Group 1: Government	1,548,843	36.23	117,087	7.56	1,431,756
Group 2: Other customers	622,164	14.55	27,053	4.32	595,111
Total	4,274,975	/	307,690	/	3,967,285

Category	Book balance		Opening balance Provision		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)	
Accounts receivable for which bad debt provision is made on an individual basis	1,703,375	47.74	163,550	9.60	1,539,825
Accounts receivable for which provision for bad debts is made on a portfolio basis	1,865,004	52.26	142,922	7.66	1,722,082
Including: Group 1: Government	1,313,064	36.80	115,554	8.80	1,197,510
Group 2: Other customers	551,940	15.47	27,368	4.96	524,572
Total	3,568,379	/	306,472	/	3,261,907

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis

Name	Book balance	Provision for bad debts	Closing balance	
			Provision ratio (%)	Notes
Tianjin Water Authority Bureau	1,493,820	2,087	0.14	As these clients are governments of municipality direct under the central government, whose ability to meet their contractual 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 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 0.14%.
Qijing Sewage Company	238,470	46,831	19.64	Receivables from Qijing Sewage Company are composed of sewage treatment fee and tap water fee. As the receivables of sewage treatment fee and tap water fee have a longer repayment period than ordinary government clients, indicating high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 19.64%.
Xi'an Infrastructure Construction and Investment Group Co., Ltd.	119,498	241	0.20	As these clients are governments of provincial capital, whose ability to meet their contractual 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 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 Company estimates that the lifetime ECL rate is from 0.20%.
Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd.	46,734	37,682	80.63	Receivables of Tianjin Jinghai Capital Water Co., Ltd from Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd. comprise sewage treatment fees, whose repayment period is longer than that of general government clients, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 80.63%.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Closing balance	
			Provision ratio (%)	Notes
Guiyang Water Authority Bureau	39,707	197	0.50	As these clients are governments of provincial capital, whose ability to meet their contractual 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 Guiyang Water Authority Bureau 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 Company estimates that the lifetime ECL rate is from 0.50%.
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	29,571	18,109	61.24	Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. ("City Appearance Sanitation") comprise technical services fees. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 61.24%.
Hangzhou Municipal Facilities Supervision Center	26,480	10	0.04	As these clients are governments of provincial capital, whose ability to meet their contractual 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 Hangzhou Municipal Facilities Supervision Center 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 Company estimates that the lifetime ECL rate is from 0.04%.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Closing balance Provision ratio (%)	Notes
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	16,797	100	Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	13,776	100	Receivables of the Group from Tianjin Shuangkou Municipal Solid Waste Landfill comprise technical services fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Urad Front Banner Finance Bureau	51,844	10,928	21.08	The Group's receivable from the Finance Bureau of Urad Front Banner is the amount due from sewage treatment service revenue. Its repayment term exceeds that of normal government customers and the credit risk is relatively high. Considering the debtor's actual performance ability, historical repayment experience and ageing, the expected credit loss rate throughout the entire duration of existence is estimated to be 21.08%.
Urad Rear Banner Finance Bureau	13,619	13,619	100	The Group's receivable from the Finance Bureau of Urad Rear Banner is the amount due from sewage treatment service revenue. Its repayment term exceeds that of normal government customers and the credit risk is relatively high. Considering the debtor's actual performance ability, historical repayment experience and ageing, the expected credit loss rate throughout the entire duration of existence is estimated to be 100%.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Closing balance Provision ratio (%)	Notes
Hangzhou Drainage Co., Ltd.	10,383	4	0.04	As these clients are governments of provincial capital, whose ability to meet their contractual 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 Hangzhou Drainage Co., Ltd. have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Company estimates that the lifetime ECL rate is from 0.04%.
Tianjin Goldin International Club Co. Ltd.	1,548	1,548	100	Receivables of the Group from Tianjin Goldin International Club Co. Ltd. comprise recycled water supply fees. Tianjin Goldin International Club Co. Ltd. had no transactions with Tianjin Water Recycling Co., Ltd. during the year. Considering factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
Inner Mongolia Zijin Zinc Industry Co., Ltd.	1,569	1,569	100	Receivables of Inner Mongolia Zijin Zinc Industry Co., Ltd. comprise tap water supply fees, whose repayment period is longer than that of general clients, are under high credit risk. Considering litigation disputes with the debtor and the factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group presumes estimates that the lifetime ECL rate is 100%.
Tianjin Tianbao Municipal Administration Co. Ltd	152	152	100	Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd comprise contract operation fees. Considering the factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group still estimates that the lifetime ECL rate is 100%.
Total	2,103,968	163,550	7.77	/

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Tianjin Water Authority Bureau	1,142,144	2,087	0.18	As these clients are governments of municipality direct under the central government, whose ability to meet their contractual 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 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 Company estimates that the lifetime ECL rate is from 0.18%.
Qujing Sewage Company	235,818	50,313	21.34	Receivables from Qujing Sewage Company are composed of sewage treatment fee and tap water fee. As the receivables of sewage treatment fee and tap water fee have a longer repayment period than ordinary government clients, indicating high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 21.34%.
Xi'an Infrastructure Construction and Investment Group Co., Ltd.	134,589	241	0.18	As these clients are governments of provincial capital, whose ability to meet their contractual 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 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 Company estimates that the lifetime ECL rate is from 0.18%.
Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd.	44,019	37,682	85.60	Receivables of Tianjin Jinghai Capital Water Co., Ltd from Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd. comprise sewage treatment fees, whose repayment period is longer than that of general government clients, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 85.60%.

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From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Guiyang Water Authority Bureau	29,245	197	0.67	As these clients are governments of provincial capital, whose ability to meet their contractual 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 Guiyang Water Authority Bureau 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 Company estimates that the lifetime ECL rate is from 0.67%.
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,454	18,109	63.64	Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. ("City Appearance Sanitation") comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 63.64%.
Hangzhou Municipal Facilities Supervision Center	23,816	10	0.04	As these clients are governments of provincial capital, whose ability to meet their contractual 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 Hangzhou Municipal Facilities Supervision Center 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 Company estimates that the lifetime ECL rate is from 0.04%.

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From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	16,797	100.00	Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	13,776	100.00	Receivables of the Group from Tianjin Shuangkou Municipal Solid Waste Landfill comprise technical services fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Urad Front Banner Finance Bureau	10,928	10,928	100.00	The Group's receivable from the Finance Bureau of Urad Front Banner is the amount due from sewage treatment service revenue. Its repayment term exceeds that of normal government customers and the credit risk is relatively high. Considering the debtor's actual performance ability, historical repayment experience and ageing, the expected credit loss rate throughout the entire duration of existence is estimated to be 100%.
Urad Rear Banner Finance Bureau	10,392	10,392	100.00	The Group's receivable from the Finance Bureau of Urad Rear Banner is the amount due from sewage treatment service revenue. Its repayment term exceeds that of normal government customers and the credit risk is relatively high. Considering the debtor's actual performance ability, historical repayment experience and ageing, the expected credit loss rate throughout the entire duration of existence is estimated to be 100%.

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From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Hangzhou Drainage Co., Ltd.	10,383	4	0.04	As these clients are governments of provincial capital, whose ability to meet their contractual 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 Hangzhou Drainage Co., Ltd. have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Company estimates that the lifetime ECL rate is from 0.04%.
Tianjin Goldin International Club Co. Ltd.	1,548	1,548	100.00	Receivables of the Group from Tianjin Goldin International Club Co. Ltd. comprise recycled water supply fees. Tianjin Goldin International Club Co. Ltd. had no transactions with Tianjin Water Recycling Co., Ltd. during the year. Considering factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
Inner Mongolia Zijin Zinc Industry Co., Ltd.	1,314	1,314	100.00	Receivables of Inner Mongolia Zijin Zinc Industry Co., Ltd. comprise tap water supply fees, whose repayment period is longer than that of general clients, are under high credit risk. Considering litigation disputes with the debtor and the factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group presumes estimates that the lifetime ECL rate is 100%.
Tianjin Tianbao Municipal Administration Co. Ltd	152	152	100.00	Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd. comprise contract operation fees. Considering the factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group still estimates that the lifetime ECL rate is 100%.
Total	1,703,375	163,550	9.60	/

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

(2) Accounts receivable with provision for bad debts by group based on credit risk characteristics

① Group 1: Government clients

Ageing	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Accrual ratio (%)	Book balance	Provision for bad debts	Accrual ratio (%)
Not overdue	760,884	9,029	1.19	655,146	8,411	1.28
Overdue within 1 to 180 days	345,402	10,292	2.98	288,398	10,210	3.54
Overdue over 180 days	442,557	97,766	22.09	369,520	96,933	26.23
Total	<u>1,548,843</u>	<u>117,087</u>	<u>7.56</u>	<u>1,313,064</u>	<u>115,554</u>	<u>8.80</u>

② Group 2: Other clients

Ageing	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Accrual ratio (%)	Book balance	Provision for bad debts	Accrual ratio (%)
Not overdue	308,114	5,913	1.86	272,600	4,211	1.54
Overdue within 1 to 90 days	140,017	4,618	3.30	124,541	4,743	3.81
Overdue over 90 days	174,033	16,522	9.49	154,799	18,414	11.90
Total	<u>622,164</u>	<u>27,053</u>	<u>4.35</u>	<u>551,940</u>	<u>27,368</u>	<u>4.96</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Accounts receivable (Continued)

3. Information on provision for bad debts

Category	Opening balance	Amount of changes in the current period			Closing balance
		Provision	Collected or reversed	Write-off	
Accounts receivables with provision for bad debts on an individual basis	163,550	0	0	0	163,550
Accounts receivables with provision for bad debts by group	142,922	1,218	0	0	144,140
Total	306,472	1,218	0	0	307,690

For accounts receivable arising from the Group recognises the lifetime ECL regardless of whether a significant financing component exists

4. Information on accounts receivable and contract assets of the top five closing balances by debtors

Name	Accounts receivable Closing balance	Closing balance of contract assets	Accounts receivable and contract assets end of period Amount	% of accounts receivable and contract assets end of period Proportion of total (%)	Closing balance of bad debt provision
Tianjin Water Authority Bureau	1,493,820	0	1,493,820	34.94	2,087
Qijing Sewage Company	238,470	0	238,470	5.58	46,831
Jieshou Housing and Urban-Rural Construction Bureau	243,969	0	243,969	5.71	15,675
Suzhou District People's Government	172,965	0	172,965	4.05	4,453
Fuyang Urban Administration Bureau	146,173	0	146,173	3.42	3,816
Total	2,295,397	0	2,295,397	53.69	72,862

The majority of the Group's business is carried out on credit, with credit periods of 30 to 90 days to customers generally.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iv) Advances to suppliers

1. Prepayments presented on ageing

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	14,656	74.61	13,756	69.44
1 to 2 years	903	4.60	4,915	24.81
2 to 3 years	3,135	15.96	465	2.35
Over 3 years	949	4.83	673	3.40
Total	<u>19,643</u>	<u>100.00</u>	<u>19,809</u>	<u>100.00</u>

An explanation of the reasons why prepayments with an ageing of over one year and of significant amounts are not settled in a timely manner:

As at 30 June 2024, advances to suppliers of approximately RMB5 million (31 December 2023: RMB6 million) with ageing over one year were mainly for supplemental projects.

2. Information on top five units with closing balances grouped by prepayment recipients

Name	Closing balance	Proportion of total closing balance of prepayments (%)
China State Construction Railway Investment & Engineering Group Co., Ltd.	3,531	17.98
Tianjin Installation Engineering Co., Ltd.	978	4.98
Jieshou City Power Supply Company of State Grid Anhui Electric Power Co., Ltd.	964	4.91
Tianjin Xinhaojia Engineering Technology Services Co., Ltd.	910	4.63
Wuhan Bohuan Mechanical and Electrical Co., Ltd.	543	2.77
Total	<u>6,926</u>	<u>35.26</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(v) Other receivables

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	36,502	20,766
Total	36,502	20,766

Other receivables

(1) Disclosure by age

Ageing	Closing balance	Opening balance
Within 1 year	18,257	10,038
1 to 2 years	8,892	1,898
2 to 3 years	651	1,551
Over 3 years	9,002	7,579
Sub-total	36,802	21,066
Less: Provision for bad debts	300	300
Total	36,502	20,766

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(v) Other receivables (Continued)

Other receivables (Continued)

(2) Disclosure by nature of payment

Nature of payment	Closing balance	Opening balance
Refund of VAT	342	200
Project deposits	15,899	10,657
Others	20,561	10,209
Sub-total	<u>36,802</u>	<u>21,066</u>
Less: Provision for bad debts	<u>300</u>	<u>300</u>
Total	<u>36,502</u>	<u>20,766</u>

(3) Information on bad debt provision accrual

	Stage 1 Next 12 months ECL	Stage 2 ECL throughout the lifetime (no credit impairment has occurred)	Stage 3 ECL throughout the lifetime (credit impairment has occurred)	Total
Provision for bad debts				
Balance as of 1 June 2024	300	0	0	300
Balance as of 1 January 2024				
Current period				
– Transfers from stage 2				
– Transfers from stage 3				
– Reversal to stage 2				
– Reversal to stage 1				
Provision for this period				
Transferred in this period				
Resale in this period				
Write-off in this period				
Other changes				
Balance as of 30 June 2024	<u>300</u>	<u>0</u>	<u>0</u>	<u>300</u>

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(v) Other receivables (Continued)

Other receivables (Continued)

(4) Information on the provision for bad debts

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Collected or reversed	Resale or Write-off	Other changes	
Project deposits ageing	176	0	0	0	0	176
Others ageing	124	0	0	0	0	124
Total	300	0	0	0	0	300

(5) Information on other accounts receivable and contract assets of the top five closing balances by debtors

Name	Nature of payment	Closing balance	Ageing	Proportion of total closing balance of other accounts receivable (%)	Closing balance of bad debt provision
Tianjin Yulin Engineering Management Co., Ltd.	5,000	13.59	Project deposits	Within 1 year	0
Tianjin Installation Engineering Co., Ltd.	3,127	8.50	Pre-deposit of wages for migrant workers	Over 3 years	68
Chibi City Housing and Urban-Rural Construction Bureau	1,964	5.34	Advances	1 to 3 years	5
Shenyang Dongyuan Environmental Technology Co., Ltd.	1,900	5.16	Project deposits	Within 1 year	30
Tianjin Xiqing District Water Authority Bureau	1,589	4.32	Payment of taxes and fees on behalf of others	Within 1 year	11
Total	13,580	36.90	/	/	114

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(vi) Inventories

1. Classification of inventories

Item	Closing balance		Opening balance	
	Book balance	Provision for decline/provision for impairment of contract fulfilment costs	Book value	Book balance
Raw materials	22,496	0	22,496	27,374
Goods in stock	19,209	0	19,209	7,774
Spare parts and low value consumables	464	0	464	537
Total	<u>42,169</u>	<u>0</u>	<u>42,169</u>	<u>35,685</u>

(vii) Current portion of non-current assets

Item	Closing balance	Opening balance
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans due within one year	28,526	29,411
Receivables from concession rights due within one year	<u>116,325</u>	<u>198,983</u>
Total	<u>144,851</u>	<u>228,394</u>

(viii) Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	22,152	15,668
Input VAT to be verified	7,154	8,296
Corporate income tax prepaid	<u>910</u>	<u>4,796</u>
Total	<u>30,216</u>	<u>28,760</u>

The Group conducted an impairment assessment of the relevant assets of Anguo Sewage Processing Plant in previous year and made full amount provision for assets impairment.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ix) Long-term receivables

1. Information on long-term receivables

Item	Carrying amount	Closing balance		Book value	Opening balance		Discount rate Range
		Provision for bad debts	Provision for bad debts		Carrying amount	Provision for bad debts	
Receivables from Tianjin Water Authority Bureau	2,811,314	5,104	2,806,210	2,811,314	5,104	2,806,210	
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	127,499	241	127,258	139,185	241	138,944	
Receivables from concession rights	1,792,767	27,458	1,765,309	1,770,541	27,458	1,743,083	
Receivables from Bayannur Finance Bureau	142,532	1,948	140,584	142,532	1,948	140,584	
Total	<u>4,874,112</u>	<u>34,751</u>	<u>4,839,361</u>	<u>4,863,572</u>	<u>34,751</u>	<u>4,828,821</u>	/

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ix) Long-term receivables (Continued)

2. Information on bad debt provision accrual for long-term receivables

(1) Long-term receivables with provision for bad debts on an individual basis

Name	Book balance	Provision for bad debts	Closing balance	
			Provision ratio (%)	Notes
Receivables from Tianjin Water Authority Bureau	2,811,314	5,104	0.18	Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as "long-term receivables". The ECL rate for the aforesaid long-term receivables during the lifetime is 0.18%, which is consistent with ECL rate as applied for the remaining accounts receivable with Tianjin Water Authority Bureau. The balance of loss provision is about RMB5.1 million.
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	127,499	241	0.19	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 Vehicle Toll Collection Office for Roads Constructed Using Loans 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 0.19%. The balance of loss provision is about RMB0.2 million.
Total	<u>2,938,813</u>	<u>5,345</u>	<u>0.18</u>	/

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ix) Long-term receivables (Continued)

2. Information on bad debt provision accrual for long-term receivables (Continued)

(2) Long-term receivables with provision for bad debts on a portfolio basis

Name	Amount of changes in the current period		
	Long-term receivables	Provision for bad debts	Provision ratio (%)
Receivables from concession rights	1,792,767	27,458	1.53
Receivables from Bayannur Finance Bureau	142,532	1,948	1.37
Total	1,935,299	29,406	1.52

Explanations on accounts receivables with provision for bad debts by group:

- ① According to the Service Concession 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 long-term receivables 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 clients are basically government clients other than the government clients of provincial capitals and municipalities directly under the central government, the ECL rate for the aforesaid long-term receivables is 1.53% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients except those in provincial capitals and municipalities. The balance of loss provision is about RMB27.5 million.
- ② Based on historical collection experience with Bayannur Finance Bureau and Bayannur Linhe District Finance Bureau and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as long-term receivables. The ECL rate for the aforesaid long-term receivables is 1.37% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients except those in provincial capitals and municipalities directly under the central government. The balance of loss provision is about RMB1.9 million.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ix) Long-term receivables (Continued)

3. Information on changes for bad debt provision for long-term receivables

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Collected or reversed	Resale or Write-off	Other changes	
Accounts receivables with provision for bad debts on an individual basis	5,345					5,345
Accounts receivables with provision for bad debts by group	29,406					29,406
Total	34,751					34,751

(x) Long-term equity investments

1. Information on long-term equity investments

Investee units	Opening balance	Changes during the period								Closing balance	Closing balance of impairment provision
		Further increase of investments	Reduction of investments	Investment gains and losses recognized under the equity method	Other comprehensive income adjustments	Other changes in equity	Declaration of cash dividends or profits	Accrual of provision for impairment	Others		
I. Joint ventures											
Sub-total											
II. Associate											
Tianjin International Machinery Co., Ltd.	22,358									22,358	22,358
Bihai Sponge City Co., Ltd.	188,650									188,650	0
Sub-total	211,008									211,008	22,358
Total	211,008									211,008	22,358

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xi) Investments in other equity instruments

1. Information on investments in other equity instruments

Item	Opening balance	Further increase of investments	Reduction of investments	Changes during the period		Others	Closing balance
				Gains included in other comprehensive income for the current period	Losses included in other comprehensive income for the current period		
Tianjin Beifang Rencaigang Company Ltd.	2,000	0	0	0	0	0	2,000
Total	2,000	0	0	0	0	0	2,000

Item	Dividend income recognized in the period	Gains included in other comprehensive income on an accumulated basis	Losses included in other comprehensive income on an accumulated basis	Reason for designation at fair value through other comprehensive income
Total	0	0	0	/

Investments in other equity instruments represent the unlisted equity interests of Tianjin Beifang Rencaigang Co., Ltd. held by the Group and the shareholding ratio is 6.1%. The Group does not participate in or influence the financial and operational decisions of Tianjin Beifang Rencaigang Co., Ltd. in any way. Therefore, the Group has no significant influence on the above-mentioned invested company and accounts for it as investments in other equity instruments.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xii) Investment properties

Investment properties measured at cost

Item	Houses and buildings	Total
I. Original book value		
1. Opening balance	0	0
2. Additions in the current period	8,999	8,999
(1) Transfers from fixed assets	8,999	8,999
3. Disposals in the current period		
4. Closing balance	8,999	8,999
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	0	0
2. Additions in the current period	2,365	2,365
(1) Provision or amortisation	36	36
(2) Transfer of accumulated depreciation of fixed assets	2,329	2,329
3. Disposals in the current period		
4. Closing balance	2,365	2,365
III. Provision for impairment		
1. Opening balance	0	0
2. Additions in the current period		
3. Disposals in the current period		
4. Closing balance	0	0
IV. Carrying amount		
1. Closing book value	6,634	6,634
2. Opening book value	0	0
	<u>0</u>	<u>0</u>

(xiii) Fixed assets

Category	Closing balance	Opening balance
Fixed assets	1,299,491	1,286,923
Clean up of fixed assets	0	0
	<u>0</u>	<u>0</u>
Total	<u>1,299,491</u>	<u>1,286,923</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xiii) Fixed assets (Continued)

1. Fixed assets

(1) Information on fixed assets

Item	Houses and buildings	Machinery and equipment	Motor vehicles and others	Total
I. Original book value				
1. Opening balance	903,528	968,441	118,339	1,990,308
2. Additions in the current period		74,090	1,674	75,764
(1) Addition				
(2) Transfer from construction in progress		72,832		72,832
(3) Other additions		1,258	1,674	2,932
3. Disposals in the current period	8,999		26	9,025
(1) Disposal or Scrapping				
(2) Other disposals	8,999		26	9,025
4. Closing balance	894,529	1,042,531	119,987	2,057,047
II. Accumulated depreciation				
1. Opening balance	223,591	402,314	77,480	703,385
2. Additions in the current period	19,199	32,031	5,281	56,511
(1) Provision	19,199	32,031	5,281	56,511
3. Disposals in the current period	2,328		12	2,340
(1) Disposal or Scrapping				
(2) Other disposals	2,328		12	2,340
4. Closing balance	240,462	434,345	82,749	757,556
III. Provision for impairment				
1. Opening balance				
2. Additions in the current period				
3. Disposals in the current period				
4. Closing balance				
IV. Carrying amount				
1. Closing book value	654,067	608,186	37,238	1,299,491
2. Opening book value	679,937	566,127	40,859	1,286,923

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xiii) Fixed assets (Continued)

1. Fixed assets (Continued)

(1) Information on fixed assets (Continued)

Other explanations:

- ① For the six months ended 30 June 2024, the amounts of depreciation expenses charged to cost of sales, general and administrative expenses and research and development expenses were RMB51 million, RMB5 million and RMB1 million (for the six months ended 30 June 2023: RMB40 million, RMB5 million and RMB0 million), respectively.
- ② As at 30 June 2024, the certificate of title to outsourced assets included in fixed assets, land use rights with cost of RMB172 million and carrying amount of RMB94 million (31 December 2023: cost of RMB172 million and carrying amount of RMB96 million) and non-monetary exchange assets with cost of RMB12 million and carrying amount of RMB8 million (31 December 2023: cost of RMB12 million and carrying amount of RMB8 million) have yet to be handled or are in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, management of the Company believes that the titles will be received in due course without any legal barrier or additional significant cost.
- ③ As at 30 June 2024, fixed assets with cost of RMB293 million (31 December 2023: RMB361 million) and a carrying amount of RMB198 million (31 December 2022: RMB250 million) were mortgaged as collateral for long-term borrowings of RMB241 million (31 December 2023: RMB258 million).

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xiv) Construction in progress

Category	Closing balance	Opening balance
Construction in progress	385,869	421,446
Engineering project supplies	0	0
Total	385,869	421,446

1. Construction in progress

(1) Basic information on construction projects in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Recycled Water Pipe Network Connection Project for the Main Urban Area of Tianjin Municipality	291,475	0	291,475	279,001	0	279,001
Distributed Photovoltaic Power Generation Project of Jingu Sewage Treatment Plant	70,151	0	70,151	56,442	0	56,442
Distributed Photovoltaic Power Generation Project of Xianyang Road Sewage Treatment Plant	0	0	0	40,634	0	40,634
Distributed Photovoltaic Power Generation Project of Beicang Sewage Treatment Plant	0	0	0	21,940	0	21,940
Other projects	24,243	0	24,243	23,429	0	23,429
Total	385,869	0	385,869	421,446	0	421,446

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xiv) Construction in progress (Continued)

1. Construction in progress (Continued)

(2) Changes on material construction projects in progress

Name of project	Budget amount	Opening balance	Additions in the current period	Fixed assets transferred in the current period	Other decreases in the current period	Closing balance
Recycled Water Pipe Network Connection Project for the Main Urban Area of Tianjin Municipality	299,000	279,001	12,474	0	0	291,475
Distributed Photovoltaic Power Generation Project of Jingu Sewage Treatment Plant	87,639	56,442	13,709	0	0	70,151
Distributed Photovoltaic Power Generation Project of Xianyang Road Sewage Treatment Plant	65,897	40,634	10,210	50,844	0	0
Distributed Photovoltaic Power Generation Project of Beicang Sewage Treatment Plant	26,964	21,940	48	21,988	0	0
Other projects		23,429	814	0	0	24,243
Total	479,500	421,446	37,255	72,832	0	385,869

Name of project	Cumulative investment in the project as a percentage of budget (%)	Progress of the project (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation for the current period	Interest capitalisation rate for the current period (%)	Source of funds
Recycled Water Pipe Network Connection Project for the Main Urban Area of Tianjin Municipality	97.48	97.48%	0	0	0	Proceeds and self-owned funds
Distributed Photovoltaic Power Generation Project of Jingu Sewage Treatment Plant	80.05	80.05%	708	532	2.70	Borrowings and self-owned funds
Distributed Photovoltaic Power Generation Project of Xianyang Road Sewage Treatment Plant	100	100%	272	141	2.70	Borrowings and self-owned funds
Distributed Photovoltaic Power Generation Project of Beicang Sewage Treatment Plant	100	100%	115	0	2.70	Borrowings and self-owned funds
Other projects			13,367	0	0	
Total	/	/	14,462	673	/ /	

Other explanations: As at 30 June 2024, plants under construction and equipment with a carrying amount of RMB6 million (31 December 2023: RMB6 million) were mortgaged as collateral for long-term borrowings of RMB116 million (31 December 2023: RMB123 million).

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xv) Right-of-use assets

1. Information on right-of-use assets

Item	Buildings	Machinery and equipment	Total
I. Original book value			
1. Opening balance	3,934	14,073	18,007
2. Additions in the current period			
3. Disposals in the current period			
4. Closing balance	3,934	14,073	18,007
II. Accumulated depreciation			
1. Opening balance	1,196	10,140	11,336
2. Additions in the current period	467	1,920	2,387
(1) Provision	467	1,920	2,387
3. Disposals in the current period			
4. Closing balance	1,663	12,060	13,723
III. Provision for impairment			
1. Opening balance			
2. Additions in the current period			
3. Disposals in the current period			
4. Closing balance			
IV. Carrying amount			
1. Closing book value	2,271	2,013	4,284
2. Opening book value	2,738	3,933	6,671

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xvi) Intangible assets

1. Information on intangible assets

Item	Land use rights	Concession rights	Patents technology and software	Total
I. Original book value				
1. Opening balance	166,581	15,415,277	26,117	15,607,975
2. Additions in the current period	0	227,894	1,219	229,113
(1) Other additions for the year	0	227,894	1,219	229,113
3. Disposals in the current period				
4. Closing balance	166,581	15,643,171	27,336	15,837,088
II. Accumulated amortisation				
1. Opening balance	18,219	4,531,748	11,549	4,561,516
2. Additions in the current period	3,556	281,466	5,337	290,359
(1) Provision	3,556	281,466	5,337	290,359
3. Disposals in the current period				
4. Closing balance	21,775	4,813,214	16,886	4,851,875
III. Provision for impairment				
1. Opening balance	0	151,700	0	151,700
2. Additions in the current period				
3. Disposals in the current period				
4. Closing balance	0	151,700	0	151,700
IV. Carrying amount				
1. Closing book value	144,806	10,678,257	10,450	10,833,513
2. Opening book value	148,362	10,731,829	14,568	10,894,759

Intangible assets formed through in-house research and development accounted for 0% of the balance of intangible assets as at the end of the period.

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(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xvi) Intangible assets (Continued)

2. Other explanations:

(1) Concession rights

① The major items of changes in the original price of the concession right items are as follows:

Name of project	31 December 2023	Increase during the year	30 June 2024	Accumulated	Increase in interest capitalization for the year	Accumulated
				amount of borrowing costs capitalized as at 31 December 2023		amount of borrowing costs capitalized as at 30 June 2024
Project in relation to Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) Sewage Treatment Plants and their supporting pipelines	555,371	30,933	586,304	0	0	0
Karamay Capital - Karamay South Suburb Sewage Treatment Plant Project	393,916	42,837	436,753	0	51	51
Jiayuan Kaichuang - No. 1 energy station concession project in Tianjin Houtai Park	179,357	7,159	186,516	1,833	1,296	3,129
Jiayuan Shengchuang - No. 2 energy station project in Tianjin Houtai Scenic Area	129,163	4,296	133,459	0	829	829
Hanshan Capital - Hanshan County Sewage Treatment Plant Phase II Project	98,662	0	98,662	0	0	0
Weng'an Capital - Weng'an County Stage II and III Sewage Treatment Concession Project	0	132,000	132,000	0	0	0
Other projects	14,058,808	10,669	14,069,477	107,824	378	108,202
Total	15,415,277	227,894	15,643,171	109,657	2,554	112,211

② As at 30 June 2024, the Group's franchising rights with a net book value of RMB3,956 million (original price: RMB6,583 million) (31 December 2023: net book value of RMB4,111 million, original price: RMB6,825 million) had been pledged as collateral for long-term borrowings of RMB2,685 million (31 December 2023: RMB2,489 million).

③ The remaining operating period of the franchising rights is 7 to 30 years.

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xvi) Intangible assets (Continued)

2. Other explanations: (Continued)

(2) Land use rights

As at 30 June 2024, the Group's land use rights with a net book value of RMB76 million (original price: RMB87 million) (31 December 2023: net book value of RMB77 million, original price: RMB87 million) had been pledged as collateral for long-term borrowings of RMB236 million (31 December 2023: RMB253 million).

As at 30 June 2024, the land use rights include land use rights exchanged by non-monetary asset exchange transactions with a carrying value of RMB3 million (original price: RMB5 million) (31 December 2023: carrying value of RMB3 million, original price: RMB5 million), for which the formalities for the transfer of property rights have not yet been completed or are in progress. In view of the fact that the assets acquired in the above-mentioned non-monetary asset exchange were obtained in accordance with relevant legal agreements and procedures, the management of the Company believes that the titles will be received in due course without legal barrier or additional significant cost.

(3) The Group's amortization of intangible assets included in operating costs and administrative expenses during the six months ended 30 June 2024 was RMB296 million and RMB2 million respectively (six months ended 30 June 2023: approximately RMB266 million and RMB1 million).

(4) The Group's research and development expenditures incurred during the six months ended 30 June 2024 are all related to the research and development of environmental protection equipment production processes, and are all included in the profit and loss of the current period when incurred.

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From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xvii) Goodwill

1. Original book value of goodwill

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Formulated by merger of enterprises	Other increase	Disposal	Other decrease	
Jiangsu Yonghui	270,396	0	0	0	0	270,396
Gaoyou Compro	234,724	0	0	0	0	234,724
Total	505,120	0	0	0	0	505,120

2. Provision for impairment of goodwill

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Other increase	Disposal	Other decrease	
Jiangsu Yonghui	184,773	0	0	0	0	184,773
Gaoyou Compro	170,296	0	0	0	0	170,296
Total	355,069	0	0	0	0	355,069

The Group will continue to pay attention to the risk of goodwill impairment.

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From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xviii) Deferred tax assets, deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities not yet offset

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/ taxable temporary differences	Deferred income tax assets/liabilities	Deductible/ taxable temporary differences
Deferred income tax assets:				
Asset impairment provision	15,362	3,841	307,678	70,083
Deductible losses	26,818	6,066	26,818	6,066
Accruals	35,374	8,842	35,374	8,842
Recognition of revenue from concessions accounted for under the financial asset model	9,976	1,193	9,976	1,193
Lease liabilities	29,243	7,311	6,828	1,413
Provision of sewage services by installment payments	25,758	6,439	225,124	55,510
Sub-total	<u>142,531</u>	<u>33,692</u>	<u>611,798</u>	<u>143,107</u>
Deferred tax liabilities:				
Amortisation of intangible assets	143,402	35,850	554,052	138,513
Merger of enterprises not under common control	93,392	23,348	93,388	23,348
Recognition of revenue from concessions accounted for under the financial asset model	139,150	34,787	139,150	34,787
Right-of-use assets	533	133	6,671	1,667
Sub-total	<u>376,477</u>	<u>94,119</u>	<u>793,261</u>	<u>198,315</u>

2. Deferred tax assets and deferred tax liabilities, presented at the net amount after offsetting

Item	The amount of offset of deferred income tax assets and liabilities at the end of the period	Closing balance of deferred income tax assets or liabilities after offsetting	The amount of offset between deferred income tax assets and liabilities at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	357	33,335	111,026	32,081
Deferred income tax liabilities	<u>357</u>	<u>93,761</u>	<u>111,026</u>	<u>87,289</u>

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xviii) Deferred tax assets, deferred tax liabilities (Continued)

3. Details of deferred income tax assets not recognized

Item	Closing balance	Opening balance
Deductible temporary differences	598,540	598,540
Deductible losses	156,468	172,479
Share-based payments	0	17,348
Total	<u>755,008</u>	<u>788,367</u>

4. The expiration of deductible losses for which no deferred income tax assets have been recognized in the following years

Year	Closing balance	Opening balance	Note
2024	0	16,011	
2025	14,775	14,775	
2026	74,550	74,550	
2027	54,334	54,334	
2028	12,809	12,809	
2029	8,151	0	
Total	<u>156,468</u>	<u>172,479</u>	/

(xix) Other non-current assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contractual assets	135,779	1,891	133,888	138,336	1,891	136,445
Input VAT to be deducted	230,884	0	230,884	215,419	0	215,419
Prepaid project payment	46,184	0	46,184	56,734	0	56,734
Prepaid equipment payment	0	0	0	0	0	0
Others	5,000	0	5,000	5,000	0	5,000
Total	<u>417,847</u>	<u>1,891</u>	<u>415,956</u>	<u>415,489</u>	<u>1,891</u>	<u>413,598</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xx) Assets with restricted ownership or use rights

Item	Book balance	Situation as at the end of the period			Book balance	Situation as at the beginning of the period		
		Book value	Type of restriction	Situation of restriction		Book value	Type of restriction	Situation of restriction
Cash at bank and on hand	26,307	26,307	Others	Restricted bank deposits are security deposits in respect of applications for unconditional and irrevocable letters of guarantee and bank deposits frozen in connection with lawsuits	41,260	41,260	Others	Restricted bank deposits are security deposits in respect of applications for unconditional and irrevocable letters of guarantee
Fixed assets	293,212	198,245	Mortgaged	Plant and equipment as collateral for bank loans	359,826	250,263	Mortgaged	Plant and equipment as collateral for bank loans
Intangible assets	6,670,278	4,032,721	Pledged	Concession rights as collateral for bank loans. Land use rights as collateral for bank loans	6,912,035	4,188,889	Pledged	Concession rights as collateral for bank loans. Land use rights as collateral for bank loans
Construction in progress	6,301	6,301	Mortgaged	Plant under construction and equipment as collateral for bank loans	6,301	6,301	Pledged	Plant under construction and equipment as collateral for bank loans
Long-term receivables	710,584	701,034	Pledged	Concession rights as collateral for bank loans (including those due within one year)	693,300	683,750	Pledged	Concession rights as collateral for bank loans (including those due within one year)
Total	<u>7,706,682</u>	<u>4,964,608</u>	/	/	<u>8,012,722</u>	<u>5,170,463</u>	/	/

(xxi) Short-term borrowings

1. Classification of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Guaranteed	12,544	461
Credit borrowings	<u>1,249</u>	<u>1,531</u>
Total	<u>13,793</u>	<u>1,992</u>

Other explanations:

- As at 30 June 2024, the Group had no overdue long-term borrowings, and these short-term borrowings bore interest rates between 3.45% and 3.80% (31 December 2023: 3.85%).
- As at 30 June 2024, no interest expense was accrued from the balance of short-term borrowings on an accrual basis (31 December 2023: RMB0 thousand).

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxii) Accounts payable

1. Classification by age

Item	Closing balance	Opening balance
Up to and including 1 year	598,886	469,193
Over 1 years	189,218	199,695
Total	788,104	668,888

2. Significant accounts payable aged over one year

Name of creditor unit	Closing balance	Reasons for non-repayment or non-carryover
Source water charges payable by Qujing Capital Water Co., Ltd.	113,911	Qujing Capital Water Co., Ltd. usually arranges payments in accordance with the instructions of Qujing City Water Conservancy and Hydroelectricity Development and Investment Co., Ltd.
Project payment payable by Tianjin Water Recycling Co., Ltd.	30,541	The relevant pipeline connection project of Tianjin Water Recycling Co., Ltd. have not yet reached the required settlement point according to the contract.
Total	144,452	/

Other explanations: As at 30 June 2024, payables aged over one year amounted to approximately RMB189 million (31 December 2023: RMB200 million), which mainly consisted of approximately RMB114 million of source water charges payable by a subsidiary, Qujing Capital Water Co., Ltd., and Qujing Capital Water Co., Ltd. usually arranges payments in accordance with the instructions of Qujing City Water Conservancy and Hydroelectricity Development and Investment Co., Ltd. In addition, it also includes a project payment of RMB31 million payable by a subsidiary, Tianjin Water Recycling Co., Ltd. The relevant pipeline connection project has not yet reached the settlement point according to the contract.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxiii) Contract liabilities

Classification of contract liabilities

Item	Closing balance	Opening balance
Pre-collection of pipeline connection service fees	362,857	388,655
Pre-collection of road tolls	47,572	0
Pre-collection of hazard waste treatment fees	14,214	11,362
Others	9,912	11,763
Total	<u>434,555</u>	<u>411,780</u>

The Group expects that contract liabilities will be carried forward to recognise revenue through normal operating processes, and therefore will be recognised as current liabilities.

(xxiv) Employee compensations payable

1. *Classification presentation of employee compensations payable*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term employee benefits	101,306	231,594	300,797	32,103
Post-employment benefits – defined contribution plans	<u>4,962</u>	<u>47,770</u>	<u>52,581</u>	<u>151</u>
Total	<u>106,268</u>	<u>279,364</u>	<u>353,378</u>	<u>32,254</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxiv) Employee compensations payable (Continued)

2. Information on short-term employee compensation

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages and salaries, bonus, allowances and subsidies	86,818	148,082	215,416	19,484
Staff welfare	85	6,871	6,877	79
Social security contributions	1,490	19,045	20,314	221
Including: Medical insurance	1,402	17,425	18,613	214
Work injury insurance	88	961	1,042	7
Maternity insurance	0	659	659	0
Housing provident funds	6	51,854	51,860	0
Labour union funds and employee education funds	12,907	5,742	6,330	12,319
Total	101,306	231,594	300,797	32,103

3. Defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic pensions	3,953	34,760	38,566	147
Unemployment insurance	124	1,404	1,524	4
Enterprise annuity payment	885	11,606	12,491	0
Total	4,962	47,770	52,581	151

Other explanations: The Group pays pension insurance premiums and unemployment insurance premiums to the relevant agencies on a monthly basis according to the payment base and proportion specified by the local labour and social security departments, and the payment shall not be used to offset the amount that the Group shall pay to its employee in the future.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxv) Taxes payable

Item	Closing balance	Opening balance
Value-added tax (“VAT”)	34,793	21,784
Corporate income tax	37,695	39,849
Other taxes	5,548	7,480
Total	<u>78,036</u>	<u>69,113</u>

(xxvi) Other payables

Item	Closing balance	Opening balance
Interest payable	0	0
Dividend payable	127,498	7,024
Other payables	938,345	1,029,450
Total	<u>1,065,843</u>	<u>1,036,474</u>

1. Dividend payable

Item	Closing balance	Opening balance
Ordinary share dividends	120,474	0
Dividend payable - Baoying County Xianhe Sewage Treatment Plant	780	780
Dividend payable - Qujing Sewage Company	672	672
Dividend payable - Bayannur Hetao Water Affair Group Co., Ltd.	5,572	5,572
Total	<u>127,498</u>	<u>7,024</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxvi) Other payables (Continued)

2. Other payable

(1) Classification by nature of payment

Item	Closing balance	Opening balance
Construction costs payable	634,938	717,087
Payable for purchases of fixed assets and intangible assets	132,546	132,980
Payable for the old Dongjiao sewage plant's assets transfer	67,097	68,300
Guarantee deposits payable	41,623	41,550
Others	62,141	69,533
Total	938,345	1,029,450

2. Significant accounts payable aged over one year or overdue

Item	Closing balance	Reasons for non-repayment or non-carryover
The Group is liable for construction payments and quality assurance deposits in respect of construction projects such as the Honghu City Sewage water processing project, the Karamay City Sewage water processing project, the Shibing Project, the upgrading and renovation projects at Jingu, Chibi and Jieshou.	491,895	The amount has not yet been settled as the works have not yet been finalized.
Total	491,895	/

Other explanations: In accordance with the obligations stipulated in the Tianjin Municipal Land Consolidation and Reserve Project Compensation Contract, the Company collected RMB67 million during the land leveling process of the Dongjiao Sewage Treatment Plant (Old Plant), which will subsequently be used to pay various types of expenses for this project.

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxvii) Current portion of non-current liabilities

Items	Closing balance	Opening balance
Long-term borrowings to be settled within one year	1,671,804	1,715,529
Debentures payable to be settled within one year	250,000	250,000
Long-term payables to be settled within one year	41,365	28,577
Lease liabilities to be settled within one year	2,940	3,652
Interest payable for the debentures to be settled within one year	31,591	13,168
Total	<u>1,997,700</u>	<u>2,010,926</u>

Other explanations:

The conditions for long-term borrowings due within one year are summarized as follows:

Item	30 June 2024	31 December 2023
Credit borrowings	1,046,380	1,092,586
Guaranteed borrowings	225,458	217,310
Pledged borrowings	364,126	371,787
Mortgaged borrowings	35,840	33,846
Total	<u>1,671,804</u>	<u>1,715,529</u>

(xxviii) Other current liabilities

Item	Closing balance	Opening balance
Borrowings payable to shareholders by subsidiaries	<u>1,990</u>	<u>1,490</u>
Total	<u>1,990</u>	<u>1,490</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxix) Long-term borrowings

Item	Closing balance	Opening balance
Pledged borrowings	3,254,296	3,033,360
Mortgaged borrowings	204,978	223,948
Guaranteed borrowings	2,183,622	2,332,916
Credit borrowings	1,958,261	1,667,401
	<hr/>	<hr/>
Total	7,601,157	7,257,625
	<hr/>	<hr/>

Other explanations:

- (1) As at 30 June 2024, the guaranteed borrowings of RMB2,123 million (31 December 2023: RMB2,254 million) were guaranteed by the Company. The guaranteed borrowings of RMB286 million (31 December 2023: RMB296 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 2024 to 2040 respectively.

- (2) As at 30 June 2024, the pledged borrowings of RMB2,685 million (31 December 2023: RMB2,489 million) were pledged by intangible assets of the Group. The pledged borrowings of RMB350 million (31 December 2023: RMB364 million) were pledged by the long-term equity investment of the Group. The pledged borrowings of RMB477 million (31 December 2023: RMB490 million) were pledged by the long-term receivables. The pledged borrowings of RMB106 million (31 December 2023: RMB62 million) were pledged by future revenue rights in certain photovoltaic power generation projects of the Group.

The interests of pledged borrowings are paid quarterly; and the principals will be due for repayment in the years of 2024 to 2043 respectively.

- (3) As at 30 June 2024, the mortgaged borrowings of RMB120 million (31 December 2023: RMB130 million) were mortgaged by certain land use rights of state-owned lands and machinery and equipment of the Group. As at 30 June 2024, the mortgaged borrowings of RMB116 million (31 December 2023: RMB123 million) were mortgaged by certain land use rights of state-owned lands, machinery and equipment, and construction in process. The mortgaged borrowings of RMB5 million (31 December 2023: RMB5 million) were mortgaged by relevant factory buildings of the Group.

The interests of mortgaged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2024 to 2030 respectively.

- (4) As at 30 June 2024, the Group had no overdue long-term borrowings, and these long-term borrowings bore interest rates between 2.50% and 4.90% (31 December 2023: between 2.50% and 4.90%).

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxx) Debentures payable

Item	Closing balance	Opening balance
Principal amount	630,000	630,000
Issuance fees	(367)	(367)
Total	629,633	629,633

Increase or decrease in debentures payable (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

Name of bond	Par value	Coupon rate (%)	Issuance date	Period	Issuance amount
Corporate debenture	100	4.85	14 October 2021	5 years	250,000
Medium-term notes	100	3.94	26 July 2022	3 years	630,000
Total	/	/	/	/	880,000

(continued)

Name of bond	Opening balance	Issued during the period	Interest provision at par value	Amortization of premiums and discounts	Repaid during the period	Closing balance	Whether in default or not
Corporate debenture	252,491	0	6,046	0	0	258,537	No
Medium-term notes	640,310	0	12,377	0	0	652,687	No
Total	892,801	0	18,423	0	0	911,224	/

Other explanations:

Interests accrued on the bonds are analyzed as follows:

Name	31 December 2023	Accrued interest for the year	Interest paid in the year	30 June 2024
Corporate debentures (a)	2,491	6,046	0	8,537
Medium-term notes (b)	10,677	12,377	0	23,054
Total	13,168	18,423	0	31,591

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxx) Debentures payable (Continued)

- (a) On 14 October 2021, the Company issued a 5-year debenture at par value of RMB250 million on The Shanghai Stock Exchange as approved by Zheng Jian Xu Ke [2021] No. 1702 issued by China Securities Regulatory Commission. The fixed interest rate of 4.85% has been accrued and settled per annum. The principal amount of the debenture will be repaid in one lump sum at maturity on 18 October 2026, with an option to adjust the issuer's coupon rate at the end of the third year and an investor resale option. At 30 June 2024, the balance of debenture payable was RMB250 million, which was reclassified to the non-current liabilities within one year with the re-sale option of the investors at 13 October 2024.
- (b) On 26 July 2022 and 27 July 2022, the Company issued 3-year green medium-term notes at par value of RMB630 million at the National Association of Financial Market Institutional Investors as approved by the Zhong Shi Xie Zhu [2020] No. GN22. The fixed interest rate of 3.94% has been accrued and settled per annum. The principal amount of the debenture will be repaid in one lump sum at the maturity date. The principal will be repaid on maturity date, which is 28 July 2025.

(xxxi) Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	<u>3,367</u>	<u>3,176</u>
Total	<u><u>3,367</u></u>	<u><u>3,176</u></u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxxii) Long-term payables

Item	Closing balance	Opening balance
Long-term payables	115,097	140,960
Specialized accounts payable	<u>0</u>	<u>0</u>
Total	<u>115,097</u>	<u>140,960</u>

Classification of long-term payables

Item	Closing balance	Opening balance
Payable for assets acquisition	<u>115,097</u>	<u>140,960</u>
Total	<u>115,097</u>	<u>140,960</u>

Other explanations:

Item	30 June 2024			31 December 2023		
	Amount payable	Unrecognised financial charges	Total	Amount payable	Unrecognised financial charges	Total
Payable for assets acquisition	264,446	(107,984)	156,462	285,071	(115,534)	169,537
Less: Current portion of non-current liabilities	<u>41,365</u>	<u>0</u>	<u>41,365</u>	<u>28,577</u>	<u>0</u>	<u>28,577</u>
Total	<u>223,081</u>	<u>(107,984)</u>	<u>115,097</u>	<u>256,494</u>	<u>(115,534)</u>	<u>140,960</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxii) Long-term payables (Continued)

- (1) Relevant information on long-term payables is as follows:

Creditor	Maturity Date	Effective interest rate	Payable balance	Less: To be settled within one year	Long-term payables ending balance
Tianjin Drainage Company	20 March 2041	5.94%	156,462	41,365	115,097

As at 30 June 2024, long-term payable to Tianjin Drainage Company (“Drainage Company”) was the consideration payable by the Group in respect of the acquisition of sewage water processing assets from Drainage 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 was RMB261 million, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining 18 years. The fair value of the initial recognition of the payable balance was RMB430 million, which was calculated based on discounted future cash payments and discount rate of 5.94%.

- (2) The balance of long-term payables are denominated in the following currencies:

Currency	30 June 2024	31 December 2023
JPY	126,880	138,192
USD	29,582	31,345
Total	156,462	169,537

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From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxxii) Long-term payables (Continued)

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

Currency	30 June 2024	31 December 2023
JPY	233,693	212,766
USD	<u>30,753</u>	<u>72,305</u>
Total	<u>264,446</u>	<u>285,071</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.

- (4) The long-term payables mature as follows. As at 30 June 2024, long-term payables to be settled within one year amounted to RMB41 million (31 December 2023: RMB29 million), and were classified as current liabilities.

	30 June 2024	31 December 2023
Within 1 year	41,365	28,577
1 to 2 years	18,501	34,723
2 to 5 years	33,995	40,963
Over 5 years	<u>62,601</u>	<u>65,274</u>
Total	<u>156,462</u>	<u>169,537</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxiii) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason for the formation thereof
Government grants	1,791,279	1,239	37,752	1,754,766	
Total	1,791,279	1,239	37,752	1,754,766	/

Items involving government grants:

Item	Opening balance	Increase during the year	Recognised in other income during the year	Closing balance
Asset related government grants				
Sewage water processing projects				
– Tianjin Jingu sewage water processing plant	1,002,120	0	25,643	976,477
– Tianjin Jingu sewage water processing plant upgrading project	130,400	0	3,260	127,140
– Tianjin Beichen sewage water processing plant upgrading project	72,000	0	1,800	70,200
– Tianjin Xianyang Road-upgrading project	47,264	0	1,182	46,082
– Tianjin Dongjiao sewage water processing plant upgrading project	33,166	0	829	32,337
– Shijiazhuang Gaocheng project	30,081	0	519	29,562
– Ningxiang upgrading project	20,546	0	465	20,081
– Linxia reconstruction and extension project	8,106	0	160	7,946
– Beishiqiao upgrading project	6,759	0	358	6,401
– Chibi upgrading project	6,756	0	149	6,607
Water recycling projects				
– Jingu	177,283	0	2,772	174,511
– Dongjiao	17,706	0	337	17,369
– Beichen	15,487	0	262	15,225
– Xianyanglu	10,619	0	0	10,619
– Recycled Water Pipeline Connection Project in Tianjin City	20,000	0	0	20,000
Heating and cooling supply service projects	187,948	1,159	0	189,107
Sub-total	1,786,241	1,159	37,736	1,749,664
Income related government grants				
Others	5,038	80	16	5,102
Total	1,791,279	1,239	37,752	1,754,766

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxxiv) Other non-current liabilities

Item	Closing balance	Opening balance
Government subsidy for heating supply projects	28,000	28,000
Total	<u>28,000</u>	<u>28,000</u>

(xxxv) Share capital

Item	Opening balance	Issue of new shares	Increase/decrease (+/-) in the current change				Closing balance
			Share grant	Conversion of provident funds to shares	Others	Sub-total	
Total number of shares	1,570,418	0	0	0	0	0	1,570,418

(xxxvi) Capital surplus

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (equity premium)	1,098,591	0	0	1,098,591
Other capital surplus	16,202	464	0	16,666
Total	<u>1,114,793</u>	<u>464</u>	<u>0</u>	<u>1,115,257</u>

In April 2024, the Company purchased the 5% equity interest in Guizhou Company held by TMICL, and the difference between the transaction consideration and the share of identifiable net assets of Guizhou Company that should be continuously calculated from the date of consolidation based on the new shareholding ratio was adjusted to increase capital surplus by RMB0.46 million.

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From 1 January 2024 to 30 June 2024

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxvii) Surplus reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	786,585	0	0	786,585
Total	786,585	0	0	786,585

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should withdraw 10% of net profit for the year to the statutory surplus reserve, and further withdrawal is not required when the statutory surplus reserve accumulates to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

(xxviii) Undistributed profits

Item	Amount for the current period	Amount for the previous period
Undistributed profit at the end of the previous period before adjustment	5,650,381	5,075,510
Adjustments to total undistributed profits at the beginning of the period (Increase +, Decrease -)		
Adjusted undistributed profit at the beginning of the period	5,650,381	5,075,510
Add: Net profit attributable to owners of the parent for the period	421,928	865,207
Less: Appropriation of statutory surplus reserve	0	64,196
Ordinary share dividends payable	260,689	226,140
Undistributed profits as at the end of the period	5,811,620	5,650,381

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxix) Revenue and cost of sales

1. Information on revenue and cost of sales

Item	Incurred during the period		Incurred during the previous period	
	Revenue	Cost	Revenue	Cost
Main operations	2,125,152	1,300,241	2,004,552	1,245,306
Other operations	93,014	74,936	104,414	77,588
Total	<u>2,218,166</u>	<u>1,375,177</u>	<u>2,108,966</u>	<u>1,322,894</u>

Analysis by the nature of services is as below:

Item	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sewage treatment and water plant facilities construction	1,779,977	1,065,153	1,573,511	966,734
Recycled water and pipeline connection	140,252	83,286	197,208	101,412
Hazardous waste treatment	70,140	78,910	61,771	66,336
Tap water and water plant facilities construction	39,590	23,754	59,136	41,172
Heating and cooling supply and related facilities construction	56,872	42,409	74,748	58,902
Environmental protection equipment customisation	0	6	4,330	4,144
Others	38,321	6,723	33,848	6,606
Total	<u>2,125,152</u>	<u>1,300,241</u>	<u>2,004,552</u>	<u>1,245,306</u>

Analysis by locations is as follows:

Item	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Tianjin	1,011,758	504,397	1,138,276	554,175
Xi'an	106,135	66,307	111,648	69,110
Fuyang	110,378	54,493	122,150	64,771
Hangzhou	143,374	75,535	130,259	73,900
Others	753,507	599,509	502,219	483,350
Total	<u>2,125,152</u>	<u>1,300,241</u>	<u>2,004,552</u>	<u>1,245,306</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xxix) Revenue and cost of sales (Continued)

1. Information on revenue and cost of sales (Continued)

Revenue and cost of sales from other operations:

Item	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Contract operation	76,275	65,923	78,477	68,658
Technical service	6,009	1,852	17,157	5,755
Others	10,730	7,161	8,780	3,175
Total	<u>93,014</u>	<u>74,936</u>	<u>104,414</u>	<u>77,588</u>

2. Information on the breakdown of operating revenues and operating costs

Disaggregation of revenue	Sewage treatment and water plant facilities construction		Recycled water and pipeline connection		Cooling and Heating supply and related facilities construction		Hazardous waste treatment		Tap water and water plant facilities construction		Environmental protection equipment customisation		Others		Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Recognised at a point in time													1,480	1,155	1,480	1,155
Recognised over a period of time	1,779,977	1,065,153	140,252	83,286	56,872	42,409	70,140	78,910	39,590	23,754	0	6	129,855	80,504	2,216,686	1,374,022
Total	<u>1,779,977</u>	<u>1,065,153</u>	<u>140,252</u>	<u>83,286</u>	<u>56,872</u>	<u>42,409</u>	<u>70,140</u>	<u>78,910</u>	<u>39,590</u>	<u>23,754</u>	<u>0</u>	<u>6</u>	<u>131,335</u>	<u>81,659</u>	<u>2,218,166</u>	<u>1,375,177</u>

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(All amounts in RMB thousand in this notes unless otherwise stated)

5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xl) Taxes and other levies

Item	Incurred during the period	Incurred during the previous period
City maintenance and construction tax	992	1,049
Educational surcharge	445	466
Tax on resource	4	1
Property tax	10,740	8,707
Land use tax	8,787	10,544
Vehicle and vessel tax	47	46
Stamp duty	412	1,121
Local educational surcharge	61	424
Others	921	290
Total	<u>22,409</u>	<u>22,648</u>

(xli) Selling expenses

Item	Incurred during the period	Incurred during the previous period
Employee benefits	3,558	3,643
Service fees	675	6,620
Travelling, meeting and business entertainment expenses	501	592
Depreciation of fixed assets	131	137
General office expenses	97	45
Others	152	147
Total	<u>5,114</u>	<u>11,184</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xlii) General and administrative expenses

Item	Incurred during the period	Incurred during the previous period
Employee benefits	68,735	66,926
Consulting service fees	6,987	5,561
Depreciation of fixed assets	4,530	4,825
Repair and maintenance expenses	2,960	2,845
General office expenses	2,294	2,859
Travelling, meeting and business entertainment expenses	1,876	1,918
Amortisation of intangible assets	1,656	1,368
Audit fees	1,461	1,605
Utilities	733	652
Expenses of the board of directors	508	1,563
Other taxes	146	31
Others	2,816	6,603
Total	94,702	96,756

(xliii) Research and development expenses

Item	Incurred during the period	Incurred during the previous period
Employee benefits	13,074	7,466
Depreciation and amortization	1,194	933
Technology development expenses	1,095	1,395
Raw materials consumption	431	614
Repair and maintenance expenses	225	158
Travelling, meeting and business accomodation expenses	122	73
Fuel and power costs	86	799
Others	4,601	137
Total	20,828	11,575

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xiv) Financial expenses

Item	Incurring during the period	Incurring during the previous period
Loan Interest expenses	198,501	193,337
Add: Interest costs on lease liabilities	191	166
Less: Amounts capitalised on qualifying assets	3,227	1,397
Less: Interest income	15,903	71,112
Exchange gains	(2,533)	(2,407)
Others	243	400
Total	<u>177,272</u>	<u>118,987</u>

(xlv) Other income

	Unaudited For the six months ended 30 June 2024	Unaudited For the six months ended 30 June 2023	Related to assets/incomes
Government Grants (a)	42,745	39,691	Assets/Incomes
VAT refund	1,215	697	Incomes
Withholding and paying individual income tax refund	47	59	
	<u>44,007</u>	<u>40,447</u>	

(a) Details of government grants

Item	Incurring during the period	Incurring during the previous period	Related to assets/ related to income
Funding for the construction of Jingu Sewage Water Processing Plant	25,643	25,643	Related to assets
Subsidy for the Comprehensive Demonstration of Financial Policies on Energy Saving and Emission Reduction of Jingu	3,260	3,260	Related to assets
Jingu Water Recycling Plant	2,772	2,772	Related to assets
Subsidy for the Comprehensive Demonstration of Financial Policies on Energy Saving and Emission Reduction of Beichen	1,800	1,800	Related to assets
Dedicated construction funding for upgrading of Xianyang Road	1,182	1,182	Related to assets
Dedicated construction funding for the Upgrading Project of Dongjiao Sewage Treatment Plant	829	829	Related to assets
Shijiazhuang Gaocheng project	519	0	Related to assets
Ningxiang upgrading project	465	465	Related to assets
The upgrading and renovation project of Beishiqiao plant	358	358	Related to assets
Dongjiao water recycling project	337	337	Related to assets
Beichen water recycling project	262	262	Related to assets
Linxia reconstruction and extension project	160	160	Related to assets
Chibi upgrading project	149	149	Related to assets
Others	5,009	2,474	Related to income
Total	<u>42,745</u>	<u>39,691</u>	

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xlv) Credit impairment losses

Item	Incurred during the period	Incurred during the previous period
Credit impairment losses for accounts receivable	(1,218)	(1,878)
Total	(1,218)	(1,878)

(xlvii) Non-operating income

Item	Incurred during the period	Incurred during the previous period	Amount included in non-recurring profit or loss for the period
Total gain on disposal of non-current assets	11		11
Including: Gain on disposal of fixed assets	11		11
Others	4,847	5,416	4,847
Total	4,858	5,416	4,858

(xlviii) Non-operating expenses

Item	Incurred during the period	Incurred during the previous period	Amount included in non-recurring profit or loss for the period
Total loss on disposal of non-current assets	13	18	13
Including: Losses on disposal of fixed assets	13	18	13
External donation	0	2,150	0
Others	114	45	114
Total	127	2,213	127

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(xlix) Income tax expenses

1. Breakdown of income tax expenses

Item	Incurred during the period	Incurred during the previous period
Current income tax expense	104,739	107,720
Deferred income tax expense	4,767	3,929
Total	<u>109,506</u>	<u>111,649</u>

2. Adjustment process of accounting profits and income tax expenses

Items	Amount
Total profit	570,184
Income tax expense calculated at statutory/applicable tax rates	142,546
Effect of adjustments to income tax of prior periods	4,195
Impact of non-deductible costs, expenses and losses	11,973
Impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	8,152
Impact of preferential tax rates	(57,360)
Income tax expenses	109,506

(l) Interim dividend

The Board of the Company didn't recommend any interim dividend for the half-year period ended 30 June 2024 (30 June 2023: None).

(li) Cash flow statement

1. Cash relating to operating activities

(1) Other cash received relating to operating activities

Item	Incurred during the period	Incurred during the previous period
Interest income from cash at bank	11,071	11,021
Government grants received	6,232	2,458
Deposit on project bids recovered	2,873	4,078
Others	79,099	78,073
Total	<u>99,275</u>	<u>95,630</u>

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(li) Cash flow statement (Continued)

1. Cash relating to operating activities (Continued)

(2) Cash paid relating to other operating activities

Item	Inurred during the period	Inurred during the previous period
Repair and maintenance expenses	76,392	74,430
Consulting service fees	16,311	10,873
Deposit on project bids paid	8,115	5,364
Travelling, meeting and business accomodation expenses	1,296	2,829
Expenses of the board of directors	508	1,563
Others	15,162	13,274
Total	117,784	108,333

2. Cash paid relating to investing activities

Cash paid in connection with significant investing activities

Item	Inurred during the period	Inurred during the previous period
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	411,126	1,073,424
Total	411,126	1,073,424

3. Cash paid relating to financing activities

Changes in liabilities arising from financing activities

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Cash movement	Non-cash movement	Cash movement	Non-cash movement	
Borrowing from banks (Including those due within one year)	8,975,146	138,362	173,246			9,286,754
Debenture payable (Including those due within one year)	892,801		18,423			911,224
Lease liabilities (Including those due within one year)	6,828		191	713		6,306
Others (Including those due within one year)	171,027		7,550	17,592	2,533	158,452
Total	10,045,802	138,362	199,410	18,305	2,533	10,362,736

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(lii) Supplement of cash flow statement

1. Supplement of cash flow statement

Item	Incurring during the period	Incurring during the previous period
1. Reconciliation from net profit to cash flows from operating activities	460,678	455,045
Net profit	0	0
Add: Asset impairment provision	(1,218)	(1,878)
Credit impairment losses	56,511	45,858
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets, depreciation of investment properties	2,387	3,655
Depreciation of right-of-use assets	290,359	267,095
Amortisation of intangible assets	460,678	455,045
Finance costs (revenue is shown with brackets)	192,931	189,699
Reduction of deferred income tax assets (increase is shown with brackets)	(1,254)	(1,949)
Increase in deferred income tax liabilities (decrease is shown with brackets)	6,472	5,878
Decrease in inventories (increase is shown with brackets)	(6,484)	2,126
Decrease in operating receivables (increase is shown with brackets)	(263,501)	(367,706)
Increase in operating payables (decrease is shown with brackets)	(297,882)	117,930
Net cash flows from operating activities	438,999	715,753
2. Significant investment and financing activities that do not involve cash receipts or payments		
3. Net change in cash and cash equivalents		
Closing balance of cash	2,595,454	2,999,928
Less: Opening balance of cash	2,571,362	3,188,344
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	24,092	(188,416)

2. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	2,595,454	2,571,362
Including: Cash on hand		1
Cash at bank that can be readily drawn on demand	2,595,454	2,571,361
II. Cash equivalents		
III. Balance of cash and cash equivalents as at the end of the Period	2,595,454	2,571,362
Including: Use of restricted cash and cash equivalents by the parent company or intra-group subsidiaries	0	0

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5. NOTES ON SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(liii) Monetary items denominated in foreign currencies

Monetary items denominated in foreign currencies

Item	Balance of foreign currencies as at the end of the period	Exchange rate for translation	Translated Renminbi balance as at the end of the period
Cash at bank and on hand			
Including: HKD	9,393	0.9163	8,607
Long-term borrowings			
Including: USD	4,151	7.1268	29,583
JPY	2,838,479	0.0447	126,880

6. RESEARCH AND DEVELOPMENT EXPENSES

Presentation by nature of costs

Item	Incurred during the period	Incurred during the previous period
Production process of environmental protection equipment, etc.	20,828	11,575
Total	20,828	11,575
Including: Expensed research and development expenses	20,828	11,575
Capitalised research and development expenses	0	0

7. CHANGES IN SCOPE OF CONSOLIDATION

The Company's scope of consolidation has not changed during the current period.

8. EQUITY IN OTHER ENTITIES

(i) Equity in subsidiaries

1. Composition of the enterprise group

Name of subsidiaries	Major business location	Registered capital	Place of registration	Nature of business	Shareholding (%)		Acquisition method
					Direct	Indirect	
Qujing Capital Water Co., Ltd.	Qujing	178,983	Qujing	Sewage water processing and tap water supply	87	0	Capital contribution
Guizhou Capital Water Co., Ltd.	Guizhou	120,000	Guizhou	Sewage water processing	100	0	Capital contribution
Baoying Capital Water Co., Ltd.	Baoying	83,000	Baoying	Sewage water processing	70	0	Capital contribution
Hangzhou Tianchuang Capital Water Co., Ltd.	Hangzhou	377,445	Hangzhou	Sewage water processing	70	0	Capital contribution
Tianjin Capital New Materials Co., Ltd.	Tianjin	37,500	Tianjin	Manufacturing and sales of new building materials	71	0	Capital contribution
Fuyang Capital Water Co., Ltd.	Fuyang	455,689	Fuyang	Sewage water processing	100	0	Capital contribution
Tianjin Capital Environmental Protection (Hong Kong) Limited	Hong Kong	62,987	Hong Kong	Sewage water processing	100	0	Capital contribution
Wendeng Capital Water Co., Ltd.	Wendeng	68,527	Wendeng	Sewage water processing	100	0	Capital contribution
Tianjin Jinghai Capital Water Co., Ltd.	Tianjin	37,553	Tianjin	Sewage water processing	100	0	Capital contribution
Tianjin Water Recycling Co., Ltd.	Tianjin	100,000	Tianjin	Production and sales of recycled water, development and construction of water recycling facilities, and technical consulting services	100	0	Capital contribution
Xi'an Capital Water Co., Ltd.	Xi'an	476,170	Xi'an	Sewage water processing	100	0	Capital contribution
Tianjin Caring Technology Development Co., Ltd.	Tianjin	33,333	Tianjin	Environmental engineering management and technical consulting, etc.	48	12	Capital contribution
Anguo Capital Water Co., Ltd.	Anguo	41,000	Anguo	Sewage water processing	100	0	Capital contribution
Wuhan Tianchuang Capital Water Co., Ltd.	Wuhan	201,969	Wuhan	Sewage water processing and tap water supply	100	0	Capital contribution
Tianjin Jinning Capital Water Co., Ltd.	Tianjin	22,560	Tianjin	Sewage water processing	100	0	Capital contribution
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	Tianjin	212,951	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	100	0	Capital contribution
Yingshang Capital Water Co., Ltd.	Yingshang	53,000	Yingshang	Sewage water processing	100	0	Capital contribution
Shandong Capital Environmental Protection Technology Co., Ltd.	Shandong	82,000	Shandong	Collection, storage and transportation of hazardous wastes	55	0	Capital contribution
Changsha Tianchuang Environmental Protection Co., Ltd.	Changsha	46,015	Changsha	Sewage water processing	81	0	Capital contribution
Karamay Tianchuang Capital Water Co., Ltd.	Karamay	120,000	Karamay	Sewage water processing	90	0	Capital contribution
Anhui Tianchuang Capital Water Co., Ltd.	Hefei	63,670	Hefei	Sewage water processing	100	0	Capital contribution
Linxia Capital Water Co., Ltd.	Linxia	65,910	Linxia	Sewage water processing	100	0	Capital contribution
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	Dalian	94,079	Dalian	Sewage water processing	64	0	Capital contribution
Changsha Tianchuang Capital Water Co., Ltd.	Changsha	21,252	Changsha	Sewage water processing	80	0	Capital contribution
Inner Mongolia Bayannur Capital Water Co., Ltd.	Bayannur	1,067,578	Bayannur	Sewage water processing, producing and sales of recycled water and supply of tap water	70	0	Business combinations involving entities not under common control
Honghu Tianchuang Capital Water Co., Ltd.	Honghu	131,331	Honghu	Sewage water processing	85	0	Capital contribution
Hefei Capital Water Co., Ltd.	Hefei	205,957	Hefei	Sewage water processing	100	0	Capital contribution
Deqing Capital Water Co., Ltd.	Deqing	60,000	Deqing	Sewage water processing	90	0	Capital contribution
Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	Gaocheng	217,497	Gaocheng	Sewage water processing, producing and sales of recycled water	59	0	Capital contribution
Hanshou Tianchuang Capital Water Co., Ltd.	Hanshou	45,000	Hanshou	Supply of tap water	75	0	Capital contribution

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8. EQUITY IN OTHER ENTITIES (Continued)

(i) Equity in subsidiaries (Continued)

1. Composition of the enterprise group (Continued)

Name of subsidiaries	Major business location	Registered capital	Place of registration	Nature of business	Shareholding (%)		Acquisition method
					Direct	Indirect	
Jiuquan Capital Water Co., Ltd.	Jiuquan	178,238	Jiuquan	Sewage water processing	89	0	Capital contribution
Huize Capital Water Co., Ltd.	Huize	41,237	Huize	Centralised tap water supply and sewage water processing	79	0	Capital contribution
Huoqiu Capital Water Co., Ltd.	Huoqiu	41,283	Huoqiu	Sewage water processing	90	0	Capital contribution
Dongying Tianchi Environmental Technology Co., Ltd.	Dongying	136,300	Dongying	Solid waste treatment	51	0	Capital contribution
Honghu Tianchuang Environmental Protection Co., Ltd.	Honghu	60,000	Honghu	Sewage water processing	89	0	Capital contribution
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	Tianjin	62,106	Tianjin	Sewage water processing	100	0	Capital contribution
Jiangsu Yonghui Resources Utilisation Co., Ltd.	Gaoyou	50,000	Gaoyou	Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation	100	0	Business combinations involving entities not under common control
Gaoyou Compro Environmental Resources Co., Ltd.	Gaoyou	100,000	Gaoyou	Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation	100	0	Business combinations involving entities not under common control
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	Tancheng	110,000	Tancheng	Hazardous waste treatment and disposal	55	0	Division of existing subsidiary
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd.	Tianjin	80,000	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	100	0	Capital contribution
Tianjin Tianchuang Green Energy Investment Management Co., Ltd.	Tianjin	80,000	Tianjin	Investment management; power generation business, transmission business, and power supply (distribution) business; heating services.	100	0	Capital contribution
Karamay Capital Water Co., Ltd.	Karamay	113,873	Karamay	Sewage water processing	100	0	Capital contribution
Enshi Capital Water Co., Ltd.	Enshi	170,861	Enshi	Sewage water processing	95	0	Capital contribution
Tianjin Tianchuang Environmental Technology Co., Ltd.	Tianjin	20,000	Tianjin	Technical services and development, consulting and transfer services, promotion services	100	0	Capital contribution
Hanshan Chuanghuan Water Co., Ltd.	Ma'anshan	91,224	Ma'anshan	Sewage water processing	51	0	Capital contribution
Hanshan Capital Water Co., Ltd.	Ma'anshan	14,880	Ma'anshan	Sewage water processing	100	0	Capital contribution
Jieshou Capital Water Co., Ltd.	Jieshou	345,928	Jieshou	Sewage water processing	87	0	Capital contribution
Weng'an Capital Water Co., Ltd.	Weng'an	53,595	Weng'an	Sewage water processing	97	0	Capital contribution

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(All amounts in RMB thousand in this notes unless otherwise stated)

8. EQUITY IN OTHER ENTITIES (Continued)

(i) Equity in subsidiaries (Continued)

2. Information on significant non-wholly owned subsidiaries

No.	Company name	Percentage of shareholding of minority shareholders	Profit or loss for the period attributable to minority shareholders	Dividends declared to minority shareholders during the period	Accumulated minority interests at the end of the period
1	Inner Mongolia Bayannur Capital Water Co., Ltd. ("Bayannur Company")	30%	14,750	0	335,621
2	Hangzhou Tianchuang Capital Water Co., Ltd. ("Hangzhou Company")	30%	16,812	0	227,041
3	Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd. ("Guojin Company")	41%	1,519	0	104,596
4	Shandong Capital Environmental Protection Technology Co., Ltd.	45%	(1,219)	0	57,029
5	Tianjin Caring Technology Development Co., Ltd.	40%	1,599	0	57,640

3. Important key financial information of significant non-wholly owned subsidiaries (other than those classified as held for sale)

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bayannur Company	105,063	1,043,415	1,148,478	18,524	11,218	29,742	48,491	1,062,662	1,111,153	30,157	11,427	41,584
Hangzhou Company	485,916	353,191	839,107	62,810	19,526	82,336	313,337	496,776	810,113	54,789	54,561	109,350
Guojin Company	124,805	295,627	420,432	76,748	88,572	165,320	111,577	303,226	414,803	72,298	91,097	163,395
Shandong Company	106,633	223,547	330,180	90,280	113,300	203,580	99,811	229,460	329,271	89,830	110,000	199,830
Caring Company	212,644	12,575	225,219	80,997	123	81,120	221,753	10,982	232,735	92,510	123	92,633

Name of subsidiaries	Incurred during the period				Incurred during the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Bayannur Company	87,784	49,167	49,167	6,440	46,276	7,023	7,023	(4,595)
Hangzhou Company	143,374	56,040	56,040	67,687	131,034	28,826	28,826	99,317
Guojin Company	35,046	3,705	3,705	(7,021)	29,632	9,066	9,066	(875)
Shandong Company	29,725	(2,840)	(2,840)	1,276	19,606	(6,357)	(6,357)	680
Caring Company	73,454	3,997	3,997	5,348	73,480	6,083	6,083	(12,347)

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From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

8. EQUITY IN OTHER ENTITIES (Continued)**(i) Equity in subsidiaries (Continued)****3. Important key financial information of significant non-wholly owned subsidiaries (other than those classified as held for sale) (Continued)**

The Group comprehensively considers factors such as whether the subsidiary is a listed company, the proportion of its minority shareholders' equity in the Group's consolidated shareholders' equity, and the proportion of minority shareholders' profits and losses in the Group's consolidated net profit, etc., to determine subsidiaries with important minority interests.

(ii) Transactions in which the owner's share of the subsidiary's equity changes while still controlling the subsidiary**1. Description of changes in the share of owner's equity of subsidiaries**

In April 2024, the Company purchased the 5% equity interest in Guizhou Company held by TMICL, and after the transaction, the Company's shareholding percentage of Guizhou company increased to 100%. The difference between the transaction consideration and the share of identifiable net assets of Guizhou Company that should be continuously calculated from the date of consolidation based on the new shareholding ratio was adjusted to increase capital surplus by RMB464 thousand.

2. The impact of the transaction on minority shareholders' equity and owner's equity attributable to the parent company

Item	Guizhou Capital Water Co., Ltd.
Purchases cost/disposal consideration	
Including: Cash	8,894
Total purchases cost/disposal consideration	8,894
Less: Share of net assets of subsidiaries calculated in proportion to equity rights acquired/disposed of	9,358
Differences	(464)
Including: Adjustment to capital surplus	(464)
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Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

8. EQUITY IN OTHER ENTITIES (Continued)

(III) Interests in joint ventures or associates

Combined financial information of insignificant joint ventures and associates

Item	Balance as at the end of the period/Incurred during the period	Opening balance/Incurred during the previous period
I. Joint ventures		
Total carrying amount of investment		
The total of the following items by percentage of shareholding:		
Net profit		
Other comprehensive income		
Total comprehensive income		
II. Associate		
Total carrying amount of investment	188,650	188,650
The total of the following items by percentage of shareholding:		
Net profit		
Other comprehensive income		
Total comprehensive income		
	<hr/>	<hr/>

9. GOVERNMENT GRANTS

Government grants recognized in profit or loss for the period

Type	Incurred during the period	Incurred during the previous period
Related to assets	37,736	37,217
Related to income	5,009	2,474
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Total	42,745	39,691
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Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

10. RISKS RELEVANT TO FINANCIAL INSTRUMENTS**(I) Risks of financial instruments**

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

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

(1) Market risks**(a) Foreign exchange risk**

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

As at 30 June 2024, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the Group's net profit for the year would have been RMB1 million (31 December 2023: RMB2 million) higher/lower. As at 30 June 2024, if the RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, the Group's net profit for the year would have been RMB8 million (31 December 2023: RMB9 million) higher/lower.

10. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks of financial instruments (Continued)

(1) *Market risks* (Continued)

b. Interest rate risk

The Group's interest rate risk arises mainly from long-term bank borrowings, long-term payables and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. As at 30 June 2024, the Group's long-term interest bearing borrowings were USD-denominated borrowings with floating rates linked to six-month LIBOR of RMB30 million. As at 30 June 2024, the Group is still yet to complete the replacement of benchmark interest rate.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In 2024 and 2023, the Group did not enter into any interest rate swap agreements.

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

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From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

10. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks of financial instruments (Continued)

(1) Market risks (Continued)

b. Interest rate risk (Continued)

30 June 2024	Fixed interest rate	Floating interest rate	Total
Short-term borrowings	13,793	0	13,793
Current portion of non-current liabilities:			
Long-term borrowings to be settled within one year	302,515	1,369,289	1,671,804
Long-term payables to be settled within one year	22,558	18,807	41,365
Debentures payable and interest to be settled within one year	281,591	0	281,591
Long-term borrowings	187,337	7,413,820	7,601,157
Long-term payables	85,515	29,582	115,097
Debentures payable	629,633	0	629,633
Other current liabilities	1,990	0	1,990
Total	<u>1,524,932</u>	<u>8,831,498</u>	<u>10,356,430</u>
31 December 2023	Fixed interest rate	Floating interest rate	Total
Short-term borrowings	1,992	0	1,992
Current portion of non-current liabilities:			
Long-term borrowings to be settled within one year	217,865	1,497,664	1,715,529
Long-term payables to be settled within one year	12,174	16,403	28,577
Debentures payable and interest to be settled within one year	263,168	0	263,168
Long-term borrowings	377,453	6,880,172	7,257,625
Long-term payables	126,019	14,941	140,960
Debentures payable	629,633	0	629,633
Other current liabilities	1,490	0	1,490
Total	<u>1,629,794</u>	<u>8,409,180</u>	<u>10,038,974</u>

As at 30 June 2024, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, the Group's net profit for the year would have been RMB65 million (At 31 December 2023: RMB98 million) lower/higher.

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

10. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks of financial instruments (Continued)

(2) *Credit risk*

Credit risk of the Group arises mainly from cash at bank and on hand, accounts receivable, other receivables and contract assets (accounting as other non-current assets) and long-term receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group.

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

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

As at 30 June 2024, the Group had no significant collateral or other credit enhancements held as securities from debtors (31 December 2023: None).

(3) *Liquidity risk*

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

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10. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks of financial instruments (Continued)

(3) Liquidity risk (Continued)

a. Contractual cash flows of financial liabilities analysed by their maturity dates

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

Items	30 June 2024				Total	Book value
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term borrowings	14,214	0	0	0	14,214	13,793
Long-term borrowings	1,963,297	1,735,068	3,853,569	3,237,772	10,789,706	9,272,961
Long-term payables	41,365	32,380	44,074	146,627	264,446	156,462
Accounts payable	788,104	0	0	0	788,104	788,104
Other payables	1,065,843	0	0	0	1,065,843	1,065,843
Debentures payable	36,947	947,307	0	0	984,254	911,224
Lease liabilities	2,548	1,835	747	0	5,130	6,307
Other current liabilities	1,990	0	0	0	1,990	1,990
Total	3,914,308	2,716,590	3,898,390	3,384,399	13,913,687	12,216,684

Items	31 December 2023				Total	Book value
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term borrowings	2,031	0	0	0	2,031	1,992
Long-term borrowings	2,018,001	1,854,317	3,396,618	3,290,177	10,559,113	8,973,154
Long-term payables	33,136	34,723	40,963	176,249	285,071	169,537
Accounts payable	668,888	0	0	0	668,888	668,888
Other payables	1,036,474	0	0	0	1,036,474	1,036,474
Debentures payable	284,456	644,145	0	0	928,601	892,801
Lease liabilities	3,727	1,908	1,591	0	7,226	6,828
Other current liabilities	1,490	0	0	0	1,490	1,490
Total	4,048,203	2,535,093	3,439,172	3,466,426	13,488,894	11,751,164

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10. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)**(I) Risks of financial instruments (Continued)****(3) Liquidity risk (Continued)****b. Repayment periods for bank borrowings and other borrowings**

Items	30 June 2024		31 December 2023	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	1,685,596	309,218	1,717,521	293,235
1 to 2 years	1,498,337	648,134	1,613,891	658,261
2 to 5 years	3,397,075	33,995	2,929,339	36,091
Over 5 years	2,705,746	69,599	2,714,395	76,241
Total	<u>9,286,754</u>	<u>1,060,946</u>	<u>8,975,146</u>	<u>1,063,828</u>

11. FAIR VALUE

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: Unobservable inputs for the asset or liability.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

11. FAIR VALUE (Continued)

(I) Analysis of assets and liabilities measured at fair value by the level of fair value

Items	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	Total
I. Continuous fair value measurement				
Investments in other equity instruments				
– Unlisted equity instrument investments of Tianjin Beifang Rencaigang Co., Ltd.			2,000	2,000
Total assets measured at fair value on a recurring basis			2,000	2,000
II. Non-recurring fair value measurements				
Total liabilities measured at fair value on a non-recurring basis				

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 techniques. The valuation models used mainly comprise market comparable corporate model. The inputs of the valuation technique mainly include liquidity discount.

The amount of financial instruments traded by the Group on active markets is not substantial.

(II) The fair value of the other financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortised cost mainly include: notes receivable, receivables, other receivables, long-term receivables, payables, short-term borrowings, long-term borrowings, debentures payable and long-term payables.

The carrying amounts of the other financial assets and liabilities not measured at fair value are reasonably approximate to their fair values.

Notes to the Financial Statements

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12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(I) Parent company of the Company**

Name of the parent company	Place of registration	Nature of business	Registered capital	The percentages of shareholding in the Company held by the parent company (%)	The percentages of voting rights in the Company held by the parent company (%)
Tianjin Municipal Investment Co., Ltd.	Tianjin, the PRC	Development and operation of municipal infrastructures	1,820,000	45.57	45.57

The Company's ultimate controlling party is Tianjin City Infrastructure Construction and Investment Group Co., Ltd., which is registered in Tianjin.

(II) Information on subsidiaries of the Company

For details, please refer to note "VIII. Equity in other entities".

(III) Information on the Company's joint ventures and associates

For significant joint ventures or associates, please refer to note "VIII. Equity in other entities". Other related parties

Name of other related parties	Relationship with the Company
Tianjin Lecheng Properties Co., Ltd.	Group companies
Tianjin Investment Urban Resource Operation Co., Ltd.	Group companies
Tianjin Investment Chuangzhan Leasing Co., Ltd.	Group companies
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Group companies
Tianjin Environmental Investment Green Engineering Co., Ltd.	Group companies
Tianjin Investment Infrastructure Management and Consultant Co., Ltd.	Group companies
Tianjin Environmental Construction Investment Co., Ltd.	Group companies
Tianjin Finance City Property Management Company Limited	Group companies
Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	Group companies

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(All amounts in RMB thousand in this notes unless otherwise stated)

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related party transactions

1. Related party transactions in relation to the purchase and sales of goods, provision and receipt of services

(1) Purchases of goods/receiving of services

Name of related parties	Nature of transaction	Incurred during the period	Approved quota for transaction	Whether the transaction quota is exceeded	Incurred during the previous period
Tianjin Investment Group	Contracted operating expenses	8,424	8,424	No	6,253
Tianjin Investment Group	Sewage mud processing expenses	0	0	No	21,722
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Expenses for project engineering measurement	20,157	20,157	No	24,267
Tianjin Environmental Investment Green Engineering Co., Ltd.	Expenses for project engineering measurement	12,286	12,286	No	8,722
Tianjin Investment Infrastructure Management and Consultant Co., Ltd.	Consulting expenses	592	592	No	283
Tianjin Finance City Property Management Company Limited	Properties service fees	1,029	1,029	No	0

(2) Information on sales of goods/provision of services

Name of related parties	Nature of transaction	Incurred during the period	Incurred during the previous period
Tianjin Investment Group	Revenue from contract operation	0	13,791
Tianjin Lecheng Properties Co., Ltd.	Heating and cooling supply income	10,910	10,868
Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	Technical service income	320	0

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12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(IV) Related party transactions (Continued)****2. Information on related leasing**

The Company as lessor

Name of lessee	Type of leased assets	Rental income recognized in the period	Rental income recognized in the previous period
Tianjin Environmental Investment Green Engineering Co., Ltd.	Rental income	19	0
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Rental income	316	0
		<hr/>	<hr/>

3. Information on asset transfer and debt restructuring of related parties

Related parties	Nature of transaction	Inurred during the period	Inurred during the previous period
Tianjin Investment Group	Assets transfer	0	330,278
		<hr/>	<hr/>

4. Remuneration of key management

Items	Inurred during the period	Inurred during the previous period
Remuneration of key management	2,639	4,261
Share-based incentive payment	0	185
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12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Information on unsettled items such as receivables from and payables to related parties

1. Project receivables

Name of project	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Tianjin Investment Group	93,456	53,619	94,969	54,401
Accounts receivable	Tianjin Lecheng Properties Co., Ltd.	2,965	59	5,594	99
Accounts receivable	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	331	0	0	0

2. Project payables

Name of project	Related parties	Closing balance	Opening balance
Accounts payable	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	55,511	65,965
Accounts payable	Tianjin Environmental Investment Green Engineering Co., Ltd.	26,268	32,266
Accounts payable	Tianjin Infrastructure Investment Group	0	15,205
Other payables	Tianjin Infrastructure Investment Group	47,183	47,183

3. Other projects

Name of project	Related parties	Closing balance	Opening balance
Advances to suppliers	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	8,316	0
Advances to suppliers	Tianjin Environmental Investment Green Engineering Co., Ltd.	7,322	0
Advance receipts	Tianjin Environmental Construction Investment Co., Ltd.	28	0

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(VI) Others**

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 sewage treatment and construction and management of related facility, contract operation services of sewage treatment plant and recycled water plant, supply of tap water and recycled water, and supply of heating and cooling supply services. At the end of the period, the majority of the Group’s cash and cash equivalents and borrowings were saved at or obtained from state-owned banks.

The receivables from related parties arose from the daily business operations and were unsecured and bore no interest.

13. SHARE-BASED PAYMENTS

The Company did not incur share-based payments during the period.

14. COMMITMENTS AND CONTINGENCIES**(I) Commitments**

Significant external commitments existing at the balance sheet date, and the nature and amount thereof

Unit: million

Items	Contracted but not provided for		Authorized but not contracted for	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Intangible assets – Concession				
– Heating and cooling supply	30	95	0	0
– Sewage processing project	457	353	0	0
Fixed assets project	220	247	0	0
Total	<u>707</u>	<u>695</u>	<u>0</u>	<u>0</u>

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14. COMMITMENTS AND CONTINGENCIES (Continued)**(II) Contingencies**

As of 30 June 2024, the Company has no contingencies that should be disclosed.

15. EVENTS AFTER THE BALANCE SHEET DATE

As of the date on which the financial statements were authorised for issue, the Company has no significant post-balance sheet events that should be disclosed.

16. OTHER MAJOR EVENTS**(I) Segment reporting****1. Basis of determination and accounting policies for segment reporting**

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies and the Group, therefore, separately manages the production and operation activities of each reportable segment and evaluates their respective operating results for resources allocation and performance assessment.

The Group considers its operations from the perspective of providing services and regions. As the perspective of providing services, management assesses the performance sewage treatment, recycled water, pipeline connection, heating and cooling supply services, sales of tap water and sales of environmental protection equipment. Sewage treatment 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 the scientific research and transformation of environmental protection patent technology. Other services, including contract operation services, rental income and technical services, are not separately presented within the reportable operating segments, but are included in the “all other segments” column. The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to the segments are allocated based on the proportion of each segment’s revenue.

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

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16. OTHER MAJOR EVENTS (Continued)

(I) Segment reporting (Continued)

2. Financial information for segment reporting

Items	Sewage water processing and sewage treatment plant construction – Tianjin	Sewage water processing and sewage treatment plant construction – Hangzhou	Sewage water processing and sewage treatment plant construction – Others	Recycled water and auxiliary projects	Heating and cooling supply services	Tap water and water plant facilities construction	Sales of environmental protection equipment	All other segments	Total
External operating income	858,454	143,374	778,149	140,252	56,872	39,590	0	201,475	2,218,166
Operating cost	501,554	75,535	488,064	83,286	42,409	23,754	6	160,569	1,375,177
Interest income	1,419	1,709	11,111	161	135	441	3	924	15,903
Interest expenses	115,539	721	66,008	1,427	586	2,267	0	8,916	195,464
Results before share of profits of an associate	206,560	65,737	150,919	102,686	14,476	12,214	565	12,296	565,453
Segment total profit/(loss)	206,560	65,737	150,919	102,686	14,476	12,214	565	12,296	565,453
Income tax expenses	29,490	9,697	20,729	23,566	4,599	2,267	88	19,070	109,506
Segment net profit/(loss)	179,158	56,040	111,708	79,882	9,905	10,043	507	13,435	460,678
Depreciation expenses	26,440	0	2,666	7,946	1,117	116	0	20,613	58,898
Amortisation	85,514	29,347	144,502	4,138	12,602	7,761	0	6,495	290,359
Segment assets	8,904,317	839,107	8,678,104	1,230,496	875,019	698,524	44,745	3,588,195	24,858,507
Equity investments in associate									188,650
Total assets									25,047,157
Total liabilities	7,586,905	82,336	4,045,959	775,817	374,734	143,453	5,855	1,622,997	14,638,056
Addition of non-current assets	773	0	218,310	519	11,764	0	0	679	232,045

(II) Others

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

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

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

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16. OTHER MAJOR EVENTS (Continued)

(II) Others (Continued)

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

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

Items	30 June 2024	31 December 2023
Total borrowings	10,356,430	10,038,974
– Short-term borrowings	13,793	1,992
– Long-term borrowings	9,272,961	8,973,154
– Debentures payable	911,224	892,801
– Long-term payables	156,462	169,537
– Other current liabilities	1,990	1,490
Less: Cash and cash equivalents	2,595,454	2,571,362
Net debt	7,760,976	7,467,612
Total Equity	10,409,101	10,215,761
Total capital	18,170,077	17,683,373
Gearing ratio	43%	42%

17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

1. Disclosure by age

Ageing	Closing balance	Opening balance
Within 1 year	1,488,450	1,172,309
1 to 2 years	60,852	46,809
2 to 3 years	44,468	52,944
3 to 4 years	50,296	51,923
4 to 5 years	49,326	11,979
Over 5 years	35,548	32,317
Sub-total	1,728,940	1,368,281
Less: Provision for bad debts	109,348	109,348
Total	1,619,592	1,258,933

17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Categorized and disclosed by methods of bad debt accrual

Category	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)	
Accounts receivable for which bad debt provision is made on an individual basis	1,554,116	89.89	50,921	3.28	1,503,195
Accounts receivable for which provision for bad debts is made on a portfolio basis	174,824	10.11	58,427	33.42	116,397
Including: Group 1:					
Government	88,588	5.12	54,002	60.96	34,586
Group 2: Other customers	86,236	4.99	4,425	5.13	81,811
Total	<u>1,728,940</u>	<u>/</u>	<u>109,348</u>	<u>/</u>	<u>1,619,592</u>

Category	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)	
Accounts receivable for which bad debt provision is made on an individual basis	1,201,323	87.8	50,921	4.24	1,150,402
Accounts receivable for which provision for bad debts is made on a portfolio basis	166,958	12.2	58,427	35.00	108,531
Including: Group 1:					
Government	94,295	6.89	54,002	57.27	40,293
Group 2: Other customers	72,663	5.31	4,425	6.09	68,238
Total	<u>1,368,281</u>	<u>/</u>	<u>109,348</u>	<u>/</u>	<u>1,258,933</u>

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis

Name	Book balance	Provision for bad debts	Closing balance Provision ratio (%)	Notes
Tianjin Water Authority Bureau	1,493,820	2,087	0.14	As these clients are governments of municipal directly under the central government, whose ability to meet their contractual 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 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 0.14%.
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	29,571	18,109	61.24	Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. ("City Appearance Sanitation") comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from it are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 61.24%.

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Closing balance Provision ratio (%)	Notes
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	16,797	100.00	Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	13,776	100.00	Receivables of the Group from Tianjin Shuangkou Municipal Solid Waste Landfill comprise technical services fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Tianjin Tianbao Municipal Administration Co. Ltd.	152	152	100.00	Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd comprise contract operation fees. Considering the factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group still estimates that the lifetime ECL rate is 100%.
Total	<u>1,554,116</u>	<u>50,921</u>	<u>3.28</u>	/

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Tianjin Water Authority Bureau	1,142,144	2,087	0.18%	As these clients are governments of municipal directly under the central government, whose ability to meet their contractual 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 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 Company estimates that the lifetime ECL rate is from 0.18%.
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,454	18,109	63.64%	Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. ("City Appearance Sanitation") comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 63.64%.
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	16,797	100.00%	Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Accounts receivables with provision for bad debts on an individual basis (Continued)

Name	Book balance	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	13,776	100.00%	Receivables of the Group from Tianjin Shuangkou Municipal Solid Waste Landfill comprise technical services fees. The client had no transactions with the Company during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Tianjin Tianbao Municipal Administration Co. Ltd.	152	152	100.00%	Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd comprise contract operation fees. Considering the factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group still estimates that the lifetime ECL rate is 100%.
Total	<u>1,201,323</u>	<u>50,921</u>	<u>4.24%</u>	/

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(2) Accounts receivable with provision for bad debts by group based on credit risk characteristics

① Group 1: Government clients

Ageing	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Accrual ratio (%)	Book balance	Provision for bad debts	Accrual ratio (%)
Not overdue	0	0	0	0	0	0
Overdue within 1 to 180 days	0	0	0	0	0	0
Overdue over 180 days	88,588	54,002	60.96	94,295	54,002	57.27
Total	88,588	54,002	60.96	94,295	54,002	57.27

② Group 2: Other clients

Ageing	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Accrual ratio (%)	Book balance	Provision for bad debts	Accrual ratio (%)
Not overdue	12,976	193	1.49	10,934	193	1.77
Overdue within 1 to 90 days	54,528	2,645	4.85	45,945	2,645	5.76
Overdue over 90 days	18,732	1,587	8.47	15,784	1,587	10.05
Total	86,236	4,425	5.13	72,663	4,425	6.09

17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(I) Accounts receivable (Continued)

3. Information on accounts receivable and contract assets of the top five closing balances by debtors

Name	Accounts receivable Closing balance	Closing balance of contract assets	Accounts receivable and contract assets end of period Amount	% of accounts receivable and contract assets end of period balance Proportion of total (%)	Closing balance of bad debt provision
Tianjin Water Authority Bureau	1,493,820	0	1,493,820	86.40	2,087
Tianjin Hanbin Investment Co., Ltd.	35,734	0	35,734	2.07	2,390
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	29,571	0	29,571	1.71	18,109
Tianjin Binhai Environmental Protection Asset Development Co., Ltd.	19,712	0	19,712	1.14	1,135
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	0	16,797	0.97	16,797
Total	<u>1,595,634</u>	<u>0</u>	<u>1,595,634</u>	<u>92.29</u>	<u>40,518</u>

The majority of the Group's business is carried out on credit, with credit periods of 30 to 90 days to customers generally.

For accounts receivable, the Company recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables

Items	Closing balance	Opening balance
Interest receivable	0	0
Dividend receivable	8,328	10,148
Other receivables	30,084	21,858
Total	38,412	32,006

1. Dividend receivable

Classification of dividend receivable

Items (or investee units)	Closing balance	Opening balance
Qujing Capital Water Co., Ltd.	4,328	4,328
Wendeng Capital Water Co., Ltd.	4,000	4,000
Baoying Capital Water Co., Ltd.	0	1,820
Total	8,328	10,148

2. Other receivables

(1) Disclosure by age

Ageing	Closing balance	Opening balance
Within 1 year	14,407	7,175
1 to 2 years	5,211	23,245
2 to 3 years	17,280	74
Over 3 years	1,519	1,517
Sub-total	38,417	32,011
Less: Provision for bad debts	5	5
Total	38,412	32,006

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(2) Classification by nature of payment

Nature of payment	Closing balance	Opening balance
Due from subsidiaries	19,168	20,020
Dividends due from subsidiaries	8,328	10,148
Project deposits	7,110	1,130
Others	3,811	713
Sub-total	38,417	32,011
Less: Provision for bad debts	5	5
Total	38,412	32,006

(3) Information on bad debt provision accrual

Provision for bad debts	Stage 1 Next 12 months ECL	Stage 2 ECL throughout the lifetime (no credit impairment has occurred)	Stage 3 ECL throughout the lifetime (credit impairment has occurred)	Total
Balance as of 1 January 2024	5			5
Balance as of 1 January 2024				
Current period				
– Transfers from stage 2				
– Transfers from stage 3				
– Reversal to stage 2				
– Reversal to stage 1				
Provision for this period				
Transferred in this period				
Resale in this period				
Write-off in this period				
Other changes				
30 June 2024				
Balance	5			5

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(4) Information on other accounts receivable and contract assets of the top five closing balances by debtors

Name	Nature of payment	Closing balance	Ageing	Proportion of total closing balance of other receivables (%)	Closing balance of bad debt provision
Reclaimed Water Plant of Tianjin Water Recycling Co., Ltd.	8,680	22.60	Due from subsidiaries	2 to 3 years	0
Tianjin Yulin Engineering Management Co., Ltd.	5,000	13.02	Project deposits	Within 1 year	0
Qujing Capital Water Co., Ltd.	4,328	11.27	Dividends due from subsidiaries	1 to 2 years	0
Wendeng Capital Water Co., Ltd.	4,000	10.41	Dividends due from subsidiaries	1 to 2 years	0
Tianjin Capital New Materials Co., Ltd.	1,744	4.54	Due from subsidiaries	1 to 2 years	0
Total	23,752	61.84	/	/	0

The Company did not have any other receivables related to the funds centralized managed to other parties.

(III) Long-term equity investments

Items	Closing balance		Book value	Opening balance		Book value
	Book balance	Provision for impairment		Book balance	Provision for impairment	
Investments in subsidiaries	6,098,437	589,073	5,509,364	5,693,798	589,073	5,104,725
Investments in associates and joint ventures	188,650	0	188,650	188,650	0	188,650
Total	6,287,087	589,073	5,698,014	5,882,448	589,073	5,293,375

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(III) Long-term equity investments (Continued)

1. Long-term equity investments

(1) Investments in subsidiaries

Investee units	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrual of provision for impairment for this period	Closing balance of impairment provision
Bayannur Company	777,076	0	0	777,076	0	0
Xi'an Capital Water Co., Ltd.	476,526	0	0	476,526	0	0
Fuyang Capital Water Co., Ltd.	456,380	0	0	456,380	0	0
Hangzhou Company	264,325	0	0	264,325	0	0
Gaoyou Compro	383,024	0	0	383,024	0	170,296
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	213,199	0	0	213,199	0	0
Hefei Capital Water Co., Ltd.	206,149	0	0	206,149	0	0
Jiangsu Yonghui	350,090	0	0	350,090	0	184,773
Wuhan Tianchuang Capital Water Co., Ltd.	197,432	0	0	197,432	0	0
Enshi Capital Water Co., Ltd.	162,318	0	0	162,318	0	0
Jiuquan Capital Water Co., Ltd.	158,358	0	0	158,358	0	0
Qijing Capital Water Co., Ltd.	155,217	0	0	155,217	0	0
Tianjin Water Recycling Co., Ltd.	135,200	0	0	135,200	0	0
Guojin Company	128,773	0	0	128,773	0	0
Guizhou Capital Water Co., Ltd.	114,569	8,894	0	123,463	0	0
Karamay Capital Water Co., Ltd.	113,873	0	0	113,873	0	0
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd.	80,000	0	0	80,000	0	0
Wendeng Capital Water Co., Ltd.	68,827	0	0	68,827	0	0
Linxia Capital Water Co., Ltd.	66,000	0	0	66,000	0	0
Tianjin Tianchuang Green Energy Investment Management Co., Ltd.	62,590	17,410	0	80,000	0	0
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	62,106	0	0	62,106	0	0
Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.	60,500	0	0	60,500	0	0
Baoying Capital Water Co., Ltd.	58,309	0	0	58,309	0	0
Deqing Capital Water Co., Ltd.	54,299	0	0	54,299	0	0
Honghu Tianchuang Environmental Protection Co., Ltd.	53,400	0	0	53,400	0	0
Yingshang Capital Water Co., Ltd.	53,209	0	0	53,209	0	0
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	48,340	0	0	48,340	0	0
Shandong Company	45,238	0	0	45,238	0	0
Changsha Tianchuang Environmental Protection Co., Ltd.	37,770	0	0	37,770	0	0
Huoqiu Capital Water Co., Ltd.	37,364	0	0	37,364	0	0
Hanshou Tianchuang Capital Water Co., Ltd.	34,046	0	0	34,046	0	0
Huize Capital Water Co., Ltd.	32,839	0	0	32,839	0	0

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17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(III) Long-term equity investments (Continued)

1. Long-term equity investments (Continued)

(1) Investments in subsidiaries (Continued)

Investee units	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Accrual of provision for impairment for this period	Closing balance of impairment provision
Tianjin Tianchuang Environmental Technology Co., Ltd.	20,000	0	0	20,000	0	0
Changsha Tianchuang Capital Water Co., Ltd.	17,002	0	0	17,002	0	0
Caring Company	16,625	0	0	16,625	0	0
Hanshan Chuanghuan Water Co., Ltd.	15,810	0	0	15,810	0	0
Tianjin Capital Environmental Protection (Hong Kong) Limited	62,987	0	0	62,987	0	50,281
Tianjin Jinning Capital Water Co., Ltd.	22,560	0	0	22,560	0	15,000
Dongying Tianchi Environmental Technology Co., Ltd.	2,550	0	0	2,550	0	0
Tianjin Capital New Materials Co., Ltd.	26,589	0	0	26,589	0	26,500
Tianjin Jinghai Capital Water Co., Ltd.	37,553	0	0	37,553	0	37,553
Anguo Capital Water Co., Ltd.	41,000	0	0	41,000	0	41,000
Anhui Yuwan	63,670	0	0	63,670	0	63,670
Weng'an Capital Water Co., Ltd.	0	51,987	0	51,987	0	0
Jieshou Capital Water Co., Ltd.	0	308,566	0	308,566	0	0
Hanshan Capital Water Co., Ltd.	0	17,782	0	17,782	0	0
Total	5,693,798	404,639	0	6,098,437	0	589,073

In the first half of 2024, the Company invested RMB52 million to establish the subsidiary Weng'an Capital Water Co., Ltd. with equity interests of 97%.

In the first half of 2024, the Company invested RMB17 million for the capital increase of Tianjin Tianchuang Green Energy Investment Management Co., Ltd.

In the first half of 2024, Fuyang Company, our subsidiary, transferred the equity interests in Hanshan Company and Jieshou Company to the Company.

17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(III) Long-term equity investments (Continued)

1. Long-term equity investments (Continued)

(2) Investments in associates and joint ventures

Investor units	Opening balance	Further increase of investments	Reduction of investments	Changes during the period					Others	Closing balance	Provision for impairment Closing balance
				Investment gains and losses recognized under the equity method	Other comprehensive income adjustments	Other changes in equity	Declaration of cash dividends or profits	Accrual of provision for impairment			
I. Joint ventures											
Sub-total											
II. Associate											
Tianjin International Machinery Co., Ltd.	22,358									22,358	22,358
Bihai Sponge City Co., Ltd.	188,650									188,650	0
Sub-total	211,008									211,008	22,358
Total	211,008									211,008	22,358

(IV) Revenue and cost of sales

1. Information on revenue and cost of sales

Items	Incurred during the period		Incurred during the previous period	
	Revenue	Cost	Revenue	Cost
Main operations	786,867	363,684	835,828	376,444
Other operations	8,662	3,861	21,142	11,319
Total	795,529	367,545	856,970	387,763

2. Information on the breakdown of operating revenues and operating costs

Category of revenue	Sewage treatment and auxiliary projects		Road tolls		Contract operation		Technical service		Others		Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Recognised by time of transfer of goods												
Recognised over a period of time	753,354	360,124	33,513	3,560	6,954	3,856	1,548	0	160	5	795,529	367,545
Total	753,354	360,124	33,513	3,560	6,954	3,856	1,548	0	160	5	795,529	367,545

Notes to the Financial Statements

From 1 January 2024 to 30 June 2024

(All amounts in RMB thousand in this notes unless otherwise stated)

17. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

(V) Gain from investments

Items	Inurred during the period	Inurred during the previous period
Interest income from entrusted loans	27,866	12,266
Total	<u>27,866</u>	<u>12,266</u>

18. SUPPLEMENT INFORMATION

(I) Statement of Non-recurring profit or loss

Unit: 0'000

Items	Amount for the current period
Gain or loss on disposal of non-current assets (including the part of provision for asset impairment being written off)	(0.2)
Government grants recognized in current profit and loss, except for those closely related to normal business operation, in compliance with requirements of national policies, and settled in certain amount which are constantly granted by government	4,274.5
Other non-operating income and expenses other than the foregoing items	473.3
Less: Effect of income tax	763.9
Effect of minority interests (after tax)	<u>(41.3)</u>
Total	<u>4,025.0</u>

(II) Return on equity and earnings per share

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	4.58	0.27	0.27
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	4.15	<u>0.24</u>	<u>0.24</u>

Section 10 List of Documents Available for Inspection

1. Financial statements with the signatures and seals of the officer in charge of the Company, the officer in charge of the accounting function, and the officer in charge of the accounting department (the accounting management officer).
2. Originals of all documents and announcements of the Company publicly disclosed during the reporting period.
3. Annual report published in other securities markets.

Chairman: Tang Fusheng
Tianjin Capital Environmental Protection Group Company Limited