



*Interim Report for the six
months ended 30th June 2020*



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

- I. The board of directors (the “**Board**”), the supervisory committee (the “**Supervisory Committee**”) of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management guarantee that information in this 2020 interim report (the “**Interim Report**”) does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.
- II. The Interim Report of the Company for the six months ended 30 June 2020 has not been audited.
- III. Mr. Liu Yujun, the officer in charge of the Company, Ms. Peng Yilin, the officer in charge of accounting operations, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have warranted the truthfulness, accuracy and completeness of the financial reports contained in this Interim Report.
- IV. The proposal on profit appropriation or transfer of capital reserve fund to share capital for the reporting period as reviewed by the Board
Not applicable
- V. Risk statements for the forward-looking statement
No
- VI. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes?
No
- VII. Did the Company provide external guarantees in violation of any specified decision-making procedures?
No
- VIII. Significant risks warning
No
- IX. Other matters
Unless indicated otherwise, financial figures in this Interim Report are denominated in RMB.

1. Definitions

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

“Group”	the Company and its subsidiaries
“Subsidiaries”	Subsidiaries of the Company
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited
“TMICL”	Tianjin Municipal Investment Company Limited
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Company Limited
“Jiayuanxin”	Tianjin Jiayuanxin Innovative Energy Technology Company Limited
“Huize Company”	Huize Capital Water Co., Ltd.
“Huoqiu Company”	Huoqiu Capital Water Co., Ltd.
“Changsha Tianchuang Water”	Changsha Tianchuang Capital Water Company Limited
“Qudong Company”	Tianjin Qudong Media Co., Ltd.
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.
“Hangzhou Company”	Hangzhou Tianchuang Capital Water Co., Ltd.
“Xi’an Company”	Xi’an Capital Water Co., Ltd.
“Caring Company”	Tianjin Caring Technology Development Company Limited
“Bayannur Company”	Inner Mongolia Bayannur Capital Water Co., Ltd.
“Shandong Company”	Shandong Capital Environmental Protection Technology Development Co., Ltd.
“Huaxin Company”	Yunnan Huaxin Construction Engineering Co., Ltd.
“Kangyuan Power Company”	Tianjin Kangyuan Electricity Engineering Company Limited
“Wanli Real Estate Company”	Shandong Wanli Real Estate Co., Ltd.

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	Liu Yujun

II. CONTACT PERSON AND METHOD

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

III. BASIC INFORMATION

Registered address of the Company	No. 45, Guizhou Road, Heping District, Tianjin, the PRC
Postal code of the registered address of the Company	300051
Office address of the Company	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Postal code of the registered address of the Company	300381
Website of the Company	http://www.tjcep.com
Email address	tjcep@tjcep.com

2. Company Profile and Major Financial Indicators

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

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

V. PROFILE OF THE SHARES OF THE COMPANY

Shares	Stock Exchange for listing shares	Stock short name	Stock code	Stock short name before its change
A Shares	Shanghai Stock Exchange (the “SSE”)	創業環保	600874	渤海化工
H Shares	The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)	Tianjin Capital	01065	Tianjin Bohai

VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(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 current reporting period as compared to the same period last year (%)
Operating income	152,139.0	122,471.6	24.22
Net profit attributable to the shareholders of the Company	25,694.8	21,850.3	17.59
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	22,655.0	19,355.3	17.05
Net cash flow from operating activities	25,509.3	72,970.7	-65.04

	As at the end of the current reporting period	As of the end of last year	Increase/decrease as at the end of the current reporting period as compared to the end of last year (%)
Net assets attributable to the shareholders of the Company	627,826.0	617,402.5	1.69
Total assets	1,832,270.6	1,799,080.7	1.84

(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 current reporting period as compared to the same period last year (%)
Basic earnings per share (RMB/share)	0.18	0.15	20.00
Diluted earnings per share (RMB/share)	0.18	0.15	20.00
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.16	0.14	14.29
Weighted average return on net assets ratio (%)	4.13	3.73	Increased by 0.40 percentage points
Weighted average return on net assets ratio after deduction of extraordinary items (%)	3.64	3.31	Increased by 0.33 percentage points

2. Company Profile and Major Financial Indicators

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
Government grants recognized in current profit and loss, except for those closely relating to business operation of the Company, in compliance with national policy and settled in certain amount which are constantly granted by government	3,802.9
Other non-operating income and expenses (excluding the above items)	-258.5
Effect on minority interests	35.5
Effect on income tax	-540.1
Total	<u>3,039.8</u>

I. EXPLANATION OF PRINCIPAL BUSINESS OF THE COMPANY, ITS BUSINESS MODEL AND THE INDUSTRY SITUATION DURING THE REPORTING PERIOD

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

During the reporting period, the principal businesses of the Company were water utilities business, new energy cooling and heating supply business and hazardous wastes business. There was no material change in the business scope and business model of the Company's principal business as compared with the beginning of the reporting period.

For the water utilities business, the Company focuses on strengthening and improving the operation quality of the existing water utilities business, with no significant change in the business scale as compared with the beginning of the reporting period; as of the end of the reporting period, the total capacity of the equity-type water utilities business of the Company amounted to 5.5216 million m³ per day, among which the sewage treatment capacity, water supply capacity (including tap water and industrial water supply capacity) and recycled water capacity under the PPP model was 4.7866 million m³ per day, 315,000 m³ per day, 420,000 m³ per day, respectively, and the sewage treatment capacity under the entrusted operation model was 574,700 m³ per day.

The service areas of new energy cooling and heating supply business amounted to 2 million m², with no change in the business scale as compared with the beginning of the reporting period.

For hazardous wastes business, as of the end of the reporting period, the gross treatment capacity of the Company's comprehensive disposal center project in Lushan Chemical Industrial Park of Yishui reached 40,000 tonnes/year while the treatment capacity of Tancheng Industrial Wastes Treatment Center reached 28,000 tonnes/year. The comprehensive disposal project in Tancheng has an utilization capacity on aluminum sludge and waste hydrochloric acid of 50,000 tonnes/year and an treatment capacity on waste hydrochloric acid of 23,000 tonnes/year; the hazardous waste transit station project of Dongying Economic and Technological Development Zone has capacity to collect, store and transit hazardous waste for 20,000 tons/year; the capacity of the aforesaid businesses remain unchanged as compared to that in the beginning of the reporting period.

Based on the strategic objectives of integrated environmental service provider, the Company continued to develop new businesses while cementing its basic water utilities business. During the reporting period, the newly-added distributed photovoltaic power generation project had a planned annual electricity generation of 2.9216 million kWh. In August 2020, the Company cooperated with Wanli Real Estate Company, and secured the "comprehensive material ecology disposal center project" located in an agricultural high-tech industry demonstration zone in the Yellow River Delta, which has a total planned storage capacity of 600,000 m³ and the operation model is the same as the hazardous wastes disposal projects in Linyi and Yishui.

3. Company Business Overview

(II) Explanation of Industry Situation

Driven and guided by the national policies, the demand for the efficiency-oriented systematic governance of water environment has been increased, and the unleashing of market demand for the upgrades and expansion of drainage governance and downtown and village sewage governance has been accelerated; the PPP projects have been further standardized and the whole-cycle performance management of projects has been strengthened; more efforts have been reinforced to environmental monitoring, and the quality and efficiency of water utilities projects are required to be improved. The project operation and servicing capability of water utilities companies will secure an important position in the development of the industry and the market competition in the future.

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

II. EXPLANATION OF THE SIGNIFICANT CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the reporting period, there was no material change in Group's core competitiveness, which is still mainly reflected in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, flexible 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.

I. OPERATION DISCUSSION AND ANALYSIS

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

In the first half of 2020, the outbreak of COVID-19 led the whole country into a state of emergency. With a high sense of responsibility and mission, the Company made decisions decisively, deployed scientifically and organized orderly to push forward and implement pandemic prevention and control and economic work at the same time, and withstand downward pressures and develop innovative solutions constantly. The Company achieved good results in the difficult situation according to the operational plans and strategies for 2020 as formulated by the Board by strengthening the operation and the construction strength as the foundation, enhancing the operation management and maximizing efforts in market exploration and innovation on management.

- (1) Intensify emergency management to ensure the operational safety of projects during the pandemic. Confronted with the challenges brought by the pandemic, the Company conquered difficulties and discharged its social responsibilities by ensuring the normal operation of the sewage, water supply, recycled water, new energy cooling and heating supply projects while proactively implementing the pandemic prevention work deployment of the government. Meanwhile, on the scientific research and development front, the Company organized industry experts to systematically analyze the infection source, the transmission pathogenesis and the features and rules of viruses in sewage and put forward the specific views on prevention measures and operation. On the operation emergency management front, the Company formulated the “Guide on Sewage Treatment Work in the Pandemic Prevention and Control” and the relevant proposals, timely adjusted the processing process and ensured the operational safety of projects. The Company proactively acted in line with project agreements. On 31 July 2020, the Company executed the “Supplemental Agreement to the Licensed Corporation of the Four Sewage Water Treatment Plants in Tianjin Central Area (III)”, and determined the new unit price of comprehensive service for sewage treatment to ensure the profitability of its projects.

4. Operation Discussion and Analysis

- (2) Strengthen the basic water utilities business and accelerate to expand the new strategic businesses. During the reporting period, water utilities business of the Company mainly focused on the upgrade and renovation of existing projects, including the upgrade and renovation of recycled water discharged by the two plants in Beishiqiao and Dengjia Village; in respect of the new business development, the Company secured the distributed photovoltaic power generation projects and currently has completed the signing of energy management contracts for users of Jingu Recycled Water Factory and Dalian Chunliu River Sewage Factory. The Tancheng Industrial Wastes Treatment Center Projects obtained the hazardous waste operation permit in April 2020 and entered into the full production and operation stage at the end of July 2020, whereby greatly promoting the ecological environment governance, economic transformation and upgrading and high quality development in Linyi and other urban areas within the province. Leveraging upon its second generation deodorization technology, Caring Company won the bids for the whole-process deodorization projects for Yutian County sewage factory and the Yutian Industry Park Sewage Factory, Xinjiang and the Xinxi Sewage Factory Phase II in Shantou, Guangdong Province; in early August 2020, the Company cooperated with Wanli Real Estate Company and secured the “comprehensive material ecology disposal center project” located in an agricultural high-tech industry demonstration zone in the Yellow River Delta, which further enhanced the market competitiveness of the Company in hazardous wastes businesses area.
- (3) Deepen market-oriented reform and consolidate the management innovation achievements. During the reporting period, following the completion of the construction of the professional manager management system, the Company started to carry out the market-oriented appointment and remuneration and assessment work on middle level management from the group level, innovated on diversified motivation methods and further deepened the market-oriented reform of the Company. Meanwhile, under the fresh “super-ministry” organizational framework, the Company further optimized the authorization system and the workflow, improved the construction of the internal control system and consolidated the management innovation achievements.
- (4) On 13 July 2020, the Board of the Company has approved the proposed issuance of 323,741,007 new A shares (inclusive) to three specific target investors (i.e. TMICL, Yangtze Ecological Environmental Protection Group Co., Ltd. and Three Gorges Capital Holdings Co., Ltd.) at the issue price of RMB5.56 per share with proposed proceeds of not more than RMB1.8 billion (inclusive) which are fully intended for repayment of interest-bearing liabilities and replenishment of working capital of the Company after deducting the issuance costs (the “**Non-public Issuance of A Shares**”). The Non-public Issuance of A Shares will be conducted by way of non-public issuance to target subscribers, and the Shares will be issued as and when appropriate within the validity period of the approval in respect of the Non-public Issuance of A Shares to be issued by the CSRC. As of the disclosure date of this Interim Report, the proposal of the Non-public Issuance of A Shares (the “**Issuance Proposal**”) was approved by the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People’s Government on 28 August 2020, and was considered and approved at the 2020 First Extraordinary General Meeting, 2020 First H Shareholders’ Class Meeting and 2020 First A Shareholders’ Class Meeting which were held on 7 September 2020. The Issuance Proposal is subject to the approval of CSRC. During the reporting period, there was no issuance for cash of equity securities by the Company.

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

In the first half of 2020, the Group recorded an operating revenue of RMB1,521.390 million, representing an increase of 24.22% as compared with last year. The operating costs were RMB1,043.229 million, representing an increase of 27.59% as compared with last year. Net profit attributable to the Company was RMB256.948 million, representing an increase of 17.59% as compared to that in the same period last year. The changes in the above results were mainly due to the increased volume of the sewage treatment business and the upward adjustment to the unit price of comprehensive service for sewage treatment of the four sewage treatment plants in Tianjin area.

(1) Analysis of the principal businesses

During the reporting period, the Group's principal business segments did not change significantly compared with the previous year and was still engaged in the sewage treatment and construction of sewage treatment plants business, recycled water business, tap water supply, new energy heating and cooling supply business, toll collection business, transformation of achievements in technology research and hazardous wastes business. It recorded income from principal business of RMB1,417.026 million, accounting for 93.14% of operating income of the Group.

- ① Sewage treatment business recorded an income of RMB1,093.275 million, representing an increase of 25.48% as compared to the same period last year, which was mainly attributable to the increased volume of sewage water treatment and the upward adjustment to the unit price for the comprehensive sewage treatment service of the four sewage treatment plants in Tianjin area. During the reporting period, the Group processed a total of 704.85 million m³ of sewage water, representing an increase of 8.2% as compared to the same period last year. On the one hand, the volume of sewage treated by existing projects has increased; on the other hand, certain newly-developed sewage treatment projects were put into operation.
- ② Recycled water business recorded an income of RMB136.733 million, representing a decrease of 0.25% as compared to the same period last year, which was mainly attributable to the decrease in the pipe connection business as compared to the same period last year. However, as the water consumption volume of users increased, the sales volume of recycled water increased as compared to the same period last year. During the reporting period, the sales volume of recycled water was 31.8357 million m³, representing an increase of 11.1% as compared to the same period last year.

4. Operation Discussion and Analysis

- ③ Tap water supply business recorded an income of RMB46.924 million, representing a decrease of 5.59% as compared to the same period last year, which was mainly attributable to the decreased water consumption volume by users due to the impact of the pandemic. The water sales volume was 25.687 million m³, representing a decrease of 3.9% as compared to the same period last year.
- ④ New energy heating and cooling supply business recorded an income of RMB46.057 million, representing an increase of 13.95% as compared to the same period last year, which was mainly attributable to the newly-increased area of the heating and cooling supply of the Heiniucheng Road project.
- ⑤ Transformation of achievements in technology research into business recorded an income of RMB13.571 million, representing a decrease of 26.62% as compared to the same period last year, which was mainly attributable to the decreased work quantity of the deodorization business.
- ⑥ Toll collection business recorded an income of RMB31.302 million, which remained more or less the same as the same period last year.
- ⑦ The hazardous wastes business started generating income from the second half of 2019 and recorded an total income of RMB33.029 million during the reporting period.

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

3. Other business

The Group's other business mainly includes the sewage treatment entrusted operation business under the technical service model, as well as the technical and engineering consulting business. During the reporting period, it realized an income of RMB104.364 million, representing an increase of 36.83% as compared to that in the same period last year. The increase was mainly due to the new technical service projects.

(I) Analysis of principal businesses

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

Unit: 0' 000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	152,139.0	122,471.6	24.22
Costs of operations	104,322.9	81,763.0	27.59
Distribution costs	792.2	198.7	298.69
Administrative expenses	7,025.3	6,803.2	3.26
Financial costs – net	11,298.7	9,312.3	21.33
Impairment losses on financial assets	0.0	98.0	-100.00
Other (losses)/gain – net	-2,585.0	1,370.0	-288.69
Income tax expense	59,172.0	56,154.0	5.37
Net cash flows from operating activities	25,509.3	72,970.7	-65.04
Net cash flows from investing activities	-75,781.5	-127,960.6	-40.78
Net cash flows from financing activities	22,824.5	76,564.9	-70.19

Explanation of changes in income from operations: It was mainly due to the increase in sewage treatment volume of existing projects and certain new sewage treatment projects, as well as the implementation of the new treatment price of the sewage treatment plants in Tianjin area, thus the income from sewage treatment increased.

Explanation of changes in operating costs: It was mainly due to the higher effluent quality standards of sewage treatment projects, the increased treatment volume and the increased operating expenses including chemical cost resulting in increased costs of the sewage treatment business accordingly.

Explanation of changes in distribution costs: It was mainly due to the increased distribution expenses incurred as a result of the commencement of operation of the hazardous waste project of the Company.

Explanation of changes in administrative expenses: It was mainly due to higher staff expenses than that in the same period last year after the official commencement of operation of new projects.

Explanation of changes in financial costs: It was mainly due to the conversion of the corresponding financial expenses from capitals to expenses after commencement of operation of new projects.

Explanation of changes in impairment losses on financial assets: It was mainly because the collected accounts receivable for which provision for impairment losses were made in the same period last year was higher than that in the current period.

Explanation of changes in the (losses)/gains – net: It was mainly because the one-time government subsidy received in the current period was lower than that in the same period last year.

4. Operation Discussion and Analysis

Explanation of changes in income tax expense: It was mainly due to the increase in profit.

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

Explanation of changes in net cash flows from investing activities: It was mainly due to the decrease in investment expenses of various construction projects of the Company as compared to the same period last year.

Explanation of changes in net cash flows from financing activities: It was mainly because the debt financing repaid for the current year was higher than that in the same period last year.

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

Not applicable

(III) Analysis of assets and liabilities

Unit: 0'000 Currency: RMB

Items	Amount as of the end of the current period	Percentage of the amount as of the end of the current period to the total assets (%)	Amount as of the end of the same period last year	Percentage of the amount as of the end of the same period last year to the total assets (%)	Percentage change in amount as of the end of the current period as compared to the end of same period last year (%)	Explanation
Notes receivable (Note 1)	908.7	0.05	1,613.1	0.09	-43.67	Mainly due to the receipt of the matured bank drafts in the current period
Other receivables	3,389.9	0.19	6,515.6	0.36	-47.97	Mainly due to the collection of deposit on bids and the increase in the refund-upon-collection tax receivable during this period
Other current assets	11,705.1	0.64	8,972.8	0.50	30.45	Mainly due to increase in value-added tax to be credited
Wages payables	2,379.7	0.13	6,610.0	0.37	-64.00	Mainly due to the payment of year-end bonus provided for 2019 during the period
Borrowings – short term	52,511.3	2.87	105,986.9	5.89	-50.45	Mainly due to the repayment of borrowings due within one year
Borrowings – long term	595,911.5	32.52	506,679.7	28.16	17.61	Mainly due to the newly-added long-term borrowings of the Company

Note 1: Notes receivable is included in trade receivables.

(IV) Analysis of investment

During the reporting period, the total amount of equity investment of the Company amounted to RMB216.1579 million, representing a decrease of RMB261.5854 million as compared to the same period last year, which was mainly because there were fewer new projects secured by the Company in the first half of the year compared to that in the same period last year.

(1) Major equity investments

- ① The joint venture established by the Company and Huaxin Company won the bid for the governmental and social cooperation PPP project of the construction of the urban sewage treatment facilities for towns in Huize County. The total amount of investment in the project was RMB141.2312 million, including the value of assets of existing projects and the investment amount of newly-constructed incremental projects. After winning the bid, both parties to the joint venture and the investing representative of the government jointly invested to establish Huize Company for the purpose of investment and financing, construction and operation and maintenance work, with a registered capital of RMB41.2368 million, of which RMB32.6595 million was contributed by the Company, representing 79.20% of the total investment, RMB329,900 was contributed by Huaxin Company, representing 0.80% of the total investment, and RMB8.2474 million was contributed by the government on behalf of the Huize sewage treatment plant, representing 20% of the total investment. During the reporting period, Huize Company was established and the capital injection was completed.
- ② The Company won the bid for phase I of the PPP project of the second sewage treatment plant in the north of Huoqiu County with a total investment amount of RMB206.4152 million. After winning the bid, the Company and the investing representative of the government registered and established Huoqiu Company for the purpose of investment and financing, construction and operation and maintenance for the PPP project. The principal amount of the registered capital of Huoqiu Company was RMB41.2830 million, of which RMB37.1547 million was contributed by the Company in cash, representing 90% of the total investment, and RMB4.1283 million was contributed by the government on behalf of Huoqiu County Urban Construction Investment Co., Ltd.* (霍邱縣城鎮建設投資有限公司) in cash, representing 10% of the total investment. During the reporting period, Huoqiu Company was established and the capital injection was completed.

4. Operation Discussion and Analysis

- ③ The PPP project of the Sewage Treatment Plant and Recycled Water Reuse Engineering of Changsha Tianchuang Water, a subsidiary of the Company, within Ningxiang Economy and Technology Development Zone underwent a transformation of and adjustment to its inflow pipeline networks, tail water lifting pump stations and other works during the process of construction, with additional investments of RMB10.5232 million. In accordance with the requirements of the “Licensed Operation Agreement”, the principal amount of the project shall be 20% of the additional investment, or RMB2.1046 million, which was contributed proportionally by four shareholders of Changsha Tianchuang Water, of which RMB1.6837 million was contributed by the Company, representing 80% of the total investment, RMB63,100 was contributed by Tianjin Motianmo Technology Co., Ltd.* (天津膜天膜科技股份有限公司), representing 3% of the total investment, RMB147,300 was contributed by Tianjin Second Municipal Road Engineering Co., Ltd.* (天津第二市政公路工程有限公司), representing 7% of the total investment; and RMB210,500 was contributed by Changsha Shuntai Investment Management Co., Ltd.* (长沙顺泰投资管理有限公司), representing 10% of the total investment. Upon completion of the capital increase, the registered capital of Changsha Tianchuang Water increased from RMB19.1476 million to RMB21.2522 million, and it remains to be the controlling subsidiary of the Company. During the reporting period, the capital increase of Changsha Tianchuang Water was not yet completed.
- ④ Jiayuanxin, a subsidiary of Jiayuanxing, a wholly-owned subsidiary of the Company, implemented the distributed photovoltaic power generation project with a total investment amount of RMB13.2856 million, of which the capital of RMB4.15 million was contributed proportionally by both shareholders of Jiayuanxin according to their respective shareholding with Jiayuanxing contributing RMB2.49 million, representing 60% of the capital invested and Kangyuan Power Company* (康源電力公司) contributing RMB1.66 million, representing 40% of the capital invested. Upon the capital increase, the registered capital of Jiayuanxin was increased from RMB5 million to RMB9.15 million and it remains to be the controlling subsidiary of Jiayuanxing. During the reporting period, such capital increase was not yet completed.
- ⑤ Xi'an Company, a wholly-owned subsidiary of the Company, implemented the upgrade and renovation of recycled water discharged by the two plants in Beishiqiao and Dengjia Village with a total amount of investment of RMB473.90 million. The principal amount of the investment in the project is RMB142.17 million, accounted for 30% of the total investment, which was injected by the Company to Xi'an Company. Upon completion of the capital increase, the registered capital of Xi'an Company was increased from RMB334 million to RMB476.17 million. During the reporting period, such capital increase was not yet completed.

(2) Significant non-equity investment

Not applicable

(V) Disposal of major assets and equity interest

Not applicable

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

Unit: 0'000 Currency: RMB

Subsidiaries	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Percentage of interest	Asset Size	Net Assets	Net Profits
Water Recycling Company	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; manufacturing, installation, debugging and operation of water recycling facilities etc.	10,000	Limited company	100%	123,163.5	33,912.3	3,963.5
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance of sewage treatment and recycled water usage facilities and other technical services, and supporting services such as its technical training.	37,744.50	Limited company	70%	92,548.8	71,359.9	4,037.6
Xi'an Company	Xi'an, Shaanxi	Development, construction, operation and management of municipal sewage treatment plants and tap water and its supporting facilities; R&D and promotion of environment protection technology	33,400	Limited company	100%	60,502.7	46,199.1	2,108.8
Jiayuanxing	Tianjin	Development, consulting, service and transfer of energy conservation and new energy technology; property management services; heating supply service; cooling supply service.	19,195.052	Limited company	100%	68,371.4	34,161.7	885.8
Caring Company	Tianjin	Environmental engineering management and technical advice, etc.	3,333.3333	Stock Limited Company	60%	14,623.2	11,935.9	723.6
Bayannur Company	Bayannur, Inner Mongolia	Processing of sewage water, production and sales of recycled water and supply of tap water	106,757.79	Limited company	70%	115,552.7	112,639.8	173.9
Shandong Company	Shandong	Disposal of solid wastes, industrial wastes, hazardous wastes, sludge, kitchen wastes, etc.	19,200	Limited company	55%	55,269.7	19,138.2	751.2

Note 1: Water Recycling Company recorded revenue from principal operations of RMB131.347 million and operating profit of RMB40.861 million.

Note 2: Hangzhou Company recorded revenue from principal operations of RMB119.374 million and operating profit of RMB43.016 million.

Note 3: Xi'an Company recorded revenue from principal operations of RMB79.521 million and operating profit of RMB39.711 million.

Note 4: Shandong Company recorded revenue from principal operations of RMB33.029 million and operating profit of RMB17.984 million.

4. Operation Discussion and Analysis

II. OTHER DISCLOSURE

- (I) Warning and explanation for possible cumulative net loss expected to be recorded for the period from the beginning of the year to the end of the next reporting period or material changes of cumulative net profit as compared to the corresponding period of the previous year

Not applicable

- (II) Possible risks

- (1) *Risk from the novel coronavirus pneumonia (COVID-19) epidemic*

The COVID-19 epidemic may cause certain impact and influence to the economy in the short term. For existing businesses, enterprises also need to be well prepared for the epidemic prevention and control in addition to ensuring safety and quality, which will increase working difficulties and costs and expenses to some extent. The business expansion will also be affected by the epidemic prevention and control in the whole society, which may bring uncertainties to the market. However, with the resumption of production in various regions nationwide and the recovery of the economy in the second quarter, it can be expected that the relevant risks brought by the epidemic will be alleviated.

- (2) *Risk of government credit*

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

(3) Risk of change in policy

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

(4) Risk of operation and management

With the introduction of a series of energy-saving and emission reduction requirements under the national “13th Five-Year Plan”, the standards for environmental governance will become more stringent. In order to meet the new standards, the demands for upgrading sewage treatment plants will gradually increase. During the forthcoming “14th Five-Year Plan” period, the environmental protection standards may be further enhanced. Under this circumstance, on one hand, sewage treatment plants will face restructuring and operational risk. On the other hand, enterprises will also face the risk of adjusting the original licensed operation agreement.

2. Risk control measures

(1) Continue to focus on both the “epidemic prevention and control” and the “economic work” and fully address the risks brought by epidemic

Confronted with the COVID-19 epidemic, enterprises must be well prepared for the epidemic prevention and control, effectively protect the physical health of the staff, accomplish all the work and try all means to ensure the orderly carrying out of the business operation plans as scheduled while performing their social responsibilities.

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

Strengthening the concept of corporate governance in accordance with the laws by making full use of its overall legal advisory system and protecting lawful interests of the Company. Meanwhile, the Company calls for and supports the further assurance of equality of the contracting parties under the licensed operation and PPP projects, tighten up the performance assessment and profit distribution mechanisms, and provide for the government obligations to pay according to contracts and the rights for investors to get reasonable returns under the laws, so as to reduce the risk related to government credibility and the financial risk of the investors.

4. Operation Discussion and Analysis

(3) Strengthen comprehensive risk management

Determine the target for comprehensive risk management; establish the institutional framework for comprehensive risk management to identify, analyse, assess and deal with possible hidden risks in different business links; improve the risk management system and establish a sound and comprehensive risk management system for the Company; improve its timing and efficiency of the comprehensive risk management of the Company; conduct the dynamic management and effective control over risks so as to reasonably ensure the achievement of the Company's strategic targets.

(4) Continue to raise the standards of operating management

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

(III) Other disclosure

The Company convened the 32nd meeting of the eighth session of the Board on 13 July 2020 to consider and approve the relevant resolutions regarding the Non-public Issuance of A Shares. The Issuance Proposal was approved by State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People's Government on 28 August 2020, and was considered and approved at the 2020 First Extraordinary General Meeting, 2020 First H Shareholders' Class Meeting and 2020 First A Shareholders' Class Meeting held on 7 September 2020. The Issuance Proposal is subject to the approval of CSRC. Details about the Non-public Issuance of A Shares were disclosed in the announcement published by the Company on the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the Hong Kong Stock Exchange at <http://www.hkex.com.hk> on 14 July 2020, and the circular published by the Company on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> on 21 August 2020.

I. SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Date of meeting	Date of disclosure of the resolutions
2019 Annual General Meeting	13 May 2020	13 May 2020

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

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

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

III. PERFORMANCE OF COMMITMENT

Commitment of the Company's ultimate controller, shareholders, related parties, purchasers and the Company during or subsisted in the reporting period

Not applicable

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Not applicable

V. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not applicable

VI. MATTERS RELATING TO MATERIAL LITIGATION AND ARBITRATION

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

Not applicable

5. Major Events

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

Unit: Yuan Currency: RMB

During the reporting period:

Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particulars of litigation (or arbitration)	Amount involved in litigation (or arbitration)	Whether litigation (or arbitration) forms predicated liability and its amount	Progress of litigation (or arbitration)	Ruling results of litigation (or arbitration) and its effect	Enforcement of award of litigation (or arbitration)
Jiayuanxing	Qudong Company	None	Litigation	Note 1	12,030,003	None	Execution	Note 2	Termination of execution (note 2)

Note 1: From 2012 to 2016, Jiayuanxing and Qudong Company signed the “Tianjin Non-residential Buildings Cold Supply Contract (《天津市非居民住宅供用冷合同》)” and “Tianjin Non-residential Buildings Heat Supply Contract (《天津市非居民住宅供用热合同》)”, in which it is stipulated that Jiayuanxing would provide cold and heat supply services to the Tianjin Cultural Center Grand Theatre (天津文化中心大剧院), which was operated and managed by Qudong Company. Qudong Company did not pay cold and heat supply energy fees to Jiayuanxing on time and in full according to the contract. In order to safeguard the legal rights and interests of Jiayuanxing, on 3 November 2017, Jiayuanxing filed a civil lawsuit in the People’s Court of Hexi District, Tianjin (“Hexi Court”). On 3 April 2018, the Hexi Court made a first-instance judgment, ruling that Qudong Company paid Jiayuanxing cold and heat supply energy fees of RMB12,030,003 from 2012 to 2016 within ten days from the effective date of the first-instance judgment; case acceptance fees and preservation fees totaling RMB98,980 were borne by Qudong Company. Both parties refused to accept the first-instance judgment and appealed to the Tianjin Second Intermediate People’s Court. On 25 September 2018, the Tianjin Second Intermediate People’s Court made the final judgment, ruling to reject the appeal applications of both parties and maintain the original judgment.

Note 2: On 22 October 2018, Jiayuanxing applied to the Hexi Court for enforcement. On 19 December 2018, under the direction of the Hexi Court, both parties reached a settlement agreement in implementation. Qudong Company shall pay in advance RMB3.16 million and the remaining amounts shall be repaid by four installments by 31 December 2020. If Qudong Company fails to perform in one installment, the implementation based on the original legal documents will be resumed. On 11 January 2019, RMB3.1635 million repaid by Qudong Company in advance had been in the account. On 21 January 2019, Jiayuanxing received an execution ruling from the Hexi Court. Upon execution, both parties reached a settlement agreement. As the agreement has not been completed for fulfillment, the court made a ruling to end the implementation of the civil judgment of the Hexi Court (2017) Jin 0103 Minchu No. 12411. Prior to 31 December 2019, Qudong Company had paid off the first and second payment, in total of RMB7.4013 million, in accordance with the content of the settlement agreement. Qudong Company had intended to complete the third payment before 30 June 2020. However, due to the pandemic, Qudong Company had no performance activities and no operating income in the first half of 2020. Qudong Company applied to Jiayuanxing for postponing the payment of the balance. The two parties are currently negotiating on this matter.

VII. PUNISHMENTS TO AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ULTIMATE CONTROLLER AND PURCHASERS

Not applicable

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

Not applicable

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

Not applicable

5. Major Events

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected Transactions in the Ordinary Course of Business

Not applicable

1. *Connected Transactions which have been disclosed in the Company's announcements, but without subsequent progress or changes to their implementation*

Not applicable

2. *Connected Transactions which have been disclosed in the Company's announcements, with subsequent progress or changes to their implementation*

Not applicable

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

Not applicable

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

Not applicable

(IV) Creditor's Rights and Debts with Connected Parties

Not applicable

XI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1 Custody, Contracting and Leasing

Not applicable

2 Guarantees

Unit: 0'000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to subsidiaries)	0
Guarantees provided to subsidiaries by the Company	
Total amount of guarantees provided to subsidiaries during the reporting period	9,019.56
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	393,835.89
Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)	
Total amount of guarantees (A+B)	393,835.89
Percentage of the total amount of guarantees to the net assets of the Company (%)	62.73
Including:	
Amount of guarantees provided to shareholders, ultimate controller and their connected parties (C)	0
Amount of debt guarantees provided directly or indirectly to guaranteed entities with a gearing ratio of over 70% (D)	64,462.12
The amount of total guarantees in excess of 50% of net assets (E)	79,922.89
Total of the above three classes of guarantees (C+D+E)	144,385.01

XII. POVERTY ALLEVIATION WORK OF THE COMPANY

1. Targeted Poverty Alleviation Plan

- (1) In accordance with the overall arrangement of Tianjin's targeted poverty alleviation work, the total investment capital demand for the assistance projects for Nancaicun Town government and the projects of the maintenance of the main road and the dredging and renovation of ditches and ponds in Xixiaoliang Village of Nancaicun Town is RMB4.1671 million, which has been paid as scheduled by the Company at the end of reporting period. The assistance funds are subject to special account management and the "fixed sum for fixed purpose" policy, and are to be used in accordance with the principle of "special account accounting and special usage only". Special income and expenditure account will be established individually, and the funds for each village will be accounted separately. The resident assistance team sent out by Tianjin Investment Group will be responsible for supervising and verifying the usage of assistance funds.
- (2) In accordance with "Implementation Plan for 2020 on Promoting Quality Collaboration in Poverty Alleviation and Support Between the Eastern and Western Regions for Accomplishing Poverty Elimination Tasks On Schedule of Tianjin", the Company donated RMB500,000 to public benefit organizations to support the construction of the assistance regions in Xiqing District of Tianjin and won the appreciation of Red Cross Society of Xiqing District and Special Group for Social Mobilization.
- (3) In response to the poverty alleviation requirements of the Xianning Government, Wuhan Xianning Branch will target poverty alleviation in Lushui Village, Gaotieling Town, Jiayu County, Xianning City in June 2020. It plans to donate RMB100,000 for road paving, ground leveling, and compensation for young crops so as to support the tourism industry in Lushui Village.
- (4) To help fishermen get rid of poverty as soon as possible, more than 1,000 households of more than 2,800 Dahu fishermen in Honghu City moved ashore in different places. The fishermen encounter many difficulties in perspectives such as life, medical care, employment, and children's education. Honghu Government advocates donations and assistance from all sectors of the society. Honghu Company responded actively and planned to donate RMB100,000 to the Honghu Charity Federation for the purpose of subsequent assistance to fishermen.

2. Summary of Targeted Poverty Alleviation During the Reporting Period

Not applicable

3. Achievements in Targeted Poverty Alleviation

Not applicable

4. **Milestones in the progress of fulfilling the social responsibility of targeted poverty alleviation**

Please refer to the above targeted poverty alleviation plan.

5. **Subsequent Targeted Poverty Alleviation Plan**

Please refer to the above targeted poverty alleviation plan.

XIII. CONVERTIBLE BONDS

Not applicable

XIV. EXPLANATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY AND ITS IMPORTANT SUBSIDIARIES CLASSIFIED AS KEY POLLUTANT DISCHARGING ENTITIES AS PUBLISHED BY ENVIRONMENTAL PROTECTION AUTHORITIES

The Company is mainly engaged in the sewage treatment business, which involves collecting and treating 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 discharging 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 amounts of pollutants, mainly comprising chemical oxygen demand (COD), biochemical oxygen demand (BOD), suspended solids (SS), total nitrogen, ammonia nitrogen and total phosphorus, etc. Accordingly, given the fact that most of sewage treatment projects have a designed capacity of 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 41 sewage treatment projects, each of which has 1 or 2 discharge outfalls determined after examination and demonstration by competent authorities and experts in the industry. As per this agreement, currently the effluent water quality required is class A specified in the Pollutant Discharge Standards for Urban Wastewater Treatment Plants (DB12/599-2015) of Tianjin and First Grade A, First Grade B under the Pollutant Discharge Standards for Urban Wastewater Treatment Plants (GB18918-2002). 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 indexes requiring basic control.

5. Major Events

No.	Pollutant index requiring basic control	National standard – first grade class A	National standard – first grade class B	Tianjin local standard – class A	
1	COD	50	60	30	
2	BOD	10	20	6	
3	SS	10	20	5	
4	Animal & plant oil	1	3	1	
5	Petroleum	1	3	0.5	
6	Anion surfactant	0.5	1	0.3	
7	Total nitrogen (N)	15	20	10	
8	Ammonia nitrogen (N)	5(8)	8(15)	1.5(3)	
9	Total phosphorus (P)	Constructed before 31 December 2005	1	1.5	0.3
		Constructed after 1 January 2006	0.5	1	0.3
10	Chroma (dilution multiple)	30	30	15	
11	PH	6-9			
12	Number of fecal coliforms/L	1000	10000	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, BOD, SS, total nitrogen, ammonia nitrogen and total phosphorus discharged by the Company during the reporting period were approximately 12,900 tonnes, 3,000 tonnes, 2,700 tonnes, 5,900 tonnes, 500 tonnes and 100 tonnes, respectively. In aggregate, environmental pollutants, namely, the COD, BOD, SS, total nitrogen, ammonia nitrogen and total phosphorus, were eliminated by approximately 211,800 tonnes, 93,700 tonnes, 140,600 tonnes, 24,900 tonnes, 22,500 tonnes and 3,200 tonnes, respectively, representing a significant contribution to water environmental governance.

1. 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 and odor, noise and solid emission meeting the requirements. The projects' operation was also in normal condition. The construction of the sewage treatment facilities followed the relevant construction procedures and quality standards and proceeded normally.

2. Environmental Impact Assessment of Construction Projects and Other Administrative Permissions for Environmental Protection

The environmental assessment of the Company's construction projects was carried out normally in accordance with the construction schedule, and there was no major obstacle.

3. Emergency Plans for Sudden Environmental Incidents

During the reporting period, all key pollutant discharge entities of the Company's sewage treatment business prepared the "Environmental Emergency Response Plan for Sewage Treatment Plants" with reference to the "Interim Measures for the Administration of Environmental Emergency Response Plan", and the plan was approved by and filed with the local environmental protection bureau.

4. Environmental Self-monitoring Program

During the reporting period, all key pollutant discharge entities of the Company's sewage treatment business carried out environmental self-monitoring in accordance with the relevant requirements of the government. At the beginning of each year, each entity prepares the "Environmental Self-monitoring Program" for the year based on the actual situation. The monitoring program mainly specifies the monitoring items, monitoring points, monitoring methods, monitoring frequency and analysis methods, etc. The monitoring results are publicized on the local environmental information monitoring platform. Each entity will also file the self-monitoring program and adjustments and changes with the local environmental protection bureau in a timely manner.

5. Other Environmental Information that Should be Disclosed

Not applicable

(1) Description of Environmental Information of Companies other than those Classified as Key Pollutant Discharge Entities

Not applicable

(2) Explanation of Reasons for Non-disclosure of Environmental Information of Companies other than those Classified as Key Pollutant Discharge Entities

Not applicable

(3) Description of Follow-up Progress or Changes in the Disclosure of Environmental Information during the reporting period

In 2018, the Xiqing District Environmental Protection Bureau, Dongli District Environmental Protection Bureau and Beichen District Environmental Protection Bureau imposed penalty as Xiangyang Road sewage treatment plant, Dongjiao sewage treatment plant and Beicang sewage treatment plant did not meet the class A standard (see annual report 2019 of the Company). During the reporting period, the aforesaid matters are still under the process of active coordination.

5. Major Events

XV. DETAILS OF OTHER MAJOR EVENTS

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

Not applicable

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

Not applicable

- (III) Other events

The following events are disclosed and explained in accordance with the relevant rules of the Stock Exchange:

1. *Corporate Governance Code*

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

2. *Audit committee*

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company’s financial reporting procedure and internal controls. The Audit Committee of the current session comprises the independent non-executive Directors, Mr. Guo Yongqing, Mr. Di Xiaofeng and Mr. Wang Xiangfei. The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group’s unaudited interim accounts for the six months ended 30 June 2020.

3. *Liquidity and financial resources*

No seasonal changes have occurred to the borrowing needs of the Group. As of 30 June 2020, 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 2020.

According to the accounting reports prepared in accordance with the PRC’s Accounting Standards for Business Enterprises, the liquidity ratio as of 30 June 2020 was 60.30%.

4. *Foreign Exchange Risk*

The operations and customers of the Group's Subsidiaries are located in the PRC. Most of the operating assets and transactions are settled in RMB, and all of the Group's borrowings are denominated in RMB. Therefore, the Group is not exposed to significant foreign exchange risk. The sole foreign exchange exposure of the Group arises from long-term payables. Such long-term payables were resulted from the Asset Transfer Agreement signed between the Company and TSC for the purchase of assets generated from foreign bank loans, involving mainly US dollars (USD) and Japanese Yen (Yen).

As at 30 June 2020, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of RMB3 million (30 June 2019: RMB3 million) in the net profit of the Group. As at 30 June 2020, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase or decrease of RMB9 million (30 June 2019: RMB8 million) in the net profit of the Group.

The interest rate risk of the Group mainly came from interest-bearing debts such as borrowings, long-term payables and debentures. The Group has borrowings, long-term payables and debentures. Borrowings and long-term payables at floating rates expose the Group to interest rate risk on cash flows, while borrowings, long-term payables and debentures at fixed rates expose the Group to interest rate risk associated with fair value. As at 30 June 2020, if the loan interest rate increases/decreases by 1%, with other factors being constant, the net profit of the Group for the period will decrease/increase by RMB38 million (30 June 2019: RMB23 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 2020, the Group had 2,010 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB129.42 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 economic benefits to the Company. The remuneration of the Company's employees under the monthly salary system is pegged with his/her post rank, length of service, education background and skills as well as the economic benefits to the Company.

6. *Contingent Liabilities*

The Group did not have any significant contingent liabilities as at 30 June 2020.

5. Major Events

7. *Rights of Debt*

As at 30 June 2020, pursuant to the “Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants of the Company including Jizhuangzi” entered into between the Group, Tianjin Water Authority Bureau and TCCC which started to perform from 1 January 2014, the total receivables of the Group from Tianjin Water Authority Bureau amounted to RMB2,023 million, representing approximately 25.44% of the total market capital of the Group as at 30 June 2020.

8. *Charge on Assets*

During the reporting period, the Group did not create any charges on assets.

9. *Acquisition and Disposal of Subsidiaries*

During the reporting period, the Group did not acquire or dispose of any of its Subsidiaries.

10. *Details of Preferred Shares*

The Company had no preferred shares during the reporting period.

11. *Repurchase, Sale or Redemption of the Company's Listed Securities*

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

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

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

6. Details of Changes in Ordinary Shares and Shareholders

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

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

II. DETAILS OF SHAREHOLDERS

(i) Total number of shareholders:

Total number of ordinary shareholders as at the end of the reporting period 73,605

Note: As at 30 June 2020, the total number of shareholders of the Company is 73,605, among which 65 shareholders are shareholders 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

Name of shareholder (Full Name)	Increase/decrease during the reporting period (shares)	Shareholdings of the top ten shareholders		Number of restricted shares held (shares)		Nature of the shareholder
		Number of shares held as at the end of the period (shares)	Percentage (%)	Pledged or frozen		
TMICL	0	715,565,186	50.14	0	None	State-owned legal person
HKSCC Nominees Limited	78,000	337,952,810	23.68	0	Unknown	Other
Central Huijin Asset Management Co., Ltd.	0	14,169,800	0.99	0	None	State-owned legal person
Hong Kong Securities Clearing Company Limited	1,983,428	6,894,016	0.48	0	None	Other
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	0	3,400,500	0.24	0	None	Domestic non-state-owned legal person
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	-1,693,300	2,859,652	0.20	0	None	Other
Ye Ruiqing (葉銳清)	692,000	2,731,700	0.19	0	None	Domestic natural person
Bank of China Limited – Guangfa China Securities Environmental Protection Industry Index Open-ended Fund (廣發中證環保產業交易型開放式指數證券投資基金)	-363,473	2,467,844	0.17	0	None	Other
Shanghai Pudong Development Bank Co., Ltd. – IGW CSI500 Sector Neutral Low Volatility Index Fund (景順長城中證500行業中性低波動指數型證券投資基金)	1,606,481	1,606,481	0.11	0	None	Other
Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司)	0	1,500,000	0.11	0	None	State-owned legal person

6. Details of Changes in Ordinary Shares and Shareholders

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholder	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
TMICL	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,952,810	H Shares	337,952,810
Central Huijin Asset Management Co., Ltd.	14,169,800	Ordinary RMB Shares	14,169,800
Hong Kong Securities Clearing Company Limited	6,894,016	Ordinary RMB Shares	6,894,016
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	3,400,500	Ordinary RMB Shares	3,400,500
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	2,859,652	Ordinary RMB Shares	2,859,652
Ye Ruiqing(葉銳清)	2,731,700	Ordinary RMB Shares	2,731,700
Bank of China Limited – Guangfa China Securities Environmental Protection Industry Index Open-ended Fund (廣發中證環保產業交易型開放式指數證券投資基金)	2,467,844	Ordinary RMB Shares	2,467,844
Shanghai Pudong Development Bank Co., Ltd. – IGW CSI500 Sector Neutral Low Volatility Index Fund(景順長城中證500行業中性低波動指數型證券投資基金)	1,606,481	Ordinary RMB Shares	1,606,481
Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司)	1,500,000	Ordinary RMB Shares	1,500,000

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

It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted circulating shares and the top 10 shareholders.

Note: (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. There was no single client who owned 5% or more interest in the total share capital of the Company.

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

(iii) Strategic investors or general legal persons becoming the top ten shareholders through share placement

Not applicable

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

Not applicable

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

As at 30 June 2020, the following entities, other than the Directors, Supervisors or chief executive of the Company, had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	65.82%	50.14%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%
Citigroup Inc.	Approved lending agent	17,695,581 H Shares (L)	5.20%	1.24%

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

Save as disclosed above, there is no person (other than the Directors, Supervisors or chief executive of the Company) who, as at 30 June 2020, had an interest and/or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

7. Directors, Supervisors, Senior Management

I. CHANGES IN SHAREHOLDINGS

- (i) Changes in shareholdings of the existing and resigned Directors, Supervisors and senior management during the reporting period

Not applicable

- (ii) Equity incentives granted to Directors, Supervisors and senior management of the Company during the reporting period

Not applicable

- (iii) Directors', Supervisors' and the Company's chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at 30 June 2020, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

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

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2020, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

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

Name	Position held	Changes
Yu Zhongpeng	Director	Resigned
Gu Wenhui	Director	Appointed
Fu Yana	Senior Management	Resigned
Qi Lipin	Senior Management	Resigned

8. Details of the Company's Bonds

I. BASIC DETAILS OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code of Bond	Issue Date	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place
Public Issue of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited in 2016 (Phase I)	16津創01	136801.SH	25 October 2016	25 October 2021	700,000,000	3.13	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.	SSE
Public Issue of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited in 2018 (Phase I)	18津創01	143609.SH	26 April 2018	26 April 2023	1,100,000,000	5.17	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.	SSE

During the reporting period, the Company has completed interest payment of “18津創01” for the year 2020 as scheduled, while “16津創01” was not due to pay any interest nor were due to redeem.

Explanation on other circumstances of corporate bond

“16津創01” has no issuer or investor option terms nor special terms such as exchangeable terms. Issuing targets of “16津創01” are eligible investors who satisfy requirements of laws and regulations.

“18津創01” contains terms which offer the issuer's option to adjust the coupon rate and investors' put option but does not have other special terms such as exchangeable terms. During the reporting period, both the issuer's option to adjust the coupon rate and investors' put option were not triggered for “18津創01”. Issuing targets of “18津創01” are eligible investors who satisfy requirements of laws and regulations.

II. CONTACT PERSON AND MEANS OF COMMUNICATION OF CORPORATE BOND TRUSTEE AND MEANS OF COMMUNICATION OF CREDIT RATING AGENCY

Bond trustee	Name	Ping An Securities Co., Ltd.
	Office address	16/F, North Tower, Financial Street Centre, 9 Financial Street, Xicheng District, Beijing
	Contact person	Li Chuan, Jia Xuan
	Contact number	010-56800258
Credit rating agency	Name	United Credit Rating Co., Ltd.
	Office address	12th Floor, PICC Office Tower, No.2 Jianguomen Outer Street, Chaoyang District, Beijing

8. Details of the Company's Bonds

III. USE OF PROCEEDS FROM BOND OFFERING

Scale of issue of “16津創01” reached RMB700 million, the proceed reached RMB697.2 million (net of underwriting fees). As at the end of the reporting period, the proceed was fully utilized as intended as mentioned in the prospectus and the remaining amount was nil.

Scale of issue of “18津創01” reached RMB1,100 million, the proceed reached RMB1,097.36 million (net of underwriting fees).

As at the end of reporting period, RMB1,097,337,730.48 of the proceed was utilized as intended as mentioned in the prospectus and the remaining amount was RMB22,269.52.

During the reporting period, the proceed account operates well.

The Company strictly follows its capital management system and relevant laws and regulations and executes relevant procedures of use of proceed, and the use of proceeds is in line with intended use as mentioned in the prospectus, plan of use, and other arrangements.

IV. BOND RATING OF THE COMPANY

On 19 May 2020, United Credit Rating Co., Ltd. completed ongoing credit rating for the Company, “16津創01” and “18津創01”; long term credit of the Company maintained at “AA+”, the credit rating outlook maintained at “stable”, credit rating of the bond loans, “16津創01” and “18津創01”, maintained at “AA+”. Investors should be aware that relevant disclosure will be made in the Shanghai Stock Exchange website.

V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEDULE, AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

During the reporting period, both repayment schedule and repayment protection mechanism of “16津創01” and “18津創01” were well executed and were in line with the arrangement and underlying undertakings as mentioned in the prospectus. There were no changes in that regard. The Company has set up a specialized repayment account for the said corporate bond and has completed withdrawal for such specialized repayment account in accordance with the undertakings as stated in the prospectus.

VI. CONVENING OF MEETINGS OF BONDHOLDERS

Not applicable

VII. PERFORMANCE OF CORPORATE BOND TRUSTEE

During the term of the corporate bonds, the corporate bond trustee strictly complies with the arrangement stated in the "Corporate Bond Trustee Agreement" and performs ongoing tracking on credit condition, management on use of proceed fund and corporate bond interest payment of the Company. It has also ensured that the Company performed obligations as stipulated in the corporate bond prospectus. The corporate bond trustee actively performed its responsibilities and protected the legal rights of bondholders.

Investors should be aware that corporate bond trustee has issued its corporate bond trustee management report of Tianjin Capital Environmental Protection Group Company Limited (2019) on 30 June 2020 and has disclosed on the Shanghai Stock Exchange website(www.sse.com.cn).

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND AS OF THE END OF LAST YEAR (OR DURING THE CURRENT REPORTING PERIOD AND DURING THE SAME PERIOD LAST YEAR)

Unit: Yuan Currency: RMB

Major Indicators	As at the end of the current reporting period	As of the end of last year	Increase/decrease as at the end of the current reporting period as compared to the end of last year (%)	Reasons
Current ratio	1.74	1.35	28.89	Short-term borrowings and non-current liabilities due within one year sharply decreased
Quick ratio	1.73	1.35	28.15	Short-term borrowings and non-current liabilities due within one year sharply decreased
Assets liability ratio (%)	60.30	60.30	0	Not applicable
Debt service ratio (%)	100	100	0	Not applicable
	During the current reporting period (from January to June)	During the same period last year	Increase/decrease for the current reporting period as compared to the same period last year (%)	Reasons
EBITDA interest protection multiples	5.86	4.25	37.88	The Company's profits increased as compared to the same period last year
Interest coverage rate (%)	100	100	0	Not applicable

IX. EXPLANATION ON OVERDUE DEBTS

Not applicable

X. REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Not applicable

8. Details of the Company's Bonds

XI. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the reporting period, the Company has obtained, in aggregate, a credit facility of approximately RMB13.092 billion from various banks, of which approximately RMB3.301 billion was utilized with a remaining balance of approximately RMB9.791 billion. During the reporting period, the Company has repaid each bank loan as scheduled and there is no renewal or concession for such loans.

XII. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BOND PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the Company has strictly performed the relevant agreements and commitments as set out in its bond prospectus. This is no major impact to the bondholders.

XIII. MAJOR ISSUES OF THE COMPANY OCCURRED AND THEIR EFFECT ON THE OPERATION AND SOLVENCY OF THE COMPANY

As at the end of 2019, the cumulative new borrowings accounted for more than 20% of the net assets at the end of 2018, meeting the threshold for the information disclosure obligation. The above situation is within the scope of the Company's normal operation activities. The financial position of the Company is stable. At present, principal and interests of all our debts are repaid on time. The above new borrowings will not adversely affect the Company's operating condition and solvency.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Interim Condensed Consolidated Statement of Comprehensive Income

As at 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

	Notes	Unaudited Half-year 2020 RMB' 000	2019 RMB' 000
Continuing operations			
Revenue	3(a)	1,521,390	1,224,716
Tax expenses and surcharge		(22,178)	(18,907)
Cost of sales		(1,043,229)	(817,630)
Gross profit		455,983	388,179
Other income	3(a)	73,977	60,744
Other (losses)/gains – net		(2,585)	1,370
Administrative expenses		(70,253)	(68,032)
Distribution costs		(7,922)	(1,987)
Net impairment losses on financial assets		—	98
Operating profit	4	449,200	380,372
Finance income		12,328	10,980
Finance expenses		(125,315)	(104,103)
Finance expenses – net	5	(112,987)	(93,123)
Profit before income tax		336,213	287,249
Income tax expense	6	(59,172)	(56,154)
Profit from continuing operations		277,041	231,095
Total comprehensive income for the half-year		277,041	231,095
Profit/Total comprehensive income for the half-years is attributable to:			
– Owners of the Company		256,948	218,503
– Non-controlling interests		20,093	12,592
		277,041	231,095
Earnings per share for profit attributable to the ordinary equity holders of the Company (in RMB per share)			
– Basic earnings per share		0.18	0.15
– Diluted earnings per share		0.18	0.15
Interim dividends	7	—	—

The notes on page 46 to 68 form an integral part of this condensed consolidated interim financial information.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Interim Condensed Consolidated Balance Sheet

For the Half-Year of 2020

(All amounts in RMB thousand unless otherwise stated)

	Notes	30 June 2020 Unaudited RMB' 000	31 December 2019 Audited RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	8	820,655	801,007
Intangible assets	8	11,771,490	11,701,362
Deferred income tax assets		4,208	4,209
Right-of-use assets	8	58,719	58,080
Investments accounted for using the equity method	9	195,000	195,000
Financial asset at fair value through other comprehensive income		2,000	2,000
Long-term receivables	11	226,428	236,450
Other non-current assets		236,230	195,919
Total non-current assets		13,314,730	13,194,027
Current assets			
Inventories		14,211	14,805
Trade receivables	10	2,995,860	2,508,895
Other current assets		117,051	89,728
Other receivables		33,899	65,156
Prepayments		45,718	38,583
Cash and cash equivalents		1,791,824	2,066,301
Restricted cash		9,413	13,312
Total current assets		5,007,976	4,796,780
Total assets		18,332,706	17,990,807

The notes on page 46 to 68 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

For the Half-Year of 2020

(All amounts in RMB thousand unless otherwise stated)

	Notes	30 June 2020 Unaudited RMB' 000	31 December 2019 Audited RMB' 000
LIABILITIES			
Non-current liabilities			
Borrowings	13	5,959,115	5,066,797
Deferred revenue	14	2,033,194	2,059,702
Deferred income tax liabilities	15	125,825	125,587
Other non-current liabilities		36,000	36,000
Provisions for other liabilities and charges	16	11,665	11,665
Total non-current liabilities		<u>8,165,799</u>	<u>7,299,751</u>
Current liabilities			
Trade payables	17	269,513	231,293
Contract liabilities	17	584,519	558,472
Wages payables		23,797	66,100
Income tax and other taxes payables	17	44,889	86,188
Dividend payable		150,876	1,172
Other payables	17	1,271,208	1,532,842
Borrowings	13	525,114	1,059,869
Provisions for other liabilities and charges		12,570	12,933
Total current liabilities		<u>2,882,486</u>	<u>3,548,869</u>
Total liabilities		<u>11,048,285</u>	<u>10,848,620</u>
Net assets		<u>7,274,421</u>	<u>7,142,187</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	1,427,228	1,427,228
Other reserves		989,274	989,274
Retained earnings		3,861,758	3,757,523
		<u>6,278,260</u>	<u>6,174,025</u>
Non-controlling interests		<u>996,161</u>	<u>968,162</u>
Total equity		<u>7,274,421</u>	<u>7,142,187</u>

Liu Yujun

Niu Bo

The notes on page 46 to 68 form an integral part of this condensed consolidated interim financial information.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Interim Condensed Consolidated Statement of Changes in Equity

For the Half-Year of 2020

(All amounts in RMB thousand unless otherwise stated)

	Unaudited					Total Equity RMB' 000
	Attributable to owners of the Company				Non- controlling interests RMB' 000	
	Share capital RMB' 000	Other Reserves RMB' 000	Retained Earnings RMB' 000	Sub-Total RMB' 000		
Balance at 1 January 2019	1,427,228	948,131	3,442,844	5,818,203	796,764	6,614,967
–Profit for the half-year	—	—	218,503	218,503	12,592	231,095
Total comprehensive income for the half-year	—	—	218,503	218,503	12,592	231,095
Transactions with owners in their capacity as owners:						
–Non-controlling interest on setting up subsidiary	—	—	—	—	129,224	129,224
–Dividends provided for or paid	—	—	(151,286)	(151,286)	(391)	(151,677)
	—	—	(151,286)	(151,286)	128,833	(22,453)
Balance at 30 June 2019	<u>1,427,228</u>	<u>948,131</u>	<u>3,510,061</u>	<u>5,885,420</u>	<u>938,189</u>	<u>6,823,609</u>
Balance at 31 December 2019	1,427,228	989,274	3,757,523	6,174,025	968,162	7,142,187
–Profit for the half-year	—	—	256,948	256,948	20,093	277,041
Total comprehensive income for the half-year	—	—	256,948	256,948	20,093	277,041
Transactions with owners in their capacity as owners:						
–Non-controlling interest on setting up subsidiary	—	—	—	—	12,706	12,706
–Dividends provided for or paid	—	—	(152,713)	(152,713)	(4,800)	(157,513)
	—	—	(152,713)	(152,713)	7,906	(144,807)
Balance at 30 June 2020	<u>1,427,228</u>	<u>989,274</u>	<u>3,861,758</u>	<u>6,278,260</u>	<u>996,161</u>	<u>7,274,421</u>

The notes on page 46 to 68 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flow

For the Half-Year of 2020

(All amounts in RMB thousand unless otherwise stated)

	Unaudited Half-year 2020 RMB' 000	2019 RMB' 000
Cash flows from operating activities		
Cash generated from operations	322,717	770,279
Income tax paid	(83,079)	(81,360)
Bank deposit interest received	15,455	6,221
Net cash inflow from operating activities	255,093	695,140
Cash flows from investing activities		
Payments for property, plant and equipment, intangible assets	(767,970)	(1,280,910)
Proceeds on disposal of property, plant and equipment	49	30
Increase in restricted cash	3,899	1,274
Government grants received	6,207	34,567
Net cash outflow from investing activities	(757,815)	(1,245,039)
Cash flows from financing activities		
Repayments of bank borrowings	(1,241,626)	(496,037)
Dividends paid to Company's shareholders	(7,809)	(978)
Interest paid	(132,590)	(111,076)
Proceeds from bank borrowings	1,597,564	1,244,516
Capital contributions by non-controlling interests	12,706	129,224
Net cash inflow from financing activities	228,245	765,649
Net (decrease)/increase in cash and cash equivalents	(274,477)	215,750
Cash and cash equivalents at the beginning of the half-year	2,066,301	1,808,543
Cash and cash equivalents at the end of the half-year	1,791,824	2,024,293

The notes on page 46 to 68 form an integral part of this condensed consolidated interim financial information.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Tianjin Capital Environmental Protection Group Company Limited (the ‘Company’) was established on 8 June 1993 in Tianjin, the People’s Republic of China (the ‘PRC’) as a joint stock limited liability company. The holding company and the ultimate holding company of the Company are Tianjin Municipal Investment Company Limited (‘Municipal Investment’) and Tianjin City Infrastructure Construction and Investment Group Company Limited (‘City Infrastructure Construction and Investment’) respectively. The address of its registered office is No.45 Guizhou Road, Heping District, Tianjin. The Company’s H-shares are listed on The Stock Exchange of Hong Kong Limited and the A-shares are listed on The Shanghai Stock Exchange.

The principal activities of the Company and its subsidiaries (collectively the ‘Group’) include processing of sewage water, construction and management of related facility, supply of tap water and recycled water and supply of heating and cooling as described below:

(a) Processing of sewage water

Pursuant to relevant agreements (‘Service concession right agreements’), the Group currently provides sewage water processing services via the following plants:

Plant	Location	Agreement date	Customer
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	Anhui Fuyang Construction Committee
Qujing	Yunnan	25 December 2005	Qujing City Water General Company
Honghu	Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou	Zhejiang	20 November 2006	Hangzhou Municipal Facilities Supervision Center
Jinghai	Tianjin	12 September 2007	Tianjin Tianyu Science Technology Park
Wendeng	Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an	Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo	Hebei	14 October 2008	Anguo Municipal Government
Xianning	Hubei	16 October 2008	Xianning Construction Committee
Yingdong	Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qujing	Yunnan	16 August 2011	Qujing Housing and Urban Construction Bureau
Chaohu	Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau
Jingu	Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission (‘TUCC’) and Tianjin Water Authority Bureau (‘TWAB’)
Xianyanglu	Tianjin	18 February 2014	TUCC and TWAB
Dongjiao	Tianjin	18 February 2014	TUCC and TWAB
Beicang	Tianjin	18 February 2014	TUCC and TWAB
Yingshang	Anhui	16 June 2016	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
Changsha	Hunan	5 June 2017	Ningxiang Economic and Technological Development Zone Management Committee
Hefei	Anhui	16 June 2017	Hefei Urban-Rural Construction Committee
Dalian	Liaoning	1 November 2017	Dalian Construction Bureau
Bayannur	Inner Mongolia	12 December 2017	Bayannur Water Authority Bureau and Bayannur River Water Group Company Limited

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES (Continued)

(a) Processing of sewage water (Continued)

Plant	Location	Agreement date	Customer
Changsha	Hunan	27 April 2018	Ningxiang Economic and Technological Development Zone Management Committee
Honghu	Hubei	9 June 2018	Honghu Housing and Urban – rural Construction Bureau
Shibing	Guizhou	12 July 2018	Shibing Water Authority Bureau
Deqing	Zhejiang	21 November 2018	Deqing Qianyuan Municipal Government
Hefei	Anhui	28 November 2018	Hefei Urban-rural Construction Commission
Gaocheng	Hebei	2 April 2019	Hebei Gaocheng Economic Development Zone Management Committee
Jiuquan	Gansu	22 June 2019	Jiuquan Suzhou Municipal Government
Yingdong	Fuyang	26 August 2019	Fuyang Urban-rural Construction Commission
Huoqiu	Anhui	2 Jan 2020	Huoqiu Housing and Urban – rural Construction Bureau
Huize	Yunnan	24 Feb 2020	Huize Housing and Urban – rural Construction Bureau

Based on the sewage water processing agreements and the supplemental agreements, initial prices for sewage water processing are predetermined, thereafter processing prices may be revised taking into account various factors including renovation of equipment, additional investment, power and energy and labour force, and significant changes in government policy.

(b) Supply of tap water

Pursuant to the relevant agreements, the Group provides tap water supply service initially at pre-determined price and the prices as pre-determined may be revised subsequently taking into account various cost factors.

(c) Recycled water supply and pipeline connection

The Group's recycled water business includes developing, constructing and operating of recycled water projects, production and sale of recycled water, and provision of related research and development and technical consultation services.

(d) Heating and cooling supply services

The heating and cooling supply services include design, construction, operations and transfer of centralised heating and cooling infrastructures; and provision of heating and cooling supply services.

The Group has signed several service concession agreements with several customers of providing heating and cooling supply services to third parties.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES (Continued)

(e) Waste treatment and disposal service

The Group's waste treatment and disposal service includes hazardous wastes and general solid waste. Currently, the Group conducts the disposal by way of incineration, landfill, and physicochemical treatment and solidify.

This condensed consolidated interim financial information was approved for issue on 26 August 2020.

This condensed consolidated financial information has not been audited.

2 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

In this period, the Group operated its business smoothly. With winning the bidding of two water projects, Group set up Huoqiu Capital Sewage Water Processing Co., Ltd. and Huize Capital Sewage Water Co., Ltd. The Group will continue to focus on process of sewage water, new energy, hazardous waste treatment and other environmental services.

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 June 2020:

- an increase in revenue as the result of the increase of the processing quantity of different franchising project (note 3).

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

3 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	
	2020 RMB' 000	2019 RMB' 000
Revenue from contracts with customers (Note 3(b))	1,521,390	1,224,716
Other income	73,977	60,744
	1,595,367	1,285,460

(b) Operating segment analysis

Management has determined the operating segments based on the reports reviewed by the strategy steering committee held regularly that are used to make strategic decisions for the purpose of allocating resources and assessing performance.

The strategy steering committee meeting considers the business primarily from service perspective and for the significant business segment geographical perspectives will also be considered. From a service perspective, management assesses the performance of processing of sewage water, 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 respective segments and the physical location of assets. The liabilities are allocated based on the operations of the respective segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

The strategy steering committee assesses the performance of the operating segments based on a measure of profit before income tax, which is measured in the approach consistent with that in the financial statements.

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I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Operating segment analysis (Continued)

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

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

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Operating segment analysis (Continued)

(ii) For the half-year ended 30 June 2019 (Unaudited)

	Sewage processing and facility construction services			Recycled water and pipeline connection RMB' 000	Heating and cooling services RMB' 000	Tap water operations RMB' 000	Sale of environmental protection equipment RMB' 000	All other segments RMB' 000	Group RMB' 000
	Tianjin plants RMB' 000	Hangzhou plant RMB' 000	Other plants RMB' 000						
Segment revenue	458,172	120,167	292,961	137,078	40,417	49,703	18,493	107,725	1,224,716
Timing of revenue recognition:									
At a point in time	—	—	—	—	—	—	—	—	—
Over time	458,172	120,167	292,961	137,078	40,417	49,703	18,493	107,725	1,224,716
Segment expense	(332,824)	(89,973)	(222,315)	(91,113)	(33,371)	(37,868)	(10,315)	(119,688)	(937,467)
Results before share of profits of an associate									287,249
Profit before income tax									287,249
Income tax expense									(56,154)
Profit for the period									231,095
Segment assets	5,936,592	1,055,436	5,782,445	1,221,492	677,580	423,103	67,951	1,096,569	16,261,168
Investment accounted for using the equity method									195,000
Total assets									16,456,168
Total liabilities	5,631,437	291,927	2,264,608	596,566	349,901	92,867	10,047	395,206	9,632,559
Other information									
- Interest income	1,459	1,004	157	7,384	487	18	376	95	10,980
- Interest expenses	(65,737)	(4,936)	(34,084)	(25)	(1,140)	(668)	—	—	(106,590)
- Depreciation	(109)	—	(837)	(17,698)	(188)	(48)	(503)	(2,684)	(22,067)
- Amortization	(63,267)	(26,016)	(84,695)	(2,968)	(11,344)	(7,683)	(1)	(1,328)	(197,302)
- Capital expenditures	12,742	—	515,617	929	32,613	44,798	52	130	606,881

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

4 OPERATING PROFIT

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

	Unaudited Half-year	
	2020	2019
	RMB' 000	RMB' 000
Crediting:		
Rental of investment properties	(392)	(751)
Charging:		
Depreciation and amortisation expenses	278,908	219,369
Staff costs	155,942	149,479
Raw materials and consumables used	167,362	146,312
Repair and maintenance expenses	49,135	46,456

5 FINANCE EXPENSES – NET

	Unaudited Half-year	
	2020	2019
	RMB' 000	RMB' 000
Interest expenses of borrowings	126,582	106,590
Less: Interest income	(12,328)	(10,980)
– long-term receivables	(4,315)	(4,759)
– bank deposits	(8,013)	(6,221)
Others	(1,267)	(2,487)
	112,987	93,123

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

6 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 2020 (30 June 2019: 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	
	2020	2019
	RMB' 000	RMB' 000
Current income tax	58,934	53,596
Deferred income tax	238	2,558
	59,172	56,154
	59,172	56,154

Reconciliation between profit before income tax and the aggregate tax at the rates applicable to profits in the respective entities concerned is set below:

	Unaudited Half-year	
	2020	2019
	RMB' 000	RMB' 000
Profit before tax	336,213	287,249
Calculated at applicable income tax rate	84,053	71,812
Effect of preferential tax rate applicable to certain subsidiaries	—	—
Income not subject to tax	(12,871)	(8,234)
Expenses not deductible for taxation purposes	85	3,136
Utilisation of previously deductible tax losses for which no deferred income tax assets was recognized	(168)	(249)
Current year deductible temporary differences for which no deferred income tax asset was recognised	4,102	5,612
Current year tax losses for which no deferred income tax asset was recognised	(16,029)	(15,923)
	59,172	56,154
Income tax expense	59,172	56,154

7 INTERIM DIVIDENDS

No interim dividend was proposed by the Board of Directors of the Company for the half-year ended 30 June 2020 (30 June 2019: Nil).

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND RIGHT-OF-USE ASSETS

	Property, plant and equipment RMB' 000	Intangible assets (a) RMB' 000	Right-of-use assets RMB' 000
At 31 December 2019 (Audited)			
Cost	1,211,462	14,248,862	65,445
Accumulated depreciation and amortisation	(410,455)	(2,547,500)	(7,365)
Net book amount	<u>801,007</u>	<u>11,701,362</u>	<u>58,080</u>
Half-year ended 30 June 2020 (Unaudited)			
Opening net book amount	801,007	11,701,362	58,080
Additions	361,972	5,657	1,981
Disposals	(292)	–	–
Depreciation and amortisation	(25,947)	(251,614)	(1,342)
Transfer from investment properties	–	316,085	–
Transfer to intangible assets	(316,085)	–	–
Closing net book amount	<u>820,655</u>	<u>11,771,490</u>	<u>58,719</u>
At 30 June 2020			
Cost	1,257,057	14,570,604	67,426
Accumulated depreciation and amortisation	(436,402)	(2,799,114)	(8,707)
Net book amount	<u>820,655</u>	<u>11,771,490</u>	<u>58,719</u>

(a) Concession rights with net book value of RMB2,589 million (31 December 2019: 2,646 million) have been secured against loans.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Summarised financial information for Bihai Sponge City

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Net book value of investments	<u>195,000</u>	<u>195,000</u>
Attributable comprehensive income for the year:		
– Net loss i)	–	–
– Other comprehensive income i)	–	–
Total comprehensive income	<u>–</u>	<u>–</u>

(i) Net loss and other comprehensive income includes the fair value adjustment of the identifiable assets and liabilities upon investment, and the effect of change in accordance with the Group's accounting policy.

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

10 TRADE RECEIVABLES

Details of the trade receivables are as follows:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Receivables from third parties		
– Trade receivables	3,003,780	2,508,246
– Notes receivable	9,087	16,131
Receivables from third parties	3,012,867	2,524,377
Receivables from related parties	63,949	65,474
	<u>3,076,816</u>	<u>2,589,851</u>
Less: loss allowance for impairment of trade receivables	(80,956)	(80,956)
	<u>2,995,860</u>	<u>2,508,895</u>

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

	Unaudited 30 June 2020 RMB' 000	Audited 31 31 December 2019 RMB' 000
Within 1 year	2,206,818	1,854,529
1 to 2 years	763,540	641,788
2 to 3 years	70,127	52,987
3 to 4 years	18,404	15,037
4 to 5 years	6,950	7,947
Over 5 years	1,890	1,432
	<u>3,067,729</u>	<u>2,573,720</u>
Total	<u>3,067,729</u>	<u>2,573,720</u>

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I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

11 LONG-TERM RECEIVABLES

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Receivables from toll road concession	245,202	253,812
Less: loss allowance for impairment of long-term receivables	(138)	(138)
	<u>245,064</u>	<u>253,674</u>
Less: non-current assets due within one year	(18,636)	(17,224)
	<u><u>226,428</u></u>	<u><u>236,450</u></u>

The Group receives toll road fee from Tianjin Municipal and Highway Management Bureau (the 'Bureau') over the concession period till 2029. Receivables from toll road concession represent the amortized cost, using effective interest method, calculated with reference to a guaranteed minimum future traffic flow over the concession period.

The Bureau is a public institution of Tianjin Municipal Government. The credit risk level of the Bureau is low. Base on past experience, the receivables can be collected within agreed period. Therefore, the Company estimates that the ECL rate of this receivable item is 0.05%.

12 SHARE CAPITAL

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

	Circulating A-shares RMB' 000	Circulating H-shares RMB' 000	Total RMB' 000	Total share capital RMB' 000
At 31 December 2019 (Audited) and at 30 June 2020 (Unaudited)	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>	<u>1,427,228</u>

A – shares represent shares listed on The Shanghai Stock Exchange and H-shares represent shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. All the A-shares and H-shares rank pari passu in all respects.

There is no movement in the Group's issue A-share and H-share during the half-year ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

13 BORROWINGS

	Notes	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<i>Non-current liabilities:</i>			
Long-term bank borrowings	(a), (b)	4,403,674	3,818,136
Less: Current portion	(a), (b)	(497,415)	(811,380)
		<u>3,906,259</u>	<u>3,006,756</u>
Debentures	(c)	1,823,180	1,840,363
Less: Current portion	(c)	(25,279)	(42,974)
		<u>1,797,901</u>	<u>1,797,389</u>
Long-term payables	(d)	282,654	290,891
Less: Current portion	(d)	(27,699)	(28,239)
		<u>254,955</u>	<u>262,652</u>
<i>Total non-current borrowings</i>		<u>5,959,115</u>	<u>5,066,797</u>
<i>Current liabilities:</i>			
Current portion of long-term bank borrowings	(a)	497,415	811,380
Current portion of long-term payables	(d)	27,699	28,239
Short-term bank borrowings	(e)	—	200,000
		<u>525,114</u>	<u>1,039,619</u>
<i>Other current liabilities</i>	(e)	—	20,250
<i>Total current borrowings</i>		<u>525,114</u>	<u>1,059,869</u>
<i>Total borrowings</i>		<u>6,484,229</u>	<u>6,126,666</u>

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

13 BORROWINGS (Continued)

(a) Long-term bank borrowings

Movement of long-term bank borrowings is analyzed as follows:

	Unaudited RMB' 000
Half-year ended 30 June 2020	
Opening amount as at 1 January 2020	3,818,136
Proceeds of new borrowings	1,597,564
Repayments of borrowings	<u>(1,012,026)</u>
Closing amount as at 30 June 2020	<u><u>4,403,674</u></u>
Half-year ended 30 June 2019	
Opening amount as at 1 January 2019	2,265,905
Proceeds of new borrowings	1,244,516
Repayments of borrowings	<u>(485,511)</u>
Closing amount as at 30 June 2019	<u><u>3,024,910</u></u>

These borrowings mature as follows:

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
As at 30 June 2020 (Unaudited)					
Long-term bank borrowings	<u>497,415</u>	<u>607,583</u>	<u>1,215,844</u>	<u>2,082,832</u>	<u><u>4,403,674</u></u>
As at 31 December 2019 (Audited)					
Long-term bank borrowings	<u>811,380</u>	<u>684,304</u>	<u>995,356</u>	<u>1,327,096</u>	<u><u>3,818,136</u></u>

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

13 BORROWINGS (Continued)

(b) Summary of terms of long-term bank borrowings:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Long-term bank borrowings:		
Secured	923,394	763,762
Guaranteed	2,515,080	1,904,374
Unsecured	965,200	1,150,000
	<u>4,403,674</u>	<u>3,818,136</u>

(c) Debentures

	Audited 31 December 2019 RMB' 000	Amortization RMB' 000	Additions RMB' 000	Due within 1 year RMB' 000	Unaudited 30 June 2020 RMB' 000
Debentures payable					
– par value	1,800,000	—	—	—	1,800,000
– transaction cost	(2,611)	—	—	512	(2,099)
	<u>1,797,389</u>	<u>—</u>	<u>—</u>	<u>512</u>	<u>1,797,901</u>

On 25 October 2016, the Company issued a long-term bond at par value of RMB700 million on The Shanghai Stock Exchange. The fixed interest rate of 3.13% has been accrued and settled per annum. The bond will be due for repayment on 25 October 2021. The principal will be repaid on maturity.

On 25 Apr 2018, the Company issued a debenture at par value of RMB1,100 million on The Shanghai Stock Exchange. The fixed interest rate of 5.17% has been accrued and settled per annum. The debenture will be due for repayment on 25 Apr 2023. The principal will be repaid on maturity.

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Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

13 BORROWINGS (Continued)

(d) Long-term payables and current portion of long-term payables

	Unaudited 30 June 2020 RMB' 000		Audited 31 December 2019 RMB' 000	
	Payable	Unrecognized financial charges	Payable	Unrecognized financial charges
Payable to Sewage Company for assets acquisition	439,939	(157,285)	445,444	(154,553)

(i) Summary of terms of long-term payable above:

	Maturity date	Original balance RMB' 000	Effective interest rate	Ending balance RMB' 000	Due within 1 year RMB' 000
Sewage Company	20 March 2041	430,314	5.94%	282,654	27,699

The balance of the long-term payables to Sewage Company is the consideration payable in respect of the acquisition of sewage processing assets from Sewage Company, net of unrecognised financing charges.

Pursuant to the 'Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project', Sewage Company sold to the Company certain sewage processing assets. The first instalment of RMB261 million settled in cash and the remaining amount is to be settled on a quarterly basis in RMB translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance was at fair value assessed based on discounted future cash payments and the discount rate of 5.94%.

(ii) The payable amounts of long-term payables (including interest) are denominated in the following currencies.

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
JPY	207,660	205,685
US dollar	74,994	85,206
	<u>282,654</u>	<u>290,891</u>

The balance denominated in US dollar bears an interest rate at 6 month LIBOR plus 0.6%, the balance denominated in JPY bears fixed interest rates of 1% and 1.55% per annum respectively.

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

13 BORROWINGS (Continued)

(e) **Short-term bank borrowings**

Movement of bank borrowings is analyzed as follows:

	Unaudited RMB' 000
Half-year end 30 June 2020	
Opening amount as at 1 January 2020	200,000
Proceeds of new borrowings	—
Repayments of borrowings	200,000
	—
Closing amount as at 30 June 2020	—

Summary of current portion of short-term borrowings by terms:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Unsecured	—	200,000

The carrying amounts of the Group's borrowings are denominated in RMB.

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13 BORROWINGS (Continued)

(f) As at 30 June 2020, the contractual maturities of the group's non-derivative financial liabilities were as follows:

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000	Carrying value RMB' 000
As at 30 June 2020 (Unaudited)						
Long-term bank borrowings	735,646	784,316	1,709,009	2,437,893	5,666,864	4,403,674
Long-term payables	33,240	34,288	110,480	261,931	439,939	282,654
Trade payables	269,513	—	—	—	269,513	269,513
Other payables	1,422,084	—	—	—	1,422,084	1,422,084
Debentures	78,780	764,173	1,147,392	—	1,990,345	1,797,901
	<u>2,539,263</u>	<u>1,582,777</u>	<u>2,966,881</u>	<u>2,699,824</u>	<u>9,788,745</u>	<u>8,175,826</u>
As at 31 December 2019 (Audited)						
Short-term bank borrowings	205,738	—	—	—	205,738	200,000
Other current liabilities	21,131	—	—	—	21,131	20,250
Long-term bank borrowings	970,469	808,529	1,250,571	1,726,434	4,756,003	3,818,136
Long-term payables	32,058	33,037	106,222	274,126	445,443	290,891
Trade payables	231,293	—	—	—	231,293	231,293
Other payables	1,534,014	—	—	—	1,534,014	1,534,014
Debentures	78,780	775,128	1,175,827	—	2,029,735	1,797,389
	<u>3,073,483</u>	<u>1,616,694</u>	<u>2,532,620</u>	<u>2,000,560</u>	<u>9,223,357</u>	<u>7,891,973</u>

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

14 DEFERRED REVENUE

Deferred revenue represents the subsidies received from governmental authorities with respects to Group's certain construction and research and development projects. The details of deferred revenue are as below:

	Audited 31 December 2019 RMB' 000	Additions RMB' 000	Recognised in Other income-net RMB' 000	Unaudited 30 June 2020 RMB' 000	Relating to assets/costs
Sewage water processing plants:					
– Jingu	1,207,260	—	(25,643)	1,181,617	assets
– Jingu upgrading project	156,480	—	(3,260)	153,220	assets
– Beichen upgrading project	86,400	—	(1,800)	84,600	assets
– Xianyanglu-upgrading project	56,716	—	(1,182)	55,534	assets
– Dongjiao-upgrading project	39,798	—	(829)	38,969	assets
– Ningxiang project	17,348	—	(465)	16,883	assets
– Beishiqiao-upgrading project	9,635	—	(358)	9,277	assets
– Linxia project	9,392	—	(165)	9,227	assets
– Chibi project	5,500	2,250	—	7,750	assets
Water recycling plants:					
– Jingu	199,498	—	—	199,498	assets
– Dongjiao	20,406	—	(337)	20,069	assets
– Beichen	17,587	—	(262)	17,325	assets
– Xianyanglu	12,344	—	—	12,344	assets
Heating and cooling supply service project	210,269	6,207	—	216,476	assets
Others	11,069	920	(1,584)	10,405	costs
Total	<u>2,059,702</u>	<u>9,377</u>	<u>(35,885)</u>	<u>2,033,194</u>	

15 DEFERRED INCOME TAX LIABILITIES

	Unaudited Half-year 2020 RMB' 000	2019 RMB' 000
Opening balance as at 1 January	125,587	138,812
Charged to profit or loss	<u>238</u>	<u>2,558</u>
Closing balance as at 30 June	<u>125,825</u>	<u>141,370</u>

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(All amounts in RMB thousand unless otherwise stated)

16 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Major overhauls for the assets of concession right Unaudited RMB'000	
Balance at 31 December 2019 (Audited) and 30 June 2020 (Unaudited)		24,235
Analysis of total provisions:		
	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Non-current	11,665	11,665
Current	12,570	12,933
	<u>24,235</u>	<u>24,598</u>

17 TRADE PAYABLES, CONTRACT LIABILITIES, OTHER PAYABLES AND INCOME TAX AND OTHER TAXES PAYABLES

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade payables	(a)	269,513	231,293
Contract liabilities	(b)	584,519	558,472
Other payables	(c)	1,271,208	1,532,842
Income tax and other taxes payables		44,889	86,188
		<u>2,170,129</u>	<u>2,408,795</u>

(a) As at 30 June 2020, the majority of trade payables are aged within one year.

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

17 TRADE PAYABLES, CONTRACT LIABILITIES, OTHER PAYABLES AND INCOME TAX AND OTHER TAXES PAYABLES (Continued)

(b) Contract liabilities

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
For recycled water and pipeline connection services	510,786	508,138
For toll road fee	42,880	—
For equipment sales	13,603	11,263
For heating and cooling supply service	2,688	8,014
For hazardous wastes	8,612	6,197
For sewage water services	—	12,071
Others	5,950	12,789
	<u>584,519</u>	<u>558,472</u>

(c) Other payables comprise:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Construction costs payable	1,040,725	1,224,453
Interest payable for borrowings	25,279	42,974
Payable for purchases of property, plant and equipment and concession right	13,892	171,392
Others	191,312	94,023
	<u>1,271,208</u>	<u>1,532,842</u>

As at 30 June 2020, other payables of RMB656 million (31 December 2019: RMB663 million) were aged over one year, which mainly represented payables and deposits for sewage plants upgrading projects. The balances had yet to be settled as those projects and their final accounts have not been completed.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information (All amounts in RMB thousand unless otherwise stated)

18 COMMITMENTS AND CONTINGENT EVENT

The Group's commitments at the balance sheet date in respect of construction projects are as follows:

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2020 RMB' million	Audited 31 December 2019 RMB' million	Unaudited 30 June 2020 RMB' million	Audited 31 December 2019 RMB' million
Property, plant and equipment	50	31	—	34
Intangible assets	1,144	1,414	1,346	1,088
	<u>1,194</u>	<u>1,445</u>	<u>1,346</u>	<u>1,122</u>

19 RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of the business between the Group and its related parties during the period.

(i) Income:

Related parties	Nature of transaction	Unaudited Half-year	
		2020 RMB' 000	2019 RMB' 000
City Infrastructure Construction and Investment	Commission income from contract operation	41,312	27,736
Tianjin Lecheng Properties Limited	Income from heating and cooling supply	11,054	12,489
City Infrastructure Construction and Investment	Commission income from construction agent service	7,471	—
		<u>59,837</u>	<u>40,225</u>

(ii) Key management compensation for the half-year ended 30 June 2020 is summarized as follows:

	Unaudited Half -year	
	2020 RMB' 000	2019 RMB' 000
Key management compensation	<u>8,452</u>	<u>7,308</u>

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

19 RELATED PARTY TRANSACTIONS (Continued)

(iii) Receivables from to related parties:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
– City Infrastructure Construction and Investment	46,849	60,423
– Tianjin Lecheng Properties Limited	16,699	4,650
– Tianjin City Resource Operation Co., Ltd.	401	401
	<u>63,949</u>	<u>65,474</u>

(iv) Transactions/balances with other state owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as 'state-owned enterprises').

During the half-year, the Group's significant transactions with these state controlled entities include processing of sewage water construction and management of related facility processing of tap water and supply of heating. As at 30 June 2020, majority of the Group's cash and cash equivalents and borrowings are dealt with state controlled banks.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments are carried at fair value as at 30 June 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

9. Financial Reports

I. Prepared in accordance with Hong Kong Financial Reporting Standards

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousand unless otherwise stated)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For all of these instruments, the fair value are not materially different from their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short term in nature.

21 BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Consolidated and Company Balance Sheet

As at 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

		Unaudited 30 June 2020 Consolidated	Audited 31 December 2019 Consolidated	Unaudited 30 June 2020 Company	Audited 31 December 2019 Company
ASSETS	Note				
Current assets					
Cash at bank and on hand	4(1)	1,801,237	2,079,613	501,522	741,257
Notes receivable	4(2)	9,087	16,131	—	—
Trade receivables	4(3)/14(1)	2,986,773	2,492,764	2,155,416	1,958,081
Advances to suppliers	4(4)	45,718	38,583	4,053	1,916
Other receivables	4(5)/14(2)	33,899	65,156	63,245	86,125
Inventories	4(6)	14,211	14,805	5,517	4,811
Current portion of non-current assets	4(8)	18,636	17,224	18,636	17,224
Other current assets	4(7)	98,415	72,504	333,737	478,566
Dividends receivable		—	—	1,820	1,820
Total current assets		5,007,976	4,796,780	3,083,946	3,289,800
Non-current assets					
Long-term receivables	4(8)	226,428	236,450	226,428	236,450
Long-term equity investments	4(9)/14(3)	195,000	195,000	4,143,246	4,067,052
Other equity instruments investment	4(10)	2,000	2,000	2,000	2,000
Fixed assets	4(11)	620,172	641,793	151,577	160,912
Construction in progress	4(11)	200,483	159,214	955	699
Intangible assets	4(12)	11,830,208	11,759,442	3,934,873	4,021,934
Deferred income tax assets	4(19)	4,209	4,209	—	—
Other non-current assets	4(7)	236,230	195,919	202,832	115,332
Total non-current assets		13,314,730	13,194,027	8,661,911	8,604,379
TOTAL ASSETS		18,322,706	17,990,807	11,745,857	11,894,179

9. Financial Reports

II. Prepared in accordance with the PRC Accounting Standards

Consolidated and Company Balance Sheet

As at at 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

	Note	Unaudited 30 June 2020 Consolidated	Audited 31 December 2019 Consolidated	Unaudited 30 June 2020 Company	Audited 31 December 2019 Company
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Short-term borrowings	4(16)	—	200,000	—	200,000
Trade payables	4(14)	269,513	231,293	72,885	65,904
Contract liabilities	4(14)	584,519	558,472	47,830	4,950
Taxes payable	4(14)	44,889	86,188	6,289	31,101
Other payables	4(14)	1,422,084	1,534,014	521,769	417,707
Accrued payroll	4(15)	23,797	66,100	13,891	30,463
Current portion of non-current liabilities	4(16)	537,684	852,552	253,047	582,872
Other current liabilities	4(16)	—	20,250	—	—
Total current liabilities		2,882,486	3,548,869	915,711	1,332,997
Non-current liabilities					
Long-term borrowings	4(16)	3,906,259	3,006,756	1,349,194	1,135,632
Debentures payable	4(16)	1,797,901	1,797,389	1,797,901	1,797,389
Long-term payables	4(16)	254,955	262,652	254,955	262,652
Provisions	4(17)	11,665	11,665	11,665	11,665
Deferred income	4(18)	2,033,194	2,059,702	1,559,662	1,593,830
Deferred tax liabilities	4(19)	125,825	125,587	61,822	60,642
Other non-current liabilities	4(16)	36,000	36,000	670,000	670,000
Total non-current liabilities		8,165,799	7,299,751	5,705,199	5,531,810
Total liabilities		11,048,285	10,848,620	6,620,910	6,864,807
Shareholder's equity					
Share capital	4(20)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	4(21)(a)	431,024	431,024	380,788	380,788
Surplus reserve	4(21)(b)	558,250	558,250	558,250	558,250
Undistributed profits	4(21)(c)	3,861,758	3,757,523	2,758,681	2,663,106
Total equity attributable to equity owners of the parent		6,278,260	6,174,025	5,124,947	5,029,372
Minority interests		996,161	968,162	—	—
Total owners' equity		7,274,421	7,142,187	5,124,947	5,029,372
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		18,322,706	17,990,807	11,745,857	11,894,179

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

Company representative:
Liu Yujun

Person in charge of
accounting function:
Peng Yilin

Person in charge of
accounting department:
Liu Tao

Consolidated and Company Income Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited	Unaudited	Unaudited	Unaudited
		Six Months Ended 30 June 2020 Consolidated	Six Months Ended 30 June 2019 Consolidated	Six Months Ended 30 June 2020 Company	Six Months Ended 30 June 2019 Company
1. Revenue	4(22)/14(4)	1,521,390	1,224,716	707,200	537,958
Less: Cost of sales	4(22)/14(4)	(1,040,712)	(814,360)	(430,781)	(349,007)
Taxes and surcharges	4(23)	(22,178)	(18,907)	(10,174)	(5,697)
Selling and distribution expenses	4(24)	(7,922)	(1,987)	—	—
General and administrative expenses	4(24)	(70,253)	(68,032)	(39,146)	(38,019)
Research and development expenses	4(25)	(2,517)	(3,270)	—	—
Financial expenses-net	4(26)	(112,987)	(93,123)	(98,767)	(74,797)
Including: interest expense		(126,582)	(106,590)	(106,711)	(82,147)
interest income		12,328	10,980	6,606	6,085
Add: Other income	4(27)	73,977	60,744	63,054	34,098
Investment gains	4(28)/14(5)	—	—	89,219	19,301
Including: Share of profit of associates		—	—	—	—
Credit impairment losses	4(29)	—	98	—	—
Gains/(Losses) on disposals of assets	4(30)	—	1,201	—	—
2. Operating profit		338,798	287,080	280,605	123,837
Add: Non-operating income	4(31)	232	2,549	115	1,092
Less: Non-operating expenses	4(32)	(2,817)	(2,380)	(2,198)	(2,379)
3. Total profit		336,213	287,249	278,522	122,550
Less: Income tax expenses	4(33)	(59,172)	(56,154)	(30,234)	(18,382)
4. Net profit		277,041	231,095	248,288	104,168
Classified by continuity of operations					
Net profit from continuing operations		277,041	231,095	248,288	104,168
Net profit from discontinued operations		—	—	—	—
Classified by ownership of the equity					
Minority interests		20,093	12,592	—	—
Attributable to equity owners of the Company		256,948	218,503	248,288	104,168
5. Other comprehensive income after deduction of impact of income tax					
6. Total comprehensive income		277,041	231,095	248,288	104,168
Attributable to equity owners of the Company		256,948	218,503	248,288	104,168
Attributable to minority shareholders		20,093	12,592	—	—
Earnings per share (in RMB Yuan)					
Basic	4(34)	0.18	0.15	—	—
Diluted	4(34)	0.18	0.15	—	—

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

Company representative:
Liu YujunPerson in charge of
accounting function:
Peng YilinPerson in charge of
accounting department:
Liu Tao

9. Financial Reports

II. Prepared in accordance with the PRC Accounting Standards

Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited	Unaudited	Unaudited	Unaudited
		Six Months Ended 30 June 2020 Consolidated	Six Months Ended 30 June 2019 Consolidated	Six Months Ended 30 June 2020 Company	Six Months Ended 30 June 2019 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		1,236,854	1,487,655	653,596	851,851
Refund of taxes and surcharges		56,759	17,864	40,530	5,604
Cash received relating to other operating activities	4(35)(c)	82,421	173,011	466,144	23,558
Sub-total of cash inflows		1,376,034	1,678,530	1,160,270	881,013
Cash paid for goods and services		(620,274)	(534,015)	(334,466)	(272,236)
Cash paid to and on behalf of employees		(198,722)	(180,613)	(84,626)	(73,804)
Payments of taxes and surcharges		(226,454)	(161,893)	(131,553)	(45,583)
Cash paid relating to other operating activities	4(35)(d)	(69,285)	(72,302)	(376,847)	(41,789)
Sub-total of cash outflows		(1,114,735)	(948,823)	(927,492)	(433,412)
Net cash flows from operating activities	4(35)(a)	261,299	729,707	232,778	447,601
2. Cash flows from investing activities					
Cash received from returns on investments		—	—	76,960	—
Net cash received from disposal of fixed assets	4(35)(e)	49	30	—	—
Cash received relating to other investing activities		3,900	5,174	—	756,820
Sub-total of cash inflows		3,949	5,204	76,960	756,820
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(767,970)	(1,280,910)	(66,188)	(150,369)
Cash paid to acquire investments		—	—	(76,193)	(343,455)
Cash paid relating to other investing activities		—	(3,900)	—	(499,470)
Sub-total of cash outflows		(767,970)	(1,284,810)	(142,381)	(993,294)
Net cash flows from investing activities		(764,021)	(1,279,606)	(65,421)	(236,474)

Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2020 Consolidated	Unaudited Six Months Ended 30 June 2019 Consolidated	Unaudited Six Months Ended 30 June 2020 Company	Unaudited Six Months Ended 30 June 2019 Company
3. Cash flows from financing activities					
Cash received from borrowings		1,597,564	1,244,516	755,140	474,069
Cash received from capital contributions		12,706	129,224	—	—
Including: Cash received from capital contributions by minority shareholders of subsidiaries		<u>12,706</u>	<u>129,224</u>	<u>—</u>	<u>—</u>
Sub-total of cash inflows		<u>1,610,270</u>	<u>1,373,740</u>	<u>755,140</u>	<u>474,069</u>
Cash repayments of borrowings		(1,241,626)	(496,037)	(1,070,500)	(400,000)
Cash payments for distribution of interest expenses		(132,590)	(111,076)	(89,115)	(91,458)
Payments for distribution of dividends or profits		(7,809)	(978)	(2,617)	—
Including: Dividends and profits paid to minority shareholders by subsidiaries		<u>(5,192)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Sub-total of cash outflows		<u>(1,382,025)</u>	<u>(608,091)</u>	<u>(1,162,232)</u>	<u>(491,458)</u>
Net cash flows from financing activities		<u>228,245</u>	<u>765,649</u>	<u>(407,092)</u>	<u>(17,389)</u>
4. Effect of foreign exchange rate changes on cash					
		—	—	—	—
5. Net increase/(decrease) in cash					
Add: Cash at beginning of year		<u>2,066,301</u>	<u>1,808,543</u>	<u>736,182</u>	<u>586,888</u>
6. Cash at end of year	4(35)(b)	<u>1,791,824</u>	<u>2,024,293</u>	<u>496,447</u>	<u>780,626</u>

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

Company representative:

Liu Yujun

Person in charge of
accounting function:

Peng Yilin

Person in charge of
accounting department:

Liu Tao

9. Financial Reports

II. Prepared in accordance with the PRC Accounting Standards

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Attributable to owners of the parent				Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Balance at 1 January 2019 (Audited)		1,427,228	431,024	517,107	3,442,844	796,764	6,614,967
Movements for the period ended 30 June 2019							
Total comprehensive income							
Net profit		—	—	—	218,503	12,592	231,095
Total comprehensive income for the year		—	—	—	218,503	12,592	231,095
Capital contribution by shareholders		—	—	—	—	129,224	129,224
Profit distribution							
Dividend distribution to shareholders	4(21)(c)	—	—	—	(151,286)	(391)	(151,677)
Balance at 30 June 2019 (Unaudited)		1,427,228	431,024	517,107	3,510,061	938,189	6,823,609
Balance at 1 January 2020 (Audited)		1,427,228	431,024	558,250	3,757,523	968,162	7,142,187
Movements for the period ended 30 June 2020							
Total comprehensive income							
Net profit		—	—	—	256,948	20,093	277,041
Total comprehensive income for the year		—	—	—	256,948	20,093	277,041
Capital contribution by shareholders		—	—	—	—	12,706	12,706
Profit distribution							
Dividend distribution to shareholders	4(21)(c)	—	—	—	(152,713)	(4,800)	(157,513)
Balance at 30 June 2020 (Unaudited)		1,427,228	431,024	558,250	3,861,758	996,161	7,274,421

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

Company representative:
Liu Yujun

Person in charge of
accounting function:
Peng Yilin

Person in charge of
accounting department:
Liu Tao

Company Statement of Changes in Owners' Equity

Of the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2019 (Audited)	1,427,228	380,788	517,107	2,444,111	4,769,234
Movements for the period ended 30 June 2019					
Total comprehensive income					
Net profit	—	—	—	104,168	104,168
Total comprehensive income for the year	—	—	—	104,168	104,168
Profit distribution					
Dividend distribution to shareholders	—	—	—	(151,286)	(151,286)
Balance at 30 June 2019 (Unaudited)	1,427,228	380,788	517,107	2,396,993	4,722,116
Balance at 1 January 2020 (Audited)	1,427,228	380,788	558,250	2,663,106	5,029,372
Movements for the period ended 30 June 2020					
Total comprehensive income					
Net profit	—	—	—	248,288	248,288
Total comprehensive income for the year	—	—	—	248,288	248,288
Profit distribution					
Dividend distribution to shareholders	—	—	—	(152,713)	(152,713)
Balance at 30 June 2020 (Unaudited)	1,427,228	380,788	558,250	2,758,681	5,124,947

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

Company representative:
Liu Yujun

Person in charge of
accounting function:
Peng Yilin

Person in charge of
accounting department:
Liu Tao

9. Financial Reports

II. Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

1 GENERAL INFORMATION

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was established on the basis of Tianjin Bohai chemical industry (Group) Company Limited (“Bohai Chemical Industry”). Bohai Chemical Industry was established on 8 June 1993 in Tianjin, the People’s Republic of China (the “PRC”), listed in Hong Kong Stock Exchange (“H share”) in May 1994 and Shanghai Stock Exchange (“A share”) in June 1995. Bohai Chemical Industry appeared significant losses in 1998 and 1999. Approved by Tianjin Government, the Company had completed the equity and assets reorganization of Bohai Chemical Industry at the end of year 2000. The address of the Company’s registered office is No.45 Guizhou Road, Heping District, Tianjin. The parent company and ultimate holding company of the Company are Tianjin Municipal Investment Company Limited (“Municipal Investment”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“City Infrastructure Construction and Investment”), respectively. As at 30 June 2020, the Company’s total share capital is RMB1,427 million with a par value of RMB1 per share.

The principal activities of the Company and its subsidiaries (the “Group”) include processing of sewage water, supply of tap water and recycled water, supply of heating and cooling, hazardous waste treatment and construction and management of related facilities as described below:

(a) Processing of sewage water

Pursuant to relevant agreements (“Service concession right agreements”), the Group currently provides sewage water processing services via the following plants:

Location	Agreement date	Authorized 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 Construction Bureau (Renamed Qujing Housing and Urban Construction Bureau)
Honghu, Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou, Zhejiang	20 November 2006	Hangzhou Sewage Company (Changed to Hangzhou Municipal Facilities Supervision Center)
Jinghai, Tianjin	12 September 2007	Tianjin Tianyu Science Technology Park
Wendeng, Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an, Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo, Hebei	14 October 2008	Anguo Municipal Government
Xianning, Hubei	16 October 2008	Xianning Construction Committee
Yingdong, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qujing, Yunnan	16 August 2011	Qujing Housing and Urban Construction Bureau
Chaohu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau
Jingju, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission (“TUCC”) and Tianjin Water Authority Bureau (“TWAB”)
Xianyanglu, Tianjin	18 February 2014	TUCC and TWAB

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

1 GENERAL INFORMATION (Continued)

(a) Processing of sewage water (Continued)

Location	Agreement date	Authorized by
Dongjiao, Tianjin	18 February 2014	TUCC and TWAB
Beicang, Tianjin	18 February 2014	TUCC and TWAB
Yingshang, Anhui	16 June 2016	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, Changsha	5 June 2017	Ningxiang Economic and Technological Development Zone Management Committee
Hefei, Anhui	16 June 2017	Hefei Urban Construction Committee
Dalian, Liaoning	1 November 2017	Dalian Urban Construction Bureau
Bayannur, Inner Mongolia	12 December 2017	Bayannur Water Bureau and Bayannur Hetao Water Group Company, Ltd
Ningxiang, Changsha	27 April 2018	Ningxiang Economic and Technological Development Zone Management Committee
Honghu, Hubei	9 June 2018	Honghu Housing and Urban-rural Construction Bureau
Shibing, Guizhou	12 July 2018	Shibing Water Bureau
Hefei, Anhui	28 November 2018	Hefei Urban Construction Committee
Deqing, Zhejiang	1 January 2019	Deqing Qianyuan Municipal Government
Gaocheng, Hebei	2 April 2019	Hebei Gaocheng Economic and Technological Development Zone Management Committee
Jiuquan, Gansu	22 June 2019	Jiuquan Suzhou Municipal Government
Yingdong, Anhui	26 August 2019	Fuyang Urban-rural Construction Commission
Huoqiu, Anhui	2 January 2020	Huoqiu Housing and Urban-rural Construction Bureau
Huize, Yunnan	24 February 2020	Huize Housing and Urban-rural Construction Bureau

The Group provides sewage treatment services in accordance with the Concession Agreements and is entitled to charge for the service based on a pre-determined rate.

(b) Supply of tap water

Pursuant to relevant agreements, the Group provides tap water supply service initially at the pre-determined rate and the price as pre-determined may be revised subsequently taking into account various cost factors.

(c) Recycled water business

The Group's recycled water business includes developing, constructing and operating of recycled water projects, production and sale of recycled water, and provision of related research and development and technical consultation services.

(d) Heating and cooling supply services

The heating and cooling supply services include design, construction, operations and transfer of centralized heating and cooling infrastructures, and provision of heating and cooling services.

9. Financial Reports

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1 GENERAL INFORMATION (Continued)

(e) Hazardous waste treatment

Hazardous treatment include hazardous and solid waste treatment. Currently, the Group conducts the disposal by way of incineration, landfill, physicochemical and curing treatment. Adoption of treatment method tailored to the local help to realize the aim of harmless, resource and reduction.

(f) Subsidiaries included in the scope of consolidation for the year and newly consolidated subsidiaries are set out in Note 5 and Note 6.

(g) These financial statements were approved by the Company's Board of Directors on 26 August 2020.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the specific accounting policies and accounting estimates according to the production management characteristics, which are mainly reflected in the measurement of expected credit losses of receivables and contract assets (Note 2(8)), depreciation and amortization of fixed assets and intangible assets (Note 2(11) and (14)), recognition and amortization of concession rights (Note 2(14) (b)), timing of revenue recognition (Note 2(20)) and so on.

Key assumption adopted by the Group in determining significant accounting policies are set out in Note 2(25).

(1) Basis of preparation

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 financial statements are prepared on a going concern basis.

(2) Statement of compliance with Accounting Standard for Business Enterprise

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standard for Business Enterprise and truly and completely present the consolidated and the Company's financial position of the Company as of 30 June 2020 and of their financial performance, cash flows and other information for the year then ended.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December. This financial statement is dated from 1 January 2020 to 30 June 2020.

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate, and except the recording currency of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd. which is HK dollar, the remaining subsidiary companies' recording currency is RMB. The financial statements are presented in RMB.

(5) 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 during the preparation of the consolidated financial statements, 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.

9. Financial Reports
II. Prepared in accordance with the PRC Accounting Standards

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(5) Preparation of consolidated financial statements (Continued)

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and 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. Unrealized 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. Unrealized 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. Unrealized 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. Unrealized 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.

(6) Cash

Cash comprise cash on hand and deposits that can be readily drawn on demand.

Notes to the Financial Statements

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(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current year, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Financial instruments

Financial instruments refer to the contracts that form one party's financial assets and form other parties' financial liabilities or equity instruments. The Group recognise financial assets or financial liabilities when become one party of the financial instruments contracts.

(a) *Financial assets*

(i) Classification and measurement

Based on the business model for financial asset management and the contractual cash flow characteristics of financial assets, the Group classifies the financial assets into: (1) financial assets measured at amortised cost; (2) financial assets measured at fair value and through other comprehensive income; (3) financial assets measured at fair value and through profit or loss.

Financial assets are initially recognised at fair value. For financial assets at fair value through profit and loss, the related transaction costs are directly recognised in profit or loss. For other financial assets, the related transaction costs are included in initially recognised amounts. Notes or trade receivables 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 charged by the Group as expected.

Debt instruments

Debt instruments held by the Group are those meet the definition of a financial liability from the issuer's perspective and are measured at the following methods:

Notes to the Financial Statements

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(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Measured at amortised cost:

The Group's business model for financial asset management aims to receive contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain date is only the payment for the principal and the corresponding interest based on unpaid principal. The interest income of such financial assets is recognised using the effective interest method. The Group's financial assets mainly include cash at bank and on hand, Notes receivable, trade receivables, other receivables, and long-term receivables long-term receivables with maturities no more than one year (inclusive) at the balance sheet date are included in the current portion of non-current assets.

Equity instruments

The Group designates non-traded investments in equity instrument as financial assets at FVOCI, and present as other investments in equity instrument. Relevant dividend income of these financial assets are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment of financial assets

The Group recognises the loss provision based on expected credit losses (“ECL”) for financial assets and contract assets measured at amortised cost.

The Group calculates the probability weighted amount of the present value of differences between the cash flows receivable by the contract and the cash flows expected to be received, and recognises the ECL by considering the reasonable and well-founded information on past events, current conditions and forecasts of future economic conditions, taking the risk of default as a weight.

As at each balance sheet date, the Group measures the ECL of financial instruments at different stages respectively. Financial instrument that had no significant increase in credit risk since initial recognition belongs to “Stage 1”, and the Group makes loss provision based on the ECL in the following 12 months. Financial instrument that had a significant increase but with no credit impairment since initial recognition belongs to “Stage 2”, and the Group makes the loss provision based on the lifetime ECL. Financial instrument that suffered credit impairment since initial recognition belongs to “Stage 3”, and the Group makes the loss provision based on the lifetime ECL.

For the financial instrument with lower credit risk on the balance sheet date, the Group assumes that its credit risk had no significant increase since initial recognition, and makes the loss provision based on the ECL in the following 12 months.

For financial instruments belonging to “Stage 1”, “Stage 2” and those with lower credit risk, the interest income is calculated based on its carrying amount (including impairment provision) and effective interest rate. For the financial instrument belonging to “Stage 3”, the interest income is calculated based on the amortised cost (which is made after carrying amount less the impairment provision) and effective interest rate.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment of financial assets (Continued)

For notes receivable, trade receivables and contract assets, regardless of existence of the significant financing component, the Group makes the loss provision according to the lifetime ECL. For lease receivables, the Group makes the loss provision according to the lifetime ECL as well.

When the expected credit loss cannot be assessed at a reasonable cost for an individual financial asset, the Group divides receivables into certain groupings based on credit risk characteristics, then pursuant to which, calculates the ECL. Basis for grouping is as follows:

Banker's acceptance notes group	Banker's acceptance from bank under low risk
Government clients group	Government clients except those in provincial capitals and municipalities
Other clients group	Other clients
Project deposit group	Project deposits
Others group	Other receivables excluding VAT refund and project deposits

For trade receivables, lease receivables that are classified into above groupings and notes receivables arising from sale of goods or rendering of services,, the Group calculates ECL using exposure at default ("EAD") and lifetime ECL rate with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions. Other types of notes receivables and other receivables that are classified into above groupings, the Group calculates ECL using EAD and lifetime ECL rate or ECL rate in the following 12 months with reference to historical loss experience, in combination with the current situation and forecasts of future economic conditions.

The Group included the provision for or reversal of loss provision into profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (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; (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of other investments in equity instrument, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in retained earnings; on derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

The Group's financial liabilities mainly refer to financial liabilities measured at amortised cost, including trade payables, other payables, borrowings and debentures payable. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using effective interest method. Financial liabilities of which the period is within one year (inclusive) are classified as the current liabilities; the period is over one year while will be due within one year (inclusive) since the balance sheet date are classified as current portion of non-current liabilities; and the others are classified as non-current liabilities.

A financial liability is derecognised when all or part of the obligation is extinguished. The difference between the carrying amount of a financial liability extinguished and the consideration paid, shall be recognised in profit or loss.

Notes to the Financial Statements

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(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Financial instruments (Continued)

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

(c) Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Spare parts and low cost consumables are expensed when used.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) 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 joint ventures and associates.

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

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) *Determination of investment cost*

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

For long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

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

Long-term equity investments accounted for using the cost method, are measured at the initial investment costs. Cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

Long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current year and the cost of the long-term equity investment is adjusted upwards accordingly.

Notes to the Financial Statements

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Long-term equity investments (Continued)

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

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determination of control, joint control and significant influence over investees

Control is the right over the investee that entitles enjoy variable returns from their involvement in the investee and the ability to exert the right to affect those returns.

Joint control is agreed sharing of control over an arrangement, and a decision relating to any activity under the arrangement can be made only when the parties sharing the control reach the unanimous agreement.

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.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(16)).

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings and structures	10-50 years	0%-5%	1.9%-10%
Machinery and equipment	10-20 years	0%-5%	4.8%-10%
Motor vehicles and others	5-10 years	0%-5%	9.5%-20%

Plants and pipelines network are included in buildings with estimated useful lives of 25 years.

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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Fixed assets (Continued)

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(16)).

(d) *Disposal of fixed assets*

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current year.

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(16)).

(13) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalized 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 year. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Borrowing costs (Continued)

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.

(14) Intangible assets

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

(a) Land use rights

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Intangible assets (Continued)

(b) *Concession rights*

As described in Note 1(a) and (d), the Group cooperates with government or its subsidiaries in the development, financing, operation and maintenance of facilities for public services (concession services) over a specified period of time (concession service period). The Group has access to operating the facilities and providing concession services in accordance with the terms specified in the arrangement, and transfers the facilities to the government at the end of the concession service period.

The *Service concession right agreement* sets out performance standards and price adjustment mechanism to clarify the scope of concession services of the Group. The concession service arrangement is within the scope of *Interpretations of Accounting Standards for Business Enterprises No.2*, such assets under the concession arrangement can be recognised as intangible assets or financial assets. The operator shall recognise an intangible asset to the extent that it receives a right (concession) to charge users of the public service and shall recognise a financial asset to the extent that it receives unconditional payments or guarantee for minimum charge from the approving authority. Rights in relation to concession services are recognised as intangible assets- concession rights by the Group, which are amortized on a straight-line basis over the terms of operation ranging from 20 to 30 years.

(c) *Technical know-how and software*

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

(d) *Periodical review of useful life and amortisation method*

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

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Intangible assets (Continued)

(e) *Research and development*

Expenditures for internal research and development projects are classified into research phase expenditures and development phase expenditures according to their nature and whether the intangible assets ultimately formed by research and development activities have greater uncertainty.

Expenditures for the planned investigation, evaluation and selection phases for the study of the production process are expenditures for the research phase, which are included in the current profit and loss when incurred; prior to mass production, expenditure in the relevant design and testing phases for the final application of the environmental protection equipment production process is capitalized during the development phase, while meeting the following conditions:

- The development of the environmental protection equipment production has been fully demonstrated by the technical team;
- Management has approved the budget for environmental protection equipment production development;
- Research and analysis of previous market research indicates that the products produced by the environmental protection equipment production have marketing capabilities;
- Adequate technical and financial support for the development of the environmental protection equipment production and subsequent mass production; and
- Expenditure on environmental protection equipment production development can be reliably collected.

Expenditure in the development phase that does not meet the above conditions is recognised in profit or loss in the period in which it is incurred. Development expenditures that have been charged to profit or loss in the previous period are not reconfirmed as assets in subsequent periods. Expenditures that have been capitalized during the development phase are listed as development expenditures on the balance sheet and are converted to intangible assets from the date the project reaches its intended use.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Intangible assets (Continued)

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(16)).

(15) Non-monetary asset exchange

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

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Impairment of long-term assets

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

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

(17) 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.

(a) 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 costs and employee education costs, short-term paid absences. The Short-term employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current year or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

Notes to the Financial Statements

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Employee benefits (Continued)

(b) Post-employment benefits

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

Basic pensions

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

(18) Dividends distribution

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

(19) Provisions

Provisions for maintenance of the sewage water processing facilities are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

9. Financial Reports
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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Provisions (Continued)

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as other current liabilities.

(20) Revenue

The sales are recognised when control of the products or services has been transferred, and the amount is determined in accordance with the consideration received or receivables by authority. Revenue is stated net of discounts, rebates and returns.

(a) *Processing of sewage water and heating and cooling supply services*

Revenues from processing of sewage water and heating and cooling supply services are recognised when services are rendered.

(b) *Sales of tap water and recycled water*

Sales of tap water and recycled water is single obligation which is substantially the same which can be clearly distinguished recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the tap water and recycled water are delivered to customers.

(c) *Sales of pipeline connection for recycled water*

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

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Revenue (Continued)

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

When the Group recognises its income in accordance with the progress of completing projects, the part of the Group's obtained unconditional collection right is confirmed as receivables, the rest is confirmed as contract assets, and the impairment loss provision is confirmed on the basis of ECL for receivables and contract assets (Note 2(8)). If the amount received or receivable by the Group exceeds the amount of completed works, the excess shall be recognised as contract liabilities and the Group shall list the assets and liabilities under the same contract on a net basis.

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

(d) *Sales of environmental protection equipment*

If the stage of completion can be measured reliably, revenue and cost are recognised by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs of each contract. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. The environmental protection equipment is mainly the achievement of technology research.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Revenue (Continued)

(e) *Hazardous waste processing income*

The Group provides hazardous and general solid waste treatment, and recognises the income when service is provided according to the actual processing amount of waste and the price agreed on the contract.

(f) *Contract operation income*

Revenue from contract operation is recognised on the accrual basis according to the service agreement.

(g) *Technical services income*

For sales of technical services, the related revenue is recognised using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

(21) Government grants

Government grants refer to the monetary assets obtained by the Group from the government, including tax return, financial subsidy and 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.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Government grants (Continued)

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

The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

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

(22) 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. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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 utilized.

9. Financial Reports
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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

Deferred tax assets and liabilities are offset when:

- The deferred taxes 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.

(23) Leases

A lease is a contract whereby the lessor assigns the right to use the asset to the lessee for consideration within a certain period of time.

The Group Acts as a lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

While the Group leases buildings and structures out, rental income under an operating lease is recognised on a straight-line basis over the period of the lease. Variable rental income that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Notes to the Financial Statements

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Segment information

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

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

(25) Critical accounting estimates and judgements

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

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

(i) Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business model and contractual cash flow characteristics.

Factors considered by the Group in determining the business model for financial asset management at the level of portfolio of financial assets include how the financial asset's performance is evaluated and reported to key management personnel, risks affect the performance of financial assets and how they are managed and how management personnel is compensated.

The following major judgments exist when assessing whether the contractual cash flow of financial assets is consistent with the basic loan arrangement: whether the principal may change in time distribution during the duration or change in amount due to reasons such as early repayment; whether interest includes only the time value of currency, credit risk, other basic loan risks and considerations for costs and profits. For example, whether the amount paid in advance reflects only the unpaid principal and interest based on unpaid principal and reasonable compensation paid for early termination of the contract.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Critical accounting estimates and judgements (Continued)

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

(ii) Judgement on significant increase in credit risk

The main criteria for the Group to judge the significant increase in credit risk of government clients group is that the overdue days exceed 90 days, or one or more of the following indicators have changed significantly: business environment of the debtor, internal and external credit rating, dramatic changes in actual or expected operating results, and significantly decline in the value of collateral or credit rating of the guarantee provider.

The Group's main criteria for determining that credit impairment of government clients group has occurred is that the overdue days exceed 180 days (i.e., a default has occurred) or one or more of the following conditions are met: the debtor is exposed to significant financial difficulties, enters other debt restructuring or bankruptcy.

The debtors of the government clients group is the local government or the functional department under its jurisdiction, whose fund allocation needs to go through the prescribed approval procedures of budget allocation. Compared with the ordinary debtors, the fund allocation cycle is relatively long, so the Group makes above judgment.

The main criteria for the Group to judge the significant increase in credit risk of groups other than government clients group is that the overdue days exceed 30 days, or one or more of the following indicators have changed significantly: business environment of the debtor, internal and external credit rating, dramatic changes in actual or expected operating results, and significantly decline in the value of collateral or credit rating of the guarantee provider.

The Group's main criteria for determining that credit impairment of groups other than government clients group has occurred is that the overdue days exceed 90 days (i.e., a default has occurred) or one or more of the following conditions are met: the debtor is exposed to significant financial difficulties, enters other debt restructuring or bankruptcy.

Notes to the Financial Statements

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions

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

(i) The measurement of ECL

The ECL is calculated based on the EAD and ECL rate, and the ECL rate is determined based on probability of default (“PD”) and loss given default (“LGD”). When determining the ECL rate, the Group adjusts its historical data by referring to historical credit loss experience and combining current situation and forward-looking information. When considering the forward-looking information, indicators used by the Group include the risk of economic downturn, external market environment and changes in customers and technology environment. The assumptions relating to the ECL calculation are monitored and reviewed by the Group on a regularly basis. There have been no significant changes in estimation techniques and significant assumptions mentioned above for the six months ended 30 June 2020.

(ii) Income tax

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final identified outcome of these tax matters is different from the initially-recorded amount, such difference will impact the income tax expenses and deferred income tax in the period in which such determination is finally made.

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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Critical accounting estimates and judgements (Continued)

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

(iii) Estimated provision for non-current assets

The Group determines at each balance sheet date whether there is any indication that assets may be impaired. When the current market price of assets decreases significantly compared with the expected significant decline due to the passage of time or normal use and the economic, technological, or legal environment in which the Group operates has undergone major adverse changes recently; market interest rates or other market investment returns increase which affects the discount rate of the present value of future cash flows and the assets are obsolete or has been damaged or has become idle, the Group considers that there are signs of asset impairment. At each balance sheet date, the Group will evaluate the recoverable amount of the long-term assets that have shown signs of impairment. The assessment of the recoverable amount requires the Group to estimate the future cash flow and other conditions. When accounting estimates change, the book value of long-term assets and the amount included in asset impairment losses will also change. Once the impairment provision is accrued, it cannot be reversed.

Notes to the Financial Statements

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3 TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	0%-25%
Value added tax ("VAT") (Note(a))	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current year)	3%-13%
City maintenance and construction tax	The payment amount of VAT	5%-7%
Educational surcharge	The payment amount of VAT	3%

(a) Pursuant to the '2019 Circular on Deeply Reform of Adjustment of Tax Rate of Value Added Tax' (The General Administration of Customs of the State Administration of Taxation [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, the applicable tax rate of revenue arising from VAT-taxable sales is 13% from 1 April 2019, while it was 16% before then. The applicable tax rate of the Group's VAT taxable income is adjusted accordingly.

(2) Preferential tax policies for enterprise income tax

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

Name of subsidiaries	Enterprise income tax rate for 2019	Reason for the preferential tax policy
The Company	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on April 13, 2019(Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), enterprise income tax shall be levied at a reduced rate of 15% for qualified third-party enterprises engaged in pollution prevention and control.
Fuyang Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on April 13, 2019(Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), enterprise income tax shall be levied at a reduced rate of 15% for qualified third-party enterprises engaged in pollution prevention and control.
Gui Zhou Capital Water Co., Ltd.	15 %	According to Notice of Guizhou Provincial SAT on Implementation of Preferential Tax Policy Relating to Development of Western Regions, (Qian Guo shui Han [2011] No.19) from 2011 to 2020.
Xi'an Capital Water Co., Ltd.	15 %	According to Notice of Shaanxi Provincial SAT on Issuing Measures for Review and Management of Preferential Tax Policy of Enterprises Relating to Development of Western Regions, (Notice [2010] No. 3) from 2011 to 2020.

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3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

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

Name of subsidiaries	Enterprise income tax rate for 2019	Reason for the preferential tax policy
Hangzhou Tianchuang Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on April 13, 2019(Announcement No.60, 2019, issued by the Ministry of finance, the Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), enterprise income tax shall be levied at a reduced rate of 15% for qualified third-party enterprises engaged in pollution prevention and control.
Tianjin Caring Technology Development Co., Ltd	15 %	High-tech enterprise entitled to preferential tax policy from 2013 to 2021.
Tianjin Water Recycling Co., Ltd.	The taxable income is 90% of revenue	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Karamay Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2017 for the first 3 years and reduction half for the next 3 years.
Linxia Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Bayannur Capital Water Co., Ltd.	Sewage water: 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
	Recycled water: The taxable income is 90% of revenue	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Yingshang Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Changsha Tianchuang Environmental Protection Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.

Notes to the Financial Statements

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3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

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

Name of subsidiaries	Enterprise income tax rate for 2019	Reason for the preferential tax policy
Changsha Tianchuang Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Shandong Capital Environmental Protection Technology Consultant Co., Ltd.	0%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Hanshou Tianchuang Capital Water Co., Ltd.	0%	According to Cai Shui [2019] No. 67, income from rural drinking water safety projects is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Jiuquan Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.

(3) Preferential tax policies for value-added tax

On 12 June 2015, the Ministry of Finance and the State Administration of Taxation issued the preferential value-added tax catalogue of products and services which comprehensively utilize resources Caishui [2015] No.78 (hereinafter referred to as the No. 78). According to the No.78, the sewage water processing and recycled water business are required to pay value-added tax since July 1, 2015. 70% of value-added tax paid by the sewage water processing business and 50% value-added tax paid by recycled water business will be refunded. On April 15, 2019, the Ministry of Finance and the State Administration of Taxation issued the “Announcement on Continued Implementation of Tax Preferential Policies for Rural Drinking Water Safety Projects” Caishui [2019] No. 67, stipulating that from January 1, 2019 to December 31, 2020, in the tap water supply business of the Group, the tap water sales income obtained by providing rural residents with domestic water is exempt from value-added tax.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	Unaudited 30 June 2020	Audited 31 December 2019
Cash on hand	21	37
Cash at bank	1,791,803	2,066,264
Other cash balances	9,413	13,312
	<u>1,801,237</u>	<u>2,079,613</u>
Including: Bank deposits overseas	<u>8,575</u>	<u>8,420</u>

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

	Unaudited 30 June 2020	Audited 31 December 2019
Cash at bank and on hand	1,801,237	2,079,613
Less: Restricted bank deposits (Note (i))	<u>(9,413)</u>	<u>(13,312)</u>
Cash listed in cash flow statement (Note 4(35))	<u>1,791,824</u>	<u>2,066,301</u>

- (i) The restricted bank deposits represent the deposit for the purpose of applying for unconditional, irrevocable bank letters of guarantee.

(2) Notes receivable

	Unaudited 30 June 2020	Audited 31 December 2019
Bank acceptance notes	9,087	16,131
Less: Provision for bad debts	<u>—</u>	<u>—</u>
	<u>9,087</u>	<u>16,131</u>

- (a) As at 30 June 2020, the Group has no pledged notes receivable.

- (b) As of 30 June 2020, the Group had no endorsements or discounted notes receivable that were not yet due.

Notes to the Financial Statements

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Notes receivable (Continued)

(c) Provision for bad debts:

As at 30 June 2020, provision for bad debts by group is analyzed as below:

As at 30 June 2020, the Group measures bad debt provision in accordance with the lifetime expected credit loss for the entire duration, and no provision is deemed necessary. The Group considers that there is no significant credit risk in banker's acceptance and no major loss will be caused by bank default.

(3) Trade receivables

	Unaudited 30 June 2020	Audited 31 December 2019
Trade receivables	3,067,729	2,573,720
Less: Provision for bad debts	(80,956)	(80,956)
	<u>2,986,773</u>	<u>2,492,764</u>

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

	Unaudited 30 June 2020	Audited 31 December 2019
Within 1 year	2,206,818	1,854,529
1 to 2 years	763,540	641,788
2 to 3 years	70,127	52,987
3 to 4 years	18,404	15,037
4 to 5 years	6,950	7,947
Over 5 years	1,890	1,432
	<u>3,067,729</u>	<u>2,573,720</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(b) As at 30 June 2020 (Unaudited), the trade receivables from the top five debtors in respect of outstanding balance are analyzed as below:

	Amount	Provision for bad debts	% of total balance
Trade receivables from the top five debtors	<u>2,462,722</u>	<u>(31,180)</u>	<u>80%</u>

(c) Provision for bad debts:

For the Group's trade receivables, regardless of whether there is a significant financing component, the Group measures the loss according to the expected credit loss for the entire life.

(i) As at 30 June 2020 (unaudited), provision for bad debts by individual is analyzed as below:

	Carrying amount	ECL rate	Provision	Reasons
Tianjin Water Authority Bureau	2,022,736	0.05%	(990)	1)
Qijing Sewage Company	183,026	16.46%	(30,120)	2)
Hangzhou Municipal Facilities Development Center	123,796	0.03%	(31)	1)
Guiyang Water Authority Bureau	60,926	0.05%	(29)	1)
Jinghai Development Area Management Committee	23,911	22.60%	(5,405)	3)
Xi'an Infrastructure Investment Group	72,238	0.01%	(10)	1)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd	16,797	15.97%	(2,682)	4)
Tianjin City Appearance Sanitation Construction Development Co. Ltd	18,723	12.19%	(2,283)	5)
Tianjin Shuangkou Municipal Solid Waste Landfill	14,208	36.98%	(5,254)	5)
Zhejiang Xinsanyin Dyeing Co.Ltd	5,733	65.01%	(3,727)	6)
Tianjin Tianbao Municipal Administration Co. Ltd	<u>5,174</u>	28.91%	<u>(1,469)</u>	4)
Total	<u>2,547,268</u>		<u>(52,027)</u>	

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For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2020 (unaudited), provision for bad debts by individual is analyzed as below: (Continued)

- 1) As these clients are provincial and municipal governments or their representatives, whose ability to meet their contractual cash flow obligations may not be weakened even if there are adverse changes in the economic and business situation over a long period, the receivables of the Company from Tianjin Water Authority Bureau, Xi'an Capital Water Co., Ltd. from Xi'an Urban Infrastructure Construction Investment Group Co., Ltd., Hangzhou Tianchuang Capital Water Co., Ltd. from Hangzhou Municipal Facilities Development Center, and Guizhou Capital Water Co., Ltd. from Guiyang Water Authority Bureau have a lower credit risk. Based on the historical experience of operation, the Group maintains continuous receipts. Therefore, the Group estimates that the lifetime ECL rate of the receivables is 0.05%.
- 2) Receivables of Qujing Capital Water Co., Ltd. from Qujing City Water General Company comprise regular sewage treatment fee, tap water fee and price compensation. The receivables of regular sewage treatment fee and tap water fee have a longer collection period than ordinary government clients so they have higher credit risk. Considering the debtor's actual performance capacity, historical collection experience and the ageing of the receivables, the Group concludes that the receivables of price compensation have been defaulted. In summary, the Group expects that the expected credit loss rate of receivables from Qujing City Water General Company in the whole period is 16.46%.
- 3) Receivables of Tianjin Jinghai Capital Water Co., Ltd from Jinghai Development Area Management Committee comprise conventional sewage treatment fees, whose repayment period is longer than that of general government customers, and are under high credit risk. Taking into account factors such as the debtor's actual performance ability, historical repayment experience, and aging, the Group presumes that it has defaulted and estimates that the lifetime ECL rate is 22.60%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2020 (unaudited), provision for bad debts by individual is analyzed as below: (Continued)

- 4) Receivables of the Company from Tianjin Tianbao Municipal Administration Co. Ltd and Tianjin Ziya Environmental Protection Industrial Park Co. Ltd comprise contract operation fees, whose repayment period is longer than that of general government customers, and are under high credit risk. Taking into account factors such as the debtor's actual performance ability, historical repayment experience, and aging, the Group presumes that they have defaulted and estimates that the lifetime ECL rate are respectively 28.91% and 15.97%.
- 5) Receivables of the Company from Tianjin Shuangkou Municipal Solid Waste Landfill and Tianjin City Appearance Sanitation Construction Development Co. Ltd comprise technical services fees, whose repayment period is longer than that of general government customers, and are under high credit risk. Taking into account factors such as the debtor's actual performance ability, historical repayment experience, and aging, the Group presumes that they have defaulted and estimates that the lifetime ECL rate are respectively 36.98% and 12.19%.
- 6) Receivables of Tianjin Caring Technology Development Co., Ltd. from Zhejiang Xinsanyin Dyeing Co.Ltd comprise construction of related facility and contract operation fees, whose repayment period is longer than that of general customers, and are under high credit risk. Taking into account factors such as the debtor's actual performance ability, historical repayment experience, and aging, the Group presumes that it has defaulted and estimates that the lifetime ECL rate is 65.01%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

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

Group – Government clients except those in provincial capitals and municipalities

	Unaudited 30 June 2020			Audited 31 December 2019		
	Carrying amount Amount	Provision		Carrying amount Amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	62,693	3.00%	(1,881)	102,406	5.31%	(5,438)
1-180 days overdue	186,317	5.00%	(9,316)	107,386	5.31%	(5,702)
>180 days overdue	75,245	5.58%	(4,198)	57,014	7.46%	(4,255)
	<u>324,255</u>		<u>(15,395)</u>	<u>266,806</u>		<u>(15,395)</u>

Group – other client

	Unaudited 30 June 2020			Audited 31 December 2019		
	Carrying amount Amount	Provision		Carrying amount Amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	29,124	3.00%	(874)	41,844	6.70%	(2,804)
1-90 days overdue	51,745	5.00%	(2,587)	27,352	6.70%	(1,833)
>90 days overdue	115,337	8.73%	(10,073)	58,983	15.08%	(8,897)
	<u>196,206</u>		<u>(13,534)</u>	<u>128,179</u>		<u>(13,534)</u>

(iii) The bad debts provision accrued in this period is RMB0 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analyzed as follows:

	Unaudited 30 June 2020		Audited 31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	44,617	98%	37,407	97%
1 to 2 years	141	0%	428	1%
Over 2 years	960	2%	748	2%
	<u>45,718</u>	<u>100%</u>	<u>38,583</u>	<u>100%</u>

As at 30 June 2020, advances to suppliers of RMB1.1 million (31 December 2019: RMB1.2 million) with aging over one year were mainly for prepaid electricity deposit.

(b) As at 30 June 2020 (unaudited), the top five advances to suppliers in respect of outstanding balance of the Group are analyzed as follows:

	Amount	% of total balance
Total amounts of advances to suppliers to the top five debtors in respect of outstanding balance	<u>14,074</u>	<u>31%</u>

(5) Other receivables

	Unaudited 30 June 2020	Audited 31 December 2019
VAT refund	14,000	31,670
Project deposits	9,451	26,847
Others	<u>10,469</u>	<u>6,660</u>
	33,920	65,177
Less: Provision for bad debts	<u>(21)</u>	<u>(21)</u>
	<u>33,899</u>	<u>65,156</u>

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(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(a) The ageing analysis of other receivables is as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
Within 1 year	27,298	48,815
1 to 2 years	2,610	4,626
2 to 3 years	1,193	9,046
Over 3 years	2,819	2,690
Total	<u>33,920</u>	<u>65,177</u>

(b) As at 30 June 2020 and 31 December 2019, other receivables provisioned bad debts by group all belong to stage 1. The analysis is as below:

	Unaudited 30 June 2020			Audited 31 December 2019		
	Carrying amount Amount	Provision Amount	%	Carrying amount Amount	Provision Amount	%
Project deposit Group:						
Within 1 year	6,052	(7)	0.05%	12,688	(7)	0.05%
1-2 years	225	(2)	0.05%	2,985	(2)	0.05%
2 to 3 years	820	(5)	0.05%	8,950	(5)	0.05%
Over 3 years	2,354	(1)	0.05%	2,224	(1)	0.05%
subtotal	<u>9,451</u>	<u>(15)</u>		<u>26,847</u>	<u>(15)</u>	
Other Group:						
Within 1 year	7,245	(4)	0.10%	4,457	(4)	0.10%
1-2 years	2,385	(2)	0.10%	1,641	(2)	0.10%
2 to 3 years	373	—	0.10%	96	—	0.10%
Over 3 years	466	—	0.10%	466	—	0.10%
subtotal	<u>10,469</u>	<u>(6)</u>	0.10%	<u>6,660</u>	<u>(6)</u>	
total	<u>19,920</u>	<u>(21)</u>		<u>33,507</u>	<u>(21)</u>	

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

- (c) For the six months ended 30 June 2020, the changes of other receivables' provision of the Group is not significant.
- (d) As of 30 June 2020, the Group had no other receivables that were past due but not impaired (31 December 2019: Nil).
- (e) As at 30 June 2020 (unaudited), other receivables from the top five debtors in respect of outstanding balance are analyzed as below:

	Nature	Amount	Aging	% of total balance	Provision for bad debts
State Taxation Administration, Tianjin Municipal Tax Service	VAT receivable	10,898	Within 1 year	32	—
Tianjin Installation Engineering Co., Ltd	Project deposits	3,127	Within 1 year	9	2
State Taxation Administration, Tianjin Nankai Municipal Tax Service	VAT receivable	1,238	Within 1 year	4	—
Karamay City Karamay District human resources and Social Security Bureau	Project deposits	800	2 to 3 years	2	—
Management Committee of Ningxiang Economic and Technological Development Zone	Project deposits	800	1 to 2 years	2	—
		<u>16,863</u>		<u>49</u>	<u>2</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(f) As at 30 June 2020 (unaudited), the Group's analysis of government grants confirmed by the amount receivables is as follows:

	Government grants program	Amount	Aging
The Company	VAT refund	10,898	Within 1 year
Tianjin Water Recycling Co., Ltd.	VAT refund	1,238	Within 1 year
Baoying Capital Water Co., Ltd.	VAT refund	651	Within 1 year
Xi'an Capital Water Co., Ltd.	VAT refund	559	Within 1 year
Fuyang Capital Water Co., Ltd.	VAT refund	159	Within 1 year
Qujing Capital Water Co., Ltd.	VAT refund	206	Within 1 year
Deqing Capital Water Co., Ltd.	VAT refund	146	Within 1 year
Wendeng Capital Water Co., Ltd.	VAT refund	138	Within 1 year
Anguo Capital Water Co., Ltd.	VAT refund	5	Within 1 year
		14,000	
		14,000	

Based on the previous year's collection situation, the VAT refund is expected to be fully collected by June 2021.

(6) Inventories

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

	Unaudited 30 June 2020			Audited 31 December 2019		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	10,800	—	10,800	10,888	—	10,888
Finished goods	2,783	—	2,783	3,529	—	3,529
Spare parts and low cost consumables	628	—	628	388	—	388
	14,211	—	14,211	14,805	—	14,805
	14,211	—	14,211	14,805	—	14,805

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other current and non-current assets

	Unaudited 30 June 2020	Audited 31 December 2019
Other current assets:		
Input VAT to be deducted	86,108	52,605
Input VAT to be verified	6,050	13,642
Anguo Sewage Assets	6,257	6,257
	<u>98,415</u>	<u>72,504</u>
	Unaudited 30 June 2020	Audited 31 December 2019
Other non-current assets:		
Input VAT to be deducted	152,836	169,965
Prepayments of construction	66,318	18,221
Others	17,076	7,733
	<u>236,230</u>	<u>195,919</u>

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

	Unaudited 30 June 2020	Audited 31 December 2019
Toll road concession	245,202	253,812
Less: Bad debt provision	(138)	(138)
	<u>245,064</u>	<u>253,674</u>
Less: Listed in non-current assets due within one year	(18,636)	(17,224)
	<u>226,428</u>	<u>236,450</u>

Receivables from toll road concession represent the amortized cost, using effective interest method, calculated with reference to a guaranteed minimum future traffic flow over the concession period.

Tianjin Municipal Transportation Commission is a public institution under the Tianjin municipal government, which has low credit risk. According to historical experience, the Company can collect the receivables within the agreed period. Therefore, the Company estimates that the ECL rate of this receivable item is 0.05%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments

	Unaudited 30 June 2020	Audited 31 December 2019
Investment in an associate (a)	217,358	217,358
Less: Impairment of Long-term equity investments (c)	(22,358)	(22,358)
	<u>195,000</u>	<u>195,000</u>

(a) Investment in associate

	Type	Place of registration	Registered capital	Shareholding/ Voting rights (%)
Tianjin International Machinery Co., Ltd. (i)	Limited company	Tianjin	120,000	27.50%
Tianjin Bihai Sponge City Co., Ltd. (ii)	Limited company	Tianjin	650,000	30.00%

- (i) Tianjin International Machinery Co., Ltd. (“International Machinery”) is a Sino-foreign joint venture registered in the Tianjin Economics Development Area. The businesses of International Machinery include research and development, production and sale of valve and actuating device, heater exchanger and the whole set, environment protection equipment, and general mechanical equipment.

The movements of the Group’s investment in International Machinery are as follows:

	Initial investment cost	31 December 2019 (Audited)	New investment	Share of net loss under equity method	Cash dividends or profit declared	Provision for impairment accrued	30 June 2020 (Unaudited)	Provision for impairment at the end of the period
International Machinery	33,000	—	—	—	—	—	—	22,358

The Group fully provided provision of impairment of RMB22 million for long-term equity investment in International Machinery in 2016.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(a) Investment in associate (Continued)

- (ii) Tianjin Bihai Sponge City Co., Ltd. (“Bihai Sponge City”) is a limited liability company registered in Tianjin. The businesses of Bihai Sponge City include construction and operation of water treatment projects; procurement and maintenance of water treatment equipment; ecological maintenance; tourism development; ecological management; construction, operation and management of sponge city project; construction and operation of municipal engineering. Bihai Sponge City was registered and established on 30 July 2018 and is still in the initial construction period.

The movements of the Group’s investment in Bihai Sponge City are as follows:

	Initial investment cost	31 December 2019 (Audited)	New investment	Share of net loss under equity method	Cash dividends or profit declared	Provision for impairment accrued	30 June 2020 (Unaudited)	Provision for impairment at the end of the period
Bihai Sponge City	195,000	195,000	—	—	—	—	195,000	—

(b) Excess losses incurred by joint ventures and associated associates:

	Audited Accumulated unrecognised losses at the beginning of the period	Unaudited Unrecognised income in the current period	Unaudited Accumulated unrecognised losses at the end of the period
International Machinery	—	408	408

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

	Audited 31 December 2019	Additions	Disposals	Unaudited 30 June 2020
International Machinery	22,358	—	—	22,358

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Other equity instruments investment

	Unaudited 30 June 2020	Audited 31 December 2019
Equity of unlisted company		
– Tianjin Beifang Rencaigang Company Ltd.	2,000	2,000
	2,000	2,000
	Unaudited 30 June 2020	Audited 31 December 2019
Tianjin Beifang Rencaigang Company Ltd.		
– Cost	2,000	2,000
– Accumulated fair value changes	—	—
	2,000	2,000

Other equity instruments investment is the unlisted equity investments of Tianjin Beifang Rencaigang Company Limited held by the Group and the shareholding ratio is 6.10%. The Group does not participate in or influence the financial and operational decisions of Tianjin Beifang Rencaigang Company Limited in any way. Therefore, the Group has no significant influence on the above-mentioned invested company and accounts for it as other equity instruments.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets and construction in progress

(a) Fixed assets

	Buildings and structures (note (i)) Self-use	Machinery and equipment Self-use	Motor vehicles & others Self-use	Total
Cost –				
31 December 2019 (Audited)	531,461	443,180	77,607	1,052,248
Transfers from construction in progress	—	699	—	699
Other additions in the current period	—	1,291	2,628	3,919
Disposals in the current period	—	—	(292)	(292)
30 June 2020 (Unaudited)	<u>531,461</u>	<u>445,170</u>	<u>79,943</u>	<u>1,056,574</u>
Accumulated depreciation –				
31 December 2019 (Audited)	<u>(149,539)</u>	<u>(209,580)</u>	<u>(51,336)</u>	<u>(410,455)</u>
Charge for the period (note ii)	(11,785)	(12,778)	(1,389)	(25,952)
Disposals in the current period	—	—	5	5
30 June 2020 (Unaudited)	<u>(161,324)</u>	<u>(222,358)</u>	<u>(52,720)</u>	<u>(436,402)</u>
Carrying Amount –				
30 June 2020 (Unaudited)	<u>370,137</u>	<u>222,812</u>	<u>27,223</u>	<u>620,170</u>
31 December 2019 (Audited)	<u>381,922</u>	<u>233,600</u>	<u>26,271</u>	<u>641,793</u>

- (i) The Group's depreciation expenses of RMB21 million (For the six months ended 30 June 2019: RMB48 million) have been included in cost of sales and RMB5 million (For the six months ended 30 June 2019: RMB2 million) in general and administrative expenses.
- (ii) As at 30 June 2020, fixed assets with cost of RMB206 million (31 December 2019: RMB206 million) and a carrying amount of approximately RMB199 million (31 December 2019: RMB204 million) were used as collateral for long-term borrowings of RMB183 million (31 December 2019: RMB194 million) (Note 4(16) (a)).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets and construction in progress (Continued)

(b) Construction in progress

Name	Budgeted amount	31 December 2019	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets	30 June 2020	Proportion of expenditures incurred to budgeted amount	Progress	The accumulated balance of capitalization of requested fee	Including: borrowing costs capitalized in current period	Capitalisation rate	Source of funds
Fuyang-yindong sewage water processing plant project	175,421	—	40,098	—	(40,098)	—	56%	56%	1,046	567	4.90%	Special loan and Self-raised fund
Fuyang-jieshou city sewage operation project II	487,249	—	16,311	—	(16,311)	—	33%	33%	6,659	1,469	5.15%	Special loan and Self-raised fund
Hefei-Hefei Taochong sewage water processing plant PPP project	585,895	—	32,581	—	(32,581)	—	39%	39%	17,575	9,409	4.41%	Special loan and Self-raised fund
Honghu-Honghu township sewage water processing plant PPP project	437,770	—	7,160	—	(7,160)	—	94%	94%	10,539	5,171	4.41%	Special loan and Self-raised fund
Baoying-xianhe sewage water processing plant project	99,806	—	2,365	—	(2,365)	—	44%	44%	2,583	1,443	5.10%	Special loan and Self-raised fund
Xinjiang- Karamay PPP Project of sewage operation	269,980	—	1,841	—	(1,841)	—	84%	100%	3,970	—	—	Special loan and Self-raised fund
Shandong- Yishui&Tancheng City Solid Waste Treatment project	640,000	157,558	39,023	—	—	196,581	63%	63%	15,206	6,249	5.15%	Special loan and Self-raised fund
Anhui-Hefei Yuwan sewage treatment project	175,100	—	—	—	—	—	81%	100%	4,003	—	—	Special loan and Self-raised fund
Dalian-Dalian Chunluhe sewage operation project	220,730	—	—	—	—	—	88%	88%	5,355	—	—	Special loan and Self-raised fund
Tianjin- Jiayuan Tianchuang Heiniucheng Roads energy station project	209,975	—	9,729	—	(9,729)	—	82%	100%	167	—	—	Special loan and Self-raised fund
JiuQuan Suzhou Sewage Treatment Plant PPP Project	594,120	—	106,880	—	(106,880)	—	23%	23%	781	—	—	Special loan and Self-raised fund
Chibi sewage water processing plant upgrading project	214,680	—	42,370	—	(42,370)	—	76%	76%	3,710	1,470	4.60%	Special loan and Self-raised fund
Guizhou-Shibing PPP Project	99,500	—	10,235	—	(10,235)	—	61%	61%	731	—	—	Special loan and Self-raised fund
Jiayuan Shenchuang- Houtai Scenic Area Energy Station Project	117,380	—	62	—	(62)	—	15%	15%	272	—	—	Special loan and Self-raised fund
Jinghai-Tianyu sewage water processing plant upgrading project	85,583	—	—	—	—	—	35%	35%	354	—	—	Special loan and Self-raised fund
Jinning-Ninghe sewage water processing plant upgrading project	25,649	—	437	—	(437)	—	88%	88%	791	437	4.90%	Special loan and Self-raised fund
Huize sewage water plant PPP project	141,231	—	37,349	—	(37,349)	—	26%	26%	—	—	—	Special loan and Self-raised fund
Others		1,656	11,611	699	(8,666)	3,902			17,297	1,334	4.55%	Special loan and Self-raised fund
		<u>159,214</u>	<u>358,052</u>	<u>699</u>	<u>(316,084)</u>	<u>200,483</u>			<u>91,039</u>	<u>27,549</u>		

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets and construction in progress (Continued)

(b) Construction in progress (Continued)

As at 30 June 2020, bank borrowing of RMB310 million (31 December 2019: RMB194 million) is secured by property and equipment under construction with original cost of RMB196 million (31 December 2019: RMB13 million) (note 4(16) (a)).

As at 30 June 2020, the Group has no provision for construction in progress (31 December 2019: Nil).

(12) Intangible assets

	Unaudited 30 June 2020	Audited 31 December 2019
Concession rights (a)	11,767,577	11,697,244
Land use rights (b)	58,719	58,080
Technical know-how and computer software (c)	3,912	4,118
	<u>11,830,208</u>	<u>11,759,442</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Intangible assets (Continued)

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

Cost	
1 January 2019 (Audited)	12,439,141
Transfers from construction in progress	1,092,301
Other additions	757,320
31 December 2019 (Audited)	14,288,762
Transfers from construction in progress	316,084
Other additions	5,453
30 June 2020 (Unaudited)	14,610,299
Accumulated amortisation	
1 January 2019 (Audited)	(2,077,283)
Charge for the period	(462,152)
31 December 2019 (Audited)	(2,539,435)
Charge for the period	(251,204)
30 June 2020 (Unaudited)	(2,790,639)
Provision for impairment	
31 December 2019 (Audited) and 30 June 2020 (Unaudited)	(52,083)
Net Book Value	
30 June 2020 (Unaudited)	11,767,577
31 December 2019 (Audited)	11,697,244

(i) As at 30 June 2020, certain concession right with carrying amount of approximately RMB2,589 million (cost of RMB3,323 million) (31 December 2019: carrying amount of RMB2,646 million with cost of RMB3,323 million) has been used as collateral for the loan of RMB597 million (31 December 2019: RMB527 million) (Note 4(16) (a)).

(ii) The remaining amortization period of concession rights range from 10 to 30 years.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Intangible assets (Continued)

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

Cost	
31 December 2019 (Audited)	65,445
Additions for the period	1,981
30 June 2020 (Unaudited)	<u>67,426</u>
Accumulated amortisation	
31 December 2019 (Audited)	(7,365)
Charge for the period	(1,342)
30 June 2020 (Unaudited)	<u>(8,707)</u>
Net Book Value	
30 June 2020 (Unaudited)	<u>58,719</u>
31 December 2019 (Audited)	<u>58,080</u>

(i) As at 30 June 2020, bank borrowing of RMB310 million (31 December 2019: RMB194 million) is secured by land use right with carrying amount of RMB38 million and original cost of RMB42 million (31 December 2019: carrying amount of RMB26 million and original cost of RMB28 million).

(ii) As at 30 June 2020, the land use right includes assets exchanged for non-monetary assets with an original cost of RMB5 million and a carrying amount of approximately RMB3.5 million (31 December 2019: the land use right includes assets exchanged for non-monetary assets with an original cost of RMB5 million and a carrying amount of approximately RMB4 million). Whose certificate of title to outsourced assets included has yet to be or is in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, the management of the Company believes that the titles will be received in due course without any legal barrier or additional significant cost.

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For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Intangible assets (Continued)

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

Cost	
31 December 2019 (Audited)	12,183
Increase in the current period	204
	12,387
30 June 2020 (Unaudited)	12,387
Accumulated amortisation	
31 December 2019 (Audited)	(8,065)
Charge for the period	(410)
	(8,475)
30 June 2020 (Unaudited)	(8,475)
Net Book Value	
30 June 2020 (Unaudited)	3,912
	3,912
31 December 2019 (Audited)	4,118
	4,118

(d) For the six months ended 30 June 2020, the amounts of amortization charged to cost of sales and general and administrative expenses were RMB252 million (For the six months ended 30 June 2019: RMB196 million) and RMB1 million (For the six months ended 30 June 2019: RMB1 million), respectively.

(e) The Research and development expenses of the Group for the six months ended 30 June 2020 are all related to the Research and development of the production process of environmental protection equipment, which are all included in profit or loss when incurred.

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Notes to the Financial Statements
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Provision for asset impairment and loss

	31 December	1 January	Increase in the current period	Decrease in the current period		30 June
	2019 (Audited)	2020 (Audited)		Reversal	Write-off	2020 (Unaudited)
Provision for trade receivables	80,956	80,956	—	—	—	80,956
Including: Individual provision for bad debts	52,027	52,027	—	—	—	52,027
Combined provision for bad debts	28,929	28,929	—	—	—	28,929
Provision for other receivables	21	21	—	—	—	21
Provision for long-term receivables (including other non-current assets due with one year)	138	138	—	—	—	138
Subtotal	81,115	81,115	—	—	—	81,115
Provision for intangible assets	52,083	52,083	—	—	—	52,083
Provision for other current assets	66,243	66,243	—	—	—	66,243
Provision for Long-term equity investments	22,358	22,358	—	—	—	22,358
Subtotal	140,684	140,684	—	—	—	140,684
Total	221,799	221,799	—	—	—	221,799

(14) Trade payables, other payables, taxes payable and contract liabilities

	Unaudited 30 June 2020	Audited 31 December 2019
Trade payables (a)	269,513	231,293
Other payables (b)	1,422,084	1,534,014
Taxes payable (c)	44,889	86,188
Contract liabilities (d)	584,519	558,472
	<u>269,513</u>	<u>2,409,967</u>

Notes to the Financial Statements

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Trade payables, other payables, taxes payable and contract liabilities (Continued)

(a) Ageing of Trade payables is analyzed as below:

	Unaudited 30 June 2020	Audited 31 December 2019
Within 1 year	202,483	164,526
Over 1 year (i)	<u>67,030</u>	<u>66,767</u>
Total	<u><u>269,513</u></u>	<u><u>231,293</u></u>

(i) As at 30 June 2020, trade payables are mainly for inventory purchase. Trade payables aged over one year are RMB67 million (31 December 2019: RMB67 million), mainly representing payables for source water of RMB35 million from the subsidiary Qujing Capital Water Co., Ltd, and the subsidiary Tianjin Zhongshui Co., Ltd.'s project payable of RMB22 million. Since such amount has not been received from Qujing City Water General Company and the pipeline connection project of Zhongshui Company has not been completed, so the payment has not been finalized.

(b) Other payables comprise:

	Unaudited 30 June 2020	Audited 31 December 2019
Construction costs payable and deposits	1,040,725	1,224,453
Payable for purchase of fixed assets and concession rights	13,892	171,392
Interests payable for debentures payable	25,279	42,974
Dividends payable	150,876	1,172
Others	<u>191,312</u>	<u>94,023</u>
	<u><u>1,422,084</u></u>	<u><u>1,534,014</u></u>

As at 30 June 2020, other payables of RMB656 million (31 December 2019: RMB665 million) are aged over one year, which mainly represent construction costs payable and guarantee deposits for Jieshou Sewage operation PPP project, Karamay Sewage processing PPP project and Linxia upgrading projects and etc. The balance is yet to be settled as the projects have not been completed.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Trade payables, other payables, taxes payable and contract liabilities (Continued)

(c) Balances of taxes payable

	Unaudited 30 June 2020	Audited 31 December 2019
Unpaid VAT	21,911	37,256
Enterprise income tax payable	12,147	32,083
Others	10,831	16,849
	<u>44,889</u>	<u>86,188</u>

(d) Contract Liabilities

	Unaudited 30 June 2020	Audited 31 December 2019
For pipeline connection service	510,786	508,138
For Sewage processing service fee	—	12,071
For sale of equipment	13,603	11,263
For cooling and heating service	2,688	8,014
For toll road fee	42,880	—
For hazard waste treatment	8,612	6,197
Received from project of Han Gu	4,876	4,876
Others	1,074	7,913
	<u>584,519</u>	<u>558,472</u>

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For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Accrued payroll

	Unaudited 30 June 2020	Audited 31 December 2019
Short-term employee benefits payable (a)	20,100	65,891
Defined contribution plans payable (b)	3,697	209
	<u>23,797</u>	<u>66,100</u>

(a) Short-term employee benefits payable

	Audited 31 December 2019	Increase in the current period	Decrease in the current period	Unaudited 30 June 2020
Wages and salaries, bonuses, allowances and subsidies	58,212	124,574	172,451	10,335
Staff welfare	101	5,262	5,266	97
Social security contributions	121	8,037	6,902	1,256
Including: Medical insurance	108	7,527	6,447	1,188
Work injury insurance	2	162	97	67
Maternity insurance	11	348	358	1
Housing funds	64	21,656	21,574	146
Labor union funds and employee education funds	7,393	3,687	2,814	8,266
Others	—	47	47	—
	<u>65,891</u>	<u>163,263</u>	<u>209,054</u>	<u>20,100</u>

(b) Defined contribution plans payable

	Audited 31 December 2019	Increase in the current period	Decrease in the current period	Unaudited 30 June 2020
Basic pensions	192	8,258	4,871	3,579
Annuity	9	214	104	118
Unemployment	8	5,549	5,558	—
	<u>209</u>	<u>14,021</u>	<u>10,533</u>	<u>3,697</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities

	Note	Unaudited 30 June 2020	Audited 31 December 2019
Non-current:			
Long-term borrowings	(a)	4,403,674	3,818,136
Less: Current portion due within one year	(a)	(497,415)	(811,380)
		<u>3,906,259</u>	<u>3,006,756</u>
Debentures payable	(b)	<u>1,797,901</u>	<u>1,797,389</u>
Long-term payables	(c)	282,654	290,891
Less: Current portion due within one year	(c)	(27,699)	(28,239)
		<u>254,955</u>	<u>262,652</u>
Other non-current liabilities	(e)	<u>36,000</u>	<u>36,000</u>
Current:			
Current portion of long-term borrowings	(a)	497,415	811,380
Current portion of long-term payables	(c)	27,699	28,239
Current portion of provision(Note 4(17))		12,570	12,933
Current portion of non-current liabilities		<u>537,684</u>	<u>852,552</u>
Short-term borrowings	(d)	—	200,000
Other current liabilities	(e)	—	20,250

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
(Continued)

(a) Long-term borrowings

Summary of current portion of long-term borrowings by terms:

	Note	Unaudited 30 June 2020	Audited 31 December 2019
Secured	(i)	23,998	22,221
Guaranteed	(ii)	260,640	247,459
Unsecured		168,572	504,000
Pledged	(iii)	44,205	37,700
		<u>497,415</u>	<u>811,380</u>

Summary of non-current portion of long-term borrowings by terms:

	Note	Unaudited 30 June 2020	Audited 31 December 2019
Secured	(iv)	286,072	172,210
Guaranteed	(v)	2,254,440	1,656,915
Unsecured		796,629	646,000
Pledged	(vi)	569,118	531,631
		<u>3,906,259</u>	<u>3,006,756</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities (Continued)

(a) Long-term borrowings (Continued)

- (i) As at 30 June 2020, the current portion of bank borrowings of RMB24 million (31 December 2019: RMB22 million) is mortgaged by land use right (Note 4(12) (b)), property and equipment under construction (Note 4(11) (b)) and fixed assets (Note 4(11) (a)) of Shandong Capital Environmental Protection Technology Development Co., Ltd..
- (ii) As at 30 June 2020, the current portion of bank borrowings of RMB40 million (31 December 2019: RMB39 million) is guaranteed by City Infrastructure Construction and Investment for Xi'an Capital Water Co., Ltd., the subsidiary of the Company (Note 8(5) (b)). The current portion of bank borrowings of RMB221 million (31 December 2019: RMB208 million) is guaranteed by the company for its subsidiaries.
- (iii) As at 30 June 2020, the current portion of bank borrowings of RMB44 million (31 December 2019: RMB38 million) is pledged by all earnings and equity of Jingu and Beicang upgrading project under the Group's concession right (Note 4(12) (a)).
- (iv) As at 30 June 2020, the non-current portion of bank borrowings of RMB286 million (31 December 2019: RMB172 million) is mortgaged by land use right (Note 4(12) (b)), property and equipment under construction (Note 4(11) (b)) and fixed assets (Note 4(11) (a)) of Shandong Capital Environmental Protection Technology Development Co., Ltd..
- (v) As at 30 June 2020, the non-current portion of bank borrowings of RMB51 million (31 December 2019: RMB71 million) is guaranteed by City Infrastructure Construction and Investment for Xi'an Capital Water Co., Ltd, the subsidiary of the Company (Note 8(5) (b)), the non-current portion of bank borrowings of RMB2,203 million (31 December 2019: RMB1,586 million) is guaranteed by the company for its subsidiaries.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
(Continued)

(a) Long-term borrowings (Continued)

(vi) As at 30 June 2020, the non-current portion of bank borrowing of RMB553 million (31 December 2019: RMB489 million) is pledged by all earnings and equity of Jingu and Beicang upgrading project under the Group's concession right (Note 4(12) (a)). The non-current portion of bank borrowing of RMB 16 million (31 December 2019: RMB43 million) is secured by account receivables of Hebei Gaocheng Economic Development Zone Management Committee under the concession service agreement.

(vii) As at 30 June 2020, these long-term borrowings bear interest rates between 3.30% and 5.145% (31 December 2019: between 4.275% and 5.463%).

(b) Debentures payable

	Audited 31 December 2019	Issue	Payment	Amortization	Unaudited 30 June 2020
Debentures payable					
– Par value	1,800,000	—	—	—	1,800,000
– Transaction cost	(2,611)	—	—	512	(2,099)
	<u>1,797,389</u>	<u>—</u>	<u>—</u>	<u>512</u>	<u>1,797,901</u>

General information of debentures payable are as follows:

	Per Value	Issuance date	Maturity	Issuance amount
Corporate Debenture (note (i))	700,000	2016-10-25	5 years	700,000
Corporate Debenture (note (ii))	1,100,000	2018-04-26	5 years	1,100,000

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
 (Continued)

(b) Debentures payable (Continued)

Interests payable of debentures are analyzed as follows:

	Audited 31 December 2019	Interest Accrued		Unaudited 30 June 2020
		Interest accrued in the current period	Interest paid in the current period	
Corporate Debenture (note (i))	4,022	10,895	—	14,917
Corporate Debenture (note (ii))	38,952	28,280	(56,870)	10,362
	<u>42,974</u>	<u>39,175</u>	<u>(56,870)</u>	<u>25,279</u>

- (i) On 25 October 2016, the Company issued a debenture at par value of RMB700 million on The Shanghai Stock Exchange as approved by the Securities Regulatory Commission of China [2016]1896. The fixed interest rate of 3.13% has been accrued and settled per annum. The debenture will be due for repayment on 25 October 2021. The principal will be repaid on maturity. As at 30 June 2020, the interest accrued on debentures payable to be paid within one year is RMB15 million, which is listed in other payables.
- (ii) On 26 April 2018, the Company issued a debenture at par value of RMB1,100 million on The Shanghai Stock Exchange as approved by the Securities Regulatory Commission of China [2016]1896. The fixed interest rate of 5.17% has been accrued and settled per annum. The debenture will be due for repayment on 26 April 2023. The principal will be repaid on maturity. As at 30 June 2020, the interest accrued on debentures payable to be paid within one year is RMB10 million, which is listed in other payables.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
(Continued)

(c) Long-term payables

	Unaudited 30 June 2020			Audited 31 December 2019		
	Payables	Unrecognised financial charges	Total	Payables	Unrecognised financial charges	Total
Payable for assets acquisition	439,939	(157,285)	282,654	445,444	(154,553)	290,891

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

	Maturity date	Effective interest rate	Total	Current portion	Ending balance
Tianjin Sewage Company ("Sewage Company")	20 March 2041	5.94%	282,654	27,699	254,955

As at 30 June 2020, long-term payable to Sewage Company is the consideration payable in respect of the acquisition of sewage water processing assets from Sewage Company, net of unrecognised financing charges.

Pursuant to *Assets Transfer Agreement From Foreign Banks Loans About Haihe River Tianjin Sewage Processing Project and Beicang Sewage Processing Project* (the "Transfer Agreement"), Sewage Company sold to the Company certain sewage processing assets. The down payment is RMB261 million, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is RMB430 million, which was calculated based on discounted future cash payments and discount rate of 5.94%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
(Continued)

(c) Long-term payables (Continued)

(ii) The balance of long-term payable are denominated in the following currencies:

	Unaudited 30 June 2020	Audited 31 December 2019
JPY	207,660	205,685
USD	74,994	85,206
	<u>282,654</u>	<u>290,891</u>

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

	Unaudited 30 June 2020	Audited 31 December 2019
JPY	344,586	344,880
USD	95,353	100,564
	<u>439,939</u>	<u>445,444</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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
(Continued)

(c) Long-term payables (Continued)

(iv) The long-term payables mature as follows. As at 30 June 2020, the current portion of long-term payables of RMB28 million (31 December 2019: RMB28 million) was classified as current liabilities.

	Unaudited 30 June 2020	Audited 31 December 2019
Within 1 year	27,699	28,239
1-2 years	26,961	27,465
2-5 years	77,341	78,625
Over 5 years	150,653	156,562
	282,654	290,891

(d) Short-term borrowings

	Unaudited 30 June 2020	Audited 31 December 2019
China Merchants Bank	—	200,000

Summary of short-term borrowings by terms

	Unaudited 30 June 2020	Audited 31 December 2019
Unsecured	—	200,000

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term borrowings, debentures payable, long-term payables, short-term borrowings and other liabilities
 (Continued)

(e) Other liabilities

	Unaudited 30 June 2020	Audited 31 December 2019
Non-current:		
– Cooling service fee	<u>36,000</u>	<u>36,000</u>
Current:		
– Entrusted loan to be paid within one year	<u>—</u>	<u>20,250</u>

(17) Provisions

	Audited 31 December 2019	Increase in the current period	Decrease in the current period	Unaudited 30 June 2020
Maintenance cost of sewage water processing plants	24,598	—	(363)	24,235
Less: Provisions expected to be paid within one year	<u>(12,933)</u>	<u>—</u>	<u>363</u>	<u>(12,570)</u>
	<u>11,665</u>	<u>—</u>	<u>—</u>	<u>11,665</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Deferred income

Deferred revenue represents the subsidies received from governmental authorities with respects to Group's certain construction and research and development projects. Details of deferred revenue are as below:

	Audited		Recognised	Unaudited	
	31 December		in other	30 June	Relating to
	2019	Additions	income	2020	assets/costs
Sewage water processing project:					
– Jingu	1,207,260	—	25,643	1,181,617	assets
– Jingu upgrading project	156,480	—	3,260	153,220	assets
– Beichen upgrading project	86,400	—	1,800	84,600	assets
– Xianyang Road-upgrading project	56,716	—	1,182	55,534	assets
– Dongjiao upgrading project	39,798	—	829	38,969	assets
– Ningxiang upgrading project	17,348	—	465	16,883	assets
– Beishiqiao upgrading project	9,635	—	358	9,277	assets
– Linxia reconstruction and extension project	9,392	—	165	9,227	assets
– Chibi upgrading project	5,500	2,250	—	7,750	assets
Water recycling project:					
– Jingu	199,498	—	—	199,498	assets
– Dongjiao	20,406	—	337	20,069	assets
– Beichen	17,587	—	262	17,325	assets
– Xianyanglu	12,344	—	—	12,344	assets
Heating and cooling supply service project	210,269	6,207	—	216,476	assets
Others	11,069	920	1,584	10,405	costs
Total	<u>2,059,702</u>	<u>9,377</u>	<u>35,885</u>	<u>2,033,194</u>	

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Deferred tax assets and deferred tax liabilities

(a) *Deferred income tax assets*

(i) Deferred income tax assets before offsetting

	Unaudited 30 June 2020		Audited 31 December 2019	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets	69,322	17,330	69,322	17,330
Accrued liabilities	16,010	2,402	16,010	2,402
Accrued expenses	10,000	2,500	10,000	2,500
	<u>95,332</u>	<u>22,232</u>	<u>95,332</u>	<u>22,232</u>
Including:				
Expected to be recovered within one year (inclusive)		4,440		4,440
Expected to be recovered after one year		17,792		17,792
		<u>22,232</u>		<u>22,232</u>

(b) *Unrecognised deferred income tax assets*

(i) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analyzed as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
Deductible temporary difference – provision for assets	121,205	121,205
Deductible losses	68,832	58,667
Accrued liabilities	8,588	8,588
	<u>198,625</u>	<u>188,460</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Unrecognised deferred income tax assets (Continued)

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

	Unaudited 30 June 2020	Audited 31 December 2019
2020	—	6,243
2021	5,124	5,124
2022	3,466	3,466
2023	11,061	11,061
2024	32,773	32,773
2025	16,408	—
	<u>68,832</u>	<u>58,667</u>

(c) Deferred income tax liabilities before offsetting

	Unaudited 30 June 2020		Audited 31 December 2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Amortization of intangible assets	523,305	130,826	521,412	130,353
Business combination	52,087	13,022	53,028	13,257
	<u>575,392</u>	<u>143,848</u>	<u>574,440</u>	<u>143,610</u>
Including:				
Expected to be recovered within one year (inclusive)		4,848		4,848
Expected to be recovered after one year		138,762		138,762
		<u>143,610</u>		<u>143,610</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Unaudited 30 June 2020		Audited 31 December 2019	
	Set-off amount	After offsetting the balance	Set-off amount	After offsetting the balance
Deferred income tax assets	18,023	4,209	18,023	4,209
Deferred income tax liabilities	18,023	125,825	18,023	125,587

(20) Share capital

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

	Circulating A shares	Circulating H shares	Total
At 30 June 2020 and 31 December 2019	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

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

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For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Capital surplus, surplus reserve and undistributed profits

(a) Capital surplus

	Audited			Unaudited
	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Share premium	382,311	—	—	382,311
A subsidiary reformed as a stock limited company	16,804	—	—	16,804
Capital Increase by minority shareholders	31,909	—	—	31,909
	<u>431,024</u>	<u>—</u>	<u>—</u>	<u>431,024</u>
	Audited			Audited
	31 December 2018	Increase in the current period	Decrease in the current period	31 December 2019
Share premium	382,311	—	—	382,311
A subsidiary reformed as a stock limited company	16,804	—	—	16,804
Capital Increase by minority shareholders	31,909	—	—	31,909
	<u>431,024</u>	<u>—</u>	<u>—</u>	<u>431,024</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Capital surplus, surplus reserve and undistributed profits (Continued)

(b) Surplus reserve

	Audited 31 December 2019	Increase in the current period	Decrease in the current period	Unaudited 30 June 2020
Statutory surplus reserve	558,250	—	—	558,250

	Audited 31 December 2018	Increase in the current period	Decrease in the current period	Audited 31 December 2019
Statutory surplus reserve	517,107	41,143	—	558,250

Pursuant to the *PRC Companies Law* and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit for the year to the statutory surplus reserve, which can be ceased till the reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

(c) Undistributed profits

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Undistributed profits at the beginning of the period (audited)	3,757,523	3,442,844
Add: Net profit attributable to owners of the parent for the current period	256,948	218,503
Less: Ordinary share dividends payable (note (i))	(152,713)	(151,286)
Undistributed profits at the end of the period (unaudited)	3,861,758	3,510,061

- (i) As at 13 May 2020, the board of shareholders proposed a cash dividend of RMB1.07 (gross tax) for every 10 shares to all shareholders on the basis of 1,427 million shares issued. Cash dividends to be distributed amounted to RMB153 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Revenue and cost of sales

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	1,417,026	956,061	1,148,445	749,986
Other operations	104,364	84,651	76,271	64,374
	<u>1,521,390</u>	<u>1,040,712</u>	<u>1,224,716</u>	<u>814,360</u>

(a) Revenue from principal operations and cost of sales

Analysis by the nature of services is as below:

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Processing of sewage water	1,093,275	766,741	871,299	580,714
Water recycling and connection project	136,733	94,261	137,078	95,676
Tap water supplying	46,924	38,238	49,703	32,478
Heating and cooling supply services	46,057	31,041	40,417	30,545
Sale of environmental protection equipment	13,571	6,655	18,493	6,885
Hazardous waste treatment	33,029	13,911	—	—
Others	47,437	5,134	31,455	3,688
	<u>1,417,026</u>	<u>956,061</u>	<u>1,148,445</u>	<u>749,986</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Revenue and cost of sales (Continued)

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

Analysis by locations is as follows:

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Tianjin	824,591	497,657	681,838	420,089
Hangzhou	119,374	75,953	120,167	86,230
Xi'an	79,521	39,728	62,772	42,750
Qujing	53,515	39,312	55,826	37,253
Others	340,025	303,411	227,842	163,664
	<u>1,417,026</u>	<u>956,061</u>	<u>1,148,445</u>	<u>749,986</u>

(b) Revenue from other operations and cost of sales

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue from other operations	Cost of sales	Revenue from other operations	Cost of sales
Contract operation income	77,041	55,822	65,949	51,569
Technical service fee	23,901	23,630	7,911	9,590
Rental income	392	3,903	751	1,850
Others	3,030	1,296	1,660	1,365
	<u>104,364</u>	<u>84,651</u>	<u>76,271</u>	<u>64,374</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Revenue and cost of sales (Continued)

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

	For the six months ended 30 June 2020 (Unaudited)								
	Processing of sewage			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	Others	Group
	Tianjin	Hangzhou	Others						
Revenue	600,633	119,374	373,268	136,733	46,057	46,924	13,571	80,466	1,417,026
Of which: confirm at a point in time	—	—	—	—	—	—	—	13,916	13,916
Confirm over time	600,633	119,374	373,268	136,733	46,057	46,924	13,571	66,550	1,403,110
Other operating income	—	—	—	—	—	—	—	104,364	104,364
	<u>600,633</u>	<u>119,374</u>	<u>373,268</u>	<u>136,733</u>	<u>46,057</u>	<u>46,924</u>	<u>13,571</u>	<u>184,830</u>	<u>1,521,390</u>

	For the six months ended 30 June 2019 (Unaudited)								
	Processing of sewage			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	Others	Group
	Tianjin	Hangzhou	Others						
Revenue	452,450	120,167	298,682	137,078	40,417	49,703	18,493	31,455	1,148,445
Of which: confirm at a point in time	—	—	—	—	—	—	—	—	—
Confirm over time	452,450	120,167	298,682	137,078	40,417	49,703	18,493	31,455	1,148,445
Other operating income	—	—	—	—	—	—	—	76,271	76,271
	<u>452,450</u>	<u>120,167</u>	<u>298,682</u>	<u>137,078</u>	<u>40,417</u>	<u>49,703</u>	<u>18,493</u>	<u>107,726</u>	<u>1,224,716</u>

As at 30 June 2020, the Group's main service includes sewage water processing service, recycled water operations service and tap water operations service. Service bills are regularly issued to customers, based on contract agreed price and actual sewage water treatment capacity, tap water and recycling water supply. And the amount of bills represent the entity's progress toward complete satisfaction of the performance obligation to transfer each distinct good or service in the series to customers. And there is no consideration amount which is not included in the transaction price, thus it's not included in the required information to be disclosed for the transaction price allocated to the remaining performance obligation.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Taxes and surcharges

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Tax base
Land use tax	6,974	7,643	RMB1.5-30 per square meter
City maintenance and construction tax	5,694	4,187	7%/5% of the VAT paid
Property tax	4,283	3,478	Self-use: 1.2% (deducted 30% of the original value of the property)
Rental: 12% of the rental income			
Educational surcharge	2,575	1,960	2%/3% of the VAT paid
Local educational surcharge	1,647	1,117	2% of the VAT paid
Others	1,005	522	
	<u>22,178</u>	<u>18,907</u>	

(24) Selling expenses and general and administrative expenses

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	General and administrative expenses	Selling expenses	General and administrative expenses	Selling expenses
Employee benefits	48,910	2,071	47,730	1,674
Consulting service fees	4,190	2,710	1,519	27
Travelling, meeting and business entertainment expenses	1,348	121	2,112	265
Depreciation of fixed assets	4,711	9	2,932	9
Expenses of secretary of the board	149	—	1,585	—
General office expenses	2,025	29	2,227	4
Audit fees	2,430	—	2,424	—
Repair and maintenance expenses	1,525	—	1,605	—
Utilities expenses	576	—	703	—
Other taxes	130	—	209	—
Amortisation of intangible assets	1,464	—	1,434	—
Others	2,795	2,982	3,552	8
	<u>70,253</u>	<u>7,922</u>	<u>68,032</u>	<u>1,987</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Research and development expenses

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Employee benefits	2,369	2,917
Travelling, meeting and business entertainment expenses	1	4
Others	147	349
	<u>2,517</u>	<u>3,270</u>

(26) Financial expenses

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Loan Interest expenses	154,131	125,457
Less: Amount capitalized on qualifying assets	<u>(27,549)</u>	<u>(18,867)</u>
Interest expenses	126,582	106,590
Less: Interest income	(12,328)	(10,980)
Including: From long-term receivables	(4,315)	(4,702)
From bank deposits	(8,013)	(6,278)
Exchange losses	(1,368)	(1,269)
Others	101	(1,218)
	<u>112,987</u>	<u>93,123</u>

For the six months ended 30 June 2020, the exchange loss on the long-term payables denominated in JPY and US dollar were RMB1.37 million (For the six months ended 30 June 2019: JPY and US dollar were RMB1.27 million).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Other Income

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Related to assets/incomes
Government Grants (a)	38,029	28,674	Assets/Incomes
VAT refund	35,948	32,070	Incomes
	<u>73,977</u>	<u>60,744</u>	

(a) Details of government grants

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Related to assets/incomes
Compensation for construction of Jingu sewage processing plant	25,643	25,643	Assets
Capital Alternative cooling and heating subsidy	—	3	Assets/Incomes
Allowance for Jingu-upgrading energy conservation	3,260	—	Assets
Allowance for Beichen-upgrading energy conservation	1,800	—	Assets
Special construction fund of Xianyanglu upgrading project	1,182	1,182	Assets
Special construction fund of Dongjiao sewage water processing plant	829	829	Assets
Others	5,315	1,017	Assets/Incomes
	<u>38,029</u>	<u>28,674</u>	

(28) Investment Income

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Dividends income from other equity instruments investment	<u>—</u>	<u>—</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Credit impairment losses

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Trade receivables losses	—	(98)
	—	(98)
	<u>—</u>	<u>(98)</u>

(30) Gains on disposals of assets

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Unaudited Amount recognised in non-recurring profit or loss for the six months ended 30 June 2020
Gains on disposals of fixed assets	—	1,201	—
	—	1,201	—
	<u>—</u>	<u>1,201</u>	<u>—</u>

(31) Non-operating income

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Unaudited Amount recognised in non-recurring profit or loss for the six months ended 30 June 2020
Government Grants	—	2,399	—
Others	232	150	232
	232	2,549	232
	<u>232</u>	<u>2,549</u>	<u>232</u>

(32) Non-operating expenses

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Unaudited Amount recognised in non-recurring profit or loss for the six months ended 30 June 2020
Donation	2,188	2,380	2,188
Others	629	—	629
	2,817	2,380	2,817
	<u>2,817</u>	<u>2,380</u>	<u>2,817</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Income tax expenses

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Current income tax calculated based on tax law and related regulations	58,934	53,596
Deferred income tax	238	2,558
	<u>59,172</u>	<u>56,154</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profits presented in the consolidated financial statements to the income tax expenses is set below:

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Total profit	<u>336,213</u>	<u>287,249</u>
Calculated at applicable income tax rates (25%)	84,053	71,812
Effect of favorable tax rates	(16,029)	(15,923)
Income not subject to tax	(12,871)	(8,234)
Costs, expenses and losses not deductible for tax purposes	85	3,136
Utilization of previously deductible tax losses for which no deferred income tax assets was recognised	(168)	(249)
Tax temporary differences for which no deferred income tax asset was recognised	4,102	5,612
Deductible losses for which no deferred income tax asset was recognised	—	—
Income tax expenses	<u>59,172</u>	<u>56,154</u>

Notes to the Financial Statements

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to owners of the parent of RMB257 million (For the six months ended 30 June 2019: RMB219 million) and weighted average number of ordinary shares of RMB1,427 million shares in issue during the year (For the six months ended 30 June 2019: 1,427 million shares).

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Consolidated net profit attributable to ordinary shareholders of the Company	256,948	218,503
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,427,228</u>	<u>1,427,228</u>
Basic earnings per share (RMB Yuan)	<u>0.18</u>	<u>0.15</u>
Including:		
– Basic earnings per share for operations on a going concern	0.18	0.15
– Basic earnings per share for discontinued operations	—	—

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2020 (For the six months ended 30 June 2019: Nil), diluted earnings per share equal to basic earnings per share.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Notes to the cash flow statements and supplementary information

(a) Reconciliation of net profit to cash flows from operating activities

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Net profit	277,041	231,095
Add:		
Provision for asset impairments	—	(98)
Depreciation of fixed assets and investment properties	25,952	50,206
Amortisation of intangible assets	252,956	197,302
Net (gains) from disposal of fixed assets	—	(1,201)
Net financial expenses	126,582	92,393
Increase in deferred tax liabilities	238	2,558
Decrease in inventories	594	24
(Increase)/decrease in operating receivables	(343,123)	35,421
(Decrease)/increase in operating payables	(78,941)	122,007
Net cash flows from operating activities	<u>261,299</u>	<u>729,707</u>
Net movement in cash		
Cash at the end of the period	1,791,824	2,024,293
Less: Cash at the beginning of the period	<u>(2,066,301)</u>	<u>(1,808,543)</u>
Net (decrease)/increase in cash	<u>(274,477)</u>	<u>215,750</u>

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

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Cash		
Including: Cash on hand	21	111
Cash at bank	<u>1,791,803</u>	<u>2,024,182</u>
Cash listed in cash flow statement	<u>1,791,824</u>	<u>2,024,293</u>

Notes to the Financial Statements

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Notes to the cash flow statements and supplementary information (Continued)

(c) Cash received relating to other operating activities

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Deposit on project bids received	22,318	7,133
Interest income from bank deposits	15,455	6,221
Government grants received	11,521	37,889
Collection of deposit on project bids	—	97,195
Others	33,127	24,573
	<u>82,421</u>	<u>173,011</u>

(d) Cash paid relating to other operating activities

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Repair and maintenance expenses	50,117	48,286
Consulting service fees	10,970	3,303
Deposit on project bids paid	1,794	16,344
Travelling, meeting and business entertainment expenses	789	2,568
Expenses of secretary of the board	147	1,585
Others	5,468	216
	<u>69,285</u>	<u>72,302</u>

(f) Net cash received from disposals of fixed assets

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Carrying amount of disposals of fixed assets	—	1,231
Net losses from disposal of fixed assets	—	(1,201)
	<u>—</u>	<u>30</u>

5 CHANGE IN CONSOLIDATION SCOPE

In the first half of the year 2020, the Company contributed RMB33 million to set up Huize Capital Water Co. Ltd.; RMB37 million to set up Huoqiu Capital Water Co., Ltd. The shareholding ratio is 79% and 90% respectively.

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6 EQUITY IN OTHER ENTITIES

(a) Subsidiaries

Name of subsidiaries	Type of subsidiary	Major business location	Place of registration	Nature of business and business activity	Shareholding (%)		Establishment
					Direct	Indirect	
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Processing of sewage water, tap water supply	87	—	Capital contribution
Guizhou Capital Water Co., Ltd.	A	Guizhou	Guizhou	Processing of sewage water	95	—	Capital contribution
Baoying Capital Water Co., Ltd.	A	Baoying	Baoying	Processing of sewage water	70	—	Capital contribution
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Hangzhou	Processing of sewage water	70	—	Capital contribution
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Tianjin	Manufacturing and sale of new building materials	71	—	Capital contribution
Fuyang Capital Water Co., Ltd.	B	Fuyang	Fuyang	Processing of sewage water	100	—	Capital contribution
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	B	Hong Kong	Hong Kong	Processing of sewage water	100	—	Capital contribution
Wendeng Capital Water Co., Ltd.	B	Wendeng	Wendeng	Processing of sewage water	100	—	Capital contribution
Tianjin Jing Hai Capital Water Co., Ltd.	B	Tianjin	Tianjin	Processing of sewage water	100	—	Capital contribution
Tianjin Water Recycling Co., Ltd.	B	Tianjin	Tianjin	Production and sales of recycled water, development and construction of water recycling facilities, and technical consulting for water recycling business	100	—	Capital contribution
Xi'an Capital Water Co., Ltd.	B	Xi'an	Xi'an	Processing of sewage water	100	—	Capital contribution
Tianjin Caring Technology Development Co., Ltd	A	Tianjin	Tianjin	Environment governance, technical consulting, etc.	48	12	Capital contribution
Anguo Capital Water Co., Ltd.	B	Anguo	Anguo	Processing of sewage	100	—	Capital contribution
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Wuhan	Processing of sewage water, tap water supply	100	—	Capital contribution
Tianjin Jinning Capital Water Co., Ltd.	B	Tianjin	Tianjin	Processing of sewage water	100	—	Capital contribution
Tianjin Capital Alternative Energy Technology Co., Ltd	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer services, property management	100	—	Capital contribution
Yingshang Capital Water Co., Ltd.	B	Yingshang	Yingshang	Processing of sewage water	100	—	Capital contribution
Shandong Capital Environmental Protection Technology Development Co., Ltd.	A	Shandong	Shandong	Investment in and construction of sewage water processing facilities	55	—	Capital contribution
Changsha Tianchuang Environmental Protection Co., Ltd.	A	Changsha	Changsha	Processing of sewage water	81	—	Capital contribution
Karamay Tianchuang Capital Water Co., Ltd.	A	Karamay	Karamay	Processing of sewage water	90	—	Capital contribution
Anhui Tianchuang Capital Water Co., Ltd.	B	Hefei	Hefei	Processing of sewage water	100	—	Capital contribution
Linxia Capital Water Co., Ltd	B	Linxia	Linxia	Processing of sewage water	100	—	Capital contribution
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	A	Dalian	Dalian	Processing of sewage water	64	—	Capital contribution
Changsha Tianchuang Capital Water Co., Ltd.	A	Changsha	Changsha	Processing of sewage water	80	—	Capital contribution
Inner Mongolia Bayannur Capital Water Co., Ltd.	A	Bayannur	Bayannur	Processing of sewage water, producing and sailing of recycled water, supplying tap water	70	—	Business combination
Honghu Tianchuang Capital Water Co., Ltd.	A	Honghu	Honghu	Processing of sewage water	85	—	Capital contribution
Hefei Capital Water Co., Ltd.	B	Hefei	Hefei	Processing of sewage water	100	—	Capital contribution
Deqing Capital Water Co., Ltd.	A	Deqing	Deqing	Processing of sewage water	90	—	Capital contribution
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd.	A	Gaocheng	Gaocheng	Processing of sewage water, producing and sailing of recycled water	59	—	Capital contribution
Hanshou Tianchuang Capital Water Co., Ltd.	A	Hanshou	Hanshou	Supplying tap water	75	—	Capital contribution
Jiuquan Capital Water Co., Ltd.	A	Jiuquan	Jiuquan	Processing of sewage water	89	—	Capital contribution
Huize Capital Water Co. Ltd.	A	Huize	Huize	Processing of sewage water	79	—	Capital contribution
Huoqiu Capital Water Co., Ltd.	A	Huoqiu	Huoqiu	Processing of sewage water	90	—	Capital contribution

A: Holding subsidiary

B: Wholly-owned subsidiary

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6 EQUITY IN OTHER ENTITIES (Continued)

(b) Subsidiaries with significant minority interests

Name	Minority interests ratio	Minority Interests for the six months ended 30 June 2020	Declared distribution of cash dividends for the six months ended 30 June 2020	Minority interests as at 30 June 2020 (Unaudited)
Hangzhou Tianchuang Capital Water Co., Ltd. ("Hangzhou Company")	30.00%	13,695	—	227,752
Qijing Capital Water Co., Ltd. ("Qijing Company")	13.44%	1,241	—	41,527
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd. ("Dalian Company")	36.12%	627	—	25,960
Bayannur Capital Water Co., Ltd. ("Bayannur Company")	30.00%	537	—	337,934
Baoying Capital Water Co., Ltd. ("Baoying Company")	30.00%	1,402	—	34,926
Tianjin Caring Technology Development Co., Ltd. ("Caring Company")	40.00%	2,396	4,800	47,245
Shandong Capital Environmental Protection Technology Development Co., Ltd. ("Shandong Company")	45.00%	579	—	82,691
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd. ("Guojin Company")	41.00%	(3)	—	89,145

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

Balance Sheet

	30 June 2020 (Unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Company	286,167	639,321	925,488	116,614	95,275	211,889
Qijing Company	162,892	247,287	410,179	104,572	24	104,596
Dalian Company	32,282	198,657	230,939	60,416	79,788	140,203
Bayannur Company	113,655	1,041,873	1,155,527	17,504	11,625	29,129
Baoying Company	40,436	143,173	183,609	8,071	61,895	69,966
Caring Company	139,975	6,257	146,232	26,607	266	26,873
Shandong Company	110,895	441,802	552,697	74,842	286,472	361,315
Guojin Company	15,462	218,517	233,979	—	16,552	16,552
	<u>901,764</u>	<u>2,936,887</u>	<u>3,838,650</u>	<u>408,626</u>	<u>551,897</u>	<u>960,523</u>
			31 December 2019 (Audited)			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Company	277,436	722,580	1,000,016	153,740	132,751	286,491
Qijing Company	150,284	251,500	401,784	87,197	19,350	106,547
Dalian Company	23,146	192,075	215,221	64,647	80,788	145,435
Bayannur Company	90,362	1,061,028	1,151,390	14,870	11,861	26,731
Baoying Company	43,553	117,614	161,167	3,705	51,396	55,101
Caring Company	146,105	8,032	154,137	29,747	266	30,013
Shandong Company	57,661	425,597	483,258	104,957	194,431	299,388
Guojin Company	58,759	200,676	259,435	—	42,000	42,000
	<u>847,306</u>	<u>2,979,102</u>	<u>3,826,408</u>	<u>458,863</u>	<u>532,843</u>	<u>991,706</u>

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6 EQUITY IN OTHER ENTITIES (Continued)

(b) Subsidiaries with significant minority interests (Continued)

Balance Sheet (Continued)

	For the six month ended 30 June 2020 (Unaudited)			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Hangzhou Company	119,480	40,376	40,376	(4,731)
Qujing Company	55,704	10,422	10,422	54
Dalian Company	15,666	1,983	1,983	2,931
Bayannur Company	40,989	1,739	1,739	5,731
Baoying Company	14,355	4,805	4,805	5,619
Caring Company	42,569	7,236	7,236	9,463
Shandong Company	33,029	7,512	7,512	1,946
Guojin Company	—	(8)	(8)	—
	<u>321,792</u>	<u>74,065</u>	<u>74,065</u>	<u>21,013</u>

	For the six month ended 30 June 2019 (Audited)			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Hangzhou Company	120,272	23,453	23,453	14,968
Qujing Company	57,904	11,644	11,644	1,525
Dalian Company	13,809	2,237	2,237	270
Bayannur Company	35,928	3,853	3,853	5,780
Baoying Company	10,161	2,790	2,790	4,189
Caring Company	48,828	6,998	6,998	8,970
Shandong Company	47	(2,562)	(2,562)	(2,343)
Guojin Company	—	(50)	(50)	(49)
	<u>286,949</u>	<u>48,363</u>	<u>48,363</u>	<u>33,310</u>

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

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6 EQUITY IN OTHER ENTITIES (Continued)

(c) Non-essential information of associates

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Joint ventures:		
Total book value of investment	195,000	195,000
The total of the following items calculated according to the shareholding ratio Net profit (i)	—	—
Other comprehensive income (i)	—	—
Total comprehensive income	—	—

- (i) Both net profit and other comprehensive income have considered the fair value of identifiable assets and liabilities at the time of investment and the adjustment effect of the unified accounting policies.

7 SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group considers the business from both service and geographical perspective. From a service perspective, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and cooling service, sales of tap water and sale of environmental protection equipment. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). The environmental protection equipment sold by the Group is mainly the result of scientific research transformation of the technical know-how in the environment protection area. Other services include contract operation services, rental income and technical services etc. These are not separately presented within the reportable operating segments, but included in the 'all other segments' column. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

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7 SEGMENT INFORMATION (Continued)

(a) Segment information as at and for the six months ended 30 June 2020 (unaudited) is as follows:

	Processing of sewage			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin	Hangzhou	Others						
Revenue from external customers (Note 4(22))	600,633	119,374	373,268	136,733	46,057	46,924	13,571	184,830	1,521,390
Cost for operations	(400,382)	(75,268)	(291,091)	(94,261)	(31,041)	(38,238)	(6,655)	(103,776)	(1,040,712)
Interest income (Note 4(26))	2,307	664	1,875	2,148	256	17	201	4,860	12,328
Interest expenses (Note 4(26))	(92,732)	(2,945)	(29,141)	—	(1,300)	(464)	—	—	(126,582)
Results before share of profits of an associate	131,359	36,029	76,775	57,619	12,596	6,494	5,259	10,082	336,213
Segment total profit	131,359	36,029	76,775	57,619	12,596	6,494	5,259	10,082	336,213
Income tax expenses	(19,909)	(5,404)	(9,062)	(15,875)	(3,737)	(1,910)	(789)	(2,486)	(59,172)
Segment net profit	111,451	30,625	67,713	41,744	8,858	4,584	4,470	7,596	277,041
Net profit									277,041
Depreciation expenses	(237)	—	(688)	(15,791)	(662)	(56)	(378)	(8,140)	(25,952)
Amortization	(87,321)	(30,480)	(108,396)	(3,116)	(12,010)	(10,095)	(1)	(1,537)	(252,956)
Segment assets	6,661,746	966,138	6,907,391	1,009,588	683,714	545,339	60,874	1,292,916	18,127,706
Long-term equity investment in associate									195,000
Total assets									18,322,706
Total liabilities	5,867,468	224,864	3,159,769	907,021	342,097	89,974	8,567	448,525	11,048,285
Non-current assets addition (i)	1,518	—	305,179	1,070	14,104	1,479	—	46,259	369,609

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For the six months ended 30 June 2020

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7 SEGMENT INFORMATION (Continued)

(b) Segment information as at and for the six months ended 30 June 2019 (unaudited) is as follows:

	Processing of sewage			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin	Hangzhou	Others						
Revenue from external customers (Note 4(22))	458,172	120,167	292,961	137,078	40,417	49,703	18,493	107,725	1,224,716
Cost for operations	(293,921)	(87,047)	(199,746)	(95,676)	(30,545)	(32,478)	(6,885)	(68,062)	(814,360)
Interest income (Note 4(26))	1,459	1,004	157	7,384	487	18	376	95	10,980
Interest expenses (Note 4(26))	(65,737)	(4,936)	(34,084)	(25)	(1,140)	(668)	—	—	(106,590)
Results before share of profits of an associate	125,348	30,194	70,646	45,965	7,045	11,835	8,178	(11,962)	287,249
Segment total profit	125,348	30,194	70,646	45,965	7,045	11,835	8,178	(11,962)	287,249
Income tax expenses	(31,106)	(7,697)	(11,988)	(10,849)	(2,598)	(2,813)	(1,227)	12,124	(56,154)
Segment net profit	94,242	22,497	58,658	35,116	4,447	9,022	6,951	162	231,095
Net profit									231,095
Depreciation expenses	(109)	—	(837)	(17,698)	(188)	(48)	(503)	(2,684)	(22,067)
Amortization	(63,267)	(26,016)	(84,695)	(2,968)	(11,344)	(7,683)	(1)	(1,328)	(197,302)
Segment assets	5,936,592	1,055,436	5,782,445	1,221,492	677,580	423,103	67,951	1,096,569	16,261,168
Long-term equity investment in associate									195,000
Total assets									16,456,168
Total liabilities	5,631,437	291,927	2,264,608	596,566	349,901	92,867	10,047	395,206	9,632,559
Non-current assets addition (i)	12,742	—	515,617	929	32,613	44,798	52	130	606,881

(i) Non-current assets do not include financial assets, long-term equity investments, or deferred tax assets.

The Group's revenue from external customers comes from China.

The Group's non-current assets are located within China.

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8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Information of the parent of the Company

(a) General information of the parent company

	Type	Place of registration	Legal representative	Nature of business and principal activities
Municipal Investment	Limited company	Tianjin, China	Yu Zhongpeng	Development and management of municipal infrastructures

The Company's ultimate controlling party is City Infrastructure Construction and Investment.

(b) Registered capital and changes in registered capital of the parent company

	Audited 31 December 2019	Increase in the period	Decrease in the period	Unaudited 30 June 2020
Municipal Investment	1,820,000	—	—	1,820,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	Unaudited 30 June 2020		Audited 31 December 2019	
	Share holding (%)	Voting Rights (%)	Share holding (%)	Voting Rights (%)
Municipal Investment	50.14%	50.14%	50.14%	50.14%

(2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6.

(3) Information of associates

The general information and other related information of the associates is set out in Note 4(9) (a).

Notes to the Financial Statements

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8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Information of other related parties

	Relationship with the Group
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Haihe Construction Developing Investment Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Jinrongcheng Property Management Co. Ltd.	Controlled by the same ultimate holding company

(5) Related party transactions

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

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

Rendering of services

Related party name	Nature of transaction	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
City Infrastructure Construction and Investment	Commission income from contract operation	41,312	27,736
Tianjin Lecheng Properties Co., Ltd.	Income from heating and cooling supply	11,054	12,489
City Infrastructure Construction and Investment	Commission income from construction agent service	7,471	—
		59,837	40,225

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

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

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8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Guarantee:

The Group serves as guarantee.

Guarantor	Guarantee	Amount	Starting date	Due date	Fully performed or not
City Infrastructure Construction and Investment	Xi'an Capital Water Co., Ltd.	91,000	28 September 2008	27 September 2022	No

(c) Key management compensation

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Key management compensation	8,452	7,308

(6) Receivables from and payables to related parties

Receivables from related parties

Related party name	Unaudited 30 June 2020		Audited 31 December 2019	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivable				
City Infrastructure Construction and Investment	46,849	3,208	60,423	3,208
Tianjin Lecheng Properties Co., Ltd.	16,699	312	4,650	312
Tianjin City Resource Operation Co., Ltd.	401	136	401	136
	<u>63,949</u>	<u>3,656</u>	<u>65,474</u>	<u>3,656</u>

The receivables from related parties arise mainly from daily transactions and are due within one year after the date of sales. The receivables are unsecured in nature and bear no interest. RMB4 million provisions are held against receivables from related parties.

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8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(7) Transactions/balances with other state owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-owned entities”).

During the period, the Group’s significant transactions with these state controlled entities include treatment of sewage and construction and management of related facility, supply of tap water and recycled water, and supply of heating and cooling services. At the end of the period, the majority of the Group’s cash and cash equivalents and borrowings are with state controlled banks.

9 COMMITMENTS

(1) Capital commitments

The Group’s capital commitments at the balance sheet date are as follows:

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2020 RMB million	Audited 31 December 2019 RMB million	Unaudited 30 June 2020 RMB million	Audited 31 December 2019 RMB million
Intangible assets – Concession right				
– Sewage processing project	1,041	1,312	1,168	908
– Tap water project	57	56	67	68
– Heating and cooling supply project	46	46	111	112
Property, plant and equipment	50	31	—	34
	<u>1,194</u>	<u>1,445</u>	<u>1,346</u>	<u>1,122</u>

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS

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

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

(1) Market risk:

(a) Foreign exchange risk:

The Group has no significant foreign exchange risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. All of the Group's borrowings are denominated in RMB. The sole foreign exchange risk of the Group arises from fluctuation of USD and JPY pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from Sewage Company (Note 4(16)(c)(ii)).

At 30 June 2020, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been RMB3 million (30 June 2019: RMB3 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the year would have been RMB9 million (30 June 2019: RMB8 million) higher/lower.

Notes to the Financial Statements

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(1) **Market risk:** (Continued)

(b) *Interest rate risk:*

The Group's interest rate risk arises mainly from interest-bearing liabilities including borrowings, long-term payables and debentures payable.

The Group has significant borrowings, long-term payables and debentures payable. Those taken at variable rates expose the Group to cash flow interest-rate risk, whilst those taken at fixed rates expose the Group to fair value interest-rate risk.

The Group's finance department at its headquarters continuously monitor the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2020 and 2019, the Group did not enter into any interest rate swap agreements.

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

	Fixed	Floating	Total
At 30 June 2020 (Unaudited)			
Non-current liabilities due within one year :			
Current portion of long-term borrowings	—	497,415	497,415
Current portion of long-term payables	15,888	11,811	27,699
Long-term borrowings	—	3,906,259	3,906,259
Long-term payables	191,772	63,183	254,955
Debentures payable	1,797,901	—	1,797,901
	<u>2,005,561</u>	<u>4,478,668</u>	<u>6,484,229</u>
Total	<u>2,005,561</u>	<u>4,478,668</u>	<u>6,484,229</u>

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(1) Market risk: (Continued)

(b) Interest rate risk: (Continued)

	Fixed	Floating	Total
At 31 December 2019 (Audited)			
Short-term borrowings	200,000	—	200,000
Other current liabilities	20,250	—	20,250
Non-current liabilities due within one year :			
Current portion of long-term borrowings	—	811,380	811,380
Current portion of long-term payables	16,427	11,812	28,239
Long-term borrowings	—	3,006,756	3,006,756
Long-term payables	189,258	73,394	262,652
Debentures payable	1,797,389	—	1,797,389
Total	<u>2,223,324</u>	<u>3,903,342</u>	<u>6,126,666</u>

At 30 June 2020, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher by RMB38 million (At 30 June 2019: RMB23 million).

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

(2) Credit risk:

Credit risk arises from cash at bank, notes receivable, trade receivables, other receivables and contract assets. As at 30 June 2020, the book value of the Group's financial assets represents its maximum credit exposure.

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

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(2) Credit risk: (Continued)

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

As at 30 June 2020, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

(3) Liquidity risk:

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(3) Liquidity risk: (Continued)

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

	30 June 2020 (Unaudited)					Carrying amount
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	
Long-term borrowings	735,646	784,316	1,709,009	2,437,893	5,666,864	4,403,674
Long-term payables	33,240	34,288	110,480	261,931	439,939	282,654
Trade payables	269,513	—	—	—	269,513	269,513
Other payables	1,422,084	—	—	—	1,422,084	1,422,084
Debentures payable	78,780	764,173	1,147,392	—	1,990,345	1,797,901
	<u>2,539,263</u>	<u>1,582,777</u>	<u>2,966,881</u>	<u>2,699,824</u>	<u>9,788,745</u>	<u>8,175,826</u>
	31 December 2019 (Audited)					Carrying amount
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	
Short-term borrowings	205,738	—	—	—	205,738	200,000
Other current liabilities	21,131	—	—	—	21,131	20,250
Long-term borrowings	970,469	808,529	1,250,571	1,726,434	4,756,003	3,818,136
Long-term payables	32,058	33,037	106,222	274,126	445,443	290,891
Trade payables	231,293	—	—	—	231,293	231,293
Other payables	1,534,014	—	—	—	1,534,014	1,534,014
Debentures payable	78,780	775,128	1,175,827	—	2,029,735	1,797,389
	<u>3,073,483</u>	<u>1,616,694</u>	<u>2,532,620</u>	<u>2,000,560</u>	<u>9,223,357</u>	<u>7,891,973</u>

Notes to the Financial Statements

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11 FAIR VALUE ESTIMATION

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) Assets measured at fair value on a recurring basis:

As at 30 June 2020 (unaudited), the assets measured at fair value on a recurring basis by the above three levels are analysed below:

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

As at 31 December 2019 (audited), the assets measured at fair value on a recurring basis by the above three levels are analysed below:

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

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II. Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements
For the six months ended 30 June 2020
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11 FAIR VALUE ESTIMATION (Continued)

(1) Assets measured at fair value on a recurring basis: (Continued)

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include illiquidity discount.

Amounts of the Group's financial instruments not traded in an active market are of no significance.

(2) Assets and liabilities not measured at fair value but disclosed

Financial assets and liabilities of the Group measured at amortized cost mainly include notes receivable, trade receivables, other receivables, long-term receivables, payables, short-term borrowings, long-term borrowings, debenture payable and long-term payables.

The carrying amount of the financial assets and liabilities of the Group not measured at fair value is a reasonable approximation of their fair value.

12 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

12 CAPITAL MANAGEMENT (Continued)

The gearing ratio of the Group is as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
Total borrowings	6,484,229	6,126,666
Short-term borrowings	—	200,000
Other current liabilities	—	20,250
Long-term borrowings	4,403,674	3,818,136
Debentures payable	1,797,901	1,797,389
Long-term payables	282,654	290,891
Less: Cash	<u>1,791,824</u>	<u>(2,066,301)</u>
Net debt	4,692,405	4,060,365
Total equity	<u>7,274,421</u>	<u>7,142,187</u>
Total capital	<u><u>11,966,826</u></u>	<u><u>11,202,552</u></u>
Gearing ratio	<u>39%</u>	<u>36%</u>

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1) Trade receivables

	Unaudited 30 June 2020	Audited 31 December 2019
Trade receivables	2,174,422	1,977,087
Less: Provision for bad debts	<u>(19,006)</u>	<u>(19,006)</u>
	<u><u>2,155,416</u></u>	<u><u>1,958,081</u></u>

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

	Unaudited 30 June 2020	Audited 31 December 2019
Within 1 year	1,505,631	1,370,989
1 to 2 years	635,939	576,139
2 to 3 years	25,863	25,132
3 to 4 years	5,782	3,620
4 to 5 years	—	—
Over 5 years	<u>1,207</u>	<u>1,207</u>
Total	<u><u>2,174,422</u></u>	<u><u>1,977,087</u></u>

9. Financial Reports
II. Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements
For the six months ended 30 June 2020
(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Trade receivables (Continued)

(b) As at 30 June 2020 (unaudited), the trade receivables from the top five debtors in respect of outstanding balance are analyzed as below:

	Amount	Provision for bad debts	% of total balance
Trade receivables from the top five debtors	<u>2,131,834</u>	<u>11,147</u>	<u>98%</u>

(c) Provision for bad debts:

For the Company's trade receivables, regardless of whether there is a significant financing component, the Company measures the loss allowance according to the expected credit loss for the entire life.

(i) As at 30 June 2020 (unaudited), provision for bad debts by individual is analyzed as below:

	Carrying amount	ECL rate	Provision	Reasons
Tianjin Water Authority Bureau	2,022,736	0.05%	(990)	Note 4 (3)(c)(i)
Tianjin Water Recycling Co., Ltd.	3,510	0.46%	(16)	
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	15.97%	(2,682)	Note 4 (3)(c)(i)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	18,723	12.19%	(2,283)	Note 4 (3)(c)(i)
Tianjin Shuangkou Municipal Solid Waste Landfill	14,208	36.98%	(5,254)	Note 4 (3)(c)(i)
Zhejiang Xinsanyin Dyeing Co.Ltd.	<u>5,174</u>	28.91%	<u>(1,469)</u>	Note 4 (3)(c)(i)
Total	<u>2,081,148</u>		<u>(12,721)</u>	

Tianjin Water Recycling Co., Ltd. is a subsidiary of the Company and has good operating conditions. The credit risk of receivables from Tianjin Water Recycling Co., Ltd. is low and the Company estimates that the lifetime ECL rate is 0.46%.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Trade receivables (Continued)

(c) Provision for bad debts: (Continued)

(ii) As at 30 June 2020, provision for bad debts by individual is analyzed as below:

Group – Government clients except those in provincial capitals and municipalities

	Unaudited 30 June 2020			Audited 31 December 2019		
	Carrying amount Amount	Provision		Carrying amount Amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	6,337	3.00%	(190)	33,595	5.31%	(1,784)
1-180 days overdue	40,512	7.52%	(3,048)	16,645	5.31%	(884)
>180 days overdue	293	8.53%	(25)	10,475	5.68%	(595)
	<u>47,142</u>		<u>(3,263)</u>	<u>60,715</u>		<u>(3,263)</u>

Group – other clients

	Unaudited 30 June 2020			Audited 31 December 2019		
	Carrying amount Amount	Provision		Carrying amount Amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	9,484	3.01%	(285)	3,085	6.70%	(207)
1-90 days overdue	10,601	5.00%	(530)	5,986	6.70%	(401)
>90 days overdue	26,047	8.47%	(2,207)	19,467	12.40%	(2,414)
	<u>46,132</u>		<u>(3,022)</u>	<u>28,538</u>		<u>(3,022)</u>

9. Financial Reports
 II. Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements
 For the six months ended 30 June 2020
 (All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Other receivables

	Unaudited 30 June 2020	Audited 31 December 2019
Receivables from subsidiaries	43,630	37,361
VAT refund receivable (note (e))	10,898	24,004
Project deposits	2,680	23,496
Others	6,072	1,299
	<u>63,280</u>	<u>86,160</u>
Less: Provision for bad debts	(35)	(35)
	<u>63,245</u>	<u>86,125</u>

As at 30 June 2020, there were no other receivables overdue but unimpaired (31 December 2019: Nil).

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

	Unaudited 30 June 2020	Audited 31 December 2019
Within 1 year	60,744	73,888
1 to 2 years	1,264	2,968
2 to 3 years	20	8,112
Over 3 years	1,252	1,192
	<u>63,280</u>	<u>86,160</u>
Total	<u>63,280</u>	<u>86,160</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

(b) As at 30 June 2020, the Group has no other receivables belonging to stage 2 and stage 3. Provisions for bad debts of other receivables in stage 1 are analyzed as follows:

	Unaudited 30 June 2020			Audited 31 December 2019		
	Carrying amount Amount	Provision Amount	Percentage	Carrying amount Amount	Provision Amount	Percentage
Project Deposits Group:						
Within 1 year	1,433	(6)	0.05%	11,450	(6)	0.05%
1-2 years	100	(2)	0.05%	2,920	(2)	0.05%
2-3 years	20	(4)	0.05%	8,060	(4)	0.05%
Over 3 years	1,127	(1)	0.05%	1,066	(1)	0.05%
Subtotal	<u>2,680</u>	<u>(13)</u>		<u>23,496</u>	<u>(13)</u>	
Others :						
Within 1 year	48,412	(22)	0.05%	38,434	(22)	0.05%
1-2 years	1,164	—	0.10%	48	—	0.10%
2-3 years	—	—	0.10%	52	—	0.10%
Over 3 years	126	—	0.10%	126	—	0.10%
Subtotal	<u>49,702</u>	<u>(22)</u>		<u>38,660</u>	<u>(22)</u>	
Total	<u>52,382</u>	<u>(35)</u>		<u>62,156</u>	<u>(35)</u>	

(c) For the six months ended 30 June 2020, the changes of other receivables' provision of the Company is not significant.

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Notes to the Financial Statements
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13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

(d) As at 30 June 2020 (unaudited), other receivables from the top five debtors in respect of outstanding balance are analyzed as below:

	Nature	Balance	Aging	% of total balance	Provision for bad debts
Linxia Capital Water Co., Ltd.	Receivable due from subsidiaries	25,000	Within 1 year	40%	9
State Taxation Administration, Tianjin Municipal Tax Service	VAT refund receivable	10,898	Within 1 year	17%	—
Tianjin Water Recycling Co., Ltd.	Receivable due from subsidiaries	8,680	Within 1 year	14%	5
Huoqiu County Public Resources Trading Center	Project deposits	800	Within 1 year	1%	—
State Grid Tianjin Electric Power Company	Project deposits	500	Within 1 year	1%	—
		<u>45,878</u>		<u>73%</u>	<u>14</u>

(e) As at 30 June 2020 (unaudited), government grants confirmed according to receivables are analyzed as below:

Name	Amount	Aging	Estimated time, amount and basis of collection
VAT refund	<u>10,898</u>	Within 1 year	It's expected to received fully by June 2021 because the nature is VAT refund.

(3) Long-term equity investments

	Unaudited 30 June 2020	Audited 31 December 2019
Investment in subsidiaries (a)	4,089,000	4,012,806
Associate (b)	195,000	195,000
Less: Impairment of Long-term equity investments (c)	(140,754)	(140,754)
	<u>4,143,246</u>	<u>4,067,052</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries

	Investment cost	31 December 2019 (Audited)	Movement for the period			30 June 2020 (Unaudited)	Provision for impairment
			Additions	Disposals	Provision		
Xi'an Capital Water Co., Ltd.	334,000	334,000	—	—	—	334,000	—
Hangzhou Tianchuang Capital Water Co., Ltd.	264,212	264,212	—	—	—	264,212	—
Qijing Capital Water Co., Ltd.	154,918	154,918	—	—	—	154,918	—
Guizhou Capital Water Co., Ltd.	114,000	114,000	—	—	—	114,000	—
Fuyang Capital Water Co., Ltd.	390,111	390,111	—	—	—	390,111	—
Tianjin Water Recycling Co., Ltd.	100,436	100,436	—	—	—	100,436	—
Wuhan Tianchuang Capital Water Co., Ltd.	197,229	197,229	—	—	—	197,229	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	62,987	12,706	—	—	—	12,706	50,281
Wendeng Capital Water Co., Ltd.	61,400	61,400	—	—	—	61,400	—
Tianjin Capital Alternative Energy Technology Co., Ltd.	191,600	191,600	—	—	—	191,600	—
Anguo Capital Water Co., Ltd.	41,000	—	—	—	—	—	41,000
Baoying Capital Water Co., Ltd.	58,100	58,100	—	—	—	58,100	—
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	—	—	—	26,500
Tianjin Caring Technology Development Co., Ltd.	16,000	16,000	—	—	—	16,000	—
Tianjin Jinning Capital Water Co., Ltd.	22,560	7,560	—	—	—	7,560	15,000
Tianjin Jing Hai Capital Water Co., Ltd.	37,553	29,580	—	—	—	29,580	7,973
Yingshang Capital Water Co., Ltd.	53,000	53,000	—	—	—	53,000	—
Shandong Capital Environmental Protection Technology Development Co., Ltd.	105,600	105,600	—	—	—	105,600	—
Changsha Tianchuang Environmental Protection Co., Ltd. (note (i))	37,470	32,775	4,695	—	—	37,470	—
Karamay Tianchuang Capital Water Co., Ltd.	108,000	108,000	—	—	—	108,000	—
Anhui Tianchuang Capital Water Co., Ltd.	63,670	63,670	—	—	—	63,670	—
Linxia Capital Water Co., Ltd.	45,000	45,000	—	—	—	45,000	—
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	47,981	47,981	—	—	—	47,981	—
Changsha Tianchuang Capital Water Co., Ltd. (note(ii))	17,002	15,318	1,684	—	—	17,002	—
Inner Mongolia Bayannur Capital Water Co., Ltd.	776,957	776,957	—	—	—	776,957	—
Honghu Tianchuang Capital Water Co., Ltd.	111,631	111,631	—	—	—	111,631	—
Hefei Capital Water Co., Ltd.	205,957	205,957	—	—	—	205,957	—
Deqing Capital Water Co., Ltd.	54,000	54,000	—	—	—	54,000	—
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd.	128,323	128,323	—	—	—	128,323	—
Hanshou Tianchuang Capital Water Co., Ltd.	33,750	33,750	—	—	—	33,750	—
Jiuquan Capital Water Co., Ltd.	158,238	158,238	—	—	—	158,238	—
Huize Capital Water Co., Ltd. (note(iii))	32,660	—	32,660	—	—	32,660	—
Huoqiu Capital Water Co., Ltd. (note(iii))	37,155	—	37,155	—	—	37,155	—
Total	4,089,000	3,872,052	76,194	—	—	3,948,246	140,754

9. Financial Reports
II. Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements
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13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

- (i) In the first half of the year 2020, the Company increased capital of RMB4.70 million to its subsidiary Changsha Tianchuang Environmental Protection Co., Ltd. for the purpose of ensuring the treatment effect and normal operation of the PPP project and adding an emergency pool on the basis of the existing sewage treatment plant.
- (ii) In the first half of the year 2020, the Company invested RMB1.68 million to Changsha Tianchuang Capital Water Co., Ltd. for the change of local land regulation and environmental protection requirements of the PPP project.
- (iii) In the first half of the year 2020, the Company contributed RMB33 million to set up Huize Capital Water Co. Ltd. and RMB37 million to set up Huoqiu Capital Water Co. Ltd. The shareholding ratio is 79% and 90% respectively.

(b) Associate

In 2018, the consortium formed by Bishuiyuan Technology Co., Ltd., Jiu'an Investment Group Co., Ltd. and the Company won the bidding for the PPP project of sponge city construction in the Jiefang Nan road of Tianjin. After winning the bid, the parties jointly set up the project company Tianjin Bihai Sponge City Co., Ltd. The Company invested 195 million yuan, and the shareholding ratio is 30%.

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

	Audited 31 December 2019	Additions	Disposals	Unaudited 30 June 2020
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	50,281	—	—	50,281
Anguo Capital Water Co., Ltd.	41,000	—	—	41,000
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	26,500
Tianjin Jinning Capital Water Co., Ltd.	15,000	—	—	15,000
Tianjin Jing Hai Capital Water Co., Ltd	7,973	—	—	7,973
	<u>140,754</u>	<u>—</u>	<u>—</u>	<u>140,754</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

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13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(4) Revenue and cost of sales

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	625,988	369,739	483,601	294,029
Other operations	81,212	61,042	54,357	54,978
	<u>707,200</u>	<u>430,781</u>	<u>537,958</u>	<u>349,007</u>

(a) Revenue from principal operations and cost of sales

Analysis by the nature of services is as below:

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Processing of sewage water	594,686	366,179	452,450	290,469
Road tolls	31,302	3,560	31,151	3,560
	<u>594,686</u>	<u>366,179</u>	<u>483,601</u>	<u>294,029</u>

(b) Revenue from other operations and cost of sales

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue from other operations	Cost of sales	Revenue from other operations	Cost of sales
Contract operation income	59,277	46,954	43,549	43,797
Rental	3,131	7,020	6,118	8,604
Technical service	17,861	6,740	2,318	2,146
Others	943	328	2,372	431
	<u>81,212</u>	<u>61,042</u>	<u>54,357</u>	<u>54,978</u>

9. Financial Reports
II. Prepared in accordance with the PRC Accounting Standards

Notes to the Financial Statements
For the six months ended 30 June 2020
(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(4) Revenue and cost of sales (Continued)

(c) The Company's operating income is analyzed as follows:

	Processing of sewage water		For the six months ended 30 June 2020 (Unaudited)				Total
	Tianjin	Road tolls	Contract operation income	Rental	Technical service	Others	
Revenue	594,686	31,302	—	—	—	—	625,988
Of which: confirm at a point in time	—	—	—	—	—	—	—
Confirm within a certain period of time	594,686	31,302	—	—	—	—	625,988
Other operating income	—	—	59,277	3,131	17,861	943	81,212
	<u>594,686</u>	<u>31,302</u>	<u>59,277</u>	<u>3,131</u>	<u>17,861</u>	<u>943</u>	<u>707,200</u>

	Processing of sewage water		For the six month ended 30 June 2019 (Unaudited)				Total
	Tianjin	Road tolls	Contract operation income	Rental	Technical service	Others	
Revenue	452,450	31,151	—	—	—	—	483,601
Of which: confirm at a point in time	—	—	—	—	—	—	—
Confirm within a certain period of time	452,450	31,151	—	—	—	—	483,601
Other operating income	—	—	43,549	6,118	2,318	2,372	54,357
	<u>452,450</u>	<u>31,151</u>	<u>43,549</u>	<u>6,118</u>	<u>2,318</u>	<u>2,372</u>	<u>537,958</u>

As at 30 June 2020, service bills of the Company's sewage water processing service are regularly issued to customers, based on contract agreed price and actual sewage water treatment capacity. And the amount of bills represent the entity's progress toward complete satisfaction of the performance obligation to transfer each distinct good or service in the series to customers. And there is no consideration amount which is not included in the transaction price, thus it's not included in the required information to be disclosed for the transaction price allocated to the remaining performance obligation.

(5) Investment income

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Dividend income from other equity instruments investment	76,960	—
Interest income from entrusted loans	12,259	19,301
	<u>89,219</u>	<u>19,301</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB thousand unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Losses on disposal of non-current assets	—	1,201
Government Grants	38,029	31,072
Other non-operating income and expenses – net	(2,585)	(2,230)
	35,444	30,043
Effect of income tax	(5,401)	(4,813)
Effect of minority interests (after tax)	355	(280)
Total	<u>30,398</u>	<u>24,950</u>

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

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss [2008]* from China Security Regulatory Commission (“CSRC”), non-recurring profit or loss refers to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RECONCILIATION STATEMENT OF INLAND AND ABROAD FINANCIAL STATEMENT

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

3 RATE OF RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average income rate of net assets (%)		Basic/Diluted earnings per share	
	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Net profit attributable to ordinary shareholders of the Company	4.13	3.73	0.18	0.15
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	3.64	3.31	0.16	0.14

10. List of Documents Available for Inspection

1. The financial statements signed and sealed by the person in charge of the Company, the officer in charge of accounting operations and the officer in charge of the accounting department (the chief accountant).
2. Original copies of all documents and announcements of the Company publicly disclosed on the website designated by the CSRC during the reporting period.
3. The interim report released on other stock markets.

Tianjin Capital Environmental Protection Group Company Limited

Chairman: Liu Yujun