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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

§ 1 IMPORTANT

- 1.1 The board of directors (the “**Board**”), the supervisory committee of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management guarantee the truthfulness, accuracy and completeness of the contents of the 2024 interim report (the “**Interim Report**”), which does not contain any false information, misleading statements or material omissions, and accept several and joint legal responsibilities.
- 1.2 The interim financial report of the Company for the six months ended 30 June 2024 has not been audited.
- 1.3 Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes?

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

No
- 1.5 Mr. 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.

§ 2 COMPANY PROFILE

2.1 Basic information

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

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

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

2.2.1 Major accounting data and financial indicators

Major accounting data

Unit: 0'000 Currency: RMB

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

Major financial indicators

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

2.2.2 Extraordinary profit and loss items

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><u>4,025</u></u>

§ 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

3.1.1 Changes in shares

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

3.1.2 Explanations on changes in shares

Not applicable

3.1.3 Effect of the changes in the number of shares after the reporting period and up to the date of this announcement on financial indicators such as earnings per share and net assets per share (if any)

Not applicable

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

Not applicable

3.2 Changes in restricted shares

Not applicable

3.3 Number of shareholders and their shareholdings

Total number of ordinary shareholders as at the end of the reporting period 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.

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

Unit: Share

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

Name of shareholder (Full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Pledged, marked or frozen			Nature of shareholder
				Number of restricted shares held	Status of shares	Number	
Tianjin Municipal Investment Co., Ltd.	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		Others
Greatwall Life Insurance Co., Ltd. - Self-owned funds	17,192,300	17,192,300	1.09	0	Nil		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		State-owned legal person
Hong Kong Securities Clearing Company Limited	2,483,113	11,688,682	0.74	0	Nil		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		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		Domestic non- state owned legal person
Wang Caijin*(王財進)	476,762	6,896,600	0.44	0	Nil		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號單一資產管理計劃)	-112,000	4,517,718	0.29	0	Nil		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		State-owned legal person

**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	Type and number of shares	
		Type	Number
Tianjin Municipal Investment Co., Ltd.	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,846,810	H 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*(王財進)	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號私募股權投資基金—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	<p>(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.</p> <p>(2) The top ten shareholders are not strategic investors of the Company.</p>		
Description of preferred shareholders with restored voting rights and the number of shares they hold	Not applicable		

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

Not applicable

§ 4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

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

Not applicable

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

Not applicable

§ 5 REPORT OF THE BOARD

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

(I) Industries where the Company operates

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 sewage and garbage treatment facilities and equipment, and continue the upgrading and renovation of the gas, drainage, water supply, heating and other aging pipelines. The issuance of “Hebei Province’s 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 Province’s 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 with “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 some 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 city 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 tons, 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 system, strengthening the capacity of waste classification and disposal, 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, and 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 per day. The total capacity of the equity-type water utilities business of the Company amounted to 5,850,100 m³ per day, among which the sewage treatment capacity amounted to 5,115,100 m³ per day, water supply capacity (including tap water and industrial water supply capacity) amounted to 315,000 m³ per day; and reclaimed water capacity amounted to 420,000 m³ per 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 per day, and the scale of recycled water was 60,000 m³ per day.

Based on BOT, TOT and PPP models in sewage treatment and water supply, the Company mainly obtained sales revenue from the production and sale of 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 tons/year, and a storage and transit project with the capacity of 20,000 tons/year and a waste landfill project with the aggregate storage of 314,600 tons with the comprehensive waste utilisation capacity of 78,000 tons/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 tons/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 tons/day, while the remaining sludge disposal projects adopt the entrusted operation mode, with a scale of 1,920 tons/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 the cadres 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 nineteenth consecutive year. The process control team of Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司) won the honorary title of "Worker Pioneer" in Guiyang; the Yingnan Sewage Treatment Plant of Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司) was selected as one of the "Excellent Cases of Water Environment Management" of the E20 Environment Platform; the Taochong Sewage Treatment Plant of Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司) was honored with the titles of "Ecological Benchmarking Sewage Treatment Plant" and "Five-star Enterprise of Ecological Optimization and Social Opening Service"; Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司) was successfully recognized as a Specialized, High-end and Innovation-driven Small and Medium-sized Enterprise of Tianjin Municipal. 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 (EPC/PC) in relation to the extension of the engineering construction management industry chain, and highlight the use of technological innovation to promote technology productization and marketization. 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; Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司) 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 Jingu 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 to 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" and "Bid Evaluation Methods for Routine Maintenance and Bidding of Facilities (Buildings and Structures)" 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 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 wastewater 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.

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

Nil

(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 Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司) 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 Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司). 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 Capital Water Co., Ltd.* (貴州創業水務有限公司) held by Tianjin Municipal Investment Co., Ltd.* (天津市政投資有限公司) at a consideration of RMB8.8939 million, resulting in Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司) having become 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 Capital Water Co., Ltd.* (甕安創環水務有限公司), 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 Capital Water Co., Ltd.* (甕安創環水務有限公司) was completed on 30 January 2024, and all capital injections 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

(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
Tianjin Water Recycling Co., Ltd. ("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 Tianchuang Capital Water Co., Ltd. ("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
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	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
Tianjin Caring Technology Development Co., Ltd.	Tianjin	Environmental engineering management and technical consulting, etc.	3,333.3333	Joint stock limited company	60%	22,521.90	14,409.90	399.70
Shandong Capital Environmental Protection Technology Co., Ltd.	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 Capital Water Co., Ltd.	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 is at the special stage of comprehensive deepening of reform. For a long period 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 Company and its subsidiaries (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 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 the government obligations to pay according to contracts and the rights for investors to get reasonable returns under the protection of 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.

(II) Other disclosures

Not applicable

§ 6 GUARANTEE

Unit: 0'000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries)	
Cumulative 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
Ratio of total amount of guarantees to net assets of the Company (%)	32.58
Including:	
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 the potential joint liability arising from the immature guarantees	Not applicable
Explanation on guarantees	No

§ 7 FINANCIAL REPORTS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

(All amounts in RMB thousand unless otherwise stated)

		As at	
		30 June 2024	31 December 2023
	Notes	Unaudited RMB'000	Audited RMB'000
ASSETS			
Current assets			
Cash and cash equivalents		2,621,761	2,612,622
Notes receivables		25,586	27,711
Trade receivables	6	3,967,285	3,261,907
Prepayments		19,643	19,809
Other receivables		36,502	20,766
Inventories		42,169	35,685
Non-current assets due within one year		144,851	228,394
Other current assets		30,216	28,760
Total current assets		6,888,013	6,235,654
Non-current assets			
Long-term receivables		4,839,361	4,828,821
Long-term equity investments		188,650	188,650
Other equity instruments investment		2,000	2,000
Investment real estate		6,634	–
Fixed assets		1,299,491	1,286,923
Construction in progress		385,869	421,446
Right-of-use assets		4,284	6,671
Intangible assets		10,833,513	10,894,759
Goodwill		150,051	150,051
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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2024 (Continued)

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

		As at	
		30 June	31 December
		2024	2023
		Unaudited	Audited
	Notes	RMB'000	RMB'000
LIABILITIES			
Current liabilities			
Short-term borrowings		13,793	1,992
Trade payables	7	788,104	668,888
Contract liabilities	7	434,555	411,780
Wages payables		32,254	106,268
Taxes payable	7	78,036	69,113
Other payables	7	1,065,843	1,036,474
Non-current liabilities due within one year		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			
Long-term borrowings		7,601,157	7,257,625
Debentures payable		629,633	629,633
Lease liabilities		3,367	3,176
Long-term payables		115,097	140,960
Deferred revenue		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
EQUITY			
Share capital		1,570,418	1,570,418
Capital surplus		1,115,257	1,114,793
Surplus reserve		786,585	786,585
Undistributed profits		5,811,620	5,650,381
Total equity attributable to equity owners of the parent		9,283,880	9,122,177
Minority interests		1,125,221	1,093,584
Total owners' equity		10,409,101	10,215,761
Total liabilities and shareholder's equity		25,047,157	24,460,654

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR OF 2024

(All amounts in RMB thousand unless otherwise stated)

	Notes	Unaudited Half-year	
		2024 RMB'000	2023 RMB'000
Revenue	2(a)	2,218,166	2,108,966
Less: Cost of sales		1,375,177	1,322,894
Tax expenses and surcharge		22,409	22,648
Selling expenses		5,114	11,184
Administrative expenses		94,702	96,756
Research and development expenses		20,828	11,575
Finance expenses – net		177,272	118,987
Including: interest expenses		195,465	192,106
interest income		15,903	71,112
Add: Other income		44,007	40,447
Less: Credit impairment losses		(1,218)	(1,878)
Operating profit	3	565,453	563,491
Add: Non-operating income		4,858	5,416
Less: Non-operating expenses		127	2,213
Total profit		570,184	566,694
Less: Income tax expense	4	109,506	111,649
Net profit		460,678	455,045
Classified by continuity of operations			
Net profit from continuing operations		460,678	455,045
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Minority interests		38,750	17,199
Attributable to equity owners of the Company		421,928	437,846
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		460,678	455,045
Attributable to equity owners of the Company		421,928	437,846
Attributable to minority shareholders		38,750	17,199
Earnings per share for profit attributable to the owners of the Company (in RMB Yuan):	5		
Basic earnings per share		0.27	0.28
Diluted earnings per share		0.27	0.28

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT 30 JUNE 2024

(All amounts in RMB thousand unless otherwise stated)

1 Basis of preparation of half-year report

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

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2023 and any public announcements made by the Group during the interim reporting period.

2 Revenue and segment information

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

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

	Unaudited Half-year	
	2024	2023
	RMB’000	RMB’000
Revenue from contracts with customers (Note 2(b))	2,218,166	2,108,966
Other income	44,007	40,447
	<u>2,262,173</u>	<u>2,149,413</u>

(b) Operating segment analysis

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

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

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

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

2 Revenue and segment information (Continued)

(b) Operating segment analysis (Continued)

(i) For the half-year ended 30 June 2024 (Unaudited)

	Sewage water processing			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	858,454	143,374	778,149	140,252	56,872	39,590	0	201,475	2,218,166
Cost for operations	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	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	179,158	56,040	111,708	79,882	9,905	10,043	507	13,435	460,678
Net profit									460,678
Depreciation expenses	26,440	0	2,666	7,946	1,117	116	0	20,613	58,898
Amortization	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
Long-term equity investment 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
Non-current assets addition (iii)	773	0	218,310	519	11,764	0	0	679	232,045

2 Revenue and segment information (Continued)

(b) Operating segment analysis (Continued)

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

	Sewage water processing			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	841,483	130,259	601,769	197,208	74,748	59,136	4,330	200,033	2,108,966
Cost for operations	(503,745)	(75,525)	(387,464)	(101,412)	(58,902)	(41,172)	(4,144)	(150,530)	(1,322,894)
Interest income	6,342	1,273	56,389	715	606	1,970	17	3,800	71,112
Interest expenses	(113,569)	(1,064)	(64,871)	(1,397)	(567)	(2,221)	-	(8,417)	(192,106)
Results before share of profits of an associate	207,021	50,620	151,236	102,921	14,480	12,214	583	27,619	566,694
Segment total profit/(loss)	207,021	50,620	151,236	102,921	14,480	12,214	583	27,619	566,694
Income tax expenses	(30,059)	(22,569)	(21,136)	(24,030)	(4,684)	(2,314)	(87)	(6,770)	(111,649)
Segment net profit/(loss)	176,963	28,051	130,100	78,891	9,796	9,900	496	20,848	455,045
Net profit/(loss)									455,045
Depreciation expenses	(1,253)	-	(2,200)	(9,109)	(1,058)	(211)	(443)	(35,239)	(49,513)
Amortization	(86,811)	(29,347)	(113,539)	(2,950)	(12,510)	(9,214)	-	(12,724)	(267,095)
Segment assets	8,438,931	859,131	8,223,027	1,165,109	829,204	661,924	41,536	3,334,167	23,553,029
Long-term equity investment in associate									193,108
Total assets									23,746,137
Total liabilities	7,232,602	97,328	3,856,950	739,833	357,529	137,171	5,683	1,527,855	13,954,951
Non-current assets addition (iii)	(9,122)	(3,788)	429,435	42,422	31,094	-	-	473,693	963,734

(iii) Non-current assets excludes financial assets, long-term equity investments and deferred tax assets.

The Group's revenue from external customers comes from the People's Republic of China.

The Group's non-current assets are located within the People's Republic of China.

For the half-year ended 30 June 2024, the income from processing of sewage water segment of approximately RMB753 million is derived from a single customer, accounting for 34% of the Group's total revenue (for the half-year ended 30 June 2023: approximately RMB806 million, 38%).

3 Operating profit

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

	Unaudited Half-year	
	2024	2023
	RMB'000	RMB'000
Other income	44,007	40,447
Charging:		
Depreciation and amortisation expenses	349,293	316,608
Staff costs	213,769	203,234
Raw materials and consumables used	103,954	101,551
Repair and maintenance expenses	70,641	74,588

4 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2024 (30 June 2023: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Tax charges comprises:

	Unaudited Half-year	
	2024	2023
	RMB'000	RMB'000
Current income tax	104,739	107,720
Deferred income tax	4,767	3,929
	109,506	111,649

5 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the half-year ended 30 June 2024 (30 June 2023: Nil).

6 Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables	4,274,975	3,568,379
Less: loss allowance	<u>(307,690)</u>	<u>(306,472)</u>
	<u>3,967,285</u>	<u>3,261,907</u>

(a) Impaired trade receivables

(i) The aging of trade receivables is analysed below:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
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	<u>54,894</u>	<u>57,378</u>
Total	<u>4,274,975</u>	<u>3,568,379</u>

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

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade payables	<i>(a)</i>	788,104	668,888
Contract liabilities	<i>(b)</i>	434,555	411,780
Other payables	<i>(c)</i>	1,065,843	1,036,474
Income tax and other taxes payables		<u>78,036</u>	<u>69,113</u>
		<u>2,366,538</u>	<u>2,186,255</u>

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

(a) As at 30 June 2024, accounts payable aged over one year were approximately RMB189 million (31 December 2023: RMB200 million), mainly representing payables for source water of RMB114 million from the subsidiary Qujing Capital Water Co., Ltd., of which payment was made in accordance with the requirements of Qujing Water Conservancy and Hydropower Development and Investment Co., Ltd., and payables for project of RMB31 million from the subsidiary Tianjin Water Recycling Co., Ltd. The settlement for the pipeline connection project was still pending as agreed in the contract.

(b) **Contract liabilities**

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
For recycled water and pipeline connection services	362,857	388,655
For toll road fee	47,572	–
For hazardous wastes	14,214	11,362
Others	9,912	11,763
	434,555	411,780

(c) **Other payables comprise:**

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Construction costs payable	676,561	758,637
Payable for purchases of fixed assets and intangible assets	132,546	132,980
Payable for the old Dongjiao sewage plant's demolition assets transfer (a)	67,097	68,300
Dividend payable	127,498	7,024
Others	62,141	69,533
	1,065,843	1,036,474

As at 30 June 2024, other payables of RMB492 million (31 December 2023: RMB468 million) were aged over one year, which mainly represented construction costs payable and guarantee deposits for a sewage treatment project in Honghu, a sewage treatment project in Karamay, a project in Shibing, construction upgrading projects in Jingu, Chibi, and Jieshou, and other construction projects. The balance is yet to be settled as the projects have not been completed.

(a) On behalf of Tianjin Land Consolidation Center, the Company received RMB67 million for the transfer of assets of an old Dongjiao sewage plant, which will be used to pay various expenses for this project.

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

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

§ 9 CORPORATE GOVERNANCE CODE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, currently or at any time of the reporting period, in compliance with the code provisions as set out in Part 2 of Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange.

§ 10 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. The Board approved the renaming of the Audit Committee to the Audit and Risk Control Committee on 2 August 2024, and added responsibilities such as considering and approving, if thought fit, major risk control strategies and risk mitigation plans on top of the existing responsibilities. The Audit and Risk Control Committee comprises non-executive Director, Mr. Wang Yongwei, 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 about the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim 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.

By order of the Board
Tang Fusheng
Chairman

Tianjin, the PRC
23 August 2024

As of the date of this announcement, the Board comprises three executive Directors: Mr. Tang Fusheng, Mr. Pan Guangwen and Ms. Nie Yanhong; three non-executive Directors: Mr. Wang Yongwei, Mr. An Pindong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei.

* *For identification purpose only*