



Annual Report 2022



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

I. The board of directors (the “**Board**”), supervisory committee (the “**Supervisory Committee**”), directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) confirm that the information in this annual report contains no false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.

II. Information on the attendance of Directors

Position of the absent Director(s)	Name of absent Director(s)	Reason(s) for absence provided by the absent	
		Director	Name of proxy
Non-executive Director	Mr. An Pindong	Mr. An Pindong, a Director, was unable to attend the Board meeting due to a conflicted conference, and Ms. Peng Yilin, a fellow Director, was appointed as the proxy to exercise his voting rights	Ms. Peng Yilin

Except as disclosed above, all other Directors attended the Board meeting.

III. PricewaterhouseCoopers Zhong Tian LLP have issued standard unqualified audit reports of the Company.

IV. Ji Guanglin, the officer in charge of the Company, Nie Yanhong, the officer in charge of the accounting function, and Liu Tao, the officer in charge of the accounting department (the accounting management officer), have declared that they are responsible for the truthfulness, accuracy and completeness of the financial reports contained in the 2022 annual report.

V. The proposal on profit distribution or transfer of capital reserve fund to share capital for the reporting period as reviewed by the Board.

Important

As audited by PricewaterhouseCoopers Zhong Tian LLP, the actual profit available for distribution to shareholders in this year was RMB5,075,506,443.79, which was calculated based on the net profit of RMB751,254,173.95 attributable to the Company in 2022, less the statutory surplus reserve of RMB45,053,105.75 drawn in accordance with the Company Law of the People's Republic of China and the related provisions in the Articles of Association of the Company, plus the retained earnings of RMB4,577,680,726.37 at the beginning of the year, and less the cash dividend of RMB208,375,350.78 for 2021 already declared in 2022.

According to the profit distribution policy of the Company, considering that the Company is still in the development stage and that priority shall be given to the capital expenditure arrangement for the development of external projects in 2023, the Company plans to pay a cash dividend of RMB1.44 (tax inclusive) for every 10 shares to all shareholders in 2022, totaling RMB226,140,204.24, with the cash dividend amount accounting for 30.10% of the distributable profits of the Company realized in 2022. In 2022, there was no conversion of capital surplus to the share capital.

This distribution plan is subject to the approval of the annual general meeting for 2022.

VI. Risk statements for the forward-looking statements

Not applicable

VII. Did the controlling shareholder of the Company and other connected parties misappropriate the Company's funds for non-operating purposes?

No

VIII. Did the Company provide external guarantees in violation of any specified decision-making procedures?

No

IX. Significant risks warning

Not applicable

X. Others

Unless indicated otherwise, financial figures in this annual report are denominated in RMB.

1.	Definitions	4
2.	Company Profile and Major Financial Indicators	9
3.	Management Discussion and Analysis	15
4.	Corporate Governance	44
5.	Environment and Social Responsibility	111
6.	Major Events	116
7.	Details of Changes in Shares and Shareholders	139
8.	Relevant Details of Bonds	155
9.	Financial Report	161
10.	Auditor's Report	162
11.	Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises	169
12.	List of Documents Available for Inspection	316

1. Definitions

I. DEFINITIONS

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

“Anguo Company”	Anguo Capital Water Co., Ltd.* (安國創業水務有限公司)
“Anhui Company”	Anhui Tianchuang Water Co., Ltd.* (安徽天創水務有限公司)
“Baoying Company”	Baoying Capital Water Co., Ltd.* (寶應創業水務有限責任公司)
“Bayannur Company”	Inner Mongolia Bayannur Capital Water Co., Ltd.* (內蒙古巴彥淖爾創業水務有限責任公司)
“Bohai Chemical”	Tianjin Bohai Chemical Industry (Group) Co., Ltd.* (天津渤海化工(集團)股份有限公司)
“Capital Materials Company”	Tianjin Capital New Materials Co., Ltd.* (天津創業建材有限公司)
“Caring Company”	Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司)
“Changsha Tianchuang Environmental Protection”	Changsha Tianchuang Environmental Protection Co., Ltd.* (長沙天創環保有限公司)
“Changsha Tianchuang Water”	Changsha Tianchuang Water Co., Ltd.* (長沙天創水務有限公司)
“Chibi Company”	Chibi Capital Water Co., Ltd.* (赤壁創業水務有限公司)
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Compro Company”	Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司)
“CSRC”	the China Securities Regulatory Commission

“Dalian Chunliuhe Company”	Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.* (大連東方春柳河水質淨化有限公司)
“Deqing Company”	Deqing Capital Water Co., Ltd.* (德清創業水務有限公司)
“Dongying Company”	Dongying Tianchi Environmental Technology Co., Ltd.* (東營天馳環保科技有限公司)
“Environmental Investment Company”	Tianjin Environmental Investment Green Engineering Company Limited* (天津市環投綠化工程有限公司)
“Expressway Group”	Tianjin Expressway Group Limited* (天津高速公路集團有限公司)
“Fuyang Company”	Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)
“Group”	Tianjin Capital Environmental Protection Group Company Limited and its subsidiaries
“Guizhou Company”	Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司)
“Hangzhou Company”	Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創水務有限公司)
“Hanshan Company”	Hanshan Capital Water Co., Ltd.* (含山創業水務有限公司)
“Hanshou Company”	Hanshou Tianchuang Water Co., Ltd.* (漢壽天創水務有限公司)
“HB GJTC”	Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.* (河北國津天創污水處理有限責任公司)
“Hebei Guokong”	Hebei Guokong Jincheng Environmental Control Co., Ltd.* (河北國控津城環境治理有限責任公司)
“Hefei Company”	Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司)

1. Definitions

“Honghu Tianchuang Environmental Protection”	Honghu Tianchuang Environmental Protection Co., Ltd.* (洪湖市天創環保有限公司)
“Honghu Tianchuang Water”	Honghu Tianchuang Water Co., Ltd.* (洪湖市天創水務有限公司)
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.* (天津創業環保(香港)有限公司)
“Hua Miao Company”	Tianjin Hua Miao Research & Design Institute of Water & Waste Water Company Limited* (天津市華淼給排水研究設計院有限公司)
“Huize Company”	Huize Capital Water Co., Ltd.* (會澤創業水務有限公司)
“Huoqiu Company”	Huoqiu Capital Water Co., Ltd.* (霍邱創業水務有限公司)
“International Machinery Company”	Tianjin International Machinery Co., Ltd.* (天津國際機械有限公司)
“Jiayuankaichuang”	Tianjin Jiayuankaichuang New Energy Technology Co., Ltd.* (天津佳源開創新能源科技有限公司)
“Jiayuanxin”	Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd.* (天津佳源鑫創新能源科技有限公司)
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.* (天津佳源興創新能源科技有限公司)
“Jieshou Company”	Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司)
“Jinning Capital Company”	Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司)
“Jinghai Company”	Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司)
“Jiuquan Company”	Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)

“Karamay Company”	Karamay Tianchuang Capital Water Co., Ltd.* (克拉瑪依天創水務有限公司)
“Linxia Company”	Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司)
“Qudong Company”	Tianjin Qudong Cultural Media Co., Ltd.* (天津驅動文化傳媒有限公司)
“Qujing Company”	Qujing Capital Water Co., Ltd.* (曲靖創業水務有限公司)
“Railway Fifth Institute”	China Railway Fifth Survey and Design Institute Group Company Limited* (中鐵第五勘察設計院集團有限公司)
“Shandong Company”	Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司)
“Shandong Tanchuang Company”	Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.* (山東鄒創環保科技發展有限公司)
“Shanghai Urban Construction Design General Institute”	Shanghai Urban Construction Design and Research General Institute (Group) Co., Ltd.* (上海市城市建設設計研究總院(集團)有限公司)
“Subsidiaries”	Subsidiaries of Tianjin Capital Environmental Protection Group Company Limited
“Tianchuang Green Energy”	Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司)
“Tianjin Fuyuan Real Estate”	Tianjin Fuyuan Real Estate Co., Ltd.* (天津富苑置業有限公司)
“Tianjin Haihe”	Tianjin Haihe Construction Development and Investment Co., Ltd.* (天津市海河建設發展投資有限公司)
“Tianjin Infrastructure Consultant”	Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.* (天津城投建設工程管理諮詢有限公司)
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Co., Ltd.* (天津城市基礎設施建設投資集團有限公司)

1. Definitions

“Tianjin Municipal Institute”	Tianjin Municipal Engineering Design & Research Institute* (天津市政工程設計研究總院有限公司)
“Tianjin Tongsheng Municipal”	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.* (天津通盛市政園林工程項目管理有限公司)
“TLP”	Tianjin Lecheng Properties Co., Ltd.* (天津樂城置業有限公司)
“TMICL”	Tianjin Municipal Investment Co., Ltd.* (天津市政投資有限公司)
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)
“Wendeng Company”	Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)
“Wuhan Company”	Wuhan Tianchuang Capital Environmental Protection Co., Ltd.* (武漢天創環保有限公司)
“Xi’an Company”	Xi’an Capital Water Co., Ltd.* (西安創業水務有限公司)
“Xiqing Tianchuang Company”	Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.* (天津西青天創環保有限公司)
“Yingshang Company”	Yingshang Capital Water Co., Ltd.* (穎上創業水務有限公司)
“Yonghui Company”	Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用有限公司)

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
Foreign language name of the Company	Tianjin Capital Environmental Protection Group Company Limited
Abbreviation of the foreign language name of the Company	TCEPC
Legal representative of the Company	Mr. Ji Guanglin

II. CONTACT PERSON AND METHOD

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

III. COMPANY PROFILE

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

2. Company Profile and Major Financial Indicators

IV. PLACES WHERE INFORMATION IS DISCLOSED AND AVAILABLE FOR INSPECTION

Name of the media designated for the disclosure of information	Shanghai Securities News
Website designated by China Securities Regulatory Committee (“CSRC”) for the disclosure of annual report	www.sse.com.cn
Place where the Annual Report of the Company is available for inspection	Office of the Board of Directors, 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. OTHER RELEVANT INFORMATION

Certified public accountants engaged by the Company	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office address	11/F, PricewaterhouseCoopers Center, 2 Leading Enterprise Square, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
	Name of Signing Accountant	Du Kai, Liu Lili
Sponsoring Organizations Performing Ongoing Supervisory Duties During the Reporting Period	Name	CITIC Securities Company Limited
	Office address	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Name of Signing Sponsor Representative(s)	Ma Bin, Ge Xin
	Period of Continuous Supervision	From 28 September 2022 to 31 December 2023

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PREVIOUS THREE YEARS

(1) Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	2022	2021	Increase/decrease for the period as compared to the same period last year (%)	2020
Operating revenue	452,216.70	453,557.90	-0.30	336,387.40
Net profit attributable to the shareholders of the Company	75,125.40	69,318.90	8.38	57,003.90
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	66,366.20	61,359.80	8.16	49,316.00
Net cash flow from operating activities	91,205.10	93,680.80	-2.64	53,243.60
	As at the end of 2022	As at the end of 2021	Increase/decrease as at the end of the period as compared to the end of the same period last year (%)	As at the end of 2020
Net assets attributable to the shareholders of the Company	847,947.30	712,019.80	19.09	659,135.10
Total assets	2,296,967.40	2,106,529.20	9.04	1,880,296.90

2. Company Profile and Major Financial Indicators

(2) Major financial indicators

Currency: RMB

Major financial indicators	2022	2021	Increase/decrease for the period as compared to the same period last year (%)	2020
Basic earnings per share (RMB/share)	0.51	0.49	4.08	0.40
Diluted earnings per share (RMB/share)	0.51	0.49	4.08	0.40
Basic earnings per share after deduction of extraordinary profit and loss (RMB/share)	0.45	0.43	4.65	0.35
Weighted average return on net assets ratio (%)	9.88	10.11	-0.23	8.95
Weighted average return on net assets ratio after deduction of extraordinary profit and loss (%)	8.78	9.00	-0.22	7.74

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER THE DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

- (1) Differences between net profit and net assets attributable to the Company's Shareholders as disclosed in the financial report in accordance with the international accounting standards and that in accordance with the accounting standards of the PRC simultaneously

Not applicable

- (2) Differences between net profit and net assets attributable to the Company's Shareholders as disclosed in the financial report in accordance with the overseas accounting standards and that in accordance with the accounting standards of the PRC simultaneously

Not applicable

- (3) Explanation on differences in domestic and overseas accounting standards

Not applicable

IX. EXTRAORDINARY PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Item	Amount in 2022	Amount in 2021	Amount in 2020
Profit/loss from disposal of non-current assets	-256.50	-70.80	2.10
Government grants recognized in current profit and loss, except for those closely related to normal business operation, in compliance with requirements of national policies, and settled in certain amount which are constantly granted by government	9,700.00	9,183.90	9,657.70
Reversal of provision for impairment loss of account receivables subject to separate impairment testing	1,022.70	346.00	43.70
Other non-operating income and expenses other than the foregoing items	-65.60	-26.40	-470.20
Less: Effect of income tax	1,707.60	1,578.10	1,550.60
Effect of minority interests (after tax)	-66.20	-104.50	-5.20
Total	8,759.20	7,959.10	7,687.90

X. ITEMS MEASURED BY FAIR VALUE

Not applicable

XI. FIVE-YEAR FINANCIAL SUMMARY

Results

Unit: 0'000 Currency: RMB

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Turnover	452,217	453,558	336,387	285,145	244,752
Profit before taxation	96,930	89,606	71,818	62,955	69,484
Taxation	(15,669)	(17,705)	(11,205)	(10,059)	(16,806)
Profit after taxation	81,260	71,901	60,614	52,896	52,678
Non-controlling interests	(6,135)	(2,582)	(3,610)	(2,185)	(2,561)
Profit attributable to the shareholders of the Company	75,125	69,319	57,004	50,711	50,117
Dividend	20,838	17,127	15,271	15,129	-

Note: The results for each of the five years ended 31 December 2022 have been extracted from the previous annual reports and the audited consolidated income statements as set out in this annual report.

2. Company Profile and Major Financial Indicators

Assets and Liabilities

Unit: 0'000 Currency: RMB

	As at 31 December				
	2022	2021	2020	2019	2018
Fixed assets, construction in progress and investment properties	106,330	100,293	81,935	80,101	58,163
Intangible assets and right-of-use assets	1,013,851	1,034,071	1,199,982	1,175,944	1,037,483
Associated company	19,311	19,500	19,500	19,500	19,500
Financial asset at fair value through other comprehensive income	200	200	200	200	–
Available-for-sale financial assets	–	–	–	–	200
Long-term receivables	447,578	381,190	164,740	23,645	25,369
Deferred income tax assets	740	1,927	1,297	421	–
Other non-current assets	42,088	45,089	33,097	19,592	10,918
Net current assets	<u>300,206</u>	<u>162,636</u>	<u>27,858</u>	<u>124,790</u>	<u>150,129</u>
Non-controlling interests	102,282	98,387	99,029	96,816	79,676
Long-term liabilities	<u>1,012,056</u>	<u>975,045</u>	<u>770,445</u>	<u>729,975</u>	<u>640,266</u>
Net assets	<u>847,947</u>	<u>712,020</u>	<u>659,135</u>	<u>617,402</u>	<u>581,820</u>

3. Management Discussion and Analysis

I. OPERATION DISCUSSION AND ANALYSIS

In 2022, with a high sense of responsibility and mission, the Company adhered to the annual business plan and operation strategy formulated by the Board, focused on improving economic efficiency, and strengthened operation and management and enhanced management innovation on the basis of consolidating operation and construction strength.

1. Strengthening operation management and improving the quality of operation management

The Company overcame difficulties to ensure the normal operation of projects like sewage treatment, water supply, recycled water, new energy heat and cold supply services etc., so as to fulfill its social responsibilities. Through the big data operation and management platform, the Company achieved safe operation, quality improvement and efficiency enhancement. Focusing on “dual-carbon”, the Company piloted to monitor the greenhouse gas of sewage plants, together with industry standards and IPCC-related research data, to promote the establishment of the calculation methodology and rating system of greenhouse gas emissions. The Company has taken a multi-dimensional approach to reduce costs, focusing on integration of business and finance and plans control to proactively reduce electricity and drug consumption. Centralized procurement of bulk pharmaceuticals has begun to show economies of scale, thereby strictly controlling costs.

2. Actively promoting strategic new businesses while consolidating basic businesses

In terms of basic businesses, focusing on consolidating the existing water business projects, the Company implemented the second series of projects for the second phase expansion of the existing Linxia Sewage Treatment Plant to ensure the stable operation of the existing water plants; The Company successfully developed the photovoltaic power generation projects of Tianjin and Wendeng sewage treatment plants, implemented the adjustment of the Tianjin City Houtai Scenic Spot 2# Energy Station Concession Project to expand the service areas of new energy. During the reporting period, the Company proposed to acquire the assets of Jinnan Sludge Disposal Plant owned by Tianjin Investment Group, an indirect controlling shareholder of the Company. The acquisition was conducive to the Company’s expansion of sludge disposal business and the implementation of the Company’s strategic development plan for industrial chain extension. Also, it eliminated the potential peer competition and significantly reduced related party transactions through this acquisition of the assets.

3. Management Discussion and Analysis

3. Strengthening capital market and innovating financing measures

Leveraging the financing platform function of a listed company, the Company completed the first non-public issuance of A shares since its listing and raised funds in full. The number of shares issued was 143,189,655.00 shares and the issue price was RMB5.80 per share, with total proceeds raised of RMB830,499,999.00. The issue price was 6.23% higher than the minimum issue price of RMB5.46 per share. The successful of the non-public issuance of A shares was a test of the Company's capital operation capability and a strong boost to the capital market's confidence in the overall economy of Tianjin.

The Company is actively promoting the work of publicly traded REITs, and is in the process of implementing the auditing and assessment of the underlying projects, sorting out the compliance of construction licenses and procedures, and the issuance of no objection letters by the government.

4. Continuously deepening reforms, optimising the overall organisational structure of the Group, to create a “strong headquarters” that leads development, manages and controls scientifically, and makes decisions efficiently; effectively strengthening the operating functions of business units, focusing on business expansion and building profit centres. The Company promoted the establishment of the board of directors of its subsidiaries to clearly define the boundaries of corporate governance responsibilities and duties. In order to improve the market-oriented operation mechanism, the Company and 38 of its subsidiaries that included in the three-year action plan for the reform of state-owned enterprises completed the contractual management of the tenure system at the managerial level, and simultaneously established a mechanism for middle-level management to compete for jobs, adjust of the last rank and withdraw from incompetence, so as to improve the performance appraisal system for all employees, and fully implement the market-oriented operation mechanism that can promote and demote, enter and leave, increase and decrease.

II. INDUSTRIES WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

In the field of sewage treatment, the scale is expected to increase by more than 50 million m³ per day during the “14th Five-Year Plan” period. Driven by the policy of improving quality and efficiency, the pipeline network construction was carrying out in an orderly manner. The standard of sewage treatment was raised according to local conditions, and the market for upgrading and reconstruction was accurately released. The utilisation rate of recycled water will be further improved, and the “investment-construction-operation” market will expand during the “14th Five-Year Plan” period. With the introduction of the national “new infrastructure” strategy, the development of smart water services will be further accelerated. In June 2022, the Ministry of Ecology and Environment and other four departments issued the Yellow River Basin Ecological Environmental Protection Plan (《黃河流域生態環境保護規劃》). In October of the same year, the Standing Committee of the National People’s Congress considered and approved the Yellow River Protection Law of the People’s Republic of China (《中華人民共和國黃河保護法》). The policy clarified the contents of deepening the treatment of industrial sewage in key industries, improving urban domestic sewage and sludge collection and treatment facilities, promoting the treatment of rural domestic sewage, and comprehensively rectifying urban and rural black and odorous water bodies, and provided directional guidance on key areas and business layout of enterprises in the water industry.

In the field of sludge and organic solid waste treatment, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment jointly issued the Implementation Plan for Sludge Harmless Treatment and Resource Utilisation (《污泥無害化處理和資源化利用實施方案》) in September 2022, which was the first plan issued at the national level for sludge treatment. It incorporated the sludge harmless treatment and resource utilisation into the overall layout of urban environmental infrastructure from the angles of treatment path, facility planning and spatial layout, and clarified the direction and path of sludge treatment and disposal. It is expected that this field will lead to new opportunities for development. In addition, the policy encourages the construction of common treatment facilities for sludge and kitchen and food waste to improve the comprehensive disposal level of urban organic waste. In April 2022, the Ministry of Ecology and Environment announced the list of “zero-waste cities” in the “14th Five-Year Plan” period. A total of 109 cities (prefectures) and 17 districts in China were selected, and the construction of “zero-waste cities” began to accelerate. As of the end of 2022, most of the 46 key cities across the country have promoted and completed the local special legislation on waste classification. With the gradual deepening of waste classification, the market development space of the kitchen waste collection, transportation and treatment industry will be further expanded.

3. Management Discussion and Analysis

In the field of new energy, the “14th Five-Year Plan” period and certain period afterwards will be the key periods for China’s energy transformation. Renewable energy represented by new energy is in a period of strategic opportunities, and new energy will gradually grow as the main energy supporting economic and social development. According to the 14th Five-Year Plan for Renewable Energy Development (《「十四五」可再生能源發展規劃》), renewable energy will become the incremental subject during the 14th Five-Year Plan period. As of the end of 2022, the total cumulative installed capacity of photovoltaic power in China was 392GW, including 234.44GW of centralized PV and 157.62GW of distributed PV. The cumulative installed capacity of wind power in China was approximately 370GW. According to the public documents, during the “14th Five-Year Plan” period, the total planned installed capacity of offshore wind power in China is over 100GW, and the overall planned installed capacity is expected to exceed 55GW. As of the end of 2020, China’s clean heating rate reached 65%, and the geothermal heating area accumulated to 1.392 billion m², accounting for approximately 10% of China’s clean heating area. It is expected that the national additional geothermal heating (cooling) area during the “14th Five-Year Plan” period will be approximately 700 million m². While the new energy industry is developing rapidly, the state has successively introduced a series of policies and regulations related to the land use, subsidy, construction, operation and supervision of new energy projects to provide necessary support and guarantee for the new energy business of enterprises and help the development of the industry. These policies include actively building a “1 + N” policy system to achieve the “dual-carbon” goals, strengthening policy support for energy storage, and enhancing clean energy consumption capacity; improving the market mechanism that adapts to the new power system and support the healthy development of the new energy industry; increasing financial support and developing carbon finance in an orderly manner, exploring solutions to renewable energy subsidies issues.

III. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, there was no change in the business scope and operation model of the Company as compared to the previous year. The core businesses are formed by the principal businesses and strategic new businesses. Principal businesses include the businesses of municipal sewage treatment, water supply and water recycling etc., which are the main source of revenue and profit of the Company. Strategic new businesses include new energy heating and cooling, hazardous wastes business, sludge treatment, photovoltaic power generation, transformation of achievements in technology research, etc. In respect of profitability, economic added value, and payback period, it can form a good complement with the principal businesses and optimize the overall business structure.

During the reporting period, additional recycled water pipeline network was 27.12 km, with no significant change in other water utilities 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 approximately 5,604,600 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 approximately 4,869,600 m³ per day, 315,000 m³ per day and 420,000 m³ per day, respectively, and the pipe network length under the integrated plant network was 1,118.61 km. The above projects are distributed in 15 provinces, municipalities and autonomous regions and the sewage treatment capacity under the entrusted operation model was 251,890 m³ per day, the scale of recycled water was 60,000 m³ per day.

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

During the reporting period, the Company's strategic new businesses were as follows:

- (1) The additional service areas of new energy cooling and heating supply business amounted to 0.3 million m². As of the end of the reporting period, the total service areas amounted to 3.41 million m², which was mainly operated in Tianjin under BOT model. The increase in service areas was mainly due to the change of service scope and investment plan for the concession project of the Tianjin City Houtai Scenic Spot 2# Energy Station Concession Projects.
- (2) There was no material change in distributed photovoltaic power generation project during the reporting period. As of the end of the reporting period, the scale of the planned annual electricity generation remains at 2.9216 million kWh which was mainly distributed in Tianjin and Dalian and managed by adopting a fully market-oriented operation mode.
- (3) There was no change in hazardous waste business during the reporting period. As of the end of the reporting period, the Company has four projects with the total disposal capacity of 128,000 tons/year, and a storage and transit project with the capacity of 20,000 tons/year and a waste landfill project with the aggregate storage of 314,600 tons with the comprehensive waste utilisation capacity of 73,000 tons/year, which were mainly distributed in Shandong Province and Jiangsu Province. Based on the premise of obtaining the hazardous waste operation permit, the Company chose waste-producing units to offer hazardous waste disposal services under the guide price of local governments and charged for hazardous waste disposal service by adopting a fully market-oriented operation mode.

3. Management Discussion and Analysis

- (4) As of the end of the reporting period, the total capacity on sludge treatment business was 2,720 tons/day, which was mainly distributed in Tianjin, Jiuquan and Zhejiang. The Jiuquan Project was operated under BOT model while the remaining sludge treatment projects were operated under the entrusted operation model.
- (5) In terms of the transformation of reduced technological achievements, in 2022, the Company's technical product service income from technology projects totaled RMB197 million, of which direct income amounted to RMB175 million, and indirect income such as reduced electricity and drug consumption amounted to RMB22 million. At present, many technological projects of the Company have transformation capabilities, with remarkable achievements in transformation and diversified transformation forms. Three technological achievements of Caring Company were successfully selected into the Blue Book of Tianjin Ecological Environmental Protection Technology Development (2021) (《天津市生態環境保護科技發展藍皮書(2021)》).

The transformation of the market business of the patented “CYYF whole-process deodorant technology” is undertaken by Caring Company, a controlling subsidiary of the Company, and 7 project contracts were signed. As of the end of the reporting period, the application of this technology has covered nearly two-thirds of the country, and successfully applied and implemented in more than 80 projects, covering 18 provinces, municipalities and autonomous regions. In the process of business promotion, Caring Company closely followed the new trend brought about by the change of industrial policy, and enriched the diversity of the odour treatment technology in the urban sewage treatment industry. Based on its own technical advantages in strain screening and culture, the deodorization technology has been continuously upgraded to the “whole-process deodorization + technology”, further promoting the development of commercialization in the future.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the reporting period, the Company's core competitiveness continued to be reflected in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, systematic and sustainable research and development capabilities; (3) our professional, cooperative and innovative staff team; (4) our corporate reputation for being trustworthy, responsible standardized, and reliable. These four core competitiveness are complementary. Corporate integrity, diligent employees and technology innovation ultimately enable customers to be assured, thereby establishing good brand influence of the Company.

After the development in 2022, the Company further consolidated its strengths and enhanced its overall competitiveness.

- (1) Continuously consolidating and enhancing operational advantages. the Company used the big data platform to build a cost quota for each plant, formulated a cost linkage control plan, and consolidated operating entities to reduce costs and increase efficiency; combined with centralised procurement to effectively reduce production costs and realise resource integration; accelerated the digital transformation of operations, and gradually launched key management modules to gradually achieve full business coverage; under the guidance of “dual-carbon”, we piloted the greenhouse gas monitoring of sewage plants, and combined with industry standards and relevant research data, promoted the establishment of greenhouse gas emission accounting methods and rating system.
- (2) Continuously consolidating and enhancing technological advantages. In 2022, the Company organised and carried out one national-level and one municipal-level research project; promoted the preparation of one national, one industry and nine group standards; organised and applied for 7 projects, and the scientific research projects were carried out smoothly; obtained a total of 23 authorised patents, including 2 invention patents and 21 utility model patents; received 2 computer software copyrights and 4 science and technology awards; signed 7 technological achievements transformation contracts.
- (3) Achieving a breakthrough in capital operation. In 2022, the Company completed the non-public issuance of A shares and raised RMB830,499,999.00 in full. The issue price was 6.23% higher than the minimum issue price of RMB5.46 per share, and the subscription rate was 1.80 times of the raised funds. The successful of the non-public issuance of A shares was a test of the Company's capital operation capability and demonstrated the market's recognition and confidence in the development of the Company.
- (4) Maintaining the brand influence of the Company. In 2022, the Company was awarded the “Top Ten Influential Enterprises in China's Water Industry” for the seventeenth consecutive year, establishing a good corporate image and brand reputation.

3. Management Discussion and Analysis

V. OPERATION SITUATION OF PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

During the reporting period, the Company's overall operation remained stable. The Company's principal business segment did not change significantly as compared to the previous year, and the Group was still engaged in the sewage treatment, tap water supply, recycled water, new energy heating and cooling supply, toll collection, hazardous waste, and transformation of achievements in technology research and business, which became the main sources of the Group's earnings in 2022. In 2022, the Group began to record operation revenue of RMB4,522.167 million, representing a decrease of 0.30% as compared to the previous year; total profits of RMB969.298 million, representing an increase of 8.17% as compared to the previous year; the net profit of RMB751.254 million attributable to the Company, representing an increase of 8.38% as compared to the previous year.

(1) Analysis of the principal businesses

1. Analysis of changes in relevant items in the income statement and cash flow statement

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Percentage of change (%)
Operating revenue	452,216.70	453,557.90	-0.30
Operating costs	298,603.80	318,829.60	-6.34
Selling expenses	1,454.50	1,183.50	22.90
General and administrative expenses	22,093.70	22,483.30	-1.73
Finance expenses – net	18,045.00	11,669.20	54.64
Research and development expenses	4,353.90	1,834.50	137.33
Net cash flows from operating activities	91,205.10	93,680.80	-2.64
Net cash flows from investing activities	-68,469.30	-154,742.10	55.75
Net cash flows from financing activities	86,743.00	105,151.20	-17.51
Investment losses	-360.10	0.00	N/A
Credit impairment losses	-5,401.00	414.40	-1,403.33
Asset impairment losses	-10,645.40	-15,181.90	29.88
Losses on disposal of assets	-255.80	-2.20	-11,527.27
Non-operating income	165.70	117.30	41.26

Reasons for the change in operating revenue: the construction revenue for the year was lower than the same period of the previous year due to the lower volume of PPP projects in the construction process. Excluding the effect of construction revenue, the Company's operating business of sewage treatment, hazardous waste disposal and recycled water sales increased, and the corresponding revenue was higher when comparing to the same period of last year.

Reasons for the change in operating costs: on the one hand, the construction service costs recognised by the Company for the current period decreased as compared with the same period of last year due to the lower construction volume of PPP projects in the construction process. On the other hand, the Company strictly controlled the operating costs, the cost of sewage treatment and hazardous waste disposal also reduced as compared with the same period of last year.

Reason for the change in selling expenses: mainly due to the increase in the volume of hazardous waste disposal business in the current period, and the selling expenses increased accordingly.

Reasons for the change in administrative expenses: mainly due to the Company enhanced control over expenses, and the administrative expenses for the current period decreased slightly as compared with the same period of last year.

Reasons for the change in finance costs: mainly due to the increase in the amount of existing debt financing compared to the last year and the expensed interest costs after the projects were put into operation, which resulted in an increase in interest expenses for the current period as compared with the same period of last year.

Reasons for the change in research and development expenses: mainly due to the increase in personnel expenses and material costs as a result of the increased investments in research and development during the period.

Reasons for the change in net cash flows from operating activities: mainly due to the operating receivables collected in the current period were lower than those in the same period of last year.

Reasons for the change in net cash flows from investing activities: mainly due to lower expenses for construction of engineering projects in the current period compared with the same period last year; and the costs of the acquisition of the hazardous waste disposal projects incurred in the same period last year, there was no such acquisition in the same period of the current year.

3. Management Discussion and Analysis

Reasons for the change in net cash flows from financing activities: mainly due to the lower net increase in debt financing in the current period as compared with the same period of last year.

Reasons for the change in investment losses: mainly due to the investment loss recognised on the disposal of the Company's equity interest of a subsidiary in the current period.

Reasons for the change in credit impairment losses: mainly due to the higher credit impairment loss on receivables in the current period as compared with the same period of last year.

Reasons for the change in asset impairment losses: mainly due to the provisions for impairment loss of goodwill and the concession of the subsidiaries in the current period were lower than those in the same period of last year.

Reasons for the change in losses on disposal of assets: mainly due to disposal loss recognised on disposal of fixed assets in the current period.

Reasons for the change in non-operating income: mainly due to the compensation for land occupation received by a subsidiary in the current period.

2. Analysis of revenue and cost

During the reporting period, the Company continued to strengthen project operation and management. On one hand, we improved the quality of operations to meet the increasingly stringent regulatory requirements, and controlled operating costs through lean management; on the other hand, we adhered to the project agreements, and adjusted the unit price of sewage treatment service fees in a timely manner to ensure the project earnings.

(1). Principal business breakdown by industry, product, region and distribution

Unit: 0'000 Currency: RMB

Principal business by industry						
Industry	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Sewage treatment and water plant facilities construction business	319,278.80	207,182.70	35.11	-4.74	-11.95	5.31
Recycled water treatment and recycled water supporting projects business	38,977.50	24,450.20	37.27	15.65	16.84	-0.64
Road toll business	6,238.90	712.00	88.59	-0.18	0.00	-0.02
Tap water supply and water plant facilities construction business	11,819.50	8,385.10	29.06	-21.05	-27.25	6.04
Cooling and heating business and related facilities construction business (Note 1)	24,205.00	19,590.70	19.06	136.49	184.01	-13.54
Transformation of achievements in technology research (Note 2)	4,650.10	3,941.30	15.24	-11.85	1.05	-10.82
Hazardous waste disposal business (Note 3)	23,719.60	16,229.10	31.58	7.63	-13.46	16.67
Others (Note 4)	576.40	506.70	12.09	-2.87	-86.86	562.74

3. Management Discussion and Analysis

Principal business by region

Region	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Beijing-Tianjin-Hebei Region (Note 5)	236,182.00	146,592.10	37.93	12.79	16.55	-2.01
Southwest Region (Note 6)	20,794.00	14,796.00	28.84	11.85	4.52	4.99
Northwest Region (Note 7)	46,953.00	34,812.00	25.86	-32.27	-40.68	10.52
Central China Region (Note 8)	57,924.80	41,867.70	27.72	-13.25	-16.76	3.05
Eastern China Region (Note 9)	47,302.00	31,342.00	33.74	10.52	-6.11	11.73
Northeast Region (Note 10)	20,310.00	11,588.00	42.94	-4.91	-40.81	34.61

Explanation on principal business breakdown by industry, product, region and distribution

Note 1: The decrease in gross profit margin was mainly due to the recognition of construction revenue and cost in the current period, which resulted in the decrease in gross profit margin in the current period compared with the same period of the previous year.

Note 2: The decrease in gross profit margin was mainly due to the intense market competition resulted in the decrease in gross profit margin of the projects during the period.

Note 3: The increase in gross profit margin was mainly due to the recognition of revenue from some contingency projects with higher gross profit margin during the period.

Note 4: The increase in gross profit margin was mainly due to the increase in gross profit margin of the sales of PAC and other products during the period.

Note 5: The Beijing-Tianjin-Hebei Region includes the four sewage treatment plants in Dongjiao, Xianyang Road, Jingu and Beicang of Tianjin, as well as Anguo Company, Jinghai Company, Jinning Capital Company, Water Recycling Company, Caring Company, Jiayuanxing, Jiayuankaichuang, Tianchuang Green Energy, Capital Materials Company, HB GJTC and Xiqing Tianchuang Company, etc. The decrease in gross profit margin was mainly due to the recognition of construction revenue and costs in the current period, resulting in a lower gross profit margin in the current period compared to the same period of the last year.

Note 6: The Southwest region includes Guizhou Company, Qujing Company and Huize Company. The increase in gross profit margin was mainly due to the strict cost control of Guizhou Company, the increase in revenue was higher than the increase in cost, and the decrease in the proportion of construction business with lower gross profit margin.

Note 7: The Northwest Region includes Xi'an Company, Karamay Company, Bayannur Company, Linxia Company and Jiuquan Company. The increase in gross profit margin was mainly due to the decrease in the proportion of construction business with lower gross profit margin during the period.

3. Management Discussion and Analysis

Note 8: The Central China Region includes Fuyang Company, Wuhan Company, Yingshang Company, Changsha Tianchuang Water, Changsha Tianchuang Environmental Protection, Anhui Company, Honghu Tianchuang Water, Hefei Company, Hanshou Company, Honghu Tianchuang Environmental Protection and Huoqiu Company. The increase in gross margin was mainly due to the decrease in the proportion of construction business with lower gross margin during the period.

Note 9: The Eastern China Region includes Hangzhou Company, Baoying Company, Deqing Company, Yonghui Company and Compro Company. The increase in gross profit margin was due to the increase in gross profit margin of hazardous waste projects of Yonghui Company in the current period.

Note 10: The Northeast Region includes Dalian Chunliuhe Company, Wendeng Company, Shandong Company, Dongying Company and Shandong Tanchuang Company. The reason of the increase in gross profit margin was due to the increase in gross profit margin of the hazardous waste disposal business of Shandong Company during the year.

(2). Analysis of production and sales volume

Not applicable

(3). Cost analysis

Unit: 0'000 Currency: RMB

Industry	Cost items	By industry		Percentage change in the amount for the current period as compared to the same period last year (%)		Explanation	
		Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)		
Sewage treatment and construction of water plants	Labor cost	17,147	6.1	17,198	5.7	-0.3	-
	Energy consumption (electricity)	35,391	12.59	28,709	9.51	23.27	-
	Material consumption	31,231	11.11	32,898	10.9	-5.07	-
	Depreciation and amortisation	48,876	17.39	50,861	16.85	-3.9	-
	Other manufacturing expenses	43,915	15.63	36,557	12.11	20.13	-
	Infrastructure Construction costs on Sewage water plant	30,623	10.9	69,077	22.88	-55.67	According to China Accounting Standards for Business Enterprises No.14, the decrease in construction projects in the current year resulted in a decrease in the project construction costs recognised
	Subtotal	207,183	73.73	235,300	77.95	-11.95	-
Tap water supply and construction water plants business	Labor cost	1,450	0.52	1,653	0.55	-12.28	-
	Energy consumption (electricity)	997	0.35	1,154	0.38	-13.60	-
	Material consumption (including source water fee)	3,540	1.26	3,563	1.18	-0.65	-
	Depreciation and amortisation	1,662	0.59	1,547	0.51	7.43	-
	Other manufacturing expenses	736	0.26	447	0.15	64.65	Increase in maintenance costs, etc.
	Infrastructure Construction costs on water plant	0	0	3,161	1.05	-100.00	According to China Accounting Standards for Business Enterprises No.14, the decrease in construction expenditures in the current year resulted in a decrease in the project construction costs recognised
	Subtotal	8,385	2.98	11,525	3.82	-27.25	-

3. Management Discussion and Analysis

		By industry					
Industry	Cost items	Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	
						Explanation	
Water recycling Treatment and recycled water supporting projects	Labor cost	2,479	0.88	2,436	0.81	1.77	-
	Energy consumption (electricity)	1,320	0.47	1,250	0.41	5.60	-
	Material consumption	1,020	0.36	1,074	0.36	-5.03	-
	Depreciation and amortisation	2,005	0.71	2,247	0.74	-10.77	-
	Other manufacturing expenses	7,788	2.77	5,222	1.73	49.14	Increase in maintenance costs
	Project construction cost	9,838	3.50	8,697	2.88	13.12	-
	Subtotal	24,450	8.70	20,926	6.93	16.84	-
Cooling and heating and related facilities construction business	Labor cost	1,226	0.44	1,297	0.43	-5.47	-
	Energy consumption (electricity)	1,360	0.48	1,579	0.52	-13.87	-
	Material consumption	18	0.01	46	0.02	-60.87	Decrease in water costs
	Depreciation and amortisation	2,679	0.95	2,697	0.89	-0.67	-
	Other manufacturing expenses	559	0.20	910	0.30	-38.57	Decrease in maintenance costs
	Supporting engineering	13,749	4.90	369	0.12	3,626.02	According to China Accounting Standards for Business Enterprises No.14, the construction input of Hourai 1# and 2# Energy Station Projects increased in the current year, and the construction cost increased
	Subtotal	19,591	6.98	6,898	2.29	184.01	-
Road toll business	Toll road and management fee	712	0.25	712	0.24	0	-
	Subtotal	712	0.25	712	0.24	0	-
Transformation of achievements in technology research	Material cost, equipment cost	3,756	1.34	3,749	1.24	0.19	-
	Other manufacturing expenses	185	0.07	151	0.05	22.52	-
	Subtotal	3,941	1.4	3,900	1.29	1.05	-

		By industry					
Industry	Cost items	Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Hazardous waste business	Labor cost	2,673	0.95	3,031	1	-11.81	-
	Energy consumption (electricity)	2,223	0.79	1,898	0.63	17.12	-
	Material consumption	1,045	0.37	952	0.32	9.77	-
	Depreciation and amortisation	3,258	1.16	3,982	1.32	-18.18	-
	Other manufacturing expenses	7,030	2.50	8,890	2.94	-20.92	-
	Subtotal	16,229	5.78	18,753	6.21	-13.46	-
Other	Product sales, etc.	507	0.18	3,859	1.28	-86.86	Reclassification of cost of PAC sales operations in the current year
	Total	280,998	100	301,873	100	-6.92	-

Other explanation of cost analysis

Nil

(4). Major customers and major suppliers

A. Major customers of the Company

Sales to the largest customer amounted to RMB1,453.7416 million, accounting for 32.15% of total sales for the year; Sales to the top five customers amounted to RMB2,251.4843 million, accounting for 49.79% of the total sales for the year; among which, sales to related parties was RMB0, accounting for 0% of the total sales for the year.

B. Major suppliers of the Company

Procurement from the largest supplier amounted to RMB190.9347 million, accounting for 7.60% of the total procurement for the year; Procurement from the top five suppliers amounted to RMB565.4186 million, accounting for 22.49% of the total procurement for the year, among which procurement from related parties amounted to RMB200.0441 million, accounting for 7.96% of the total procurement for the year.

Other explanations

Nil

3. Management Discussion and Analysis

3. Expenses

Please refer to the above analysis statement on changes of relevant items in income statement and cash flow statement for details.

4. Research and development investment

(1). Research and development investment

Unit: 0'000 Currency: RMB

Expensed research and development investment for the current period	4,228.91
Capitalised research and development investment for the current period	1,189.54
Total research and development investment	5,418.45
Percentage of total research and development investment over operating revenue (%)	1.20
Ratio of capitalised research and development investment (%)	21.95

(2). Research and development personnel

Number of research and development personnel in the Company	410
Percentage of the number of research and development personnel over the total number of personnel of the Company (%)	18.10

Education of research and development personnel Academic Category	Number of Personnel
Doctoral Degree	4
Master Degree	66
Undergraduate Degree	300
Vocational education	34
High school education and below	6

Age Structure of research and development personnel Age category	Number of Personnel
Age under 30 (exclude age 30)	59
Age 30 to 40 (include age 30, exclude age 40)	192
Age 40 to 50 (include age 40, exclude age 50)	125
Age 50 to 60 (include age 50, exclude age 60)	34
Age 60 or above	0

(3). Explanations

Not applicable

5. Cash flow

Please refer to the above analysis on changes of relevant items in the income statement and the cash flow statement for details.

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

Not applicable

(3) ANALYSIS OF ASSETS AND LIABILITIES

Assets and liabilities

Unit: 0'000 Currency: RMB

Items	Amount as at the end of the current period	Percentage of the amount as of the end of the current period to the total assets (%)	Amount as at the end of the previous period	Percentage of the amount as of the end of the previous period to the total assets (%)	Percentage of change in amount as at the end of the current period as compared with the end of the previous period (%)	Explanations
Cash at bank and on hand	325,206.00	14.16	213,948.70	10.16	52.00	Mainly due to the fund-restreaming from operating business and the proceeds received from the non-public issuance during the current period.
Advances to suppliers	3,522.30	0.15	2,083.40	0.10	69.06	Mainly due to prepayment of operating expenses of water plant during the current period.
Other receivables	1,621.20	0.07	2,929.30	0.14	-44.66	Mainly the decrease of VAT refund receivable during the current period.
Inventories	3,114.40	0.14	2,182.80	0.10	42.68	Mainly due to the increase in raw materials such as pharmaceuticals during the current period.
Construction in progress	15,195.70	0.66	2,966.00	0.14	412.33	Mainly due to the increase in project investment in the pipeline network connection project of Water Recycling Company during the current period.
Deferred income tax assets	739.80	0.03	1,926.80	0.09	-61.60	Mainly due to the decrease in net amount resulting from the offsetting of deferred income tax liabilities during the current period.
Short-term borrowings	100.10	0.004	14,585.20	0.69	-99.31	Mainly due to the repayment of certain short-term borrowings during the current period.
Current portion of non-current liabilities	127,647.10	5.56	95,713.90	4.54	33.36	Mainly due to the increase in long-term borrowings matured within one year.
Other current liabilities	49.00	0.002	0.00	0.00	N/A	Mainly due to the addition of entrusted loans from shareholders of subsidiaries during the current period.
Debentures payable	87,837.30	3.82	25,000.00	1.19	251.35	Mainly due to the issuance of Green Medium-term Notes of RMB630 million during the current period.
Provision	0.00	0.00	1,521.20	0.07	-100.00	Mainly due to the renewal and replacement of concession assets during the current period, and the provisions were offset accordingly.

3. Management Discussion and Analysis

(4) ANALYSIS OF INVESTMENT

1、Overall analysis of external equity investment

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

(1) Major equity investment

- (1) On 19 November 2021, the Board approved to establish Jiayuankaichuang which was responsible for the investment, construction, operation and maintenance of Tianjin City Houtai Park 1# Energy Station Concession Project. The registered capital was RMB80 million, of which RMB80 million was contributed by the Company, representing 100% of the total investment. During the reporting period, such capital contribution was completed.
- (2) On 11 May 2022, the Board approved the Company to increase the capital of Linxia Company for the implementation of second series expansion project of Phase 2 of the Linxia City Sewage Treatment Plant PPP project. The total investment of this project amounted to RMB69.71 million and the capital of the project accounts for 30% of the total investment of the project, amounting to RMB20.91 million, which was intended to be settled by the increase in capital contribution from the Company. The registered capital of Linxia Company will increase from RMB45 million to RMB65.91 million after completing the capital increase and it will remain as a wholly-owned subsidiary of the Company. The capital increase was not completed during the reporting period.
- (3) On 13 September 2022, the Board approved to establish of Tianchuang Green Energy for the purpose of the distributed photovoltaic power generation project in Tianjin. The registered capital was RMB80 million, and the first batch of registered capital was RMB62.59 million, which was 100% contributed by the Company. During the reporting period, the first batch of registered capital contribution has been completed.

- (4) On 30 September 2022, the Board approved Jiayuanxing to increase the capital of Jiayuanxin for the implementation of the distributed photovoltaic power generation project in other cities. The total investment of this project amounted to RMB18.82 million and the capital of the project accounts for 30% of the total investment of the project, amounting to RMB5.65 million, of which RMB3.39 million was contributed by Jiayuanxing in cash, accounting for 60%; and RMB2.26 million was contributed by Tianjin Kangyuan Electricity Engineering Company Limited* (天津康源電力工程有限公司) in cash, accounting for 40%. The registered capital of Jiayuanxin will increase from RMB9.15 million to RMB14.8 million after the capital increase, and it will remain as a holding subsidiary of Jiayuanxing. The capital increase was not completed during the reporting period.
- (5) On 21 December 2022, the Board approved the acquisition of the Jinnan Sludge Disposal Plant Assets owned by Tianjin Investment Group. The Company intended to acquire the assets at a cash consideration of RMB471,825,900. During the reporting period, a deposit of RMB94,365,180 (20% of the transfer price) was paid.
- (6) On 21 December 2022, the Board approved to increase the capital of Jiayuanxing for the purpose of increasing the capital of Jiayuansheng for the implementation of the Tianjin City Houtai Scenic Spot 2# Energy Station Concession Project. The adjusted total investment of the project was RMB183,480,200 and the capital of the project was RMB54 million, which was funded by the existing registered capital of Jiayuansheng of RMB33 million and the capital increase by shareholders. The Company intended to increase the capital of Jiayuanxing by RMB21 million for the purpose of increasing the capital of Jiayuansheng. The capital increase was not completed during the reporting period.
- (7) The Jieshou sewage operation PPP project (the first batch) was eligible for a government grants of RMB46.54 million for improving weak links in infrastructure, which should be invested in the project by way of equity investment by the government. On 21 December 2022, the Board of the Company agreed to utilize the dedicated fund by way of capital increase from the Government to Jieshou Company. According to the evaluation results, after the government grants of RMB46.54 million has been invested in Jieshou Company, the shareholding percentage of the Company and the government capital contribution representative in Jieshou Company should be 87.001% and 12.999%, respectively; The capital injection was not completed during the reporting period.

3. Management Discussion and Analysis

(8) In order to accelerate the equity financing of the Company and strengthen the management and control of relevant subsidiaries, on 24 June 2022, the Board approved the proposed restructuring of 100% equity interests in Hanshan Company and Jieshou Company held by Fuyang Company to be transferred to the Company by way of agreement. According to the special audit reports, the transfer prices of equity interests in Hanshan Company and Jieshou Company were RMB17,781,900 and RMB308,566,400, respectively.

(9) According to the specific requirements of Tianjin SASAC on the overall deployment of deepening state-owned enterprise reform, and taking into account the actual situation of the Company, on 25 October 2022, the Board approved the deregistration of EDMS (Hong Kong) Limited. During the reporting period, the deregistration has been submitted to the Companies Registry in Hong Kong.

(2) Major non-equity investment

Not applicable

(3) Financial assets measured by fair value

Not applicable

(5) DISPOSAL OF MAJOR ASSETS AND EQUITY INTEREST

Not applicable

(6) ANALYSIS OF MAJOR COMPANIES IN WHICH THE COMPANY HAS INVESTED

Unit: 0'000 Currency: RMB

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Shareholding of the Company	Asset Size	Net Assets	Net Profits
Water Recycling Company	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; and manufacturing, installation, debugging, and operation of water recycling facilities etc	10,000	Limited company	100%	134,235.49	35,852.80	11,999.49
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance for facilities for sewage treatment and recycled water usage, and supporting services such as its technical services and technical training	37,744.50	Limited company	70%	84,657.73	73,983.81	10,186.08
Xi'an Company	Xi'an, Shaanxi	Development, construction, operation, and management of municipal sewage treatment plants, and tap water and its supporting facilities; and R&D and promotion of environment protection technology	47,617	Limited company	100%	101,089.95	62,858.05	6,016.11
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	19,195.052	Limited company	100%	68,332.33	36,865.72	4,432.05
Caring Company	Tianjin	Environmental engineering management and technical advice etc	3,333.3333	Stock Limited Company	60%	19,476.18	12,568.38	1,055.47
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	47,811.17	13,970.27	5,172.66
Fuyang Company	Fuyang, Anhui	Development, construction and management of municipal sewage treatment plants, tap water and their supporting facilities and solid waste treatment facilities; Research and development and promotion of environmental protection technology.	45,568.87	Limited company	100%	144,338.05	66,450.96	8,016.45

Water Recycling Company recognised the revenue of RMB361.6569 million from its principal operations and an operating profit of RMB164.9424 million in 2022.

Hangzhou Company recognised the revenue of RMB316.9941 million from its principal operations and an operating profit of RMB111.5932 million in 2022.

3. Management Discussion and Analysis

(7) STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Not applicable

VI. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(1) STATUS AND TRENDS OF THE INDUSTRY

During the “14th Five-Year Plan” period, with the regional integration and existing integration becoming a trend in the industry, market concentration will further increase. Existing integration has become an important trend in the water and environmental protection industry in recent years. Specifically, it includes the characteristics of the following three aspects: firstly, in terms of region, the integration revolves around the national ecological strategies such as the Great Protection of the Yangtze River and the Great Protection of the Yellow River, some of which involve the integration of regional markets. Secondly, in terms of business areas, it mainly involves water and solid waste fields with relatively mature business models. Thirdly, in terms of the way of integration, it is mostly combined with the capital operation in the secondary market.

In addition, resource recycling and asset-light have become the trend. According to the Guiding Opinion on Accelerating the Promotion of Construction of Urban Environmental Infrastructures (《關於加快推進城鎮環境基礎設施建設的指導意見》) published by National Development and Reform Commission, Ministry of Ecology and Environment, Ministry of Housing and Urban-Rural Development and the National Health Commission on February 2022, it clearly put forward the requirements for resource recycling, including improving the utilisation rate of recycled water and the harmless disposal rate of sludge. Among them, the utilisation rate of recycled water in cities with water shortage above the prefecture level should reach more than 25%, and the harmless disposal rate of urban sludge should reach 90%. The national “14th Five-Year Plan” proposes the goal of sludge treatment is that the scale of new sludge harmless disposal facilities should not less than 20,000 tons/day. The sludge treatment is mainly dried and then bought into landfills currently, but considering the waste of resources and potential safety hazards, we will focus on collaborative disposal and recycling of thermoelectricity in the future. In the context of “dual-carbon”, how to realise the high value-added utilisation of organic solid waste recycling products has become a hot issue in the industry. The kitchen waste and food waste treatment industry is expected to become an important breakthrough in the development of organic solid waste resources. In the future, the release of production capacity of the kitchen waste centralised treatment project will be accelerated, and the operation and management will gradually become a new driving force, while the decentralised treatment equipment and technology will also become a new growth point of the industry. The kitchen waste treatment industry will also rely on the steady progress of waste classification policy, ushering in the increase in treatment demand and the release of related project opportunities. In addition, in the context of industry consolidation and REITs development, the ownership and operation rights of water and environmental protection assets may be separated, and the traditional BOT model may also be transformed into PC + O model, which provides room for professional asset-light operation. Therefore, the high value-added professional asset-light operation service model that integrates the relevant capabilities of the industry chain and incorporates intelligent elements will become an important industry development trend.

The dual-carbon strategy has helped green energy become a hot spot. The implementation of the strategy of peak carbon dioxide emissions and carbon neutrality inevitably requires the acceleration of the transformation of energy structure. In February 2022, the National Development and Reform Commission and the National Energy Administration issued the Opinions on Improving the System Mechanism and Policy Measures for the Green and Low-Carbon Transformation of Energy (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》), proposing to promote the construction of a clean and low-carbon energy-based energy supply system, the core of which is to reduce the use of fossil energy and increase the proportion of clean energy. At the same time, with the process of industrialisation and urbanisation, the energy consumption for production and living has a trend of further growth. Therefore, on the basis of sewage treatment, energy saving, consumption reduction and carbon reduction, environmental protection enterprises also concern about and participate in the field of new energy, such as sewage thermal utilisation, photovoltaic power generation of sewage treatment plants, distributed photovoltaic power generation, wind power.

(2) DEVELOPMENT STRATEGY OF THE COMPANY

The Company is committed to becoming a professional service provider and a first-class benchmark company in the field of water treatment and water resources utilisation in China by the end of the “14th Five-Year Plan” period. In terms of business layout, we will continue to focus on the water industry and expand in accordance with the idea of “One Body with Two Wings”. Among them, water treatment and water resources utilisation are the “One Body”, and new energy development and sludge treatment are the “Two Wings”. In terms of regional layout, the Group will deepen its presence in Tianjin, serve the Beijing-Tianjin-Hebei region, and expand its presence in major river basins and regions, so as to optimise its national layout. Combined with the national regional development strategy and key areas of environmental protection and governance, we will focus on the Beijing-Tianjin-Hebei region, the Yangtze River Basin, the Yellow River Basin and the Guangdong-Hong Kong-Macao Greater Bay Area. In terms of development model, taking into account the inheritance of the Company and future trends, we adopts the combination of “operation lead + technology drive + investment pull” strategy to upgrade the core competitiveness of the Company in investment, construction and operation in the main business area. On the basis of leveraging the capital operation function of a listed company, the Company will not only focus on the introduction of digital and intelligent operation and the standards of low-carbon operation of sewage treatment plants, but also strive to comprehensively enhance the three major capabilities of technology solution output, technology process research and development and product commercialisation, build a professional incubation carrier, and promote the formation of process packages and product packages with independent intellectual property rights. In terms of deepening reform, the Company firstly optimised and adjusted the organisational structure, and then steadily completed the adjustment of the performance-oriented remuneration allocation and performance appraisal system mechanism in line with the industry pioneers and market requirements. In terms of cultural reshaping, the Company will inherit the spirit of entrepreneurship, regard hard work and second undertaking as the spiritual driving force to achieve the goal, and focus on strengthening the leadership of party building, system guarantee and social responsibility of public company.

3. Management Discussion and Analysis

(3) OPERATING PLANS

1. *Progress of development strategy and operating plan of the Company during the reporting period*

In 2022, the Company improved the level of market-orientation through rectification, concentrated comprehensive management capabilities, to demonstrate the mission of a listed company, and ensure the operation strategy and operation plan formulated by the Board at the beginning of the year has been completed.

2. In order to ensure the implementation of the “14th Five-Year Plan” and achieve high-quality corporate development, the Company will optimise its business layout, implement the “One Body with Two Wings” business development strategy, deepen its presence in Tianjin, serve the Beijing-Tianjin-Hebei region, and expand its presence in major river basins and regions and expand its development nationwide. The Company will reconstruct its technological innovation system and research and development focus with technology-driven development as the guideline, and enhance the Company’s technology level. The Company will remodel the development system, improve the project planning capability, continue to optimise and adjust the business structure, and seek to expand against the trend. We will further explore potential operational advantages to further realise cost reduction and efficiency enhancement of existing projects; strengthen technology empowerment and open up new space for improving operational efficiency; continue to enhance the reform of systems and mechanisms, optimise the remuneration assessment system, innovate incentive methods and mobilise the potential of the organisation. The Company will achieve management upgrading and talent empowerment, optimise the talent structure, improve the market-oriented selection, cultivation and retention mechanism, and drive the high-quality development of the Company.

3. *Income, expense and cost plans:*

In 2023, it is expected that the sewage treatment business will remain as the principal business of the Group, and the annual sewage treatment will be not less than 1,572.26 million m³. With the rise of applicable water discharge standards to various water projects in Tianjin and other cities and the continuous increase in costs of various types of resources, energy, and labor, the operation costs of projects have increased. If there are no major changes in the prevailing national guidelines, policies, and business environment, it is expected that the amount of variation in revenue from and cost for the sewage treatment service will not be higher than 20%.

4. *Plan for investment in technology research and development:*

In 2023, the Group will invest not less than approximately RMB67 million in technology research and development plus development and technological reforms, and will continue to conduct research and development on the new technical processes and application technologies in the areas of sewage water treatment and sludge treatment, etc.

(4) POSSIBLE RISKS

1、Possible risks

(1) Risk of government credit

Given the characteristic of licensed operation in sewage treatment projects, the capital source of sewage treatment service fee comes mainly from the special sewage-treatment fee charged by the governments through the sales of water; and any insufficient amount will be supplemented by the local governments. Most of the PPP package projects currently promoted include the investment and construction of infrastructures such as pipeline networks with relatively large investments of social capital, the investment return relies mainly on the payment of sewage treatment service fee from the governments. Therefore, the exclusiveness of capital source led to 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's fiscal revenue and expenditure and credibility. In case the risk related to government credibility occurs, the project companies will face cash flow issues, which may generate capital risks such as financial risks and financing risks.

(2) Risk of change in policy

Currently, the PRC is at the stage of comprehensive deep reform. In the foreseeable future, there will be transformative changes in policies related to economy, finance, prices, financial taxation and government functions, etc. Moreover, although enterprises are the service targets hazardous waste treatment of businesses, they may also be impacted by regional industrial policies, that is, regional industrial upgrading and cross-regional industrial transfer may lead to changes in the amount of hazardous waste generated in such region. As a social investor, the risk of policy change needs to be focused on. In addition, after the end of the franchise period, whether it can continue to obtain the operating rights of the project will also pose a potential risk.

(3) Risk of operation and management

With the continuous escalation of the national environmental management requirement, the demands for upgrading sewage treatment plants gradually increase in order to meet the new standards. Under this circumstance, on one hand, sewage treatment plants will face the restructuring and operational risk. On the other hand, enterprises will also face the risk of amendment to the original licensed operation agreement. In addition, whether sludge disposal after sewage treatment can form a better business model also ought to be brought to our attention.

3. Management Discussion and Analysis

2、Risk control measures

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

Strengthen the concept of corporate governance in accordance with the laws by making full use of general counsel system to protect 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.

- (2) Enhance overall risk management

Determine the target for comprehensive risk management, establish the institutional framework for comprehensive risk management, strengthen the research and assessment and alertness of various policy risks, to identify, analyze, assess and deal with possible hidden risks in different business segments; improve the risk management system and establish a sound and comprehensive risk management system for the Company; improve its timing and efficiency of the comprehensive risk management of the Company; conduct the dynamic management and effective control over risks so as to reasonably ensure the achievement of the Company's strategic targets. Moreover, on a strategic level, advancing structural transformation of enterprise is an essential strategy to reduce operational risks.

- (3) Continue to raise the standards of operational 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 technical 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 final products could meet the standards of discharge; developing water environment rescue plans and safe production plans, so as to ensure careful operation and the best environmental performance of the Company under force majeure conditions. It is also important to maintain smooth contact and strengthen communications with local governments and regulatory authorities.

(5) OTHERS

Not applicable

VII. FAILURE TO DISCLOSE AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS,
SUCH AS STATE SECRETS AND BUSINESS SECRETS

Not applicable

4. Corporate Governance

I. DESCRIPTION OF CORPORATE GOVERNANCE

(1) Corporate Governance

During the reporting period, the Company strictly complied with the requirements under the Company Law of the PRC, Code on Corporate Governance for Listed Companies, the Articles of Association of the Company and the requirements of the relevant laws and regulations of the CSRC, to continuously improve its corporate governance structure and regulate its daily operation.

According to the Articles of Association of the Company and the relevant regulations, the general meeting shall be the highest authority of the Company. The Company shall convene and hold general meetings in strict compliance with “the Rules of Procedures for General Meetings” in order to ensure the shareholders can exercise their voting rights duly and successfully. The Board and the Supervisory Committee completed the re-election during the reporting period. Within the scope authorized by the general meetings, the Board shall be responsible for the overall operation and management of the Company and convene the Board meetings in strict compliance with the Rules of Procedures for Board Meetings. All Directors shall duly discharge their duties in a diligent manner, independently perform their duties and pay sufficient attention to the interests of all medium and small shareholders. The committees of the Board of the Company including the Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Strategy Committee shall perform their tasks independently according to their respective detailed implementation rules, and provide support for the scientific decisions to be made by the Board in their respective disciplines. Managers of the Company shall, with the authorization and under the leadership of the Board, be responsible for the daily operation and management of the Company according to the “Rules of Procedures for General Managers” *《總經理議事規則》 Meeting. Within the scope authorized by general meetings, the Supervisory Committee shall be responsible for supervision of the legality and compliance of the performance of duties by the Board and managers.

The Company is in compliance with the relevant requirements of regulatory authorities in respect of major governance aspects such as the controlling shareholder and the Company, the Directors and the Board, the Supervisors and the Supervisory Committee, performance appraisal and incentive control mechanism, stakeholders of interest as well as information disclosure and transparency. There is no difference between the actual governance practices of the Company and the relevant requirements of the Company Law of the PRC and the CSRC.

In order to further improve the governance structure of the Company, to establish a scientific and standardized decision-making mechanism and to protect the interests of the shareholders, the Company amended the Articles of Association of the Company and the “Rules of Procedure of the Board Meeting” *《董事會議事規則》 according to the actual situation, and established the “Measures for the Administration of the Authorization of the Board” *《董事會授權管理辦法》 and the List of Authorized Matters during the reporting period.

(2) Corporate Governance Report

1. *About Corporate Governance Practices*

The Company has continuously updated its relevant codes on corporate governance pursuant to the revised corporate governance rules of regulatory bodies and implemented them strictly. During the reporting period, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Company's major corporate governance practices and activities for the year ended 31 December 2022 are set out in this report and the Environmental, Social and Governance Report 2022 as published on the website of the Stock Exchange together with this report.

The Board recognizes that corporate governance shall be the collective responsibilities of the Directors, and the corporate governance functions include the followings:

- (1) Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- (2) Reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- (3) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- (5) Reviewing the Company's compliance with the Listing Rules and disclosures in the Corporate Governance Report.

2. *About Securities Transactions by the Directors, Supervisors and Senior Management*

According to the Articles of Association of the Company and the "Management System for Inside Information"* (《内幕信息管理制度》), the Company has formulated the "Management System for the Shareholding of Directors, Supervisors and Senior Management"* (《董事、監事、高級管理人員持股管理制度》), which requires that the Directors, the Supervisors, the managers and the other senior management shall during their terms of office make regular reports to the Company on the shares of the Company they held; they shall not transfer more than a total of 25% of the shares of the Company they held for each year during their terms of office, and shall not transfer the shares of the Company they held within six months after their resignation, etc.

4. Corporate Governance

After making detailed enquiries by the Board, as of the end of the reporting period, except for Mr. Zhang Jian holding 822 A Shares of the Company and Ms. Jing Wanying and Mr. Li Yang each holding 250,000 A share options of the Company (please refer to “III. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT” in this report for details), none of the Directors, Supervisors and senior management of the Company held any other share of the Company and they did not conduct any share transaction during the reporting period.

3. *About the Board*

According to the Articles of Association of the Company, the Board of the Company shall consist of nine Directors. During the reporting period, the Company completed the re-election of the Board. At the extraordinary general meeting held on 8 September 2022, the Company elected the members of the ninth session of the Board of the Company, including Mr. Ji Guanglin (Chairman of the Board), Mr. Li Yang and Ms. Jing Wanying as executive Directors, Mr. An Pindong, Ms. Peng Yilin and Mr. Liu Tao as non-executive Directors and Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang as independent non-executive Directors; the term of office of the Directors of the ninth session of the Board is from 9 September 2022 to 8 September 2025.

There was no relationship including financial, business, family or other material and relevant relationship between the members of the Board of the Company. All members of the Board possess immense qualifications and management experience. The qualifications and professional experiences of the independent non-executive Directors have fully complied with the requirements under the Listing Rules. The Board of the Company has accepted the declaration of independence for the year 2022 made by each independent non-executive Director, and confirms that they comply with the relevant requirements regarding independence as set out under Rule 3.13 of the Listing Rules of the Stock Exchange.

The Company has established a mechanism that can adequately safeguard the independence of independent non-executive Directors. The Board of Directors, the Supervisory Committee and the shareholders who individually or collectively hold more than 1% of the issued shares of the Company are entitled to nominate candidates for independent non-executive Directors, which will be subject to election by poll at a general meeting of shareholders. The nominator is required to express his opinion on the candidate's qualifications and independence to serve as a Director, and at the same time, in accordance with domestic and foreign laws and regulations and regulatory requirements, the Company strictly reviews and determines independence through the domestic and foreign lawyers and the compliance department of the Company. Only upon review by the Nomination Committee of the Board, it could be confirmed that the nominee is qualified to be a candidate for independent non-executive Director of the Company. The Company shall and will disclose in its announcements and circulars the information of the candidate for independent non-executive Director and the reasons why it considers the candidate to be independent in accordance with the requirements of the Listing Rules.

During the term of office of the independent non-executive Directors, the Corporate Governance Center sends information on the economy, the industry and the Company's communication with investors to the independent non-executive Directors regularly, reports on the implementation of the resolutions of the Board regularly, and maintains daily communication with them at all times, while the Company arranges site visits to its subsidiaries for the independent non-executive Directors when conditions allow, in order to satisfy the right to full information of independent non-executive Directors in exercising their duties independently. In accordance with the Articles of Association of the Company, the independent non-executive Directors may engage intermediaries to obtain external professional advice at the expense of the Company, and other expenses incurred in the exercise of their duties and responsibilities are borne by the Company. In addition, each independent non-executive Director is required to notify the Company as soon as practicable of any change in circumstances that may affect his or her independence; the Company confirms with the independent non-executive Directors on an annual basis to ensure that they remain independent.

The Company held 22 Board meetings and 3 general meetings during the reporting period. For details of the attendance of Directors, please refer to "Attendance of Directors at the Board meetings and general meetings" in this section.

There is a clear demarcation on the duties of the Board and the managerial level in the Articles of Association of the Company and the "Rules of Procedures for Board Meetings". The "Rules of Procedures for Board Meetings" and the "Rules of Procedures for General Manager's Meeting" have made specific requirements on the decision making procedure and basis of decisions for the Board and the managerial level, so as to ensure the decisions the Directors, the Board, the senior management and the managerial level to be scientific and legal. Within the scope authorized by general meetings, all matters that are required to be disclosed shall be submitted to the Board of the Company for its decision and disclosed according to the requirements under the listing rules of the SSE and the Listing Rules, and matters which are not required to be disclosed are generally decided and implemented by the General Manager's meeting of the Company.

Trainings for Directors in 2022

With the continuous growth of the Company's business and the amendments of the Listing Rules from time to time, professional development on an on-going basis has become very important for the Directors. In order to ensure the Directors constantly develop talents and knowledge necessary for their performance of duties, the Company has arranged some trainings for the Directors appropriately with proper training records kept at the Office of the Board.

4. Corporate Governance

In accordance with the provisions of the Listing Rules and the Corporate Governance Code, in order to ensure that the Directors have comprehensive and relevant knowledge and skills to contribute to the Board, the Company has arranged suitable trainings for the continuous professional development of the Directors such as providing them with information materials and organizing special trainings regularly.

Based on understanding of the Company's business at real-time, the Company sends the Directors the "Briefing on the Company's Operations"*《公司經營情況簡報》 on a monthly basis, which covers the Company's production and operation, financial statements and analysis, etc., to ensure that the Directors have continuous access to the overall information on the Company's production and operation. All Directors (including the current executive Directors, namely Mr. Ji Guanglin, Mr. Li Yang and Ms. Jing Wanying; the non-executive Directors, namely Mr. An Pindong, Ms. Peng Yilin and Mr. Liu Tao; the independent non-executive Directors, namely Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang; and the former executive Directors, namely Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; the former non-executive Directors, namely Mr. Gu Wenhui and Mr. Si Xiaolong; and the former independent non-executive Directors, namely Mr. Guo Yongqing, Ms. Lu Yingying and Mr. Xu Zhiming) have obtained the aforementioned relevant information for the corresponding period during their of office.

On 23 June 2022, Mr. Liu Yujun and Mr. Niu Bo, the former executive Directors of the Company, Mr. Li Yang and Ms. Jing Wanying, the current executive Directors of the Company, attended a special training on improving the quality of listed companies sponsored by Tianjin Municipal Securities Regulatory Bureau, including the exchanging and sharing of experience in improving the governance of listed companies by representatives of listed companies and the summarizing and reporting the performance presentation of listed companies in the jurisdiction by the Association for Public Companies.

On 1 December 2022, all Directors of the Company (including all independent non-executive Directors) attended a special training on corporate governance of the China Association for Public Companies, including concerns on the governance of listed companies and a series of initiatives to promote the improvement of the governance of listed companies, etc.

On 9 December 2022, Ms. Jing Wanying, an executive Director of the Company, attended a special training on infrastructure REITs in Tianjin jointly organized by Tianjin Municipal Securities Regulatory Bureau, Tianjin SASAC and the SSE, including the pilot situation and audit concerns of public REITs, cases of public REITs and experience sharing, etc.

On 12 December 2022, Jing Wanying, an executive Director, Liu Tao, a non-executive Director and Sun Jubin, the chairman of the Supervisory Committee of the Company, attended the 7th Initial Training for Directors, Supervisors and Officers of Listed Companies in 2022 held by the SSE, which covered the changes in the legal responsibilities of directors, supervisors and officers in the context of the registration-based IPO system, the governance of listed companies and proper performance of duties of directors, supervisors and officers, and the latest regulatory situation in the context of the registration-based IPO system.

Through continuous and effective trainings for the Directors, the Company sought to deepen the Directors' understanding of their duties and responsibilities comprehensively which allows them to grasp the trends of relevant laws and regulations and industry development in the management of the Company more accurately and make appropriate and informed decisions; and to develop their knowledge and skills further through training, to enhance the constructiveness and professionalism of their opinions and ensure that they make adequate contributions suit the needs of to the Board.

4. *About the Chairman and the General Manager*

In accordance with the Articles of Association of the Company, the Chairman is responsible for holding and presiding over the Board meetings, and the effective operation of the Board, while the General Manager of the Company is responsible for various operation activities of the Company, and is accountable to the Board. The appointment of the Chairman should be approved by more than a half of all the Directors while the General Manager should be nominated by the Chairman with his appointment to be approved by the Board.

5. *About Non-executive Directors*

On 8 September 2022, Mr. An Pindong, Ms. Peng Yilin and Mr. Liu Tao, as non-executive Directors, Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang, as independent non-executive Directors of the ninth session of the Board of the Company were elected at the general meeting of the Company; Mr. Gu Wenhui and Mr. Si Xiaolong, the non-executive Directors, and Mr. Guo Yongqing, Ms. Lu Ying Ying and Mr. Xu Zhiming, the independent non-executive Directors of the eighth session of the Board, ceased to be the Directors of the Company.

4. Corporate Governance

6. *About Committees under the Board*

- (1) The members of the Remuneration and Assessment Committee of the eighth session of the Board of the Company comprised three independent non-executive Directors, and the chairman was Mr. Xu Zhiming. The members of the ninth session of the Remuneration and Assessment Committee elected at the first meeting of the ninth session of the Board on 9 September 2022 consists of three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) and one non-executive Director (being Mr. Liu Tao) and the chairman is Mr. Xue Tao.

The major terms of reference of the Remuneration and Assessment Committee include:

- (a) to make recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management of the Company; and the establishment of a formal and transparent procedure for formulating such remuneration policy;
- (b) to review and approve the proposed remuneration of the management in accordance with the corporate policies and objectives set by the Board;
- (c) to make recommendations to the Board on the remuneration packages (which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of individual executive Directors and senior management together with the remuneration of non-executive Directors;
- (d) to consider the remuneration paid by comparable companies, employment conditions elsewhere in the Company. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;
- (e) to review and approve the Company's performance-based method of reward and punishment and amount of remuneration by reference to the corporate targets approved by Board;
- (f) to review and approve the compensation paid to the Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms; and is otherwise fair and not excessive;
- (g) to review and approve the compensation arrangement relating to dismissal or removal of the Directors for misconduct, to ensure that they are consistent with relevant contractual terms, and otherwise reasonable and appropriate;

- (h) to ensure no Director or any of his/her associates is involved in deciding his/her own remuneration;
- (i) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Its written terms of reference can be found in the “Implementation Rules of the Remuneration and Assessment Committee” published on the website of the Stock Exchange.

During the reporting period, the Remuneration and Assessment Committee held 2 meetings, which mainly discussed matters such as the remuneration of the Directors of the ninth session of the Board of the Company, the completion and appraisal of the indicators for the year 2021 and the term of office of the management, and the performance appraisal and remuneration management plan for the management in 2022. Members of the Remuneration and Assessment Committee attended all the meetings held during the reporting period.

- (2) The members of the Nomination Committee of the eighth session of the Board of the Company comprised two executive Directors (being Mr. Liu Yujun and Ms. Wang Jing) and three independent non-executive Directors. The chairman of the Nomination Committee was Ms. Lu Yingying, an independent non-executive Director. The members of the ninth session of the Nomination Committee elected at the first meeting of the ninth session of the Board on 9 September 2022 consists of three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) and two executive Directors (being Mr. Ji Guanglin and Mr. Li Yang) and the chairman is Mr. Xue Tao, an independent non-executive Director. The primary duties of the Nomination Committee are to study and propose candidates, selection criteria and procedures of Directors and senior management of the Company. For its written terms of reference, please refer to the Implementation Rules of the Nomination Committee under the Board which is available on the website of the Stock Exchange.

In respect of the nomination procedures as well as the selection and recommendation of candidates for the Directors, the Articles of Association of the Company provides that, the Board of the Company and shareholders representing, in aggregate, more than 10% of the total shares of the Company may nominate candidates for the Director of the Company. The Nomination Committee under the Board of the Company shall make suggestions to the Board regarding the nomination, selection and recommendation of candidates of Directors pursuant to the Implementation Rules of the Nomination Committee under the Board. The appointment of executive Directors is determined by the general meetings. The nomination and appointment of the executive Directors and non-executive Directors have been carried out in accordance with the above-mentioned procedures of nomination, selection and recommendation. In addition, the qualifications of candidates acting as independent non-executive Directors are subject to review and approval by SSE.

4. Corporate Governance

The Company insists on the principle of hiring employees based on their competence, which is selecting members of the Board by objective standards, and considering factors like corporate business model and special needs from time to time, taking into account multiple factors such as skills, expertise and industry experience, cultural and educational background, nationality, the term of service, gender and age. Pursuant to the diversity policy, current members of the Board possess different professional backgrounds. Each of them has accumulated rich experience in areas such as environmental water business, business management, capital operation, financial management and law, providing the Board with diverse perspectives to make decisions, and providing the Company with professional opinions for formulating operation policies. The Nomination Committee regularly reviews the structure, size and composition of the Board, and proposes changes to be made to the Board in line with the Company's strategies. In reviewing and assessing the composition of the Board and nomination of Directors, the Nomination Committee is committed to diversity at all levels and considers factors of the diversity policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, as well as industry and regional experience. At present, the Nomination Committee considers that the Board is sufficiently diverse, which can ensure that the members of the Board have the appropriate talents, experience, and diverse perspectives and views for decision-making.

During the year of 2022 and up to the date of this report, the Company has achieved its measurable goal of the diversity policy of the Board which is having at least one female member on the Board. At present, there are two female Directors on the Board. The Board expects the proportion of female members to remain at least at the current level. The Board will continue to seek opportunities to increase the proportion of female members in the future if suitable candidates are identified.

The Nomination Committee has reviewed the diversity policy of the Board and its effectiveness and is of the view that the current members of the Board of the Company, in terms of gender, age, cultural and educational background, professional experience, skills and knowledge etc., are in conformity with the Implementation Rules of the Nomination Committee under the Board, diversity policy of the Board as well as the present situation and future development plan of the Company and conducive to the improvement of corporate governance and standardized operation. The Board currently includes two female members, which is in compliance with the relevant provisions of Rule 13.92 of the Listing Rules.

During the reporting period, the Nomination Committee of the Company held 3 meetings which discussed matters in relation to the nomination of candidates for the ninth session of the Board, the nomination of the general manager, the deputy general manager, the chief accountant, the general counsel and the secretary of the Board etc..

The members of the Nomination Committee attended all the meetings held during the reporting period.

- (3) The members of the Audit Committee of the eighth session of the Board of the Company comprised three independent non-executive Directors of the Company and the chairman was Mr. Guo Yongqing. The members of the ninth session of the Audit Committee elected at the first meeting of the ninth session of the Board on 9 September 2022 consists of three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) and one executive Director (being Ms. Jing Wangying), the chairman is Mr. Wang Shanggan. The primary duties of the Audit Committee include reviewing of yearly, half-yearly and quarterly financial statements, reviewing and monitoring the financial management, internal control, risk management and corporate governance of the Company and making recommendations for the appointment of external auditors. For details of its written terms of reference, please see the Implementation Rules for the Audit Committee under the Board which is available on the website of the Stock Exchange.

During the reporting period, with respect to reviewing of the Company's periodic reports, during the preparation of annual reports, half-yearly reports and quarterly reports, the Audit Committee takes into consideration the audit opinions of the external auditor and internal auditor, and reviews the results report at a separate meeting; With the assistance of the internal audit department of the Company, the Audit Committee reviews the effectiveness of the Company's internal control system at the beginning of the year 2022 and reviews the annual internal control evaluation report of the Company and discloses it together with the annual results report.

With respect to corporate governance, the Company has established a relatively sound corporate governance structure according to the relevant laws and regulations and the actual situation of the Company. For details of the corporate governance, please refer to "(i) Corporate Governance" above. The Audit Committee reviews and assesses the internal control of the Company during the reporting period, including the evaluation of the corporate governance of the Company.

During the reporting period, the Audit Committee of the Company held 8 meetings which mainly discussed the financial information in quarterly reports, half-yearly reports and annual reports, and reviewed the internal control of the Company, and made recommendations for the appointment of external auditors, etc. The members of the Audit Committee have attended all the meetings during the reporting period.

4. Corporate Governance

- (4) The members of the Strategic Committee of the eighth session of the Board comprised two executive Directors (being Mr. Liu Yujun and Ms. Wang Jing), one non-executive Director (being Mr. Gu Wenhui) and one independent non-executive Director (being Mr. Guo Yongqing) of the Company and the chairman was Mr. Liu Yujun, the Chairman. The members of the ninth Strategic Committee elected at the first meeting of the ninth session of the Board on 9 September 2022 consists of two independent non-executive Directors (being Mr. Xue Tao and Mr. Wang Shanggan), two executive Directors (being Mr. Ji Guanglin and Mr. Li Yang) and two non-executive Directors (being Ms. Peng Yilin and Mr. An Pindong). Its primary duties are to study and propose medium and long-term development strategies and major investment decisions of the Company.

No Strategy Committee meeting was held during the reporting period.

7. *About the Remuneration of Auditors*

During the reporting period, the Company re-appointed PricewaterhouseCoopers Zhong Tian LLP as the Company's external auditor which was approved at the general meeting. The appointment agreement sets out the details of the audit content and remuneration of the auditors. Meanwhile, PricewaterhouseCoopers Zhong Tian LLP provided internal control audit services to the Company and issued an audit opinion on the internal control of the Company. The fees for the audit services provided by PricewaterhouseCoopers Zhong Tian LLP were determined through open tender in accordance with the audit workload and the principle of fairness and reasonableness, and the fees for the financial statement audit services provided by PricewaterhouseCoopers Zhong Tian LLP for the year 2022 were RMB3.7 million (including RMB0.6 million for the internal control audit). The Company intends to re-appoint PricewaterhouseCoopers Zhong Tian LLP as the Company's external auditor and the audit fee to be paid to PricewaterhouseCoopers Zhong Tian LLP for the audit of the financial statements for the year 2023 is RMB3.7 million (including RMB0.6 million for the internal control audit).

8. *About Company Secretary*

On 9 September 2022, the ninth session of the Board of the Company re-appointed Ms. Cho Yee Yung, Mona of Li & Partners as company secretary and the authorised representative of the Company under Rule 3.05 of the Listing Rules. Ms. Cho Yee Yung, Mona attended not less than 15 hours of relevant professional trainings during financial year 2021 in accordance with Rule 3.29 of the Listing Rules. Ms. Cho Yee Yung, Mona mainly contacts Mr. Niu Bo, the secretary to the Board of the Company.

9. *About Shareholders' Right*

In accordance with the relevant requirements of the Articles of Association and the “Rules of Procedures for General Meetings” of the Company, shareholders who severally or jointly hold 10% or more shares in the Company are entitled to request the Board or the Supervisory Committee to convene or convene by themselves an extraordinary general meeting. The conditions and procedures for the application for convening or convening by themselves such a general meeting shall be explicitly stated. For details of the regulations, please refer to the Articles of Association of the Company and the “Rules of Procedures for General Meetings”.

Shareholders may request access to information obtained in accordance with the Articles of Association of the Company (such as the register of shareholders, personal particulars of the Directors, Supervisors, general manager and other senior management of the Company, minutes of general meetings, resolutions of Board meetings, resolutions of Supervisory Committee meetings, financial and accounting reports, etc.) or obtain the information, and shall provide written documents evidencing the type of shares and number of shares held in Company and the relevant information shall be provided to shareholders upon request after verification of the shareholder's identity by the Company. At the general meeting convened by the Company, the Board, the Supervisory Committee and shareholders who individually or collectively hold more than 3% shares of the Company shall be entitled to propose a resolution in writing, and the Company shall include such proposal in the agenda of such meeting to the extent that it falls within the responsibilities of the general meeting. Shareholders who individually or collectively hold more than 3% shares of the Company shall be entitled to propose a provisional resolution in writing 10 days prior to the convening of the general meeting and submit to the convener. The convener shall issue a supplementary notice of the general meeting within two days after receiving the proposal, announce the content of the provisional proposal, and disclose the names of the shareholders who have made the provisional proposal and their shareholding percentages.

4. Corporate Governance

10. *About Investor Relationship*

The Company attaches great attention to providing accurate, timely and as comprehensive information as possible to investors, and procures to maintain communication with shareholders and investors through effective channels, thus reinforcing understanding of each other and improving the transparency of information disclosure of the Company. The Chairman, general managers, chief accountant, secretary to the Board and other management of the Company attach importance to and directly participate in communication with investors, conduct investor relations management work in accordance with the “Company’s Investor Relations Management System”, etc., with an aim to allow investors to further understand the information of the Company. During the reporting period, the Corporate Governance Center was responsible for investor relations management, receiving calls, visits and on-site inspections from investors, and organizing participation in annual investor conferences, investment strategy meetings and domestic and overseas roadshows. The Company publishes corporate information in a timely manner. The latest developments, announcements and press releases in relation to the Company are available on the website designated by the two stock exchanges of A-share and H-share and the Company’s website (www.tjcep.com) for investors. Investors could also contact the Company via the Company’s investor enquiry hotline (+86(22)23930128) or email (tjcep@tjcep.com). During the reporting period, the Company actively implemented the above-mentioned relevant measures, and therefore has effectively implemented the Company’s investor relations-related policies. After review, the Board of the Company is of the view that the shareholders’ communication policy currently adopted has provided a channel for shareholders, potential investors and others to communicate effectively and express their views adequately, and the Company has complied with the principles and required measures of the said policy during the year, and the Board considers the policy and its implementation are effective.

During the reporting period, in order to facilitate investors to have a deeper and more comprehensive understanding of the Company’s development strategy, corporate governance, profit distribution, production and operation, sustainable development, etc., the Company held an interactive online presentation on its 2021 annual results and cash dividend distribution at the Shanghai Securities Roadshow Center of the SSE on 8 April 2022; participated in the 2022 Tianjin Online Collective Reception Day on Panorama Network on 6 September 2022 by way of online conference; held an interactive online presentation on the 2022 third quarter at the Shanghai Securities Roadshow Center of the SSE on 17 November 2022; and addressed and provided answers to questions concerned by the investors.

On 8 September 2022, the Company held the Second Extraordinary General Meeting of 2022 to consider and approve the amendments to the Articles of Association of the Company, the relevant content of which are as follows:

- (a) To supplement and improve the content of the leadership role of the Party Committee, the front research and discussion of major matters and procedures in accordance with the opinion on strengthening the leadership of the Party in corporate governance;
- (b) To supplement and improve the content of the sound market-oriented operation mechanism in accordance with the requirements of incorporating the key requirements of the “Three-Year Action Plan for Reform of State-Owned Enterprises” into the Articles of Association of the Company, involving the management of market-oriented selection and recruitment of professional managers, market-oriented selection and employment mechanism, and strengthening the management of shareholding companies and overseas companies, etc;
- (c) To improve the content of strengthening the construction of the Board and the role of the Board in the light of these amendments. The first is to amend the authority of the Board and the authorization of the Board to the management; the second is to adjust the notice date of the extraordinary Board meeting from “10 days before the Board meeting” to 5 days; the third is to add external donations matters to the scope of the authorization of the Board by the shareholders’ meeting; the fourth is to include the general counsel in the scope of senior management of the Company;
- (d) To improve the business scope of the Company in the light of the “14th Five-Year Plan”;
- (e) To improve the relevant provisions in the light of the latest revision of the “Rules for Independent Directors of Listed Companies”;
- (f) In order to improve the efficiency of the Supervisory Committee of the Company in performing its duties, it is proposed to adjust the number and composition of the members of the Supervisory Committee in light of the actual situation of the Company. Firstly, the number of members of the Supervisory Committee is proposed to be adjusted from 6 to 3; secondly, in accordance with the “Guidelines on the Articles of Association of Listed Companies”, the number of employee representative supervisors shall not be less than one-third, therefore, the adjusted Supervisory Committee shall consist of one employee representative supervisor and two shareholder representative supervisors; the duties and responsibilities of the Supervisory Committee shall remain unchanged.

4. Corporate Governance

11. Risk Management and Internal Control

During the reporting period, the Company has established an appropriate internal control system. The internal control system is established and gradually improved with the orientation to possible risks exposed by the Company in various key business and management activities. The Enterprise Management Center of the Company is responsible for the building of the risk management and internal control system. The Corporate Governance Center is responsible for reviewing the effectiveness of risk management and internal control.

The Audit Committee of the Board of the Company shall take into account the annual summary of the Company's internal audit work report and plans from the Corporate Governance Center as appropriate every year and review the internal control and risk management of the Company.

Each year, the Board of the Company shall review the internal control monitoring system, and issue the "Annual Self-Evaluation Report on Internal Control" to investors.

The Board (through the Audit Committee of the Board) is responsible for continuous review of the effectiveness of the Company's risk management and internal control system. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. In accordance with Code Provision C.2.1 (now re-arranged as Provision D.2.1) of the Corporate Governance Code, the Directors have reviewed annually the effectiveness of risk management and the internal control system (including internal audit function) of the Company and its subsidiaries during the reporting period, covering matters such as financial control, operational control, compliance control, to ensure that the Company has sufficient resources, employee qualifications and training, and budgets for internal audit and financial reporting. The Board is not aware of any material matters that might affect the shareholders. The Board is of the opinion that the Company has fully complied with the code provisions regarding risk management and internal control in the Corporate Governance Code. The internal control system of the Company is adequate and has been operating effectively.

The Board has implemented procedures and internal controls for handling and releasing inside information. During the reporting period, the Company's internal departments would review material transactions, including the Corporate Governance Center and the Legal Compliance Department. After reviewing, if the Corporate Governance Center and the Legal Compliance Department were of the view that the proposed transactions may involve inside information, they would consult with the legal adviser of the Company. Thereafter, the proposed transactions concerned would be reported to the Secretary of the Board. If the relevant information constituted inside information, the legal adviser, with the assistance of the Corporate Governance Center, would draft an announcement which would be reviewed by members of the Board. After that, relevant information would be published on the website of the Stock Exchange and the website of the SSE in accordance with the Listing Rules and the listing rules of the SEE, respectively.

The Company considers that the above risk management and internal control system were effective and adequate.

12. About the independence of independent non-executive Directors

The Company has established a mechanism that can adequately safeguard the independence of independent non-executive Directors. The Board of Directors, the Supervisory Committee and shareholders who individually or collectively hold more than 1% of the issued shares of the Company may propose candidates for independent non-executive Directors, which will be subject to election by poll at a general meeting of shareholders. The nominator is required to express an opinion on the candidate's qualifications and independence to serve as a Director, and at the same time, in accordance with domestic and foreign laws and regulations, regulatory requirements and the "Working System for Independent Directors" established by the Company, the Company strictly reviews and determines independence through the domestic and foreign lawyers and the compliance department of the Company. After the review by the Nomination Committee of the Board, it is confirmed that he/she is qualified to be a candidate for independent non-executive Director of the Company. The Company will disclose in its announcements and circulars the information of the candidate for independent Director and the reasons why it considers the candidate to be independent in accordance with the requirements of the Listing Rules.

During the term of office of the independent non-executive Directors, the Corporate Governance Center sends information on the economy, the industry and the Company's communication with investors to the independent non-executive Directors regularly, reports on the implementation of the resolutions of the Board regularly, and maintains daily communication with them at all times, while the Company arranges site visits to its subsidiaries for the independent non-executive Directors when conditions allow, in order to satisfy the right to full information of independent non-executive Directors in exercising their duties independently. In accordance with the "Working System for Independent Directors", the independent non-executive Directors may engage intermediaries to obtain external professional advice at the expense of the Company, and other expenses incurred in the exercise of their duties and responsibilities are borne by the Company. In addition, each independent non-executive Director is required to notify the Company as soon as practicable of any change in circumstances that may affect his or her independence; the Company confirms with the independent non-executive Directors on an annual basis to ensure that they remain independent.

13. About Other Specific Disclosures

The Directors are responsible for supervising the compilation of the accounts for each financial period, in order to ensure that those accounts reflect genuinely and fairly the business and results of the Company for the period. In compiling the accounts for the year ended 31 December 2022, the Directors have chosen and thoroughly applied the appropriate accounting policies with due and reasonable judgment and estimates having been made, and prepared the accounts on a going concern basis.

4. Corporate Governance

The Directors consider that there was no occurrence of material uncertainties or situations which may affect the ability of the Company as a going concern during the reporting period.

The Board of the Company has constantly monitored the internal control of the Company. At the 10th meeting of the ninth session of the Board held on 27 March 2023, the resolution in respect of the internal control of the Company in 2022 was solely considered and a self-evaluation report on internal control was issued. PricewaterhouseCoopers Zhong Tian LLP has audited the internal control of the Company during 2022, and has issued a standard unqualified audit opinion.

II. SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Date of meeting	Inquiry index for the designated website for publishing the voting results	Date of disclosure of the resolutions
2022 first extraordinary general meeting	10 March 2022	Website of the SSE at www.sse.com.cn Website of the Stock Exchange at www.hkex.com.hk Website of A.Plus Financial Press Limited at http://www.aplushk.com/?Customer	11 March 2022
2021 Annual General Meeting	17 May 2022	Website of the SSE at www.sse.com.cn Website of the Stock Exchange at www.hkex.com.hk Website of A.Plus Financial Press Limited at http://www.aplushk.com/?Customer	18 May 2022
2022 second extraordinary general meeting	8 September 2022	Website of the SSE at www.sse.com.cn Website of the Stock Exchange at www.hkex.com.hk Website of A.Plus Financial Press Limited at http://www.aplushk.com/?Customer	9 September 2022

III. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in shareholdings and compensation of existing directors, supervisors and senior management and those who left during the reporting period

Name	Position held (note)	Gender	Age	Appointment date	Termination date	Number of shares held at the beginning of the year (shares)	Number of shares held at the end of the year (shares)	Changes in number of shares for the year	Reason for changes	Total pre-tax Remunerations received from the Company during the Reporting period (RMB: 0'000)	Whether remuneration was received from related parties of the Company
Ji Guanglin	Executive Director, Chairman	M	49	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Li Yang	Executive Director General Manager	M	54	9 September 2022 8 February 2021	8 September 2025	0	0	0	No change	97.23	No
Jing Wanying	Executive Director Chief Accountant	F	46	9 September 2022 19 November 2021	8 September 2025 1 March 2023	0	0	0	No change	82.39	No
Peng Yilin	Non-executive Director	F	43	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
An Pindong	Non-executive Director	M	55	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Liu Tao	Non-executive Director	M	39	11 November 2021	8 September 2025	0	0	0	No change	0	Yes
Xue Tao	Independent non-executive Director	M	50	9 September 2022	8 September 2025	0	0	0	No change	3.73	No
Wang Shanggan	Independent non-executive Director	M	59	9 September 2022	8 September 2025	0	0	0	No change	3.73	No
Tian Liang	Independent non-executive Director	M	42	9 September 2022	8 September 2025	0	0	0	No change	3.73	No
Sun Shubin	Supervisor, Chairman of the Supervisory Committee	M	49	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Shi Zhenjuan	Supervisor	F	53	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Wang Jing	Staff Representative Supervisor	F	52	9 September 2022	8 September 2025	0	0	0	No change	60.00	No
Zhang Jian	Deputy General Manager	M	53	17 January 2012	8 September 2025	822	822	0	No change	84.56	No
Li Jinhe	Deputy General Manager	M	52	29 August 2017	8 September 2025	0	0	0	No change	83.63	No
Zhou Jingdong	Deputy General Manager	M	55	1 December 2022	8 September 2025	0	0	0	No change	83.45	No
Jiang Nan	Deputy General Manager	M	51	1 December 2022	8 September 2025	0	0	0	No change	8.22	No
Nie Yanhong	Chief Accountant	F	48	1 March 2023	8 September 2025	0	0	0	No change	0	No
Lu Hongyan	General Counsel	F	53	20 January 2016	8 September 2025	0	0	0	No change	73.88	No
Niu Bo	Secretary of the Board	M	46	29 January 2016	8 September 2025	0	0	0	No change	73.00	No
Liu Yujun	Executive Director, Chairman (Resigned)	M	57	13 March 2015	8 September 2022	0	0	0	No change	45.02	No
Gu Wenhui	Non-executive Director (Resigned)	M	46	13 May 2020	8 September 2022	0	0	0	No change	0	Yes
Si Xiaolong	Non-executive Director (Resigned)	M	46	18 December 2018	8 September 2022	0	0	0	No change	0	Yes
Guo Yongqing	Independent non-executive Director (Resigned)	M	48	18 December 2015	8 September 2022	0	0	0	No change	15.16	No
Lu Yingying	Independent non-executive Director (Resigned)	F	47	11 November 2021	8 September 2022	0	0	0	No change	15.16	No
Xu Zhiming	Independent non-executive Director (Resigned)	M	62	11 November 2021	8 September 2022	0	0	0	No change	15.16	No
Wu Baolan	Supervisor (Resigned)	F	54	24 August 2011	8 September 2022	0	0	0	No change	28.71	No
Niu Jing	Supervisor (Resigned)	F	52	18 December 2015	8 September 2022	0	0	0	No change	50.92	No
Li Zongqiang	Supervisor (Resigned)	M	52	18 December 2012	8 September 2022	0	0	0	No change	0	Yes
Shen Yue	Supervisor (Resigned)	F	47	18 December 2018	8 September 2022	0	0	0	No change	50.44	No
Huang Lan	Supervisor (Resigned)	F	51	18 December 2018	8 September 2022	0	0	0	No change	42.24	No
Zhao Yi	Deputy General Manager (Resigned)	M	52	18 October 2010	30 August 2022	0	0	0	No change	39.52	No
Zhao Mingwei	Deputy General Manager (Resigned)	M	42	8 February 2021	8 September 2022	0	0	0	No change	33.90	No
Total	/	/	/	/	/	822	822	0	/	993.78	/

4. Corporate Governance

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 31 December 2022, 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 (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which were taken as or deemed to have pursuant to the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Title	The Company/ name of associated corporation	Class of shares	Nature of interest	Number of underlying shares held	Approximate percentage of the relevant class of shares	Approximate percentage of total number of shares
Jing Wanying	Executive Director	The Company	A Shares	Beneficial owner	250,000 (Note i)	0.02032%	0.01592%
Li Yang	Executive Director	The Company	A Shares	Beneficial owner	250,000 (Note ii)	0.02032%	0.01592%

Notes:

- (i) These interests represent A share options granted to Jing Wanying, as beneficial owner, under the A share option incentive scheme adopted by the Company on 23 December 2020.
- (ii) These interests represent A share options granted to Li Yang, as beneficial owner, under the A share option incentive scheme adopted by the Company on 23 December 2020.

As at 31 December 2022, none of the directors, supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Name	Primary working experience
Ji Guanglin	<p>He is currently the deputy general manager of Tianjin Investment Group, the chairman of the Board of the Company. He has a graduate degree and holds a PhD. He has served as the deputy chief economist of the Company, general manager of the strategic planning department and general manager of the asset management department of Shanghai Investment Group* (上海城投集團), the deputy secretary of the Party Committee, the chairman of the board and the general manager of Shanghai Chengtou Holding Co., Ltd.* (上海城投控股股份有限公司). Mr. Ji has been a Director and the Chairman of the Company since September 9, 2022.</p>
Li Yang	<p>Mr. Li is now a Director and the general manager of the Company, the general manager of the Northwest Region Branch and the East China Region Branch, and the chairman of Xi'an Company and Hangzhou Company. From November 2005 to April 2009, he was the general manager of Fuyang Company, the wholly-owned subsidiary of the Company. From April 2009 to December 2009, he was the general manager of the 2nd water operation branch of the Company. He was the general manager of the eastern region of Tianjin water business division from January 2010 to February 2011 and was the general manager of Xi'an Company since February 2011 to May 2017. Mr. Li was appointed as the assistant to general manager of the Company since January 2012, and as the Chairman of Xi'an Company since September 2015. Mr. Li Yang was a Supervisor of the Company from 8 September 2009 to 15 March 2017. Since 15 March 2017, Mr. Li has served as the deputy general manager of the Company and since September 2020, he has concurrently served as the chairman of Hangzhou Company. Mr. Li has been the general manager of the Company since February 2021 and has been a Director of the Company since 9 September 2022.</p>
Jing Wanying	<p>Ms. Jing is now a Director of the Company. She has a master degree in business administration and the qualifications of senior accountant and certified public accountant. She graduated from the faculty of accounting of the Tianjin Institute of Finance and Economics* (天津財經學院) with major in certified public accountancy. Ms. Jing joined Tianjin Municipal Investment Co., Ltd. in November 2003; she served as deputy manager of finance department, manager of finance department and deputy chief accountant in TMICL from January 2005 to September 2015. Ms. Jing served as chief accountant in TMICL from September 2015 to 16 November 2021. Ms. Jing has been the chief accountant of the Company from November 2021 to 1 March 2023, and has been a Director of the Company since 9 September 2022.</p>

4. Corporate Governance

Name	Primary working experience
Peng Yilin	<p>Ms. Peng is now a Director of the Company and the deputy general manager (presiding work) of the assets investment department of Tianjin Investment Group. From March 2008 to September 2015, she successively acted as the assistant department head of the financing development department and the financial central manager, of Tianjin Investment Group. Ms. Peng has been the assistant general manager of the Company since 29 October 2015, the chief accountant of the Company from 29 January 2016 to 19 November 2021, a Director of the Company from 16 March 2016 to 17 December 2018 and concurrently a director of TMICL since 28 December 2020. Ms. Peng has been a Director of the Company since 9 September 2022.</p>
An Pindong	<p>He is currently a Director of the Company and the chief operating officer of Tianjin Investment Group, and concurrently the secretary of the Party and the chairman of Tianjin Municipal Investment Company Limited. Mr. An entered the workforce in July 1991. He graduated from Nankai University with a full-time bachelor's degree in business administration for senior management, a master's degree in business administration and an economist, and has served as a director and chief accountant of the Company, a deputy chief economist and the head of the asset operation department of Tianjin Investment Group. Mr. An has been a Director of the Company since September 9, 2022.</p>
Liu Tao	<p>Mr. Liu is now a non-executive Director of the Company, and concurrently served as the deputy manager (presiding work) of the investment management department of Ningbo Energy Group Co., Ltd.* (寧波能源集團股份有限公司) (“Ningbo Energy”) and a director of Ningbo Hangwan Lvjie New Energy Co., Ltd.* (寧波杭灣綠捷新能源有限公司) and Ningbo Langchen New Energy Co., Ltd.* (寧波朗辰新能源有限公司). Mr. Liu worked for Blue Source Capital Investment Management Co., Ltd.* (浙江藍源投資管理有限公司) in 2011, engaging in investment management of government-guided funds. He served in the investment management department of Ningbo Energy in 2014. He served as deputy manager and manager of the investment department of Ningneng Investment Management Co., Ltd.* (寧能投資管理有限公司) and deputy manager of the investment management department of Ningbo Energy. Since August 2021, he has been working as deputy manager of the investment management department of Ningbo Energy. Mr. Liu Tao has been a director of the Company since 11 November 2021.</p>

Name	Primary working experience
Xue Tao	<p>He is currently an independent non-executive Director of the Company and a Ph.D. candidate at the Center for Ecological Environment Research, Chinese Academy of Sciences. He holds a Bachelor of Science degree from Wuhan University and a Master of Business Administration degree from Guanghua School of Management of Peking University. He was the deputy director of Environmental Protection Research Centre of Tsinghua University. He is currently the executive partner of the E20 Environment Platform and the executive president of the E20 Environmental Industry Research Institute, an adjunct professor of the School of Public Administration of Hunan University, a visiting professor of the School of Management and Economics of North China University of Water Conservancy and Hydropower, and an independent director of listed companies such as Shanghai City Investment Holdings and CSCEC SCIMEE. He concurrently serves as the vice president of the E20 Joint Research Institute of the College of Environmental Sciences at Peking University, a targeted invitation expert of the National PPP Experts Database of both the National Development and Reform Commission and the Ministry of Finance, a registered expert of World Bank and Asian Development Bank (infrastructure and PPP direction), the member of the Investment and Financing Professional Committee of PPP Research Center, School of Public Administration, Tsinghua University, Secretary General of PPP Special Committee of China Environment Service Industry Association; expert of the Expert Advisory Committee of National Green Development Fund Co., Ltd., an expert in the think tank of chemical and waste environment management of the Asia Pacific Regional Center of the Basel Convention, a member of the expert committee of waste incineration of China Environmental Health Association, a special consultant of the “Strategic Alliance for Technology Innovation in Sludge Treatment and Disposal Industry” of the Ministry of Environment, a member of the think tank of the Institute of Political Science and Information of the Central University of Finance and Economics, and a special expert of the China Urban Investment Network; a member of the editorial board of “Urban and Rural Construction” magazine and “Environmental Health Engineering” magazine under the guidance of the Ministry of Housing and Construction, and the editorial board of “Government Procurement and PPP Review” magazine under the guidance of the Ministry of Finance; He is an external tutor of the Environmental Research Centre of Chinese Academy of Sciences. Mr. Xue has been an independent non-executive director of the Company since 9 September 2022.</p>
Wang Shanggan	<p>Mr. Wang is now an independent non-executive director of the Company, the special assistant to the chairman of the board of directors of Shanghai SUS Environment Co., Ltd. and an independent director of Shanghai Yizhen Network Technology Co., Ltd. Mr. Wang obtained a bachelor’s degree in accounting from Jiangxi University of Finance and Economics, a master’s degree (EMPAcc) from the Chinese University of Hong Kong. He holds a postgraduate degree and is a senior accountant. Mr. Wang entered the workforce in August 1984 and served as an accountant of the Finance Department of Xinyu Steel Company and the Finance Department of Jiangxi Metallurgical Industry Corporation, the financial controller of Shanghai Environmental Group, a financial controller of Shanghai Investment Group, a director and the chairman of the supervisory committee of Western Securities, etc. Mr. Wang has been an independent non-executive Director of the Company since September 9, 2022.</p>

4. Corporate Governance

Name	Primary working experience
Tian Liang	Mr. Tian is now an independent non-executive director of the Company, a lawyer practicing in the Hong Kong Special Administrative Region of the PRC and a lawyer practicing in the State of New York of the United States. Mr. Tian has worked in the PRC representative offices and Hong Kong offices of various international law firms and has many years of experience in legal practice in Mainland China and Hong Kong, and has provided legal services to a number of PRC state-owned enterprises and cross-country companies in relation to compliance, mergers and acquisitions and restructuring. Mr. Tian holds a bachelor's degree in law from Renmin University of China, a master's degree in civil and commercial law from Tsinghua University and a master's degree in law from Southern Methodist University. Mr. Tian has been an independent non-executive Director of the Company since 9 September 2022.
Sun Shubin	Mr. Sun is now the Chairman of the Supervisory Committee of the Company, the deputy general counsel and the general manager of the Legal Compliance Department of Tianjin Investment Group. Mr. Sun graduated from Nankai University-Australia Flinders University majoring in international economic and trade relations, with an in-service postgraduate degree and a master's degree in literature, is a third-class legal adviser of state-owned enterprises and a member of CDNCA. He served as the deputy general manager (presiding work) of the compliance management department (audit department and legal department) and the deputy general manager (in charge) of the legal and compliance department of Tianjin Investment Group. Mr. Sun has been a supervisor and the chairman of the supervisory committee of the Company since 9 September 2022.
Shi Zhenjuan	She is now a supervisor of the Company and the chief accountant of TMICL. Ms. Shi graduated from Nankai University with a master's degree in business administration for senior management and is an accountant. She has served as the chief accountant, a director and a member of the disciplinary committee of the Company, and a member of the party committee, chief accountant and a director of Tianjin Haihe Construction Development & Investment Co., Ltd. Ms. Shi has been a supervisor of the Company since 9 September 2022.
Wang Jing	Ms. Wang is now a Supervisor and the deputy secretary of the Communist Party Committee and chairwoman of the labour union of the Company. Ms. Wang served as the deputy director, director, and minister of the administration department of Tianjin Municipal Construction Group Co. Ltd.* (天津市政建設集團) from June 2007 to December 2010; served as a party branch member, deputy secretary, secretary of the party general branch, chairwoman of the labour union, and director of Tianjin Ziya Circular Economy Industrial Investment and Development Co., Ltd.* (天津子牙循環經濟產業投資發展有限公司) from December 2010 to July 2016; acted as a member of the management committee, deputy secretary, deputy director of Tianjin Ziya Circular Economy Industrial District* (天津子牙循環經濟產業區) from September 2012 to July 2016; Ms. Wang has been serving as the deputy secretary of the Communist Party Committee and chairwoman of the labour union of the Company since August 2016. Ms. Wang served as the staff representative Supervisor and the chairwoman of the Supervisory Committee of the Company from 24 November 2016 to 17 December 2018, a Director of the Company from 18 December 2018 to 8 September 2022 and a Supervisor of the Company since 9 September 2022.

Name	Primary working experience
Zhang Jian	Mr. Zhang is now the deputy general manager of the Company. From April 2006 to December 2009, Mr. Zhang was the administrative deputy general manager (presiding over the work) of Hangzhou Company. He has been the general manager of the non-local water business division of the Zhejiang region and the general manager of Hangzhou Company since December 2009. He has been the chairman of Hangzhou Company, and the director and chairman of Baoying Company since September 2015. He has been the deputy general manager of the Company since January 2012.
Li Jinhe	Mr. Li is now the deputy general manager of the Company and a senior engineer. He holds a master of engineering degree. Mr. Li graduated from the department of environmental engineering of Hebei University of Science and Technology in 1993 majoring in environmental engineering, and got a master degree from the department of civil engineering of Tianjin University in 1999 majoring in environmental engineering. Mr. Li has served in the 9th design institute of North China Municipal Engineering Design & Research Institute Co., Ltd. since March 1999 and acted successively as the technician, leader of the 2nd Process Group, deputy chief engineer, and chief engineer as well as the deputy chief engineer. Mr. Li has been engaged in municipal engineering design and research works for years and has extensive experience in such fields as water treatment facilities and designing, research and operation of process. Mr. Li has been the chief engineer of the Company since 29 August 2017 and the deputy general manager of the Company since 1 January 2020.
Zhou Jingdong	Mr. Zhou is now the deputy general manager of the Company, the secretary of the Party branch and general manager of the Southern Region of the Company, and concurrently serves as the chairman of six subsidiaries including Wuhan Tianchuang Capital Environmental Protection Co., Ltd. Mr. Zhou has served as the secretary of the Party branch, the general manager and chairman of the board of directors of Fuyang Company, the general manager of the non-local water business division of the Anhui region, and general manager of Central China region. Mr. Zhou has been the deputy general manager of the Company since 1 December 2022.
Jiang Nan	Mr. Jiang is now the deputy general manager of the Company. He graduated from Capital University of Economics and Trade majoring in economics and trade. He was the Vice President of Kaidan Water International Group, the General Manager of Water Investment Department of Gezhouba Investment and the Vice General Manager of Everbright Financial Holding Finance Capital* (光大金控財金資本). Mr. Jiang has been the deputy general manager of the Company since 1 December 2022.
Nie Yanhong	Ms. Nie is now the chief accountant of the Company. She has a master's degree in business administration from Nankai University and is a senior accountant. Ms. Nie worked for Tianjin Construction Investment Co., Ltd.* (天津市建設投資公司) from July 1997 to January 2021, where she served as the head of the finance department, deputy chief accountant and chief accountant; she served as the chief accountant of Tianjin Chengchan Development Co., Ltd.* (天津城產發展有限公司) from January 2021 to August 2022; and the deputy general manager (presiding over the work) of the audit department (audit center) of Tianjin Investment Group from August 2022 to February 2023. Ms. Nie has been the chief accountant of the Company since 1 March 2023.

4. Corporate Governance

Name	Primary working experience
Lu Hongyan	Ms. Lu is the general counsel of the Company. She obtained a doctoral degree in laws from Nankai University. Ms. Lu served in Tianjin Winners Law Firm* (天津金諾律師事務所) and Tianjin Hongyi Law Firm* (天津泓毅律師事務所) consecutively from January 2001 to December 2009 as a lawyer. She joined the Company in January 2010 and served as a legal specialist, and has been the general counsel of the Company since January 2016. She is responsible for the legal affairs of the Company. Ms. Lu has rich legal experience in economic and corporate governance. Ms. Lu has been a Supervisor of the Company since 17 May 2017 and the Chairwoman of the Supervisory Committee of the Company from 18 December 2018 to 8 September 2022.
Niu Bo	Mr. Niu is now the secretary of the Board and the head of the office of the Board of the Company, the chairman of Jiayuanxing, the chairman of Jiayuankaichuang, the chairman of Tianchuang Green Energy and the chairman of Tianjin Capital Environmental Protection Hong Kong Company. Mr. Niu joined the Company in August 2004, and from then to December 2009, he acted as the project manager and deputy department manager of the market development department and the department manager of the strategic investment department of the Company. He was the deputy chief economist of the Company from December 2009 to December 2019, and served as a Director of the Company from 18 December 2018 to 8 September 2022. Mr. Niu has been the secretary of the Board of the Company since 29 January 2016.
Liu Yujun	Mr. Liu is now the Chief Auditor of Tianjin Investment Group. Mr. Liu was the chief accountant of Tianjin No. 4 Municipal Engineering Company from December 1996 to August 2000; the chief accountant of Tianjin Metro General Company from August 2000 to October 2007; the deputy general manager and the chief accountant of Tianjin City Metro Group from October 2007 to November 2008; the deputy chief accountant of Tianjin Investment Group and the deputy general manager and the chief accountant of Tianjin City Metro Group from November 2008 to April 2011; the deputy chief accountant of Tianjin Investment Group, the deputy general manager and chief accountant of Tianjin City Metro Group and the secretary of the party branch, the chairman of the board, and the general manager of Tianjin Metro Resources Investment from April 2011 to April 2013. He has been the deputy chief accountant of Tianjin Investment Group from April 2013 to December 2019; the general manager, secretary of the party general branch, and director of Tianjin Haihe Jinan Investment Construction Development Co., Ltd. from January 2014 to March 2015; and the investment director of Tianjin Investment Group since December 2019. Mr. Liu was a Director and the chairman of the Company from 13 March 2015 to 8 September 2022.

Name	Primary working experience
Gu Wenhui	<p>Mr. Gu is now the General manager of the Technology and Informatisation Department of Tianjin Investment Group, and a director of Tianjin Municipal Investment Property Investment and Development Co., Ltd.,. From July 2003 to January 2010, Mr. Gu worked at the Company as the deputy director and director of the board secretariat, the manager of the enterprise planning department and the chief economist. Since January 2010, Mr. Gu has worked at Tianjin Investment Group and successively served as the deputy director of the financing and development department, the deputy director and director of the asset operation department, the director of the office of the board (enterprise planning department), the director of the enterprise management department (office of the board) and the general manager of the enterprise management department (director of the office of the board). From November 2014 to September 2020, he has concurrently served as the director of Tianjin Investment Group. Since November 2016, he has concurrently served as the director of Tianjin Municipal Investment Property Investment and Development Co., Ltd.* (天津城投置地投資發展有限公司). From April 2020 to April 2022, he has concurrently served as the secretary of the party general branch, chairman and general manager of TMICL, and has been the General manager of the Technology and Informatisation Department of Tianjin Investment Group since April 2022. Mr. Gu Wenhui was a director of the Company from May 13, 2020 to September 8, 2022.</p>
Si Xiaolong	<p>Mr. Si is now the deputy general manager of the strategic planning department (Office of the Board of Directors) of Tianjin Investment Group and concurrently serves as a director of Guokong Jincheng. Mr. Si graduated from the School of Management of Tianjin University with a master degree in business administration. He had worked for Tianjin Road Pipe Network Supporting Construction Investment Limited* (天津道路管網配套建設投資有限公司). He joined Tianjin Investment Group in April 2009, engaging in asset management, corporate governance, and other work for a long term. He served as the deputy head of the office of the board of Tianjin Investment Group from July 2016 to December 2019 and acted as the deputy director of the enterprise management department of Tianjin Investment Group from March 2018 to December 2019. Mr. Si has been the deputy general manager of the enterprise management department and the deputy director of the office of the board of Tianjin Investment Group since December 2019, and he has been concurrently serving as a director of Guokong Jincheng from October 2018 and the head of the office of the board of Tianjin Investment Group since March 2021. Mr. Si has been the general manager of the strategic planning department (Office of the Board) of Tianjin Investment Group since November 2021 and a director of Tianjin Environmental Construction Investment Co., Ltd. since 3 November 2022. Mr. Si Xiaolong was a director of the Company from 18 December 2018 to 8 September 2022.</p>
Guo Yongqing	<p>Mr. Guo is a post-doctorate, professor in accounting, and certified public accountant in the PRC. Mr. Guo is now an accounting professor of the Shanghai National Accounting Institute. He concurrently served as an independent director of Chongqing Porton Pharmacy Science & Technology Co., Ltd., an independent director of Shanghai Electric Power Company Limited* (上海電力股份有限公司), an independent director of Yango Group Co., Ltd., a director of Ningbo Zhenghai Jianwu Asset Management Co., Ltd., a director of Hwabao Securities Co. Ltd. and a director of Sanxiang Impression Co., Ltd. Mr. Guo has been the department head of Shanghai National Accounting Institute, a director of Huangshan Tourism Development Co.,Ltd. and a director of Chongqing Brewery Co.,Ltd. Mr. Guo was an independent non-executive Director of the Company from 18 December 2015 to 8 September 2022.</p>

4. Corporate Governance

Name	Primary working experience
Lu Yingying	<p>Ms. Lu is a holder of master's degree in Laws from the Faculty of Law of Fudan University, joined the Shanghai branch of Commerce & Finance Law Offices of Beijing in 2004. Ms. Lu Yingying was qualified as a lawyer of the PRC in 2005, and she was mainly engaged in the business of legal services in the areas of corporate, securities, merger and acquisition and foreign investment laws. During the 16 years of services provided by Ms. Lu Yingying, she had (1) served as lead counsel or team head to participate in the H-share listing of Dongfeng Motor Group Company Limited; the projects of H-share listing and A-share listing of Qinghuangdao Port Co., Ltd.; the project of listing red chips of Sinotruk (Hong Kong) Limited in Hong Kong; the project of listing The United Laboratories International Holdings Limited in Hong Kong; the project of listing China First Chemical Holdings Limited in Hong Kong; and a number of listing projects such as the project of listing A shares of Jiangsu Phoenix Publishing & Media Corporation Limited* (江蘇鳳凰出版傳媒股份有限公司); (2) served as a long-term general legal counsel of various companies such as Dongfeng Motor Group Company Limited; (3) served as lead counsel or team leader to participate in the joint venture project between China National Heavy Duty Truck Group Co., Ltd. and MAN Group of Germany; and the projects between Dongfeng Motor Group Company Limited and certain foreign companies in the establishment of joint ventures in China for the sales of whole vehicles, component parts, automobiles and financial leasing companies. Ms. Lu was an independent non-executive director of the Company from 11 November 2021 to 8 September 2022.</p>
Xu Zhiming	<p>Mr. Xu holds a doctorate in economics. Mr. Xu Zhiming served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, and the co-director of corporate finance department and co-director of capital market department of Nomura International (Hong Kong) Limited, a director and the director of investment banking division in the Great China Region of National Westminster Bank of Britain, a director and the director of corporate financing division in the Great China Region of Bank of Boston of the US from July 1986 to August 1999. Mr. Xu Zhiming has been an executive director of China Resources Enterprise, Limited, an executive director of China Resources (Beijing) Land Limited, the managing director and chief operating officer of China Resources Logic Limited from August 1999 to December 2001. Mr. Xu Zhiming has been an executive director and chief operating officer of TOM Group Limited from January 2002 to May 2005. Mr. Xu Zhiming has been a founding partner of China Broadband Capital since March 2006. Mr. Xu was an independent non-executive director of the Company from 11 November 2021 to 8 September 2022.</p>
Wu Baolan	<p>Ms. Wu joined the Company in December 2000 as the assistant to the general manager of the human resource department of the Company. Ms. Wu was the director of office of Rijiyuan Company under TMICL from December 2004 to December 2005. Ms. Wu joined the Company again in December 2005, and acted as the vice head of the party-masses department of the Company, the Chairwoman of the institutional labour union of the Company, and the head of the party-masses department of the Company. Ms. Wu has been elected as a staff representative Supervisor from 24 August 2011 to 8 September 2022.</p>

Name	Primary working experience
Niu Jing	<p>Ms. Niu was the deputy director of the corporate governance center of the Company and an assistant accountant during the reporting period. Ms. Niu Jing graduated from Tianjin University of Finance and Economics in 1993, majoring in finance. She worked as an accountant in Tianjin Xianda Hotel* (天津先達酒店) from 1993 to 1995; worked as the financial controller in Tianjin Shandong McDonald's Food Co., Ltd.* (天津山東麥當勞食品有限公司) from 1995 to 2002; and worked as the financial manager and internal control manager of Tianjin Jiafu Commercial Co., Ltd.* (天津家福商業有限公司) from 2002 to 2009. She joined the Company since July 2009 and served as the manager of the legal and audit department of the Company since then. Ms. Niu was a Supervisor of the Company from 18 December 2015 to 8 September 2022.</p>
Li Zongqiang	<p>Mr. Li now serves as the director of the risk management department of TMICL, and concurrently serves as the Secretary of the party sub-branch and chairman of Tianjin Infrastructure Consultant. Mr. Li graduated from Tianjin University of Finance and Economics, majoring in accounting and received a bachelor degree in economics. He is a certified public accountant, a registered tax advisor, and a registered asset appraiser. He had worked for Tianjin Jinhua Accounting Firm* (天津津華會計師事務所) and Tianjin Jiwei Accounting Firm* (天津吉威會計師事務所). He joined TMICL in 2007, and successively served as the deputy manager of finance department, the chief accountant of Wanning Kaide Investment Company* (萬寧凱德投資公司), the financial director of Yuanyicheng Business Operations Management Company* (元易誠商業運營管理公司), and other positions, engaging in financial auditing and management for a long term. He has acted as the deputy director of the risk management department of TMICL since April 2017, the head of the risk management department of TMICL since January 2019. Mr. Li Zongqiang was a Supervisor of the Company from 18 December 2018 to 8 September 2022.</p>
Shen Yue	<p>Ms. Shen is now a senior economist. She served as the head of the organizational department under the Communist Party Committee of the Company during the reporting period. Ms. Shen graduated from Nankai University with a master degree in laws. She joined the Company in 2006, and worked in the party-mass work department. From January 2011 to May 2018, she successively served as the assistant to head and the deputy director of the party-mass work department of the Company, and also acted as the secretary of the first party general branch. Since January 2014, she has served as the deputy director of the party-mass work department of the Company and from November 2016, she was appointed as the deputy director of the party-mass work Department of the Company and was appointed as the head of the organizational department under the Communist Party Committee of the Company from October 2018. Ms. Shen was a Supervisor of the Company from 18 December 2018 to 8 September 2022.</p>

4. Corporate Governance

Name	Primary working experience
Huang Lan	<p>Ms. Huang is now a supervisor of the Company, and deputy director and deputy secretary of the party sub-branch of Beicang sewage treatment plant. Ms. Huang joined the preparatory office of the Haihe river basin wastewater treatment project of the Company in March 2002 and has been the director of the general office of the Xianyang Road sewage treatment plant of the Company since March 2005. She has successively served as the deputy director and the director of the general office of the Tianjin water business division of the Company since December 2009. She has been the director of the general office of the Company's branch company for water services since January 2016 and has concurrently served as the secretary of the 4th institutional party branch of the Company since June 2016. She has been the deputy manager of the operation management department and the secretary of the 4th institutional party branch of the Company since April 2017. Since May 2020, she has been the deputy director and deputy secretary of the party sub-branch of Beicang sewage treatment plant. Ms. Huang was the staff representative supervisor of Company from 18 December 2018 to 8 September 2022.</p>
Zhao Yi	<p>From August 2005 to March 2009, Mr. Zhao held the positions of the general manager of Qijing Capital Water Co., Ltd. and Tianjin Caring Technology Development Co., Ltd., subsidiaries of the Company. He was the deputy general manager of Tianjin Beiyangyuan Investment Development Co., Ltd. from April 2009 to October 2010. He concurrently acted as the chairman of eight controlling subsidiaries under the non-local business division from November 2010 to September 2015. At the same time, he concurrently served as the general manager of the non-local water business division of the Company from November 2010 to January 2016. Mr. Zhao was the deputy general manager of the Company from 18 October 2010 to 30 August 2022.</p>
Zhao Mingwei	<p>Mr. Zhao graduated from the College of Architecture and Civil Engineering of Beijing University of Technology with a master degree in architecture and civil engineering. Mr. Zhao worked as an engineer at the Beijing Design and Consulting Branch of China Northeast Municipal Engineering Design & Research Institute from August 2004 to August 2009. Mr. Zhao worked as the assistant to the president and the director of the Engineering Department at the Beijing Design and Consulting Branch of China Northeast Municipal Engineering Design & Research Institute from August 2009 to April 2013. Mr. Zhao served as the deputy director of the Environmental Design Institute of Beijing Architectural Engineering & Design Co., Ltd. from April 2013 to May 2014. Mr. Zhao served as the general manager of the review department of the technical center under Beijing Enterprises Water Group Limited from May 2014 to March 2017. Mr. Zhao served as the director of the North Region of Beijing Enterprises Water Group Limited from March 2017 to June 2020. Since June 2020, Mr. Zhao has served as the deputy general manager of the Tianjin-Hebei Business Region under the North Region of Beijing Enterprises Water Group Limited. Mr. Zhao was the deputy general manager of the Company from February 2021 to 8 September 2022.</p>

Each Director or Supervisor has not entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Notes on other information:

Not applicable

(2) POSITIONS HELD BY THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Positions held by the shareholder's entity

Name	Name of shareholder's entities	Position held in shareholder's entities	Appointment date	Termination date
Peng Yilin	TMICL	Director	28 December 2020	–
Gu Wenhui	TMICL	Secretary of the party general branch, chairman	16 April 2020	19 April 2022
An Pindong	TMICL	Secretary of the party general branch, chairman	19 April 2022	–
Shi Zhenjuan	TMICL	chief accountant	16 November 2021	–
Li Zongqiang	TMICL	Head of the risk management department	18 January 2019	–
Liu Tao	Ningbo Energy	Deputy manager (presiding work) of the investment management department	August 2021	–
	Ningbo Hangwan Lvjie New Energy Co., Ltd.	Director	July 2020	–
	Ningbo Langchen New Energy Co., Ltd.	Director	August 2022	–
Description of positions held at shareholders' entities	Nil			

4. Corporate Governance

(2) POSITIONS HELD BY THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (Continued)

2. Positions held at the other entities

Name	Name of other entities	Position held in other entities	Appointment date	Termination date
Ji Guanglin	Tianjin Investment Group	Deputy general manager	1 February 2021	–
	Tianjin Investment Group Asset Management Co., Ltd.* (天津城投集團資產管理有限公司)	Chairman	8 December 2021	15 February 2023
Peng Yilin	Tianjin Investment Group	Deputy general manager of assets investment department	19 November 2021	–
	Tianjin Eco-city Investment & Development Co., Ltd.	Director	6 July 2022	–
An Pindong	Tianjin Investment Group	Chief operating officer	27 December 2019	–
Xue Tao	Beijing E20 Environmental Co., Ltd.* (北京易二零環境股份有限公司)	General manager	20 August 2021	–
	E20 Joint Research Institute of the College of Environmental Sciences at Peking University	Vice president	1 July 2015	–
	E20 Environmental Industry Research Institute	Executive president	1 May 2014	–
	Yancheng Haipurun Technology Co., Ltd.	Independent director	15 September 2019	–
	Cscec Scimee Sci.&Tech. Co., Ltd.	Independent director	24 January 2022	–
	Yunnan Hexu Environmental Technology Co., Ltd.	Independent director	January 2023	–
Wang Shanggan	Shanghai SUS Environment Co., Ltd.	Special assistant to the chairman of the board of directors	June 2019	–
	Shanghai Yizhen Network Technology Co., Ltd.	Independent director	1 November 2021	31 October 2024

(2) POSITIONS HELD BY THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (Continued)

2. Positions held at the other entities (Continued)

Name	Name of other entities	Position held in other entities	Appointment date	Termination date
Tian Liang	SF Lawyers	Lawyer, Partner	February 2019	–
Sun Shubin	Tianjin Investment Group	Deputy general counsel	September 2019	–
		General manager of the Legal Compliance Department	February 2023	–
		Supervisor	July 2022	–
	Tianjin Investment Group	Deputy general manager	December 2021	February 2023
	Asset Management Co., Ltd.	General counsel	September 2022	February 2023
	TMICL	Director	July 2022	–
	Tianjin Eco-city Investment & Development Co., Ltd.	Supervisor	July 2020	–
Sino-Singapore Tianjin Eco-City Investment Development Co., Ltd.	Tianjin Urban Renewal Construction Development Co., Ltd.	Supervisor	August 2020	–
		Supervisor	June 2021	–
	Tianjin Investment Group	Chief Auditor	September 2022	–
Gu Wenhui	Tianjin Investment Group	General manager of the Technology and Informatisation Department	April 2022	–
	Tianjin Municipal Investment Property Investment and Development Co., Ltd.	Director	1 November 2016	–
	Tianjin Chengtuo Chuangzhan Leasing Co., Ltd.	Director	15 May 2020	20 February 2023
	AECOM(Tianjin) Engineering Consultants Co Ltd	Deputy Chairman	24 April 2020	14 July 2022
	Tianjin Jinhong Private Equity Fund Management Co., Ltd.	Chairman	28 March 2021	–

4. Corporate Governance

(2) POSITIONS HELD BY THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (Continued)

2. Positions held at the other entities (Continued)

Name	Name of other entities	Position held in other entities	Appointment date	Termination date
Si Xiaolong	Tianjin Investment Group	General manager of the strategic planning department (Office of the Board of Directors)	November 2021	–
	Hebei Guokong Jincheng Environmental Control Co., Ltd.	Director	October 2018	–
Guo Yongqing	Shanghai National Accounting Institute	Accounting professor	May 2002	–
	Chongqing Porton Pharmacy Science & Technology Co., Ltd.	Independent director	22 March 2016	–
	Shanghai Electric Power Co., Ltd.	Independent director	June 2021	–
	Yango Group Co., Ltd.	Independent director	15 May 2020	–
	Ningbo Zhenghai Jianwu Asset Management Co., Ltd.	Director	29 December 2018	–
	Hwabao Securities Co. Ltd.	Director	9 August 2016	–
	Sanxiang Impression Co., Ltd.	Director	June 2021	–
Lu Yingying	Shanghai branch of Commerce & Finance Law Offices of Beijing	Lawyer	July 2004	–
Xu Zhiming	CBC	Founding partner	March 2006	–
	Orient Securities Co. Ltd.	Independent director	July 2016	–
	Beijing Lianhang Hezhong Media Technology Co., Ltd.	Director	November 2007	–
	Beijing Baoxuan Culture Media Co., Ltd.	Director	December 2007	–
	Genertec Universal Medical Group Company Limited	Independent director	22 June 2022	–
Positions held at other entities	Nil			

(3) REMUNERATION OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

Procedures for determining the remuneration of the Directors, Supervisors, and senior management	The remuneration of the Directors and Supervisors will be determined in accordance with the remuneration standard for the Directors and Supervisors as approved at the general meetings of the Company. The remuneration of the senior management will be determined on the basis of the remuneration plan approved by the Board and the operation result of the Company, and an annual salary system and a performance pay system based on the completion of annual operating targets will be implemented. The Directors (other than the independent non-executive Directors) and Supervisors of the Company do not receive remuneration for acting as Directors or supervisors.
Basis for determining the remuneration of the Directors, Supervisors, and senior management	The remuneration of the Company's senior management will be distributed in accordance with their achievements in production and operation tasks and their routine management work. The performance pay will be distributed according to the achievement of annual operating targets and performance appraisal results.
Actual payment of the remuneration to the Directors, Supervisors, and senior management	The remuneration distributed by the Company to the Directors, Supervisors, and senior management is in line with the salaries and performance appraisal requirements of the Company and distributed according to the requirements.
Actual remuneration received by all Directors, Supervisors, and senior management as at the end of the reporting period (in total)	RMB9.9378 million

During the financial year, the Company did not pay any housing allowance, other allowance, and benefits in kind and bonus to the Directors, Supervisors and senior management, nor any payment to them as an inducement to join the Company or as compensation for loss of office of Directors, Supervisors or senior management. None of the Directors, Supervisors and senior management of the Company waived or agreed to waive any emoluments. The Company has not provided any loans or guarantees to the Directors, Supervisors or senior management. Except for remuneration, the Directors, Supervisors and senior management of the Company or such entities connected thereto have not derived other material interests, whether directly or indirectly, from other transactions, arrangements or contracts. The Company, during the reporting period, did not enter into any administration or management contracts for all or material parts of its business.

4. Corporate Governance

(4) CHANGES IN DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position held	Changes	Reasons for changes
Ji Guanglin	Executive Director, Chairman of the Board	Election	Elected at the general meeting of shareholders
Li Yang	Executive Director	Election	Elected at the general meeting of shareholders
Jing Wanying	Executive Director	Election	Elected at the general meeting of shareholders
Peng Yilin	Non-executive Director	Election	Elected at the general meeting of shareholders
An Pindong	Non-executive Director	Election	Elected at the general meeting of shareholders
Xue Tao	Independent non-executive Director	Election	Elected at the general meeting of shareholders
Wang Shanggan	Independent non-executive Director	Election	Elected at the general meeting of shareholders
Tian Liang	Independent non-executive Director	Election	Elected at the general meeting of shareholders
Sun Shubin	Supervisor, Chairman of the Supervisory Committee	Election	Elected at the general meeting of shareholders
Shi Zhenjuan	Supervisor	Election	Elected at the general meeting of shareholders
Wang Jing	Staff Representative Supervisor	Election	Elected at the staff representative Meeting
Zhou Jingdong	Deputy General Manager	Appointment	Work engagement
Jiang Nan	Deputy General Manager	Appointment	Work engagement
Liu Yujun	Executive Director, Chairman of the Board	Resignation	Term of office expired
Wang Jing	Executive Director	Resignation	Term of office expired
Niu Bo	Executive Director	Resignation	Term of office expired
Gu Wenhui	Non-executive Director	Resignation	Term of office expired
Si Xiaolong	Non-executive Director	Resignation	Term of office expired
Guo Yongqing	Independent non-executive Director	Resignation	Term of office expired
Lu Yingying	Independent non-executive Director	Resignation	Term of office expired
Xu Zhiming	Independent non-executive Director	Resignation	Term of office expired
Lu Hongyan	Supervisor, Chairwoman of the Supervisory Committee	Resignation	Term of office expired
Wu Baolan	Supervisor	Resignation	Term of office expired
Niu Jing	Supervisor	Resignation	Term of office expired
Li Zongqiang	Supervisor	Resignation	Term of office expired
Shen Yue	Supervisor	Resignation	Term of office expired
Huang Lan	Supervisor	Resignation	Term of office expired
Zhao Yi	Deputy General Manager	Termination of employment	Personal development reason
Zhao Mingwei	Deputy General Manager	Termination of employment	Personal development reason

(5) PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LATEST THREE YEARS

Not applicable

IV. BOARD MEETING HELD DURING THE REPORTING PERIOD

Session	Date of meeting	Resolution
67 th meeting of the eighth session	27 January 2022	Approved: Resolution on the entering into an engineering and construction contract between Tianjin Water Recycling Co., Ltd. and a connected party; and Resolution on the consideration of the proposal (trial) for the formation of an operating subsidiary of the Company.
68 th meeting of the eighth session	18 February 2022	Approved: Resolution on the application for a financing facility; Resolution on the entering into an engineering and construction contract between Tianjin Water Recycling Co., Ltd. and a connected party; and Resolution on convening the first extraordinary general meeting in 2022.
69 th meeting of the eighth session	3 March 2022	Approved: Resolution on the proposed provision for impairment of assets.
70 th meeting of the eighth session	24 March 2022	Approved: Resolution on the 2021 annual report for and its summary to be published both domestically and internationally; Resolution on the 2021 Annual Board Report and the 2022 annual management strategy; Resolution on the 2021 financial statements and 2022 financial budget report of the Company; Resolution on the 2021 profit distribution plan of the Company; Resolution on the 2022 annual operation plan of the Company; Resolution on the 2021 Internal Control Self-Evaluation Report of the Company; Resolution on the “2022 Internal Audit Work Plan”; Resolution on the “2021 Audit Committee Performance Report”; Resolution on the 2021 social responsibility report of the Company; Resolution on the 2021 environmental, social and governance report of the Company; Resolution on the authorization of the Board of Directors for the application for bidding of public tender projects; Resolution on application for the amount of loan line for 2022; Resolution to increase the amount of the external guarantee of the Company; and Resolution on the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the external auditor of the Company, and proposing a resolution to authorize such appointment in general meeting.

4. Corporate Governance

Session	Date of meeting	Resolution
71 st meetings of the eighth session	12 April 2022	Approved the resolution on the convening of the 2021 annual general meeting.
72 nd meetings of the eighth session	26 April 2022	Approved: Resolution on the approval of the 2022 first quarterly report of the Company; and Resolution on the renewal of the Sludge Disposal Contract and the Agreement on Entrusted Operation of Jinnan Sludge Disposal Plant with connected parties.
73 th meetings of the eighth session	11 May 2022	Approved: Resolution on the capital increase in Linxia Capital Water Co., Ltd.; and Resolution on the approval of the Management System for Employee Recruitment of the Group.
74 th meetings of the eighth session	23 May 2022	Approved: Resolution on the donation of funds to the project of aiding Danheng Village in Meichang Township, Wuqing District, Tianjin.
75 th meetings of the eighth session	31 May 2022	Approved: Resolution on the amendments to the Articles of Association of Tianjin Capital Environmental Protection Group Company Limited.
76 th meetings of the eighth session	13 June 2022	Approved the resolution on the provision of guarantee for the loan of Jieshou Capital Water Co., Ltd.
77 th meetings of the eighth session	8 July 2022	Approved: Resolution on the Company's satisfaction of the conditions for the application for the infrastructure REITs; Resolution on the application for the infrastructure REITs; Resolution on the agreed transfer of equity interests in Jieshou Capital Water Co., Ltd. and Hanshan Capital Water Co., Ltd.; Resolution on the amendments to the Rules of Procedures for Board Meetings of Tianjin Capital Environmental Protection Group Company Limited; Resolution on the formulation of the "1 + 3" Responsibility Table for the Corporate Governance of Tianjin Capital Environmental Protection Group Company Limited; Resolution on the formulation of the Authorisation Management Measures of the Board of Directors of Tianjin Capital Environmental Protection Group Company Limited (Temporary); Resolution on the amendments to the Rules of Procedure of the General Manager's Office of Tianjin Capital Environmental Protection Group Company Limited; and Resolution on the revision of the Administrative Measures for External Donation of Tianjin Capital Environmental Protection Group Company Limited.
78 th meetings of the eighth session	1 August 2022	Approved the resolution on the provision of guarantee for the loan of Jiuquan Capital Water Co., Ltd.
79 th meetings of the eighth session	5 August 2022	Approved the resolution on the revision of the "Safe Production Responsibility System of Tianjin Capital Environmental Protection Group Company Limited".

Session	Date of meeting	Resolution
80 th meetings of the eighth session	19 August 2022	<p>Approved:</p> <p>Resolution on the nomination of nine persons (including Mr. Ji Guanglin) as candidates of Directors of the ninth session of the Board of the Company;</p> <p>Resolution on the remuneration of the Directors of the ninth session of the Board of the Company;</p> <p>Resolution on the amendments to the Articles of Association of Tianjin Capital Environmental Protection Group Company Limited;</p> <p>Resolution on the Annual Appraisals of Management Personnel;</p> <p>Resolution on the Tenure Assessment of Management Personnel;</p> <p>and</p> <p>Resolution on the convening of the 2022 second extraordinary general meeting.</p>
81 st meetings of the eighth session	30 August 2022	<p>Approved:</p> <p>Resolution on approving the 2022 interim report of the Company and its summary;</p> <p>Resolution on the establishment of a special account for raising funds and authorising the signing of a tripartite supervision agreement;</p> <p>Resolution on the adjustment of the Transportation Assurance Methods for Key Leaders of the Company;</p> <p>Resolution on the formulation of the Classification and Control Management System for Safety Risk of Tianjin Capital Environmental Protection Group Company Limited; and</p> <p>Resolution on the resignation of Mr. Zhao Yi as the deputy general manager.</p>
1 st meeting of the ninth session	9 September 2022	<p>Approved:</p> <p>Resolution on the election of Mr. Ji Guanglin as the Chairman of the ninth session of the Board of the Company;</p> <p>Resolution on the election of the members and chairman of the Audit Committee of the Board of the Company;</p> <p>Resolution on the election of the members and chairman of the Remuneration and Assessment Committee of the Board of the Company;</p> <p>Resolution on the election of the members and chairman of the Nomination Committee of the Board of the Company;</p> <p>the resolution on the election of members and chairman of the Strategy Committee of the Board of the Company;</p> <p>Resolution on the appointment of Mr. Li Yang as the General Manager of the Company;</p> <p>Resolution on the appointment of four persons (including Mr. Zhang Jian) as the Deputy General Manager, the Chief Accountant and the General Counsel of the Company;</p> <p>Resolution on the appointment of Mr. Niu Bo as the Secretary to the ninth session of the Board of the Company;</p> <p>Resolution on the appointment of Ms. Guo Fengxian as the Securities Representative of the Company;</p> <p>Resolution on the appointment of Ms. Cho Yi Yung Mona as the company secretary of the Company (Hong Kong);</p> <p>Resolution on amendments to the Terms of reference of the Audit Committee of the Board;</p> <p>Resolution on the amendments to the Terms of reference of the Nomination Committee of the Board; and</p> <p>Resolution on amendments to the Terms of reference of the Remuneration and Assessment Committee of the Board.</p>

4. Corporate Governance

Session	Date of meeting	Resolution
2 nd meeting of the ninth session	13 September 2022	Approved: Resolution on the establishment of Tianjin Tianchuang Green Energy Investment Management Co., Ltd. (tentative name).
3 rd meeting of the ninth session	30 September 2022	Approved: Resolution on the increase of investment in Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd. for the implementation of distributed photovoltaic power projects in other cities; Resolution on the entering into of the consultation service contract between Tianjin Water Recycling Co., Ltd. and its connected parties; and Resolution on the signing of the Compensation Agreement for the acquisition of land of Tianjin Environmental Construction Investment Co., Ltd. in connection with the Houtai Park 1# Energy Station Project.
4 th meeting of the ninth session	25 October 2022	Approved: Resolution on approving the 2022 third quarterly report of the Company; and Resolution on the cancellation of the EDMS (Hong Kong) Limited.
5 th meeting of the ninth session	16 November 2022	Approved: Resolution on considering and approving the Assessment System for Organisational Performance; Resolution on the Liabilities Management Measures of Tianjin Capital Environmental Protection Group Company Limited; and Resolution on the adjustment of the Authorisation Management Measures of the Board of Directors of Tianjin Capital Environmental Protection Group Company Limited (Temporary).
6 th of ninth session	1 December 2022	Approved: Resolution on the appointment of Mr. Zhou Jingdong and Mr. Jiang Nan as Deputy General Managers of the Company; Resolution on the entering into of construction contract between Tianjin Water Recycling Co., Ltd. and connected parties; and Resolution on the increase of registered capital and amendments to the Articles of Association of Tianjin Capital Environmental Protection Group Company Limited.

Session	Date of meeting	Resolution
7 th meeting of ninth session	21 December 2022	<p>Approved:</p> <p>Resolution on the use of proceeds to replace the self-financing funds pre-invested in the investment projects;</p> <p>Resolution on the provision of entrusted funds to Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.;</p> <p>Resolution on the signing of the Contract Operation Agreement on Zhangguixhuang Water Recycling Plant and its Supporting Water Pipe-network Assets between Tianjin Water Recycling Co., Ltd. and its connected parties;</p> <p>Resolution on the adjustment of the investment plan of the 2 # energy station project in the Houtai Scenic Area of Tianjin and the capital increase to Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.;</p> <p>Resolution on the entering into of the Purchase Agreement on buried pipe for superficial geothermal energy between Tianjin Jiayuansheng Innovative Energy Technology Co., Ltd. and the connected parties;</p> <p>Resolution on the investment in Jieshou Capital Water Co., Ltd. by government financial subsidies;</p> <p>Resolution on the formulation of the Professional Manager Performance Appraisal and Remuneration Management Plan of the Group;</p> <p>Resolution on the acquisition of the assets of Jinnan Sludge Disposal Plant; and</p> <p>Resolution on the convening of the 2023 first extraordinary general meeting.</p>

4. Corporate Governance

V. PERFORMANCE OF DUTIES BY DIRECTORS

(1) Attendance of Directors at the Board meetings and general meetings

Name of director	Independent non-executive directors	Attendance at the Board meetings						Attendance at the general meetings
		Number of Board meetings required to attend during the year	Number of attendance in person	Number of attendance in person	Number of attendance by proxy	Number of absences	Not attend in person for 2 consecutive meetings	Number of attendance at the general meetings
Ji Guanglin	No	7	7	3	0	0	No	0
Li Yang	No	7	6	3	1	0	No	0
Jing Wanying	No	7	7	3	0	0	No	0
Peng Yilin	No	7	7	3	0	0	No	0
An Pindong	No	7	5	3	2	0	No	0
Liu Tao	No	22	22	22	0	0	No	3
Xue Tao	Yes	7	7	3	0	0	No	0
Wang Shanggan	Yes	7	7	3	0	0	No	0
Tian Liang	Yes	7	6	3	1	0	No	0
Liu Yujun	No	15	14	11	1	0	No	2
Wang Jing	No	15	15	13	0	0	No	3
Niu Bo	No	15	15	11	0	0	No	3
Gu Wenhui	No	15	15	11	0	0	No	3
Si Xiaolong	No	15	15	11	0	0	No	3
Guo Yongqing	Yes	15	15	15	0	0	No	3
Lu Yingying	Yes	15	15	15	0	0	No	3
Xu Zhiming	Yes	15	14	14	1	0	No	3

Explanation on not attend in person for 2 consecutive meetings

Not applicable

Number of Board meetings convened during the year	22
Among all: number of meetings held on site	0
Number of meetings held through communication	14
Number of meeting held on site combined with communication	8

(2) Disagreement on the relevant matters of the Company by the independent non-executive Directors

Not applicable

VI. THE ESTABLISHMENT OF SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

(1). Special committee under the Board

Categories	Name of members
Audit Committee	Xue Tao, Wang Shanggan, Tian Liang, Jing Wanying
Nomination Committee	Xue Tao, Wang Shanggan, Tian Liang, Ji Guanglin, Li Yang
Remuneration and Assessment Committee	Xue Tao, Wang Shanggan, Tian Liang, Liu Tao
Strategy Committee	Xue Tao, Wang Shanggan, Ji Guanglin, An Pindong, Li Yang, Peng Yilin

(2). 8 meetings of the Audit Committee held during the reporting period

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
27 January 2022	(1) Discuss the unaudited 2021 financial indicators of the Company; (2) Discuss the External Auditors' 2021 Final Audit Work Plan; and (3) Discuss the Company's Annual Report Work Plan for 2021.	The Audit Committee approved with the As of the End of 2021 Audit Plan of the external auditor and the 2021 Annual Report Plan.	Nil
4 March 2022	(1) the Audit Committee communicates with the external auditor and the general manager of the Company on important audit matters of the year; and (2) Independent non-executive directors communicate with external auditors individually.	The Audit Committee recommended that the management of the Company pay high attention to and follow up on important audit matters, and communicate with the auditors.	Nil
24 March 2022	Approved: (1) The Company's 2021 annual report and its summary; (2) The Company's self-evaluation report on internal control for 2021; (3) A proposal to approve the Internal Audit Work Plan for 2022; (4) The Company's 2021 Audit Committee Performance Report; and (5) the resolution in relation to the re-appointment of Pricewaterhouse Coopers Zhong Tian LLP as the external auditor of the Company.	The Audit Committee approved all resolutions and agreed to submit the same to the Board of the Company for approval.	Nil

4. Corporate Governance

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
26 April 2022	Approved the 2022 First Quarterly Report of the Company.	All members of the Audit Committee approved the 2022 First Quarterly Report of the Company and agreed to submit to the Board of the Company for approval.	Nil
5 August 2022	(1) The Chief Accountant reported the Company's key financial data and related statement matters for the first half of 2022; and (2) The internal auditor reported the rectification of the issues described in the 2021 Management Recommendation.	The Audit Committee approved the content of the report.	Nil
30 August 2022	(1) Approved the full text and summary of the 2022 interim report of the Company; (2) The internal auditor reported the internal audit works for the first half of 2022 of the Company; and (3) The external auditor reported the 2022 Audit Work Plan to the Audit Committee.	1. Approved the 2022 interim report of the Company and its summary and agreed to submit to the Board for approval; 2. Approved the reports on the internal control work of the Company for the first half of year; and 3. Approved the audit plan for the year 2022; recommended management to focus on the issues of the impairment of accounts receivable and goodwill of hazardous waste items.	Nil
25 October 2022	Approved the 2022 Third Quarterly Report of the Company.	Approved the 2022 Third Quarterly Report of the Company and agreed to submit to the Board of the Company for approval.	Nil
21 December 2022	Approved the transfer of the assets of Jinnan Sludge Disposal Plant to the Company.	The Committee agreed to the transfer of the Jinnan Sludge Disposal Plant and agreed to submit the same to the Board for approval.	Nil

The members of the eighth session of the Audit Committee of the Company comprised three independent non-executive Directors of the Company, and the chairman was Mr. Guo Yongqing. During the reporting period, the eighth session of the Audit Committee held six meetings which mainly discussed the quarterly, semi-annual and annual financial information of the Company, reviewed the internal control of the Company and made recommendations for the appointment of external auditors, etc. Members Guo Yongqing and Lu Yingying attended six meetings in person, member Xu Zhiming attended five meetings in person and delegated member Lu Yingying to attend and vote on his behalf at one meeting. The members of the ninth session of the Audit Committee were elected at the first meeting of the ninth session of the Board on 9 September 2022, and consisted of three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) and one executive Director (being Ms. Jing Wanying), and was chaired by Mr. Wang Shanggan, an independent non-executive Director. During the reporting period, the ninth session of the Audit Committee held 2 meetings, which mainly discussed the third quarterly report and the transfer of Jinnan Sludge Disposal Plant Assets, and all members have attended the two meetings in person.

(3). 3 meetings of the Nomination Committee held during the reporting period

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
19 August 2022	Nominated Mr. Ji Guanglin and other 9 persons as candidates for Directors of the ninth session of the Board of the Company.	The Committee considered that the nine candidates nominated by the shareholders were in compliance with the provisions on appointment of directors of listed companies and agreed to submit the same to the Board for consideration and approval.	Nil
9 September 2022	<ol style="list-style-type: none"> 1. Nominated Mr. Li Yang as the general manager of the Company; 2. Nominated Mr. Zhang Jian and Mr. Li Jinhe as the deputy general managers of the Company, Ms. Jing Wanying as general accountant of the Company, and Ms. Lu Hongyan as the general counsel of the Company; and 3. Nominated Mr. Niu Bo as the secretary of the ninth session of the Board of the Company. 	The Committee agreed to the above nomination and agrees to submit to the Board for approval.	Nil
1 December 2022	Mr. Zhou Jingdong and Mr. Jiang Nan were nominated as deputy general managers of the Company.	The Committee agreed to nominate Mr. Zhou Jingdong as the deputy general manager of the operation and management department of the Company, nominate Mr. Jiang Nan as the deputy general manager of the market investment department of the Company, whose term of office is the same as that of the current session of the Board, and agreed to submit the same to the Board for approval.	Nil

The members of the eighth session of the Nomination Committee of the Board of the Company comprised two executive Directors (being Mr. Liu Yujun and Ms. Wang Jing) and three independent non-executive Directors, and the chairman was Ms. Lu Yingying, an independent non-executive Director. During the reporting period, the eighth session of the Nomination Committee of the Board held one meeting to discuss the nomination of candidates for the ninth Session of the Board and all members have attended the meeting in person; the members of the ninth session of the Nomination Committee were elected at the first meeting of the ninth session of the Board on 9 September 2022, and consisted of three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) and two executive Directors (being Mr. Ji Guanglin and Mr. Li Yang), and was chaired by Mr. Xue Tao, an independent non-executive Director. During the reporting period, the ninth session of the Nomination Committee held two meetings, which mainly discussed the nomination of general manager, deputy general manager, chief accountant, general counsel and secretary to the Board, and all members have attended the two meetings in person.

4. Corporate Governance

(4). 2 meetings of the Nomination Committee held during the reporting period

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
19 August 2022	<ol style="list-style-type: none">1. Approved the proposal on the remuneration of the Directors of the ninth session of the Board; and2. Approved the annual and tenure appraisal of the Company's management.	The Committee agreed to the proposal on the adjustment of the remuneration of the Directors and the annual and tenure appraisal of the Directors, and agreed to submit the same to the Board for approval.	Nil
21 December 2022	Approved the proposal on formulation of the Professional Manager Performance Appraisal and Remuneration Management Plan of the Group.	The Committee agreed with the contents of the proposal and agreed to submit the proposal to the Board for approval.	Nil

The eighth session of the Remuneration and Assessment Committee of the Company comprised three independent non-executive Directors (being Guo Yongqing, Xu Zhiming and Lu Yingying), and the chairman was Mr. Xu Zhiming. During the reporting period, the eighth session of the Remuneration and Assessment Committee held one meeting which discussed the remuneration of the Directors of the ninth session of the Board of the Company, the annual and tenure appraisal of the management for the year 2021, and all three members have attended the meeting in person; the members of the ninth session of the Remuneration and Assessment Committee were elected at the first meeting of the ninth session of the Board on 9 September 2022, and consisted of three independent non-executive directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) and one non-executive Director (being Mr. Liu Tao), the chairman of which was Mr. Xue Tao. During the reporting period, the ninth session of the Remuneration and Assessment Committee held one meeting, which mainly discussed matters relating to the performance appraisal and remuneration management plan of the management in 2022, and all members have attended the meeting in person.

(5). No strategic committee was held during the reporting period

The members of the Strategic Committee of the eighth session of the Board comprised two executive Directors (being Mr. Liu Yujun and Ms. Wang Jing), one non-executive Director (being Mr. Gu Wenhui) and one independent non-executive Director (being Mr. Guo Yongqing) of the Company and the chairman was Mr. Liu Yujun, the Chairman. The members of the ninth session of the Strategic Committee were elected at the first meeting of the ninth session of the Board on 9 September 2022, and consisted of two independent non-executive Directors (being Mr. Xue Tao and Mr. Wang Shanggan), two executive Directors (being Ms. Jing Wangying) and two non-executive Directors (being Ms. Peng Yilin and Mr. An Pindong), and the chairman was Mr. Ji Guanglin.

(6). Disclosure on events involving objections

Not applicable

VII. DESCRIPTION OF RISKS IN THE COMPANY FOUND BY THE SUPERVISORY COMMITTEE

Not applicable

VIII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(1) Employees

Number of on-duty employees of the Company	473
Number of on-duty employees of major subsidiaries	1,792
Total number of on-duty employees	2,265
Number of retired employees to whom the Company and its major subsidiaries are required to pay charges	0

Composition by profession		Number
Category of profession		
Production		1,154
Sales		87
Technical		455
Finance		119
Administration		223
Corporate management		227
Total		2,265

Education		Number (person)
Category of education		
Doctor		5
Master		254
Undergraduate		1,097
Tertiary		610
Secondary		148
Below secondary		151
Total		2,265

As at 31 December 2022, the gender ratio of the Group's employees (including senior management) was approximately 68.57% for males and 31.43% for females. The Company has implemented a fair employment policy, put the emphasis on gender diversity of employees, adhered to the laws and regulations of the People's Republic of China, including the Labor Law of the PRC and the Labor Contract Law of the PRC, demonstrated fully respects to the individual differences of the talents, and recruited on the basis of merit and without discrimination. We will continue to strive to increase the proportion of female employees and achieve an appropriate balance of gender diversity with reference to the expectations of our shareholders and the best management recommended.

(2) Remuneration policy

The Company established remuneration management and income distribution system focusing on performance based on the requirements of three system reforms of state-owned enterprises. Based on the "Remuneration Management System for Management Members" and "Remuneration Management System for Employees", the remuneration of the management is composed of basic annual salary, annual performance-related pay and tenure incentive; and the remuneration of the employee is composed of basic salary, performance-based salary, benefits and other remuneration. The performance-based annual pay and performance-based salary are provided and distributed based on the completion of the annual targets.

4. Corporate Governance

(3) Training programs

During the reporting period, the Company implemented an independent training policy under the control of training funds. With the principle of “strategy-prioritized, forward-looking, urgency first and pragmatic”, the Company formulated annual training plan, and determined the main contents from three aspects, including quality improvement, mandatory training and self-improvement, so as to ensure that the training courses are target-oriented and effective and the employees will grow with the enterprise.

(4) Subcontracting labor

Not applicable

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

(1). Formulation, Execution, or Adjustment of Cash Dividend Policy

In order to establish a sustainable, clear, and transparent cash dividend policy and a scientific decision-making mechanism and to improve the quality of the Company’s information disclosure in the principle of the “Listed Companies Regulatory Guidance No. 3 – Cash Dividend Distribution of Listed Companies” issued by the CSRC, the Company revised the article related to profit distribution in its Articles of Association. The aforesaid revision to the Articles of Association was considered and approved by the Company at the 16th meeting of the seventh session of the Board on 8 September 2016 and at the second extraordinary general meeting of 2016 held on 30 December 2016. Article 201 of the Articles of Association was amended as follows:

1. *Basic principles for profit distribution of the Company:*

- (1) The Company shall take full account of the return to investors. The Company shall, after making up for the losses of previous years and contributing to the statutory reserve and discretionary reserve, distribute dividends to the shareholders per annum in proportion to distributable profit realized for the year concerned attributable to the parent company, which shall be determined by resolutions at the general meetings.
- (2) The Company’s profit distribution policy shall maintain continuously and stably, for the long term interest of the Company, in the interest of all shareholders as a whole, and for sustainable development of the Company.
- (3) The Company shall give priority to dividend distribution in cash.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

2. *Dividend distribution policies of the Company:*

- (1) Dividends shall be distributed in the following manner: the Company may distribute profits in cash, in shares, or in a combination of both cash and shares or by otherwise permitted by laws and regulations. If the conditions of cash dividends are met, priority shall be given to dividend in cash over dividend in shares.
- (2) Interval of profit distribution: provided that the Company makes a profit and the distributable profit is a positive figure for the year, the Company shall distribute profit once a year. To the extent that the scale of profit and the capital position are appropriate for the relevant period, the Company may distribute interim dividend in cash.
- (3) Conditions of cash dividend distribution of the Company:
 1. the Company's profit and aggregate undistributed profit realized for the year are positive with sufficient cash flow, and cash dividend distribution has no impact on the Company's sustained operations;
 2. the accounting firm issues a standard unqualified audit report on the Company's financial report for that year;
 3. the Company has no events such as material investment plan or significant cash expenditure, excluding investments projects using proceeds raised.

Material investment plans or significant cash expenditures refer to the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with an accumulated expenditures amounting to or exceeding 30% of the latest audited net assets of the Company.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

2. *Dividend distribution policies of the Company:* (Continued)

(4) Proportion of cash dividends:

Subject to the satisfaction of the above conditions, the profit to be distributed in cash per annum will not be less than 20% of the distributable profit realized for that year attributable to the parent company, and the Company's aggregated profit distributable by way of cash for three consecutive years will not be less than 30% of the distributable profit attributable to the parent company realized within such three years. The specific dividend proportion of each year shall be determined by the Board according to the profit for the relevant year and utilisation plan for future capital.

The Board shall take into full account of various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, to distinguish the following situations and put forward a differentiated cash dividend policy in accordance with the procedures as required by this Articles of Association:

1. If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;
2. If the Company is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;
3. If the Company is at the growing stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made;

If it is difficult to distinguish the stage of development of the Company and the Company has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

2. *Dividend distribution policies of the Company:* (Continued)

- (5) Conditions for distributing dividends in shares by the Company: where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all the shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are fully satisfied, the Company may propose dividend distribution in shares. Distributing profit by way of dividend in shares shall include true and reasonable factors such as growth of the Company and dilution of net assets per share.
- (6) Profit distribution of the Company shall not exceed the cumulative distributable profit or damage the Company's sustainable operation ability.
- (7) In case any shareholder misappropriates the funds of the Company unlawfully, the Company will deduct cash dividends to be distributed to such shareholder for making up the amount misappropriated.

3. *Decision making procedures and mechanism of the Company's profit distribution:*

(1) Formulation of profit distribution policy

The Company shall scientifically formulate the profit distribution policy of the Company after comprehensively taking into account factors such as the actual conditions of the Company's operating development, the needs and requests of the Shareholders, social capital costs, external financing environment etc.

The profit distribution policy of the Company shall be considered and approved by more than two-thirds of voting shares held by the shareholders (including their proxies) present at the general meeting. The Board, the Supervisory Committee, and shareholders individually or jointly holding 3% or more of the Company's shares, have the right to propose resolution(s) in respect of the profit distribution policy to the Company.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

3. *Decision making procedures and mechanism of the Company's profit distribution:* (Continued)

(1) Formulation of profit distribution policy (Continued)

The Board shall specifically study and discuss matters relating to the returns for shareholders, set out a specific and clear plan on the returns for shareholders and explain the reasons for the formulation of the plan in details. Opinions of shareholders (especially minority shareholders), independent directors, and Supervisors shall be fully heard and considered during the meeting of the Directors, the meeting of the Supervisors of the Company, and the general meeting in respect of the study, discussion, and decision-making process of the profit distribution policy of the Company.

The Board, independent directors, and shareholders complying with certain conditions can collect the voting rights at general meeting from the shareholders of the Company.

(2) Formulation of specific proposal of profit distribution

The Company's profit distribution plan for each year shall be proposed by the Company's management after taking into account factors such as the requirements in the Company's Articles of Association, production and operation position, cash flows, and future business development plan, and shall be submitted to the Board and the supervisory committee of the Company for consideration. If the supervisory committee has no objection to the profit distribution plan, the Board shall thoroughly discuss its rationality, taking into account the opinions from the independent directors, and form a special proposal as well as an independent view expressed by independent directors on profit distribution proposal for the consideration and approval by the shareholders at the general meeting.

The Board shall fully consider the capital needs of normal production and operation of the Company, arrangement of investment, actual profit status, cash flows and scale of share capital of the Company and the sustainability of development when formulating the specific proposal of cash dividend, and carefully study and discuss the timing, conditions and minimum proportion of cash dividend of the Company, conditions for adjustment and requirements for decision-making procedures. Independent directors shall express specific views.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

3. *Decision making procedures and mechanism of the Company's profit distribution:* (Continued)

(2) Formulation of specific proposal of profit distribution (Continued)

Independent directors can collect views from minority shareholders to propose profit distribution proposal and directly propose to the Board for consideration.

Prior to consideration of the specific proposal of cash dividend at the general meeting, the Company shall actively communicate and exchange ideas with shareholders (especially minority shareholders) through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms), fully listen to the opinions and requests of medium and small shareholders and reply in a timely manner the questions from minority shareholders. When considering the profit distribution plan, the Company shall make internet voting accessible to the shareholders.

- (3) If the Company makes a profit for the year, but the Board does not propose the profit distribution proposal by the way of cash, the Company shall explain the reason and the usage and plan of utilisation for the capital which is not utilised as cash dividends and reserved in the Company, and independent directors shall express independent views thereupon and timely disclose; it shall propose to the general meeting for consideration after consideration and approval by the Board. Meanwhile, the Company shall make internet voting for medium and small shareholders to vote at the general meeting.

4. *Adjustment to profit distribution policy:*

The Company shall strictly implement the profit distribution policy stipulated in this Articles of Association and the specific proposal of profit distribution considered and approved at the general meeting.

In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in a material impact on its production and operation, or relatively significant changes to the Company's operational position, or new policies on profit distribution published by competent authorities in which cases the profit distribution policy stipulated by this Articles of Association, in particular the cash dividend policy, is required to be adjusted, the Company may adjust its profit distribution policy. The Board shall thoroughly discuss the rationality of the adjustment to the profit distribution policy, and form a special proposal after an independent view is expressed by the independent directors and submit the same for the consideration by the shareholders at the general meeting. The proposal shall be considered and approved by more than two-thirds of voting rights held by the shareholders (including their proxies) present at the general meeting.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

4. *Adjustment to profit distribution policy* : (Continued)

The supervisory committee shall issue its review opinions on the adjustment to the profit distribution policy.

The adjusted profit distribution policy shall not contravene with the relevant requirements of the CSRC and the stock exchange on which shares of the Company are listed.

When the general meeting considers the adjustment to the profit distribution policy, the Company shall make internet voting accessible to the shareholders or collect voting rights of the shareholders.

5. *Disclosures in regular reports*:

The Company shall disclose in details the formulation and implementation of cash dividend policy in its annual reports, and specifically explain whether it is in compliance with the provisions of this Articles of Association or requirements of the resolutions of the general meeting, whether the criteria and proportion of dividend distribution is specific and clear, whether the relevant decision-making procedures and mechanism are complete, whether independent directors duly perform their duties and play their due roles, whether medium and small shareholders have opportunities to fully express their opinions and requests, and whether the legitimate interests and interests of medium and small shareholders are fully protected.

Where the Company adjusts or changes its cash dividend distribution policy, it shall explain in details as to whether the conditions and procedures of such adjustments or changes are in compliance with relevant regulations and transparent.

If the Company is unable to determine the profit distribution proposal for the year according to the established cash dividend policy or the minimum cash dividend proportion under extraordinary circumstances, the Board shall explain in details the reason for not proposing cash profit distribution according to this Articles of Association, and the usage and plan of utilisation for the capital which is not utilised as cash dividends and reserved in the Company, and the independent directors shall express independent views thereupon and timely disclose.

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

(1) Formulation, Execution, or Adjustment of Cash Dividend Policy (Continued)

6. *Supervision on profit distribution by the supervisory committee:*

The supervisory committee shall supervise the Board and the management in respect of the formulation and implementation of the profit distribution policy and the status of returns for shareholders and the relevant decision-making procedure.

The supervisory committee shall give specific opinions and monitor the prompt rectification of the Board in the event of any of the following circumstances:

- (1) the cash dividend policy and the plan on returns for shareholders are not strictly implemented;
- (2) the relevant decision-making procedures in respect of the cash dividend distribution are not strictly implemented;
- (3) the disclosure and implementation of the cash dividend policy are not true, accurate or complete.

The Company has laid emphasis on reasonable returns to investors since its reorganization completed in December 2000. Other than no profit distribution in 2018 due to the preparation for the non-public issuance of A shares, the Company has made cash dividend distribution in other years.

(2) Description of Cash Dividend Policy

Whether it is in compliance with the provisions of this Articles of Association or requirements of the resolutions of the general meeting	Yes
Whether the criteria and proportion of dividend distribution is specific and clear	Yes
Whether the relevant decision-making procedures and mechanism are complete	Yes
Whether independent non-executive directors duly perform their duties and play their due roles	Yes
Whether medium and small shareholders have opportunities to fully express their opinions and requests, the legitimate interests and interests of medium and small shareholders are fully protected	Yes

4. Corporate Governance

IX. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND (Continued)

- (3) Plan or proposal of ordinary share profit distribution or transfer of capital reserve fund to share capital of the Company for the latest three years (including the reporting period)

Unit: 0'000 Currency: RMB

Year of dividends	Number of bonus shares per 10 shares (shares)	Amount of dividends distributed per 10 shares (Yuan) (inclusive of tax)	Number of shares transferred per 10 shares (shares)	Amount of cash dividends (inclusive of tax)	Net profit attributable to the ordinary shareholders of the Company in the consolidated financial statements for the year	Percentage of the net profit attributable to the ordinary shareholders of the Company in the consolidated financial statements (%)
2022 (Note 1)	0	1.44	0	22,614	75,125.4	30.10
2021	0	1.46	0	20,834	69,318.9	30.06
2020	0	1.20	0	17,127	57,003.9	30.04

Note 1: This distribution plan is subject to the approval of the annual general meeting for 2022.

- (4) If the Company records profit and profit distributable to the ordinary shareholders of the Company for the reporting period is positive but there is no proposal for cash dividend, the Company shall disclose the reasons, the usage, and the utilisation plan of the undistributed profits in details

Not applicable

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

Matters related to the 2020 A share option incentive scheme (“Share Option Incentive Scheme”) were considered and approved by the shareholders of the Company at 38th meeting of the eighth session of the Board of the Company held on 27 November 2020 and the 2020 second extraordinary general meeting, 2020 second A shareholder’s class meeting and 2020 second H shareholder’s class meeting of the Company held on 23 December 2020.

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

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

(1) Purpose of the Implementation of the Share Option Incentive Scheme

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

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

As at the end of the reporting period, there are no more than 172 Participants for the Share Option Incentive Scheme, including the Directors, senior management (excluding the independent non-executive Directors, external Directors and supervisors), other members of the leadership team and core technology, management, business and skill backbones of the Company.

4. Corporate Governance

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

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

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

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

Class of Grantees	Name of Grantees	Outstanding as of		Validity Period	Exercise Period	Exercise Price (RMB)	Outstanding as of 31 December 2022 (Note 4)	Exercised during the year	Cancelled during the year	Lapsed during the year (Note 10)
		31 December 2021	Date of Grant							
Directors	Li Yang	250,000	21 January 2021	(Note 2)	(Note 3)	6.72	250,000	0	0	0
	Peng Yilin	250,000	21 January 2021			6.72	250,000	0	0	0
	Jing Wanying	250,000	21 December 2021			6.98	250,000	0	0	0
	Liu Yujun (Note 1)	300,000	21 January 2021			6.72	300,000	0	0	0
	Wang Jing (Note 1)	250,000	21 January 2021			6.72	250,000	0	0	0
	Niu Bo (Note 1)	180,000	21 January 2021			6.72	180,000	0	0	0
Employees (in aggregate)		11,440,000 (Note 6)	21 January 2021			6.72	11,120,000 (Note 7)	0	0	0
		1,348,000 (Note 8)	21 December 2021			6.98	1,098,000 (Note 9)	0	0	0

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

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

- Note 1: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo have retired as Directors with effect from 8 September 2022. For details, please refer to the relevant announcements of the Company published on the website of the Stock Exchange on 19 August 2022 and 8 September 2022.
- Note 2: Please refer to (8) Validity Period under this section.
- Note 3: Please refer to (6) Exercise Period and Exercise Date under this section.
- Note 4: Please refer to (7) The Exercise Price and Determination Method under this section.
- Note 5: During the reporting period, no share options were cancelled. On 22 February 2023, 15 original Participants under the Share Option Incentive Scheme no longer meet the incentive conditions due to termination of their employment relationship with the Company, adjustment of their positions or normal designations from employment with the Company, and 2,165,500 share options granted but not yet exercised were cancelled by the Company, including 300,000 share options held by Mr. Liu Yujun, 250,000 share options held by Ms. Wang Jing and 1,165,500 share options held by 13 employees. Please refer to the relevant announcement and overseas regulatory announcement of the Company published on the website of the Stock Exchange on 22 February 2023 for details.
- Note 6: This includes 250,000 share options held by each of Mr. Li Yang and Ms. Peng Yilin, who were both employees of the Company as of 31 December 2021.
- Note 7: This excludes 250,000 share options held by each of Mr. Li Yang and Ms. Peng Yilin, who were appointed as Directors of the Company as of 31 December 2022; includes 180,000 share options held by Mr. Niu Bo, who retired as a Director of the Company and served as an employee of the Company as of 31 December 2022.
- Note 8: This includes 250,000 share options held by Ms. Jing Wanying, who served as an employee of the Company as of 31 December 2021.
- Note 9: This excludes 250,000 share options held by Ms. Jing Wanying, who was appointed as a Director of the Company as of 31 December 2022.
- Note 10: The difference between the number of options lapsed during the year as set out in this column and the number of options lapsed during the year as stated in Note 34(a) to Chapter 11 of “Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises – 4. Notes to the Consolidated Financial Statements” (i.e. 1,190) are explained as follows: where the Share Option Incentive Scheme still falls within the vesting period and has not yet entered into the exercise period, the Company has not reviewed and sorted out the status of share options. The Company will only complete the confirmation process of sorting out the conditions of Participants and performance evaluation before the first exercise date, so as to uniformly declare the share options of those ineligible Participants as lapsed. However, in terms of accounting treatment, in accordance with the relevant provisions of “Accounting Standards for Enterprises No. 11 – Share-based Payments”, the number of share options expected to be exercisable will be revised at each balance sheet date of the vesting period based on the latest available further information such as changes in the number of Participants who are eligible for exercise and the attainability of performance targets, and therefore the share options of those Participants who have left the Company or lost their interests will be deemed lapse on that balance sheet date (but not on the date of the Board meeting of the Company held before the first exercise date). At the same time, services acquired in the period are charged to the relevant costs or expenses and capital reserve at fair value of the share options at the date of grant. The Company’s actual operation and accounting treatment are slightly different. Meanwhile, as confirmed by the Company’s auditors, the financial expense concerned (even after taking into account the actual number of personnel who left the Company) would be insignificant, which is negligible and with no material impact.

4. Corporate Governance

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

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

On 22 February 2023, in view of the fact that 15 original Participants under the Share Option Incentive Scheme had terminated their employment relationship with the Company, had their positions adjusted or were no longer working in the Company system due to normal designations, the Board of the Company considered and approved the cancellation of 2,165,500 share options granted to these original Participants but have not yet exercised. The number of Participants was reduced from 155 to 140. For details, please refer to the relevant announcement and overseas regulatory announcement of the Company published on the website of the Stock Exchange on 22 February 2023.

(3) Number of Share Options Proposed to be Granted under the Share Option Incentive Scheme

From the beginning to the end of the reporting period, the number of A share options proposed to be granted under the Share Option Incentive Scheme is 14,270,000 and the corresponding number of underlying shares is 14,270,000 A shares, representing not more than 1.0% of the Company's total issued share capital of 1,570,418,085 shares as at the end of the reporting period; where 12,170,000 options will be granted for the first time (the "Share Options Granted for the First Time") representing approximately 0.77% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and approximately 85.28% of the total number of the current share options granted; and 2,100,000 options will be reserved (the "Reserved Share Options"), representing approximately 0.13% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and 14.72% of the total number of the current share options granted.

The number of Shares that may be issued as a result of A share options to be granted under the Share Option Incentive Scheme during the year ended 31 December 2022 (i.e. 14,270,000 Shares) divided by the weighted average number of Shares in issue during the year ended 31 December 2022 (i.e. 1,467,635,000 Shares) is 0.9723%. The total number of shares available for issue under the Share Option Incentive Scheme is 14,270,000 Shares, which represents approximately 0.9087% of the issued Shares as at the date of this report.

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

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(3) Number of Share Options Proposed to be Granted under the Share Option Incentive Scheme (Continued)

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

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

(4) Maximum number granted for each participant

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

(5) Vesting Period

The Vesting Period is the interval between the date of grant and the first exercise date. The Vesting Period of the share options granted to the Participants under the Share Option Incentive Scheme is 24 months, and the exercise of options is not allowed during the Vesting Period.

(6) Exercise Period and Exercise Date

The participants of the Share Option Incentive Scheme shall not exercise the share options until the expiration of the Vesting Period. The exercise date must be a trading day within the Validity Period of the Share Option Incentive Scheme, provided that exercise is not allowed in the following periods:

- (i) the period from the date of 30 days prior to the announcements of the periodic reports of the Company to 2 trading days after such announcement, provided that if the announcement date of the periodic report is delayed due to special reasons, it shall be calculated from 30 days prior to the pre-determined announcement date;
- (ii) the period from the date of 10 days prior to the announcement of the results forecast and preliminary results of the Company to 2 trading days after such announcement;
- (iii) the period from the date of the major transaction or major event decision process to 2 trading days after the announcement of the event;
- (iv) the period from the date of occurrence of other material events that may affect the stock price to 2 trading days after the announcement.

4. Corporate Governance

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(6) Exercise Period and Exercise Date (Continued)

The aforementioned “major transaction”, “major event” and “material events that may affect the stock price” are transaction or other major event that should be disclosed by the Company in accordance with the listing rules of the SSE.

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

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

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

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

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(7) The Exercise Price and Determination Method

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

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

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

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

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

4. Corporate Governance

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(7) The Exercise Price and Determination Method (Continued)

In view of the completion of the Company's profit distribution plan for the year 2020, a cash dividend of RMB0.12 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB171,267,411.60, and subsequently, the completion of the Company's profit distribution plan for the year 2021, a cash dividend of RMB0.146 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB208,375,350.78.

On 22 February 2023, the Board considered and approved the "Resolution on Adjustment of Exercise Price of Share Options under the Company's 2020 Share Option Incentive Scheme", which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Share Options Granted for the First Time after the adjustment was RMB6.72 per share. For the Reserved Share Options, the Company will hold a Board meeting before their first exercise date (i.e. 21 December 2023) to adjust their exercise price in accordance with the distribution of dividends and other matters.

(8) Validity Period

The Validity Period of the Share Option Incentive Scheme shall commence from the date of grant of the share options, and end on the date on which all the share options granted under the Share Option Incentive Scheme have been exercised or cancelled, and shall not be longer than 60 months.

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(9) Value and Relevant Accounting Policies of Share Options

1. Value of Share Options

As disclosed in the Company's announcement dated 27 November 2020 and circular dated 8 December 2020, the Company uses Black-Scholes Model (B-S Model) to calculate the fair value of the share options to be granted, and it is predicted that the value of each share option of the Company is RMB2.11 and the total value of share options granted are RMB30,109,700 by using this model. The valuation results of share options here are not used as the basis for accounting treatment. The fair value of share options used to calculate accounting costs will be re-estimated after the actual completion of the grant by collecting real-time market data at the date of grant. Relevant valuation inputs and results are set out in the below table:

Parameter inputs	Parameter values	Definition
Expected volatility	33.00%	Historic volatility in recent 4 years of the Company
Expected dividend rate	0.00%	The Share Option Incentive Scheme to adjust the grant of share options for ex-rights, ex-dividends, etc. on target shares
Risk-free interest rate	2.42%	On linear extrapolation, being the interest rate of the national debt with same expected period as the share options
Expected period	4 years	Expected period = $0.5 \times$ (weighted expected period + total Validity Period)
Exercise price	6.98	Exercise price determined in accordance with the Share Option Incentive Scheme
Share market price	7.05	The closing price of the Company's share on the valuation date
Valuation results	2.11	Share option per share granted based on the calculation of Black-Scholes valuation model

4. Corporate Governance

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(9) Value and Relevant Accounting Policies of Share Options (Continued)

1. Value of Share Options (Continued)

Pursuant to the “Accounting Standards for Business Enterprises” and their application guidelines, the Company’s main accounting principles for granting share options to the Participants are as follows:

- (i) if the equity-settled share-based payment is exchanged for the Participants to provide services, it shall be measured by the fair value of the equity instruments granted to the Participants;
- (ii) for equity-settled share-based payment in exchange for Participants’ services after completing the services within the Vesting Period or meeting the prescribed performance conditions, on each balance sheet date within the Vesting Period, based on the best estimate of the number of feasible equity instruments, the services obtained in the current period are included in the relevant asset costs or current expenses according to the fair value of the equity instruments on the date of grant, which are charged in the recurring profit and loss and included in the capital reserve at the same time.

Accounting treatment on the date of grant: since share options cannot be exercised on the date of grant, there is no need to carry out relevant accounting treatment;

Accounting treatment during the Vesting Period: on each balance sheet date during the Vesting Period, based on the best estimate of the number of exercisable share options, according to the fair value of share options on the date of grant, the services obtained in the current period are included in the relevant asset costs or current expenses, and also included in the capital reserve;

Accounting treatment after the exercise date: the confirmed cost and total owner’s equity will not be adjusted. On each balance sheet date, the option cost that should be borne in the current period will be amortised;

Accounting treatment for the exercise: share capital and share premium shall be recognized with reference to the actual exercise of the share options, and carry forward the capital reserve confirmed during the Vesting Period.

X. THE COMPANY SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS (Continued)

(10) Establishment and implementation of the assessment mechanism and incentive system for senior management during the reporting period

In 2020, the Company built professional manager team and put in place a corresponding salary and appraisal system. The annual salary of professional managers comprises of the basic annual salary and the annual performance-related pay, among which annual performance-related pay is tied to the annual appraisal plan approved by the Board and results of the completion of individual targets, as well as the accomplishments of the Group's overall operation results. Meanwhile, the Company also sets three-year tenure incentive targets and incentive methods.

During the accounting period, the contributions made to the pension schemes of the five highest paid individuals by the Company are as follows:

Name	Contribution to pension schemes (RMB)
Li Yang (李楊)	67,247.04
Zhou Jingdong (周敬東)	67,247.04
Zhang Jian (張健)	67,247.04
Li Jinhe (李金河)	67,247.04
Jing Wanying (景婉瑩)	64,080.48

XI. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

During the reporting period, the Company has established an appropriate internal control system. The internal control system is established and gradually improved with the orientation to possible risks exposed by the Company in various key business and management activities. The Enterprise Management Center of the Company is responsible for the building of the risk management and internal control system. The Corporate Governance Center is responsible for reviewing the effectiveness of risk management and internal control.

The Audit Committee of the Board of the Company shall take into account the annual summary of the Company's internal audit work report and plans from the Corporate Governance Center as appropriate every year and review the internal control and risk management of the Company.

During the reporting period, the Board of the Company shall review the internal control system, and disclose the "2022 Annual Self Evaluation Report on Internal Control" on the website of the SSE on 28 March 2023.

4. Corporate Governance

XI. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD (Continued)

Descriptions of Material Defects Relating Internal Control during the Reporting Period

Not applicable

XII. MANAGEMENT CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

As of the end of the reporting period, the Group had a total of 54 wholly-owned and controlled subsidiaries and 3 joint-stock companies, which were distributed in 15 provinces, municipalities and autonomous region. In order to achieve effective management and control over subsidiaries, the Group has established a management level between the headquarters and subsidiaries, which is the establishment of regional companies. The regional companies were authorised to implement comprehensive management of their subsidiaries within their jurisdictions. The Group formulated various business management systems and principles, and the regional companies implemented daily business management of subsidiaries under the principles set by the group company. Meanwhile, the Group paid attention to the improvement of the corporate governance structure of subsidiaries, enhanced the construction of the Board of Directors, strengthened the selection of directors and operation personnel and their performance management, so as to improve the governance level of subsidiaries. By continuously promoting the effective integration of the above two management mechanisms, the Group could gradually improve the effective management and control of subsidiaries. The Group's headquarters supervised the overall operation of subsidiaries and regional companies through special inspections and "five-in-one" inspections every year.

XIII. EXPLANATION IN RESPECT OF THE INTERNAL CONTROL AUDIT REPORT

PricewaterhouseCoopers Zhong Tian LLP engaged by the Company has audited the effectiveness of internal control relating to the financial reporting of the Company and has issued an internal control audit report with standard unqualified opinions.

For details of the internal control audit report, please refer to the "2022 Internal Control Audit Report" disclosed on the website of the SSE on 28 March 2023.

XIV. RECTIFICATIONS OF SELF-EXAMINATION ON CORPORATE GOVERNANCE FOR LISTED COMPANIES

Not applicable

5. Environment and Social Responsibility

I. ENVIRONMENT INFORMATION

- (1) Explanation on environmental protection of the company and its important subsidiaries classified as key pollutant discharging entities as published by environmental protection authorities

1. *Pollutant Discharging*

The Company is mainly engaged in the sewage treatment business which is to collect and treat domestic and municipal sewage by removing the main pollutants therein to the extent that the treated sewage meets the discharge standards stipulated by the national or local government, and then discharge the treated sewage to rivers via sewage outfalls as designated after assessment. The advanced treatment of part of the tailrace is further performed for recycled 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, total phosphorus, etc. 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 49 sewage treatment projects, each of which has 1 or 2 effluent outfall(s) confirmed by competent industry authorities and experts upon examination and verification. According to the relevant agreements, currently the effluent water quality carried out by most sewage treatment plants is first-grade A under the Pollutant Discharge Standards for Urban Wastewater Treatment Plants (GB18918-2002), and the other sewage treatment plants implement the local standard or agreement standard. The common pollutant indexes requiring basic control include COD, BOD, SS, total nitrogen, ammonia nitrogen, total phosphorus, etc. The following table sets out the maximum allowable discharge concentrations (daily average) of the pollutant indices requiring national standard first-grade A.

5. Environment and Social Responsibility

I. ENVIRONMENT INFORMATION (Continued)

- (1) Explanation on environmental protection of the company and its important subsidiaries classified as key pollutant discharging entities as published by environmental protection authorities (Continued)

1. Pollutant Discharging (Continued)

No.	Pollutant indexes requiring basic control		National standard first grade class A
1	COD		50
2	BOD		10
3	SS		10
4	Animal & plant oil		1
5	Petroleum		1
6	Anion surfactant		0.5
7	Total nitrogen (N)		15
8	Ammonia nitrogen (N)		5 (8)
9	Total phosphorus (P)	Constructed before 31 December 2005	1
		Constructed after 1 January 2006	0.5
10	Chroma (dilution multiple)		30
11	PH		6-9
12	Number of fecal coliforms/L		1,000

During the reporting period, the discharge concentrations of the major pollutant indexes requiring basic control of the Company's sewage treatment business were all below the above standards. In aggregate, the COD, total nitrogen, ammonia nitrogen, and total phosphorus discharged by the Company during the reporting period were approximately 24,600 tonnes, 1.25 tonnes, 658 tonnes and 274 tonnes, respectively. In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen, and total phosphorus, were eliminated by approximately 389,400 tonnes, 53,700 tonnes, 50,900 tonnes, and 6,500 tonnes, respectively, representing a significant contribution to water body environmental governance.

2. Construction and operation of pollution prevention facilities

During the reporting period, the sewage treatment projects operated by the subsidiaries of the Company strictly complied with the relevant emission standards with all the effluent water quality, odor, noise, and solid emission meeting the requirements. The operation of the projects was also in normal condition. The construction of the sewage treatment facilities followed the relevant construction procedures and quality standards and proceeded normally.

I. ENVIRONMENT INFORMATION (Continued)

- (1) Explanation on environmental protection of the company and its important subsidiaries classified as key pollutant discharging entities as published by environmental protection authorities (Continued)

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

All the Company's sewage treatment projects in operation have gone through the relevant environmental impact assessment procedures and obtained approvals and environmental acceptance upon construction completion from the competent environmental authorities.

4. *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.

5. *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, analysis methods, etc. The monitoring results are publicized on the local environmental information monitoring platform. Each entity will also file the self-monitoring program and adjustments and changes with the local environmental protection bureau in a timely manner.

6. *Administrative penalties due to environmental issues during the reporting period*

Not applicable

5. Environment and Social Responsibility

I. ENVIRONMENT INFORMATION (Continued)

- (1) Explanation on environmental protection of the company and its important subsidiaries classified as key pollutant discharging entities as published by environmental protection authorities (Continued)

7. *Other environmental information that should be disclosed*

Not applicable

- (2) Description of environmental information of companies other than those classified as key pollutant discharge entities

Not applicable

- (3) Relevant information that is conducive to protecting ecology, preventing pollution, and fulfilling environmental responsibilities

In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen and total phosphorus, were eliminated by approximately 389,400 tonnes, 53,700 tonnes, 50,900 tonnes, 6,500 tonnes in terms of the Company's sewage treatment business during the reporting period, respectively, representing a significant contribution to water body environmental governance.

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

Whether carbon emission reduction measures have been taken	Yes
--	-----

Emission reduction of carbon dioxide equivalent (unit: tons)	17,518
--	--------

Type of measures to reduce carbon emissions (e.g. using clean energy to generate electricity, using technologies to reduce carbon emissions in the production process, developing and producing new products that help reduce carbon emissions, etc.)	During the reporting period, the Company's new energy cooling and heating supply business and distributed photovoltaic power generation project had certain effects on and made contributions to reducing carbon emissions.
---	---

II. SOCIAL RESPONSIBILITY WORK

- (1) Whether the social responsibility report, sustainability report or Environmental, Social and Governance report has been disclosed separately

The Company has disclosed its social responsibility report. For details, please refer to the website of the SSE on 28 March 2023 and the Company's overseas regulatory announcement dated 27 March 2023. The Environmental, Social and Governance report is scheduled to be published on the website of the SSE and the website of the Stock Exchange together with this report by 30 April 2023.

- (2) Social responsibility work

External donations, public welfare projects	Quantity/content
Total investment (RMB ten thousand yuan)	127.8695
Of which: funds (RMB ten thousand yuan)	123.0555
Cash equivalent of materials (RMB ten thousand yuan)	4.814
Number of beneficiaries (people)	752

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

Not applicable

6. Major Events

I. PERFORMANCE OF COMMITMENT

- (1) Commitment of the Company's Ultimate Controller, Shareholders, Related Parties, Purchaser, the Company, and Other Related Parties During or Subsisted in the Reporting Period

Not applicable

- (2) Where the Company Has Profit Forecasts on Assets or Projects, and the Reporting Period Was Within the Term of Profit Forecasts, the Company Has to State Whether Such Profit Forecasts on Assets or Projects Are Fulfilled and the Reasons Therefor

Not applicable

II. CONTROLLING SHAREHOLDER OF THE COMPANY AND ITS CONNECTED PARTIES MISAPPROPRIATE THE COMPANY'S FUNDS FOR NON-OPERATING PURPOSES FOR DURING THE REPORTING PERIOD

Not applicable

III. GUARANTEES IN VIOLATION

Not applicable

IV. EXPLANATION BY THE BOARD OF DIRECTORS OF THE COMPANY ON "QUALIFIED AUDIT REPORT" PROVIDED BY THE ACCOUNTING FIRM

Not applicable

V. ANALYSIS AND EXPLANATION OF THE COMPANY ON THE REASONS AND EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

- (1) Analysis and explanation of the Company on the reasons and effects of the changes in accounting policies and accounting estimates

Not applicable

- (2) Analysis and Explanation of the Company on the Reasons and Effects of Correction of Material Accounting Errors

Not applicable

- (3) Communication with the Former Accounting Firm

Not applicable

- (4) Other Explanations

Not applicable

6. Major Events

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

	Present Appointment	
Name of the accounting firm	PricewaterhouseCoopers Zhong Tian LLP	
Remuneration of the accounting firm	310	
Service years of the accounting firm	28 years	
Name of the certified public accountants of the accounting firm	Du Kai, Liu Lili	
The continuous period of audit service of accounting firm's certified public accountants	2 years	

	Name	Fees
Accounting firm responsible for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	60
Sponsor	CITIC Securities Company Limited	1,999.999998

Explanations on the Appointment and Removal of Accounting Firms

During the reporting period, the Company has not changed its accounting firm. The Company engaged PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor. As of the end of the previous reporting period, the said accounting firm has provided 28 years of audit services to the Company.

During the year ended 31 December 2021, given that the Company aligned the preparation of its financial statements in accordance with China Accounting Standards for Business Enterprises and PricewaterhouseCoopers Zhong Tian LLP is a firm of practicing accountants which has been approved by the MOF and the CSRC and eligible to provide auditing services by using the Standards for Chinese Certified Public Accountants to the Mainland China incorporated issuers listed in Hong Kong, the Company has only appointed PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor for the financial year 2021 to undertake other responsibilities of domestic and international auditors which are required by the Listing Rules. The appointment of PricewaterhouseCoopers Zhong Tian LLP had been considered and approved at the 70th meeting of the eighth session of the Board and the 2021 Annual General Meeting of the Company, pursuant to which the Company aligned the preparation of its financial statements in accordance with China Accounting Standards for Business Enterprises, and ceased to re-appoint its international auditor PricewaterhouseCoopers. Prior to the cessation of the re-appointment, PricewaterhouseCoopers had provided offshore audit services to the Company for 27 years.

For details of the above cessation of re-appointment of international auditor, please refer to the relevant announcement of the Company published on the website of Stock Exchange on 25 April 2022.

VII. RISK OF DELISTING

(1) Causes of Delisting

Not applicable

(2) Measures to be taken by the Company

Not applicable

(3) Situation and reasons for termination of Listing

Not applicable

VIII. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not applicable

6. Major Events

IX. MATTERS RELATING TO MATERIAL LITIGATION AND ARBITRATION

- (1) Litigation and arbitration that were disclosed in the Company's announcements without subsequent progress

Not applicable

- (2) Litigation and arbitration that were not disclosed in the Company's announcements or have subsequent progress

Not applicable

- (3). Other explanations

Not applicable

X. VIOLATIONS OF REGULATIONS, PUNISHMENTS AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, ULTIMATE CONTROLLERS, AND PURCHASERS

Not applicable

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

Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS

(1) Connected Transactions in the Ordinary Course of Business

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

- a. On 16 August 2021, Jiayuanxing entered into the TLP Cold and Heat Supply Agreements from 2021 to 2023 with TLP, under which Jiayuanxing shall provide cold and heat supply services at the Tianjin MIXc of TLP, which is owned by TLP. The Heat Supply Services Period in 2021 was from 15 November 2021 to 15 March 2022 and the Heat Supply Services Period in 2022 was from 15 November 2022 to 15 March 2023. The unit price for the provision of both Heat Supply Services in 2021 and in 2022 was RMB40 per m², the chargeable area of both Heat Supply Services Period in 2021 and in 2022 was 363,042 m², and the service fee for the Heat Supply Services (including Heat Supply Services Period in 2021 and in 2022) was RMB14,521,680. The Cold Supply Services Period in 2022 was from 1 June 2022 to 30 September 2022. The unit price for the provision of the Cold Supply Services in 2022 was RMB38.44 per m², the chargeable area of the Cold Supply Services in 2022 was 363,042 m², and the service fee for the Cold Supply Services in 2022 was RMB13,955,334.48. The service fee for the Heat Supply Services (including the Heat Supply Services Period in 2021 and in 2022) and the service fee for the Cold Supply Services in the year 2022 amounted to RMB28,477,014.48 in total.

Connected relationship: Jiayuanxing is a wholly-owned subsidiary of the Company; TLP is an indirect subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

- b. On 20 October 2021, Water Recycling Company entered into the Construction Agreement with Tianjin Municipal Institute (an independent third party of the Company) and Tianjin Tongsheng Municipal, to engage Tianjin Municipal Institute and Tianjin Tongsheng Municipal to provide general contracting services for Water Recycling Company in terms of design, construction and procurement for the first tender section of the Tianjin Main District Recycled Water Pipeline Network Connection Project (First Batch). The service period is scheduled to commence from 20 October 2021 and end on the date of the completion of construction (expected to be 31 May 2022). The service fee under the Construction Agreement is RMB9,413,215 (tax inclusive), including design fee to be paid to Tianjin Municipal Institute of RMB46,500 and construction and installation engineering fee (procurement part inclusive) to be paid to Tianjin Tongsheng Municipal of RMB9,366,715.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Tongsheng Municipal is an indirect non-wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

- c. On 27 January 2022, Water Recycling Company entered into the Pump House Works Agreement with Tianjin Fuyuan Real Estate for the construction of the pump house at Phase I of Ruihu Garden. Water Recycling Company was engaged by Tianjin Fuyuan Real Estate to provide design, supervision and construction of the secondary water supply pump house for recycled water at Phase I of Ruihu Garden. The construction fee of the pump house works was RMB2,480,001.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Fuyuan Real Estate is an indirect subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

- d. On 27 January 2022, Water Recycling Company entered into the High-Pressure Pipe Network Works Agreement with Tianjin Fuyuan Real Estate for the construction of the high-pressure pipe network (erection) works at Phase I of Ruihu Garden. Water Recycling Company was engaged by Tianjin Fuyuan Real Estate for the design, supervision and construction of high-pressure pipe network (erection) for recycled water at Phase I of Ruihu Garden. The construction fee of the high-pressure pipe network works was RMB1,076,968.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Fuyuan Real Estate is an indirect subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- e. On 10 October 2022, Water Recycling Company entered into the Engineering Consultation Service (Second Batch) Agreement with Tianjin Infrastructure Consultant, to engage Tianjin Infrastructure Consultant to provide engineering consultation services in respect of the Tianjin Main District Recycled Water Pipeline Network Connection Project (Second Batch). The service period is scheduled to be three years from 10 October 2022 to the completion of the final accounts and completion of all engineering projects of the Project. The total service fee of the Project is calculated by multiplying the sum of the individual service fees for the entrusted (i) project entrusted construction services, (ii) cost consultation services and (iii) engineering consultation services by 0.8 (i.e. the fee preferential rate of the Engineering Consultation Service (Second Batch) Agreement) and to be settled in accordance with the fees actually incurred. The Company expects that the aggregate amount of such engineering consultation service fee payable by Water Recycling Company to Tianjin Infrastructure Consultant will not exceed RMB35.89 million.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Infrastructure Consultant is an indirect wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

- f. On 15 October 2022, Jiayuankaichuang entered into the Land Compensation Agreement for the acquisition of Land of Houtai Project owned by Tianjin Environmental Investment in connection with the Houtai Park 1# Energy Station Concession Project with Tianjin Environmental Investment, under which Jiayuankaichuang intends to pay a total of RMB6.29 million (i.e. Land Compensation Cost) to Tianjin Environmental Investment for the acquisition of Land of Houtai Project from Tianjin Environmental Investment for the Houtai Park 1# Energy Station Concession Project, and Tianjin Environmental Investment shall complete the cancellation of the permanent land use of the Land of Houtai Project.

Connected relationship: Jiayuankaichuang is a direct wholly-owned subsidiary of the Company; Tianjin Environmental Investment is a direct wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- g. On 25 November 2022, Water Recycling Company entered into the Jinchang Expressway Construction Agreement with Expressway Group and Tianjin Tongsheng Municipal. Expressway Group agreed that Water Recycling Company and Tianjin Tongsheng Municipal shall carry out construction of expressway road-related works of Caizhi Road (Current Pipeline Network – Gongxi Road) of the Project (First Batch) under the Jincang Expressway Bridge based on the approved planning route, design plan, construction scheme and other documents and in accordance with the relevant codes and standards. The service period is from 25 November 2022 to 15 March 2023. The Company expects that the total amount of the road-related service fee payable by Water Recycling Company to Expressway Group for the Jinchang Expressway will not exceed RMB1 million.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Expressway Group is a wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company; and Tianjin Tongsheng Municipal is an indirect non-wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

- h. On 1 December 2022, Water Recycling Company entered into the First Tender Section (Second Batch) Agreement with Hua Miao Company (an independent third party of the Company) and Tianjin Tongsheng Municipal to engage Hua Miao Company and Tianjin Tongsheng Municipal to provide general contracting service for Water Recycling Company in terms of design, construction and procurement for the first tender section of the Tianjin Main District Recycled Water Pipeline Network Connection Project (Second Batch). The service period is scheduled to commence from 15 December 2022 and end on the date of the completion of construction (expected to be 30 June 2023). The service fee under the First Tender Section (Second Batch) Agreement is RMB9,809,821 (tax inclusive), including design fees to be paid to Hua Miao Company of RMB40,000 and the construction and installation engineering fees (procurement part inclusive) to be paid to Tianjin Tongsheng Municipal is RMB9,769,821.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Tongsheng Municipal is an indirect non-wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- i. On 21 December 2022, the Board considered and approved the Entrusted Loan in an aggregate amount of up to RMB10,000,000 to be provided by the Company (as principal) to HB GJTC (as borrower) through Agricultural Bank of China (as trustee) pursuant to the Entrusted Loan Agreement for a term of one year, which will be funded by the Company.

Connected relationship: HB GJTC is a non-wholly owned subsidiary of the Company; Tianjin Investment Group, the ultimate controlling company of the Company, holds 40% equity interest in Hebei Guokong, which in turn holds 30% equity interest in HB GJTC.

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

- j. On 26 April 2021, the Company entered into the Existing Sludge Disposal Contract with Tianjin Investment Group, entrusted Jinnan Sludge Disposal Plant held by Tianjin Investment Group to carry out sludge disposal, for a service period from 26 April 2021 to 25 April 2022. The sludge disposal fee is RMB370 per tonne. The Company expects that the total amount of the Sludge Disposal Fee to be paid to Tianjin Investment Group during the Service Period will not exceed RMB97,236,000. After that, on 26 April 2022, the Board considered and approved the renewal of the Existing Sludge Disposal Contract dated 26 April 2021 entered into between the Company and Tianjin Investment Group. Pursuant to the Sludge Disposal Contract, the Company will continue to engage the Jinnan Sludge Disposal Plant held by Tianjin Investment Group to provide sludge disposal services, with a sludge disposal fee of RMB370 per tonne during the service period (from 26 April 2022 to 25 April 2024). The Company expects that the total sludge disposal fee to be paid to Tianjin Investment Group during the service period will not exceed RMB194,738,400.

Connected relationship: Tianjin Investment Group is the ultimate holding company of the Company.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- k. On 26 April 2021, Tianjin Investment Group, Caring Company and the Company entered into the Existing Entrusted Operation Agreement, pursuant to which, Caring Company to operate and maintain all assets of Jinnan Sludge Disposal Plant for Tianjin Investment Group, for a service period from 26 April 2021 to 25 April 2022. The entrusted operation service fee is RMB249 per tonne, which is payable by Tianjin Investment Group to Caring Company based on the actual amount of sludge treated. The Company expects that the total amount of the Entrusted Operation Service Fee to be paid to Caring Company by Tianjin Investment Group during the Service Period will not exceed RMB65,400,000. After that, on 26 April 2022, the Board considered and approved the renewal of the Existing Entrusted Operation Agreement dated 26 April 2021 entered into between Tianjin Investment Group, Caring Company and the Company. Pursuant to the Entrusted Operation Agreement, Caring Company shall continue to provide operation and maintenance of all assets of the Jinnan Sludge Disposal Plant for Tianjin Investment Group, for a service period from 26 April 2022 to 25 April 2024. The entrusted operation service fee is RMB249 per tonne, payable by Tianjin Investment Group to Caring Company based on the actual amount of sludge treated. The Company expects that the total amount of the entrusted operation service fee to be paid to Caring Company by Tianjin Investment Group during the service period will not exceed RMB131,053,680.

Connected relationship: Caring Company is a non-wholly-owned subsidiary of the Company; Tianjin Investment Group is the ultimate holding company of the Company.

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

1. On 3 September 2021, Water Recycling Company entered into the Engineering Consultation Service Agreement with Tianjin Infrastructure Consultant, to engage Tianjin Infrastructure Consultant to provide engineering consultation services in respect of the recycled water pipeline network connection project in the main district of Tianjin Project (First Batch). The service period is scheduled to be three years from 3 September 2021 to the completion of the final accounts and completion of all engineering projects of the Project. The total service fee of the Project is calculated by multiplying the sum of the individual service fees for the entrusted (i) project entrusted construction services, (ii) cost consultation services and (iii) engineering consultation services by 0.8 (i.e. the fee preferential rate of the Engineering Consultation Service Agreement) and to be settled in accordance with the fees actually incurred. The Company expects that the aggregate amount of such engineering consultation service fee payable by Water Recycling Company to Tianjin Infrastructure Consultant will not exceed RMB10.02 million. On 16 November 2022, as the work progress of the Tianjin Main District Recycled Water Pipeline Network Connection Project (First Batch) is faster than expected, Water Recycling Company has to pay the Engineering Consultation Service Fee under the Engineering Consultation Service Agreement, which was originally expected to be paid in 2023 and 2024. The Company revised and increased the annual cap for 2022 under the Engineering Consultation Agreement. There is no change or modification in the terms (including the terms of service fees) of the Engineering Consultation Agreement.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Infrastructure Consultant is an indirect wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

- m. On 30 December 2021, the Board has considered and approved the resolution in respect of the renewal of the contract operation agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets dated on 7 August 2020 between Tianjin Investment Group and Water Recycling Company. Pursuant to the New Agreement, Tianjin Investment Group shall continue to contract the operation of the Zhangguizhuang Water Recycling Plant and its supporting water pipenetwork assets to Water Recycling Company during the Operating Term (i.e. from 1 January 2022 to 31 December 2022), while Water Recycling Company shall be responsible for the contract operation of the Zhangguizhuang Water Recycling Plant Project constructed by Tianjin Investment Group, and shall be engaged in the production and sales of recycled water. Water Recycling Company shall pay contracting fees to Tianjin Investment Group, which is equivalent to 60% of the annual profits (i.e. sales revenue from recycled water sales less expenses), based on the figures audited annually during the Operating Term. The Company expects that the contracting fees payable by Water Recycling Company to Tianjin Investment Group will be approximately RMB8.52 million. After that, on 21 December 2022, the Board has considered and approved the resolution in respect of the renewal of the Contract Operation Agreement on Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets dated on 30 December 2021 between Tianjin Investment Group and Water Recycling Company. Pursuant to the New Agreement, Tianjin Investment Group shall continue to contract the operation of the Zhangguizhuang Water Recycling Plant and its supporting water pipe-network assets to Water Recycling Company during the Operating Term (i.e. from 1 January 2023 to 31 December 2024), while Water Recycling Company shall be responsible for the contract operation of the Zhangguizhuang Water Recycling Plant Project constructed by Tianjin Investment Group, and shall be engaged in the production and sales of recycled water. Water Recycling Company shall pay contracting fees to Tianjin Investment Group, which is equivalent to 60% of the annual profits (i.e. sales revenue from recycled water sales less expenses), based on the figures audited annually during the Operating Term. The Company expects that the contracting fees payable by Water Recycling Company to Tianjin Investment Group will be approximately RMB25.02 million.

Connected relationship: Water Recycling Company is a direct wholly-owned subsidiary of the Company; Tianjin Investment Group is the ultimate controlling company of the Company.

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- n. On 27 January 2022, Water Recycling Company entered into the Second Tender Section Agreement with Shanghai Urban Construction Design General Institute (an independent third party of the Company) and Tianjin Tongsheng Municipal to engage Shanghai Urban Construction Design General Institute and Tianjin Tongsheng Municipal to provide general contracting services in terms of design, construction and procurement for the second tender section of the Tianjin Main District Recycled Water Pipeline Network Connection Project (First Batch). The service period is scheduled to commence from 20 January 2022 and end on the date of the completion of construction (expected to be 31 May 2023). The service fee under the Second Tender Section Agreement is RMB43,478,105 (tax inclusive), including design fees to be paid to Shanghai Urban Construction Design General Institute of RMB653,655 and construction and installation engineering fees (procurement part inclusive) to be paid to Tianjin Tongsheng Municipal of RMB42,824,450. On 26 December 2022, as the Group is required to increase the proportion of construction progress payment, Water Recycling Company entered into a supplemental agreement to the Second Tender Section Agreement with Shanghai Urban Design Institute and Tianjin Tongsheng Municipal to amend the terms regarding the payment method under the Second Tender Section Agreement, reducing its annual cap for 2022 and increasing its annual cap for 2023 by RMB22,370,000 respectively.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Tongsheng Municipal is an indirect non-wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- o. On 27 January 2022, Water Recycling Company entered into the Third Tender Section Agreement with Railway Fifth Institute (an independent third party of the Company) and Environmental Investment Company to engage Railway Fifth Institute and Environmental Investment Company to provide general contracting services in terms of design, construction and procurement for the third tender section of Tianjin Main District Recycled Water Pipeline Network Connection Project (First Batch). The service period is scheduled to commence from 20 January 2022 and end on the date of the completion of construction (expected to be 31 May 2023). The service fee under the Third Tender Section Agreement is RMB41,988,772 (tax inclusive), including design fees to be paid to Railway Fifth Institute of RMB663,572 and construction and installation engineering fees (procurement part inclusive) to be paid to Environmental Investment Company of RMB41,325,200. On 26 December 2022, as the Group is required to increase the proportion of construction progress payment, Water Recycling Company entered into a supplemental agreement to the Third Section Contract with Railway Fifth Institute and Environmental Investment Company to amend the terms regarding the payment method under the Third Tender Section Agreement, reducing its annual cap for 2022 and increasing its annual cap for 2023 by RMB30,400,000 respectively.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Environmental Investment Company is a direct wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

XII. MATERIAL CONNECTED TRANSACTIONS(Continued)

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

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

- p. On 18 February 2022, Water Recycling Company entered into the Fourth Tender Section Agreement with Shanghai Urban Construction Design General Institute (an independent third party of the Company) and Tianjin Tongsheng Municipal to engage Shanghai Urban Construction Design General Institute and Tianjin Tongsheng Municipal to provide general contracting services in terms of design, construction and procurement for the fourth tender section of Tianjin Main District Recycled Water Pipeline Network Connection Project (First Batch). The service period is scheduled to commence from 1 March 2022 and end on the date of the completion of construction (expected to be 31 May 2023). The service fee under the Fourth Tender Section Agreement is RMB90,971,000 (tax inclusive), including design fees to be paid to Shanghai Urban Construction Design General Institute of RMB470,000 and construction and installation engineering fees (procurement part inclusive) to be paid to Tianjin Tongsheng Municipal of RMB90,501,000. On 26 December 2022, as the Group is required to increase the proportion of construction progress payment, Water Recycling Company entered into a supplemental agreement to the Forth Section Contract with Shanghai Urban Construction Design General Institute and Tianjin Tongsheng Municipal to amend the terms regarding the payment method under the Fourth Tender Section Agreement, reducing its annual cap for 2022 and increasing its annual cap for 2023 by RMB12,960,000 respectively.

Connected relationship: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Tongsheng Municipal is an indirect non-wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

(2) Connected Transactions as a result of Acquisition, Disposal of Assets or Equity

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

- q. On 21 December 2022, the Company and Tianjin Investment Group entered into the Assets Transfer Agreement in relation to the Jinnan Sludge Plant Project, whereby the Company conditionally agreed to acquire and Tianjin Investment Group conditionally agreed to sell the assets including the Existing Assets and the Existing Land Use Rights for a consideration of RMB471,825,900, and within 15 days after entering into the Assets Transfer Agreement between Tianjin Investment Group and the Company, the Company shall pay the deposit of 20% of the consideration in relation to the Acquisition to Tianjin Investment Group. Within 15 days after the fulfillment of the conditions precedent, the Company shall pay the second installment of 70% of the consideration to Tianjin Investment Group. The remaining amount shall be paid within 180 days after Tianjin Investment Group has fulfilled all the obligations under the Assets Transfer Agreement.

Connected relationship: Tianjin Investment Group is the ultimate holding company of the Company.

According to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the above-mentioned items (a), (b), (e), (g), (h), (j), (k), (l), (m), (n), (o) and (p) are continuing connected transactions. The independent non-executive Directors of the Company have reviewed the above continuing connected transactions in accordance with Rule 14A.55 of the Listing Rules, and confirmed that:

- (1) the above continuing connected transactions were in the ordinary course of business of the Company;
- (2) the above continuing connected transactions were conducted on normal commercial terms; and
- (3) the above continuing connected transactions were carried out in accordance with the terms of the agreements of the relevant transactions, which were fair and reasonable and in the interests of the Company and its shareholders as a whole.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

The Board also confirmed that the auditors of the Company had confirmed the matters as set out in Rule 14A.56 of the Listing Rules regarding the above-mentioned continuing connected transactions occurred in 2022, namely items (a), (b), (e), (g), (h), (j), (k), (l), (m), (n), (o) and (p).

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in the Annual Report 2022 of the Company that falls under the definition of “connected transaction” or “continuing connected transaction” which requires disclosure in Chapter 14A of the Listing Rules. The Company confirms that it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Not applicable

3. *Connected transactions which have not been disclosed in the Company’s announcements*

Not applicable

4. *Discloseable performance for the reporting period of connected transactions with agreed-upon performance targets*

Not applicable

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

(3) Significant Connected Transactions in Joint External Investment

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

3. *Connected transactions which have not been disclosed in the Company's announcements*

Not applicable

(4) Creditor's Rights and Debts with Related Parties

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

3. *Connected transactions which have not been disclosed in the Company's announcements*

Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

- (5) Financial operations between the Company and financial company with connected relationship, the Company holds financial company and related parties

Not applicable

- (6) Other

Not applicable

XIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

- (1) Custody, Contracting and Leasing

1. Custody

Not applicable

2. Contracting

Not applicable

3. Leasing

Not applicable

6. Major Events

XIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (Continued)

(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 of the Company	
Total amount of guarantees provided to subsidiaries during the reporting period	137,629.26
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	522,487.83
Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)	
Total amount of guarantees (A+B)	522,487.83
Percentage of the total amount of guarantees to the net assets of the Company (%)	61.62
Of which:	
Amount of guarantees provided to shareholders, ultimate controllers, and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to guaranteed entities with a gearing ratio of over 70% (D)	153,453.37
Total amount of guarantees exceeding 50% of net assets (E)	98,514.18
Total of the above three classes of guarantees (C+D+E)	251,967.55
Explanation on contingent joint liability for undue guarantees	Not applicable
Explanation on guarantees	Nil

(3) Cash Asset Management Entrusted to Others

1. *Entrusted wealth management*

Not applicable

2. *Entrusted loans*

Not applicable

3. *Others*

Not applicable

(4) Other Material Contracts

Not applicable

XIV. DETAILS OF OTHER MAJOR EVENTS THAT HAVE SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS

(1) **Sale and Purchase or Redemption of Shares of the Company**

During the reporting period, the Company or any of its subsidiaries did not purchase, sell, or redeem any shares of the Company.

(2) **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 under the Listing Rules.

(3) **Model Code for Securities Transactions by the Directors**

The Company has adopted a code of practice with standards not less exacting than those prescribed in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules for securities transactions conducted by the Directors. During the reporting period, all Directors complied with the model code in relation to securities transactions conducted by the Directors.

(4) **Public Float**

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

(5) **Pre-emptive Rights**

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

(6) **Tax Concession**

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

6. Major Events

XIV. DETAILS OF OTHER MAJOR EVENTS THAT HAVE SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (Continued)

(7) Charge of Assets

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

(8) Audit Committee

On 31 July 2001, the Board approved the establishment of the Audit Committee which is responsible for reviewing and supervising the financial reporting process and internal control of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the audited accounts for the year ended 31 December 2022 with the Directors.

7. Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL

(1) Changes in Shares

1. Changes in Shares

Unit: Share

	Before the change			Increase/decrease (+,-)				After the Change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Capital reserve converted into shares	Others	Subtotal	Number	Percentage (%)
I. Restricted shares	0	0	143,189,655	0	0	0	143,189,655	143,189,655	9.12
1. Shares held by the state	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal entities	0	0	9,310,344	0	0	0	9,310,344	9,310,344	0.59
3. Shares held by other domestic investors	0	0	121,982,761	0	0	0	121,982,761	121,982,761	7.77
Including: Shares held by domestic non-state-owned legal entities	0	0	109,051,729	0	0	0	109,051,729	109,051,729	6.95
Shares held by domestic natural persons	0	0	12,931,032	0	0	0	12,931,032	12,931,032	0.82
4. Shares held by foreign investors	0	0	11,896,550	0	0	0	11,896,550	11,896,550	0.76
Including: Shares held by foreign legal entities	0	0	11,896,550	0	0	0	11,896,550	11,896,550	0.76
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
2. Non-restricted Shares	1,427,228,430	100	0	0	0	0	0	1,427,228,430	90.88
1. RMB-dominated ordinary shares	1,087,228,430	76.18	0	0	0	0	0	1,087,228,430	69.23
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	340,000,000	23.82	0	0	0	0	0	340,000,000	21.65
4. Others	0	0	0	0	0	0	0	0	0
3. Total	1,427,228,430	100	143,189,655	0	0	0	143,189,655	1,570,418,085	100

7. Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL (Continued)

(1) Changes in Shares (Continued)

2. *Explanations on Changes in shares*

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

On September 30, 2022, the Company published the Announcement on Results of Non-public Issuance of A Shares and Changes in Share Capital on the website of the SSE, the website of the Stock Exchange and the designated media for information disclosure. Upon the completion of the issuance, tradable A Shares with sales restrictions of the Company has been increased by 143,189,655 shares. Meanwhile, the Issuance will not lead to a change of the control over the Company, TMICL will remain as the controlling shareholder of the Company, and Tianjin SASAC remains as the de facto controller of the Company. Upon the completion of the Non-public Issuance of A Shares, the equity distribution of the Company is in line with the listing conditions specified in the Rules Governing the Listing of Stocks on SSE.

3. *Effect of changes in shares on earnings per share, net asset value per share and other financial indicators for the latest year and the latest period (if any)*

Not applicable

I. CHANGES IN SHARE CAPITAL (Continued)

(1) Changes in Shares (Continued)

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

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

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

7. Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL (Continued)

(1) Changes in Shares (Continued)

4. *Other information deemed necessary by the Company or required to be disclosed by the securities regulatory authorities* (Continued)

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

1. To follow the policy situation and seize market opportunities

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

2. Optimise capital structure to relieve working capital pressure

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

I. CHANGES IN SHARE CAPITAL (Continued)

(1) Changes in Shares (Continued)

4. Other information deemed necessary by the Company or required to be disclosed by the securities regulatory authorities (Continued)

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

Details of the use of proceeds from the Non-public Issuance of A Shares as of 31 December 2022 (including the expected timeline for the intended use of the proceeds not yet utilized) are as follows:

No.	Committed Investment Projects	Proposed investment amount of proceeds to be utilized <i>Approximately RMB0'000</i>	Proceeds utilized for the year ended 31 December 2022 <i>Approximately RMB0'000</i>	Balance of unutilized proceeds as of 31 December 2022 <i>Approximately RMB0'000</i>	Estimated timetable for use of unutilized proceeds as of 31 December 2022
1	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	14,800.00	9,812.59	4,987.41	The balance of the proceeds is expected to be used up by 31 December 2023
2	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	21,450.00	2,649.71	18,800.29	The balance of the proceeds is expected to be used up by 31 August 2024
3	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	21,900.00	5,093.29	16,806.71	The balance of the proceeds is expected to be used up by 31 December 2024
4	The repayment of interest-bearing liabilities and supplement the working capital	22,925.66	9,860.14	13,065.51	The balance of the proceeds is expected to be used up by 30 June 2023
	Total	81,075.66	27,415.73	53,659.92	

As of 31 December 2022, the Company expects to utilize all of the proceeds from the Non-public Issuance of A Shares by 31 December 2024, the usage and proposed usage are consistent with those set out in the circular dated 8 December 2021 in relation to the proposed Non-public Issuance of A Shares. During the year ended 31 December 2022, the Company has used or proposed to use the proceeds from the Non-public Issuance of A Shares in accordance with the previously disclosed intentions and there has been no material change or delay in the use of the proceeds.

7. Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL (Continued)

(1) Changes in Shares (Continued)

4. *Other information deemed necessary by the Company or required to be disclosed by the securities regulatory authorities* (Continued)

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

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

I. CHANGES IN SHARE CAPITAL (Continued)

(2) Changes in Restricted Shares

Unit: share

Shareholders	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for sales restrictions	Date of unlocking
Changhe (Tianjin) Investment Management Co., Ltd. (長和(天津)投資管理有限公司) – Tianjin Shengjin Haihe Zhonghe Equity Investment Fund Partnership (Limited Partnership) (天津聖金海河中和股權投資基金合夥企業(有限合夥))	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
China National Gold Group Asset Management Co. Ltd. (中國黃金集團資產管理有限公司)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Pacific Securities Co., Ltd. (太平洋證券股份有限公司)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Qingdao Huixin Investment Partnership (Limited Partnership) (青島惠鑫投資合夥企業(有限合夥))	0	0	8,620,689	8,620,689	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Ningbo Zhengye Hongyuan Investment Co., Ltd. (寧波正業宏源投資有限公司)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Ningbo Meishan Free Trade Port Fengtu Investment Management Co., Ltd. (寧波梅山保稅港區灃途投資管理有限公司) – Fengtu Fengtai Private Equity Investment Fund I (灃途灃泰壹號私募股權投資基金)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Nuode Asset Management Co., Ltd. (諾德基金管理有限公司)	0	0	20,637,931	20,637,931	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023

7. Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL (Continued)

(2) Changes in Restricted Shares (Continued)

Unit: share

Shareholders	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for sales restrictions	Date of unlocking
Huatai Asset Management Co., Ltd. (on behalf of "Huatai Asset Management – Industrial Bank – Huatai Asset Selected Value Asset Management Product") (華泰資產管理有限公司(代「華泰資管—興業銀行—華泰資產價值精選資產管理產品」))	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of "Huatai Asset Management – Industrial Bank – Huatai Asset Huatai Steady Value-added Asset Management Product") (華泰資產管理有限公司(代「華泰資管—興業銀行—華泰資產華泰穩健增益資產管理產品」))	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of "Huatai Premium Commingled No. 5 Pension Product – Bank of China Limited") (華泰資產管理有限公司(代「華泰優逸五號混合型養老金產品—中國銀行股份有限公司」))	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Liu Jieqi (劉姊琪)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	0	0	5,000,000	5,000,000	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Jinan Hanxiang investment management partnership (L.P.) (濟南瀚祥投資管理合夥企業(有限合夥))	0	0	8,620,689	8,620,689	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023

I. CHANGES IN SHARE CAPITAL (Continued)

(2) Changes in Restricted Shares (Continued)

Unit: share

Shareholders	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for sales restrictions	Date of unlocking
UBS AG	0	0	7,586,206	7,586,206	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
JPMorgan Chase Bank, National Association	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Chen Xuegeng (陳學廣)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Dong Weiguo (董衛國)	0	0	4,310,344	4,310,344	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	0	0	41,000,012	41,000,012	The lock-up period is 6 months due to participation in the Non-public Issuance of A Shares of the Company in September 2022.	28 March 2023
Total				143,189,655	/	/

7. Details of Changes in Shares and Shareholders

II. ISSUE AND LISTING OF SECURITIES

(1) Issue of Securities as at the End of the Reporting Period

Unit: Share Currency: RMB

Types of stock and its derivative securities	Date of issue	Issue price (or interest rate)	Volume of issue	Listing date	Authorised trading volume in respect of the listing	Date of termination of trading
<i>Ordinary Shares</i>						
Tradable A Shares subject to sales restrictions	28 September 2022	RMB5.80	143,189,655	28 March 2023	143,189,655	–
<i>Bonds (include enterprise bonds, corporate bonds and debt financing instruments of non-financial enterprises)</i>						
Corporate bonds	14 October 2021	4.85%	2,500,000	22 October 2021	2,500,000	17 October 2026
Green Medium-term Notes	26 July 2022, 27 July 2022	3.94%	6,300,000	29 July 2022	6,300,000	25 July 2025

Explanation on the issue of securities as at the end of the reporting period (for bonds with different interest rates during the terms, please specify separately):

During the reporting period, the underwriting conclusion of Non-public Issuance of A Shares of the Company and relevant documents have been filed with and approved by the CSRC. The Company has completed the procedures for registration and custody on 28 September 2022 in accordance with relevant requirements. The Report on the Non-public Issuance of A Shares of Tianjin Capital Environmental Protection Group Company Limited and relevant documents have been published on the website of the SSE and the designated media for information disclosure on 29 September 2022 for inspection by the investors.

On 30 September 2022, the Company published the Announcement on Results of Non-public Issuance of A Shares and Changes in Share Capital on the website of the SSE and the designated media for information disclosure. Upon the completion of the issuance, tradable A Shares with sales restrictions of the Company has been increased by 143,189,655 shares.

II. ISSUE AND LISTING OF SECURITIES (Continued)

(2) Changes in the Total Number of Shares of the Company and Shareholder Structure and the Company's Assets and Liabilities Structure

During the reporting period, the Company completed the Non-public Issuance of A Shares. Upon the completion of the issuance, tradable A Shares with sales restrictions of the Company has been increased by 143,189,655 shares. Upon completion of the issuance, the controlling shareholder of the Company remains TMICL and the de facto controller of the Company remains Tianjin SASAC. There is no change in the controlling shareholder and de facto controller of the Company and there will be no material impact on corporate governance. However, the proportion of shares of the Company held by institutional investors has increased and the shareholding structure of the Company has become more reasonable, which is conducive to the further improvement of the corporate governance structure and the healthy and stable development of the Company's business. Upon the issuance, the Company had an increase in its net assets and a corresponding decrease in its gearing ratio, which resulted in an improvement in the quality of the Company's assets, improvement in its debt solvency, enhancement in its financing capabilities and a more reasonable asset structure.

(3) Existing Employee Shares

Not applicable

7. Details of Changes in Shares and Shareholders

III. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(1) Total number of shareholders

Total number of ordinary shareholders as at the end of the reporting period	58,767
Total number of ordinary shareholders as at the end of the previous month before the disclosure date of the annual report	58,618
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the reporting period	Not applicable
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the date on which the annual report shall be disclosed	Not applicable

Note: The total numbers of shareholders above represent the sum of holders of A Shares and H Shares. The total number of ordinary shareholders as at the end of the reporting period is 58,767, among which 64 are holders of H Shares. The total number of ordinary shareholders as at the end of the previous month before the disclosure date of the annual report is 58,618, among which 63 are holders of H Shares.

(2) Shareholdings of the Top Ten Shareholders and the Top Ten Shareholders of Circulating Shares (or Shareholders of Non-Restricted Shares) at the End of the Reporting Period

Unit: Share

Name of shareholder (Full name)	Increase/ decrease during the reporting period (shares)	Shareholdings of the top ten shareholders			Pledged, marked or frozen		
		Number of shares held at the end of the period (shares)	Percentage (%)	Number of restricted shares held (shares)	Status	Number (shares)	Nature of the Shareholder
Tianjin Municipal Investment Company Limited	0	715,565,186	45.57	0	Pledged	145,000,000	State-owned legal person
HKSCC Nominees Limited	-124,000	337,830,810	21.51	0	None	-	Other
Central Huijin Asset Management Ltd.	0	13,868,294	0.88	0	None	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	356,708	13,202,672	0.84	0	None	-	Other
Nuode Fund – Huatai Securities Co., Ltd. – Nuode Fund Pujiang No.120 Single Asset Management Scheme (諾德基金—華泰證券股份有限公司—諾德基金浦江120號單一資產管理計劃)	12,931,034	12,931,034	0.82	12,931,034	None	-	Other
Qingdao Huixin Investment Partnership (Limited Partnership) (青島惠鑫投資合夥企業(有限合夥))	8,620,689	8,620,689	0.55	8,620,689	None	-	State-owned legal person
Jinan Hanxiang investment management partnership (L.P) (濟南瀚祥投資管理合夥企業(有限合夥))	8,620,689	8,620,689	0.55	8,620,689	None	-	State-owned legal person
Caitong Fund – Huatai Securities Co., Ltd. – Caitong Fund Junxiang Yongxi Single Asset Management Scheme (財通基金—華泰證券股份有限公司—財通基金君享永熙單一資產管理計劃)	8,321,951	8,321,951	0.53	8,321,951	None	-	Other
UBS AG	7,603,459	7,603,459	0.48	7,586,206	None	-	Other
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	443,903	7,466,000	0.48	0	None	-	Domestic non-state-owned legal person

III. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER (CONTINUED)

(2) Shareholdings of the Top Ten Shareholders and the Top Ten Shareholders of Circulating Shares (or Shareholders of Non-Restricted Shares) at the End of the Reporting Period (Continued)

Name of shareholder	Shareholdings of the top ten shareholders of non-restricted circulating shares		
	Number of non-restricted circulating shares held	Type	Type and number of shares Numbers
Tianjin Municipal Investment CO., Ltd. (天津市政投資有限公司)	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	337,830,810	Overseas listed Foreign Shares	337,830,810
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	13,868,294	Ordinary RMB Shares	13,868,294
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	13,202,672	Ordinary RMB Shares	13,202,672
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	7,466,000	Ordinary RMB Shares	7,466,000
Li Mingguo (李命國)	2,665,721	Ordinary RMB Shares	2,665,721
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
CITIC Securities Capital Management Co., Ltd. (中信中證資本管理有限公司)	1,463,534	Ordinary RMB Shares	1,463,534
Hu Mingxiao (胡明曉)	1,436,397	Ordinary RMB Shares	1,436,397
Industrial and Commercial Bank of China Limited—China Universal CSI Environmental Governance Index Securities Investment Fund (中國工商銀行股份有限公司—匯添富中證環境治理指數型證券投資基金)(LOF)	1,331,100	Ordinary RMB Shares	1,331,100
Description of the repurchase of special accounts among the top ten shareholders	Not applicable		
Explanation of the above-mentioned shareholders' entrusted voting rights, and waiver of voting rights	Not applicable		
Notes on the connected relationship or parties acting in concert among the above shareholders	<p>Among the abovementioned top ten shareholders, Qingdao Huixin Investment Partnership (Limited Partnership)* (青島惠鑫投資合夥企業(有限合夥)) and Jinan Hanxiang investment management partnership (L.P.)* (濟南瀚祥投資管理合夥企業(有限合夥)) are parties acting in concert.</p> <p>Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. As at the end of reporting period, Ningbo BSLS Trade Co., Ltd.* (寧波百思樂斯貿易有限公司) and its concert parties Ningbo Ningdian Investment Development Co., Ltd.* (寧波寧電投資發展有限公司) and LVNENG Investment & Development Co., Ltd. (Hong Kong)* (綠能投資發展有限公司(香港)) held a total of 156,948,000 H shares of the Company, representing 9.99% of the total share capital of the Company, and none of the shares were pledged.</p> <p>(2) The top ten shareholders are not strategic investors of the Company.</p>		
Description of preferred shareholders with restored voting rights and the number of shares they hold	Not applicable		

7. Details of Changes in Shares and Shareholders

III. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER (CONTINUED)

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

Not applicable

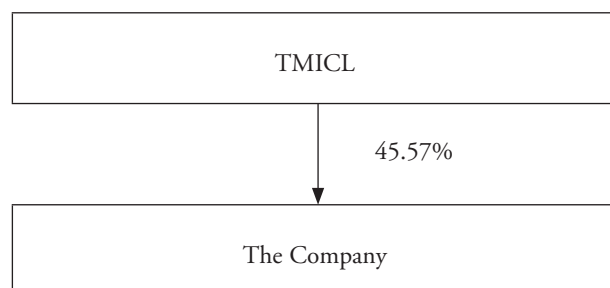
IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(1) Controlling Shareholder

1 Legal person

Name	TMICL
Head of the entity or legal representative	An Pindong
Date of incorporation	20 January 1998
Principal operations	Investment, operation and management of commerce, service industry, real estate industry, city infrastructure, road construction and auxiliary facilities with internal funds; property management; leasing of self-owned housing; corporation management and consultation (for the above business covering the industry license, operating with the license within the validity period; for specific projects and operations, in accordance with the State regulations) (projects subject to approval according to law may be operated upon the approval of relevant departments).
The shareholdings of other domestic and foreign listed companies in which the company has controlling interests and has invested during the reporting period	Nil
Notes on other information	Nil

2 Flowchart on the shareholding interests and relationship of control between the Company and its controlling shareholder



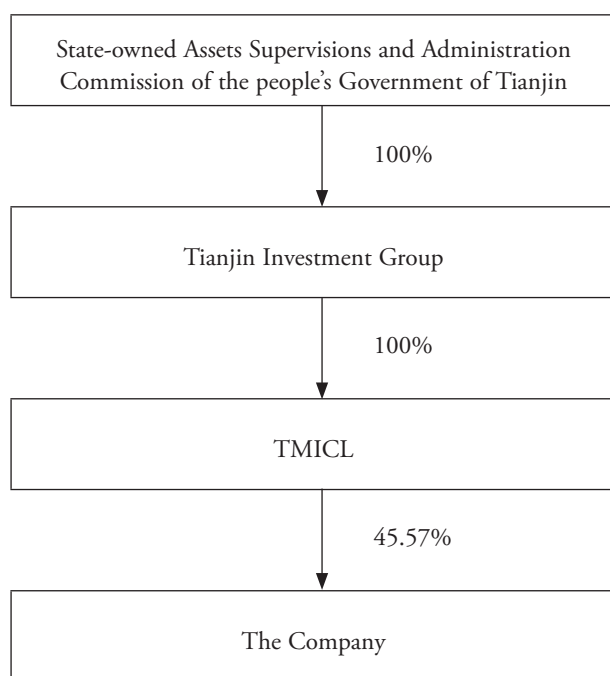
IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER (CONTINUED)

(2) Details of Ultimate Controller

1 Legal Person

Name State-owned Assets Supervision and Administration Commission of the People's Government of Tianjin

2 Details of Ultimate Controller



V. OTHER LEGAL PERSON SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES

As at the end of the reporting period, there were no other legal person shareholders holding more than 10% of the shares of the Company.

VI. DESCRIPTION OF RESTRICTION ON DECREASE OF SHAREHOLDINGS

Not applicable

7. Details of Changes in Shares and Shareholders

VII. SUBSTANTIAL SHAREHOLDERS INTERESTS

- (a) As at 31 December 2022, so far as is known to or can be ascertained after reasonable enquiries by the Directors, Supervisors or chief executive of the Company, the following entities (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage of the relevant class of securities	Approximate percentage of the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	58.16%	45.57%
Ningbo Development Investment Group Limited Company (寧波開發投資集團有限公司)	Interest of controlled corporation	156,432,000 H Shares (L)	46.01%	9.96%
Ningbo Energy Group Co., Ltd. (寧波能源集團股份有限公司)	Interest of controlled corporation	156,432,000 H Shares (L)	46.01%	9.96%
Ningbo Ningdian Investment Development Co., Ltd. (寧波寧電投資發展有限公司)	Beneficial owner	102,012,000 H Shares (L)	30.00%	6.50%
Ningbo BSLS Trade Co., Ltd. (寧波百思樂斯貿易有限公司)	Beneficial owner	44,834,000 H Shares (L)	13.19%	2.85%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.10%

Note: The letter “L” represents the person’s long position in the shares. The letter “S” represents the person’s short position in the shares.

- (b) Save as disclosed above, there is no other person (other than the Directors, Supervisors or chief executive of the Company) so far as is known to the Directors, Supervisors or chief executives of the Company who, as at 31 December 2022, had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had, directly or indirectly, interested in 5% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

8. Relevant Details of Bonds

I. BASIC DETAILS OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code of Bond	Issue Date	Value Date	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place	Investor Suitability Arrangement (If Any)	Trading Mechanism	Risk of Delisting
Public Issue of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited to Professional Investors in 2021 (Phase I)	21 Jinchuang 01* (21津創01)	188867.SH	14 October 2021	18 October 2021	18 October 2026	250,000,000.00	4.85	The current bond adopts simple interest, the frequency of interest payment is annual interest, and the principal will be repaid in one lump sum upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.	SSE	Professional investors	Bidding + Fixed income	No

Interests payment and bonds repayment during the reporting period

Name of Bonds	Description of interest payment and bonds repayment
21 Jinchuang 01*(21津創01)	Interest paid as scheduled

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

Not applicable

2. Intermediaries providing services for bonds issuance and duration products

Name of intermediaries	Office address	Name of Signing		
		Accountant	Contact person	Contact number
CITIC Securities Company Limited (Lead underwriter, Bond trustee)	CITIC Securities Mansion, Chaoyang District, Beijing, the PRC	N/A	Ling Tao, Zhang Xiaohan	010-60837689
Ping An Securities Co., Ltd. (Joint-lead underwriter)	16/F, North Tower, Financial Street Centre, 9 Financial Street, Xicheng District, Beijing, the PRC	N/A	Jia Xuan, Lan Yun	010-56800258
Tianjin J.D.HANDS Law Firm (天津嘉德恒時律師事務所)	Block B, Hesheng Fortune Square, Junction of Xing'an Road and Duolun Road, Heping District, Tianjin, the PRC	N/A	Wu Jiangtao	022-83865255
PricewaterhouseCoopers Zhong Tian LLP	6/F, DBS Bank Tower, 1318 Lu Jia Zui Ring Road, Shanghai Free Trade Zone, PRC	Li Jun, Song Yijing	Song Yijing	021-23238888
China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司)	17th Floor, Building 2, Yard 2, Jianguomenwai Street, Chaoyang District, Beijing, the PRC	N/A	Song Jinling	010-85679696

8. Relevant Details of Bonds

I. BASIC DETAILS OF CORPORATE BONDS (Continued)

3. Use of proceeds as of the end of reporting period

Unit: Yuan Currency: RMB

Name of bond	Total amounts of capital raised	Utilised amounts	Unutilized amounts	Operation of special account for proceeds (if any)	Rectification of violations regarding the use of proceeds (if any)	Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus
21 Jinchuang 01* (21津創01)	250,000,000.00	250,000,000.00	0.00	Normal	No	Yes

Progress and operational benefits of raised funds used for construction projects

Not applicable

Description of the change in use of proceeds of the bond

Not applicable

4. Adjustment of credit rating results

Not applicable

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

Not applicable

6. Other information on corporate bonds

Not applicable

II. NON-FINANCIAL ENTERPRISE DEBTS FINANCING INSTRUMENTS OF THE INTER-BANK BOND MARKET

1. Basic information of non-financial enterprise debt financing instrument

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code of Bond	Issue Date	Value Date	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place	Investor Suitability Arrangement (If Any)	Trading Mechanism	Risk of Delisting
2022 First Tranche Green Medium-term Notes of Tianjin Capital Environmental Protection Group Company Limited	22 Jinchuanghuanbao GN001*(22津創環保GN001)	132280072	26 July 2022, 27 July 2022	28 July 2022	28 July 2025	630,000,000.00	3.94	Interest is payable annually, with the last installment paid together with the principal	Interbank Bond Markets	None	None	No

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

Not applicable

Overdue debts

Not applicable

Interests payment and bonds repayment during the reporting period

Not applicable

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

Not applicable

8. Relevant Details of Bonds

II. NON-FINANCIAL ENTERPRISE DEBTS FINANCING INSTRUMENTS OF THE INTER-BANK BOND MARKET (Continued)

3. Intermediaries providing services for bonds issuance and duration products

Name of intermediaries	Office address	Name of Signing		
		Accountant	Contact person	Contact number
Agricultural Bank of China Limited (Main Underwriter)	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC	N/A	Qiao Yu	010-85109041
China Construction Bank Corporation (Joint Main Underwriter)	Chang'an Xingrong Center, Downtown Xicheng District, Beijing, the PRC (No. 1 Naoshikou Street, Xicheng District, Beijing Courtyard Building 1)	N/A	Cui Tong	022-58751897

Changes in the above intermediaries

Not applicable

4. Use of proceeds as of the end of reporting period

Unit: Yuan Currency: RMB

Name of bond	Total amounts of capital raised	Utilised amounts	Unutilized amounts	Operation of special account for proceeds (if any)	Rectification of violations regarding the use of proceeds (if any)	Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus
22 Jinchuanghuanbao GN001*(22津創環保GN001)	630,000,000.00	608,766,000.00	21,234,000.00	Normal	No	Yes

Progress and operational benefits of raised funds used for construction projects

Not applicable

Description of the change in use of proceeds of the bond

Not applicable

II. NON-FINANCIAL ENTERPRISE DEBTS FINANCING INSTRUMENTS OF THE INTER-BANK BOND MARKET (Continued)

4. Use of proceeds as of the end of reporting period (Continued)

Other explanations

Not applicable

5. Adjustment of credit rating results

Not applicable

Other explanations

Not applicable

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

Not applicable

7. Other information on non-financial enterprise debt financing instrument

Not applicable

8. Relevant Details of Bonds

III. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PREVIOUS TWO YEARS AS OF THE END OF REPORTING PERIOD

Unit: 0'000 Currency: RMB

Major indicators	2022	2021	Increase/decrease for the current period as compared to the same period last year (%)	Reasons
Net profit after deduction of non-recurring profit or loss	66,366.20	61,359.80	8.16	Mainly due to the increase in net profit
Current ratio	1.90	1.51	26.06	Significant increase in monetary funds as compared to the same period last year
Quick ratio	1.89	1.50	26.02	Significant increase in monetary funds as compared to the same period last year
Gearing ratio (%)	58.63	61.53	-2.90	Increase in share capital due to the completion of Non-public issuance during the current year
Debt to EBITDA ratio	0.21	0.21	0	Not applicable
Interest protection multiples	3.40	3.64	-6.46	Increase in interest-bearing liabilities for the current year
Cash interest protection multiples	2.96	3.11	-4.82	Increase in operating cash for the current year as compared to the previous period
EBITDA interest protection multiples	4.88	5.49	-11.11	Increase in interest-bearing liabilities for the current year
Debt service ratio (%)	100	100	0.00	Not applicable
Interest coverage rate (%)	100	100	0.00	Not applicable

9. Financial Report

For details, please refer to the Company's accounting statements and audit report for the year 2022.

10. Auditor's Report

Auditor's Report

PwC ZT Shen Zi (2023) No. 10031

(Page 1 of 7)

To the Shareholders of Tianjin Capital Environmental Protection Group Company Limited,

OPINION

What we have audited

We have audited the accompanying financial statements of Tianjin Capital Environmental Protection Group Company Limited (hereinafter the "Capital Environmental Protection"), which comprise:

- the consolidated and company balance sheets as at 31 December 2022;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Capital Environmental Protection as at 31 December 2022, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Capital Environmental Protection in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

PwC ZT Shen Zi (2023) No. 10031

(Page 2 of 7)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill
- Assessment of expected credit losses for accounts receivable and long-term receivables

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Impairment assessment of goodwill

Refer to Note 2(17), Note 2(27) and Note 4(15) "Goodwill" to the financial statements.

As at 31 December 2022, the original book value, provision for impairment and net book value of goodwill as recognized in the consolidated financial statements of Capital Environmental Protection amounted to approximately RMB505 million, RMB185 million and RMB320 million, respectively.

Due to the significant impact of goodwill on the financial statements, Capital Environmental Protection's management has conducted impairment assessment on goodwill at each balance sheet date. When performing the impairment assessment, management compares the recoverable amounts of each of the cash-generating units ("CGUs") which the goodwill were allocated to their respective carrying amounts (including the related goodwill) as at 31 December 2022. The recoverable amounts of CGUs have been determined based on the higher of their value-in-use ("VIU") and their fair value less costs of disposal.

Management has engaged an independent qualified valuer to assist in the impairment assessment of goodwill. In determining the VIU of the relevant CGUs, the key assumptions as adopted included the estimated growth rates of revenue, terminal growth rate, gross profit margin, and pre-tax discount rate.

Considering the estimates on goodwill impairment are subject to high degree of estimation uncertainty and the key assumptions and estimates as adopted involved management's subjective judgement, the inherent risk in relation to the impairment assessment of goodwill is considered as significant. Also, the impairment loss of goodwill as recognised by management in 2022 is material and hence we focused on this area in our audit. Therefore, we have identified impairment assessment of goodwill as a key audit matter.

How our audit addressed the Key Audit Matter

We performed the following procedures to address the key audit matter:

- (1) Understood, evaluated and validated the Capital Environmental Protection's internal controls over the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- (2) Compared the management's forecasts used in prior years' assessments with the actual financial performance of the relevant CGUs to evaluate the reliability of the cash flow forecasts as prepared by management for the impairment assessment of goodwill;
- (3) Evaluated the appropriateness of management's identification of CGUs to which the goodwill were allocated;
- (4) Evaluated the capabilities, competence and independence of the external valuer engaged by management;
- (5) Discussed with management and the external valuer and evaluated the appropriateness of the methodology and the reasonableness of the key assumptions used by them in the impairment assessment of goodwill, including the estimated growth rates of revenue, terminal growth rate, gross profit margin and pre-tax discount rate. Compared the key assumptions as adopted in the assessment (the estimated growth rate of revenue and gross profit margin) with the historical actual data, management's approved budgets and the relevant data of comparable companies in the industry. With the involvement of our internal valuation experts, evaluated the methodology as applied and assessed the reasonableness of the key assumptions as adopted in the assessment (terminal growth rate and pre-tax discount rate) by reference to market data;
- (6) Evaluated the reasonableness of the management's sensitivity analysis on the key assumptions adopted in the discounted cash flow forecast, to assess the impact of reasonably possible changes on the recoverable amounts;
- (7) Checked the mathematical accuracy of the calculations in the impairment assessment of goodwill;
- (8) Understood and evaluated the appropriateness of the disclosure made by management in the financial statements in relation to impairment assessment of goodwill.

Based on the above, we considered that the significant estimates and judgments made by management in relation to the impairment assessment of goodwill were supportable by the evidence obtained and procedures performed.

KEY AUDIT MATTERS (Continued)**Key Audit Matter** (Continued)**Assessment of expected credit losses for accounts receivable and long-term receivables**

Refer to Note 2(9), Note 2(27), Note 4(3) and Note 4(8) "Accounts receivable" to the financial statements.

As at 31 December 2022, Capital Environmental Protection's accounts receivable amounted to approximately RMB2,960 million, and a loss allowance of approximately RMB215 million was recognised. Capital Environmental Protection's long-term receivables (including the current portion) amounted to approximately RMB4,724 million, and a loss allowance of approximately RMB51 million was recognised (accounts receivable and long-term receivables are hereafter collectively referred to as "Receivables"). The Receivables represented 32.30% of the consolidated total assets.

The balance of provision for loss allowance of the Receivables represented the management's best estimates on the expected credit losses ("ECL") for the Receivable as of the balance sheet date.

Management assessed the ECL on an individual basis for Receivables with material amount and obviously low credit risk, as well as Receivables with credit risk significantly increased since initial recognition or with credit loss allowance were being recognized. The remaining Receivables were grouped into different groupings based on their shared credit risk characteristics and aging for determining the related ECL. In determining the ECL, significant management's judgement are involved in the selection of calculation model and the data inputs for ECL calculations (after considering the historical aging profile of the Receivables, existing market conditions and macroeconomic factors for forward-looking adjustments).

Considering the estimates on ECL for Receivables are subject to high degree of estimation uncertainty and the key assumptions and estimates as adopted involved management's subjective judgement, the inherent risk in relation to the assessment of ECL for Receivables is considered as significant. Also, the balance of the Receivables is material and hence we focused on this area in our audit. Therefore, we have identified assessment of ECL for Receivables as a key audit matter.

How our audit addressed the Key Audit Matter (Continued)

We performed the following procedures to address the key audit matter:

- (1) Understood, evaluated and validated the Capital Environmental Protection's key internal control and process over the assessment of ECL for Receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- (2) Evaluated the outcome of prior period assessment of ECL for receivables to assess the effectiveness of management's estimation process;
- (3) Evaluated the appropriateness of the methodology and model as adopted by management for the calculation of ECL by considering the business nature and characteristics of customers;
- (4) Evaluated the reasonableness of management's assessment of ECL, including the categorization of customers for individual assessment or grouping for collective assessment, and checked the accuracy of the categorization the Receivables on a sample basis. Also checked, on a sample basis, the accuracy of the aging analysis of the Receivables as prepared by management. Compared with the public China macroeconomic data as obtained from our research to evaluate the reasonableness of the forward-looking adjustments as made by management in determining the ECL of the Receivables;
- (5) Checked the mathematical accuracy of the calculation of ECL for the Receivables.

Based on the above, we considered that the significant judgments and estimates made by management in relation to the ECL assessment of receivables were supportable by the evidence obtained and procedures performed.

10. Auditor's Report

PwC ZT Shen Zi (2023) No. 10031

(Page 5 of 7)

OTHER INFORMATION

Management of Capital Environmental Protection is responsible for the other information. The other information comprises all of the information included in 2022 annual report of Capital Environmental Protection other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Capital Environmental Protection is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Capital Environmental Protection's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Capital Environmental Protection or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Capital Environmental Protection's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Capital Environmental Protection's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Capital Environmental Protection to cease to continue as a going concern.

10. Auditor's Report

PwC ZT Shen Zi (2023) No. 10031

(Page 7 of 7)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Capital Environmental Protection to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

Signing CPA Du Kai
(Engagement Partner)

27 March 2023

Signing CPA Liu Lili

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Consolidated and Company Balance Sheets

As at 31 December 2022

(All amounts in RMB thousand unless otherwise stated)

ASSETS	Note	31 December 2022 Consolidated	31 December 2021 Consolidated	31 December 2022 Company	31 December 2021 Company
Current assets					
Cash at bank and on hand	4(1)	3,252,060	2,139,487	2,280,271	984,835
Notes receivable	4(2)	7,535	8,123	–	–
Accounts receivable	4(3), 14(1)	2,745,022	2,325,550	1,168,255	1,289,179
Advances to suppliers	4(4)	35,223	20,834	11,501	2,303
Other receivables	4(5), 14(2)	16,212	29,293	25,533	61,741
Inventories	4(6)	31,144	21,828	9,215	6,659
Current portion of non-current assets	4(8)	197,367	241,114	26,133	23,001
Other current assets	4(7)	64,321	50,896	268,561	213,037
Total current assets		6,348,884	4,837,125	3,789,469	2,580,755
Non-current assets					
Long-term receivables	4(8)	4,475,777	3,811,904	2,563,108	1,949,531
Long-term equity investments	4(9), 14(3)	193,108	195,000	5,077,604	5,036,959
Investments in other equity instruments	4(10)	2,000	2,000	2,000	2,000
Fixed assets	4(11)	911,347	973,273	118,406	133,094
Construction in progress	4(12)	151,957	29,660	8,559	3,728
Right-of-use assets	4(13)	8,247	9,021	7,523	9,021
Intangible assets	4(14)	10,130,264	10,331,691	3,482,915	3,692,720
Goodwill	4(15)	319,813	405,461	–	–
Deferred tax assets	4(16)	7,398	19,268	11,419	49,750
Other non-current assets	4(17)	420,879	450,889	261,404	5,020
Total non-current assets		16,620,790	16,228,167	11,532,938	10,881,823
TOTAL ASSETS		22,969,674	21,065,292	15,322,407	13,462,578

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Consolidated and Company Balance Sheets

As at 31 December 2022
(All amounts in RMB thousand unless otherwise stated)

		31 December 2022	31 December 2021	31 December 2022	31 December 2021
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Consolidated	Consolidated	Company	Company
Current liabilities					
Short-term borrowings	4(19)	1,001	145,852	–	112,819
Accounts payable	4(20)	511,159	429,522	88,437	95,365
Contract liabilities	4(21)	513,471	567,682	74	4,950
Employee benefits payable	4(22)	93,046	104,568	36,940	50,324
Taxes payable	4(23)	54,064	47,291	716	860
Other payables	4(24)	897,121	958,718	732,098	236,710
Current portion of non-current liabilities	4(25)	1,276,471	957,139	971,891	666,242
Other current liabilities		490	–	–	–
Total current liabilities		3,346,823	3,210,772	1,830,156	1,167,270
Non-current liabilities					
Long-term borrowings	4(26)	7,097,305	7,197,167	3,619,226	3,808,872
Debentures payable	4(27)	878,373	250,000	878,373	250,000
Lease liabilities	4(28)	4,443	6,230	4,005	6,230
Long-term payables	4(29)	168,703	196,256	168,703	193,856
Provisions	4(30)	–	15,212	–	11,665
Deferred income	4(31)	1,855,645	1,933,891	1,389,353	1,457,045
Deferred tax liabilities	4(16)	86,089	119,694	–	84,016
Other non-current liabilities	4(32)	30,000	32,000	470,000	580,000
Total non-current liabilities		10,120,558	9,750,450	6,529,660	6,391,684
Total liabilities		13,467,381	12,961,222	8,359,816	7,558,954
Shareholders' equity					
Share capital	4(33)	1,570,418	1,427,228	1,570,418	1,427,228
Capital surplus	4(34), 14(4)	1,111,156	437,949	1,061,780	388,158
Surplus reserve	4(35)	722,389	677,336	722,389	677,336
Undistributed profits	4(36), 14(5)	5,075,510	4,577,685	3,608,004	3,410,902
Total equity attributable to shareholders of the Company		8,479,473	7,120,198	6,962,591	5,903,624
Minority interests		1,022,820	983,872	–	–
Total shareholders' equity		9,502,293	8,104,070	6,962,591	5,903,624
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,969,674	21,065,292	15,322,407	13,462,578

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

Ji GuangLin
Legal representative:

Nie Yanhong
Principal in charge of accounting:

Liu Tao
Head of accounting department:

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Consolidated and Company Income Statements

For the year ended 31 December 2022
(All amounts in RMB thousand unless otherwise stated)

	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
Revenue	4(37), 14(6)	4,522,167	4,535,579	1,585,826	1,605,789
Less: Cost of sales	4(37), 14(6)	(2,986,038)	(3,188,296)	(917,460)	(952,044)
Taxes and surcharges	4(38)	(45,545)	(44,698)	(15,999)	(19,784)
Selling expenses	4(39)	(14,545)	(11,835)	–	–
General and administrative expenses	4(40)	(220,937)	(224,833)	(96,019)	(107,254)
Research and development expenses	4(41)	(43,539)	(18,345)	(23,271)	(1,303)
Financial expenses – net	4(42)	(180,450)	(116,692)	(191,320)	(149,058)
Including: Interest expenses		(403,067)	(339,417)	(259,485)	(234,869)
Interest income		211,941	193,656	57,236	55,917
Add: Other income	4(44)	105,471	113,826	68,660	78,696
Investment (losses)/income	14(7)	(3,601)	–	222,502	363,600
Including: Share of losses of investments in associates		(1,892)	–	(1,892)	–
(Provision for)/reversal of credit impairment losses	4(45)	(54,010)	4,144	(48,745)	3,829
Less: Asset impairment losses	4(46)	(106,454)	(151,819)	(102,979)	(163,329)
(Losses)/gains on disposals of assets	4(47)	(2,558)	(22)	162	–
Operating profit		969,961	897,009	481,357	659,142
Add: Non-operating income	4(48)	1,657	1,173	–	517
Less: Non-operating expenses	4(49)	(2,320)	(2,123)	(801)	(303)
Total profit		969,298	896,059	480,556	659,356
Less: Income tax expenses	4(50)	(156,693)	(177,049)	(30,025)	(76,543)
Net profit		812,605	719,010	450,531	582,813
Classified by continuity of operations					
Net profit from continuing operations		812,605	719,010	450,531	582,813
Net profit from discontinued operations		–	–	–	–
Classified by ownership of the equity					
Attributable to shareholders of the Company		751,254	693,189	450,531	582,813
Minority interests		61,351	25,821	–	–
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income		812,605	719,010	450,531	582,813
Attributable to shareholders of the Company		751,254	693,189	450,531	582,813
Attributable to minority interests		61,351	25,821	–	–
Earnings per share					
Basic earnings per share (in RMB Yuan)	4(51)	0.51	0.49	–	–
Diluted earnings per share (in RMB Yuan)	4(51)	0.51	0.49	–	–

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

Ji GuangLin
Legal representative:

Nie Yanhong
Principal in charge of accounting:

Liu Tao
Head of accounting department:

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Consolidated and Company Cash Flow Statements

For the year ended 31 December 2022
(All amounts in RMB thousand unless otherwise stated)

	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		3,640,899	3,765,136	1,112,430	1,190,942
Refund of taxes and surcharges		21,401	21,236	9,371	11,114
Cash received relating to other operating activities	4(52)(c)	52,126	141,625	790,584	78,151
Sub-total of cash inflows		3,714,426	3,927,997	1,912,385	1,280,207
Cash paid for goods and services		(2,017,993)	(2,215,423)	(713,781)	(634,552)
Cash paid to and on behalf of employees		(473,923)	(434,666)	(166,066)	(154,054)
Payments of taxes and surcharges		(256,603)	(261,964)	(105,723)	(119,325)
Cash paid relating to other operating activities	4(52)(d)	(53,856)	(79,136)	(248,741)	(29,122)
Sub-total of cash outflows		(2,802,375)	(2,991,189)	(1,234,311)	(937,053)
Net cash flows from operating activities	4(52)(a)	912,051	936,808	678,074	343,154
Cash flows used in investing activities					
Cash received from returns on investments		–	–	257,104	326,890
Cash received from subsidiaries		–	–	294,243	532,496
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	4(52)(e)	365	4,214	182	312
Withdrawal of restricted bank deposits		40,529	760	5,228	–
Sub-total of cash inflows		40,894	4,974	556,757	859,698
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(666,863)	(838,669)	(100,592)	(72,757)
Net cash paid to acquire equity interests of subsidiaries and associates	4(52)(f)	–	(673,024)	(142,590)	(973,583)
Payment of restricted bank deposits		(58,724)	(40,702)	–	(5,077)
Cash paid to subsidiaries		–	–	(548,560)	(336,043)
Sub-total of cash outflows		(725,587)	(1,552,395)	(791,742)	(1,387,460)
Net cash flows used in investing activities		(684,693)	(1,547,421)	(234,985)	(527,762)

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Consolidated and Company Cash Flow Statements

For the year ended 31 December 2022
(All amounts in RMB thousand unless otherwise stated)

	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
Cash flows from financing activities					
Cash received from capital contributions		816,702	2,698	813,890	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		2,812	2,698	–	–
Cash received from borrowings		1,959,198	5,815,026	1,306,556	4,617,379
Cash received from issuance of debentures		630,000	250,000	630,000	250,000
Sub-total of cash inflows		3,405,900	6,067,724	2,750,446	4,867,379
Cash repayments of borrowings		(1,895,194)	(4,453,149)	(1,420,014)	(3,894,503)
Cash payments for interest expenses		(372,018)	(359,070)	(231,610)	(255,196)
Cash payments for distribution of dividends or profits		(233,235)	(203,993)	(208,360)	(171,425)
Including: Dividends or profits paid to minority shareholders by subsidiaries		(24,874)	(32,584)	–	–
Cash paid relating to other financing activities		(38,023)	–	(37,886)	–
Sub-total of cash outflows		(2,538,470)	(5,016,212)	(1,897,870)	(4,321,124)
Net cash flows from financing activities		867,430	1,051,512	852,576	546,255
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–
Net increase in cash and cash equivalents		1,094,788	440,899	1,295,665	361,647
Add: Cash and cash equivalents at the beginning of the year		2,093,556	1,652,657	979,607	617,960
Cash and cash equivalents at the end of the year	4(52)(b)	3,188,344	2,093,556	2,275,272	979,607

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

Ji GuangLin
Legal representative:

Nie Yanhong
Principal in charge of accounting:

Liu Tao
Head of accounting department:

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022
(All amounts in RMB thousand unless otherwise stated)

	Note	Attributable to shareholders of the Company				Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Balance at 31 December 2020		1,427,228	431,024	619,054	4,114,045	990,292	7,581,643
Movements for the year ended 31 December 2021							
Total comprehensive income							
Net profit		–	–	–	693,189	25,821	719,010
Capital contribution by shareholders							
Capital increase by shareholders		–	–	–	–	2,698	2,698
Amount recorded in shareholders' equity arising from share-based payment arrangements		–	6,925	–	–	445	7,370
Profit distribution							
Appropriation to surplus reserve	4(35)	–	–	58,282	(58,282)	–	–
Profit distribution to shareholders	4(36)	–	–	–	(171,267)	(35,384)	(206,651)
Balance at 31 December 2021		<u>1,427,228</u>	<u>437,949</u>	<u>677,336</u>	<u>4,577,685</u>	<u>983,872</u>	<u>8,104,070</u>
Balance at 1 January 2022		1,427,228	437,949	677,336	4,577,685	983,872	8,104,070
Movements for the year ended 31 December 2022							
Total comprehensive income							
Net profit		–	–	–	751,254	61,351	812,605
Capital contribution by shareholders							
Capital increase by shareholders		143,190	667,567	–	–	2,812	813,569
Amount recorded in shareholders' equity arising from share-based payment arrangements		–	5,640	–	–	415	6,055
Profit distribution							
Appropriation to surplus reserve	4(35)	–	–	45,053	(45,053)	–	–
Profit distribution to shareholders	4(36)	–	–	–	(208,376)	(25,630)	(234,006)
Balance at 31 December 2022		<u>1,570,418</u>	<u>1,111,156</u>	<u>722,389</u>	<u>5,075,510</u>	<u>1,022,820</u>	<u>9,502,293</u>

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

Ji GuangLin
Legal representative:

Nie Yanhong
Principal in charge of accounting:

Liu Tao
Head of accounting department:

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022
(All amounts in RMB thousand unless otherwise stated)

	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2020	1,427,228	380,788	619,054	3,057,638	5,484,708
Movements for the year ended 31 December 2021					
Total comprehensive income					
Net profit	–	–	–	582,813	582,813
Capital contribution by shareholders					
Amount recorded in shareholders' equity arising from share-based payment arrangements	–	7,370	–	–	7,370
Profit distribution					
Appropriation to surplus reserve	–	–	58,282	(58,282)	–
Profit distribution to shareholders	–	–	–	(171,267)	(171,267)
Balance at 31 December 2021	<u>1,427,228</u>	<u>388,158</u>	<u>677,336</u>	<u>3,410,902</u>	<u>5,903,624</u>
Balance at 31 December 2021	1,427,228	388,158	677,336	3,410,902	5,903,624
Movements for the year ended 31 December 2022					
Total comprehensive income					
Net profit	–	–	–	450,531	450,531
Capital contribution by shareholders					
Capital increase by shareholders	143,190	667,567	–	–	810,757
Amount recorded in shareholders' equity arising from share-based payment arrangements	–	6,055	–	–	6,055
Profit distribution					
Appropriation to surplus reserve	–	–	45,053	(45,053)	–
Profit distribution to shareholders	–	–	–	(208,376)	(208,376)
Balance at 31 December 2022	<u>1,570,418</u>	<u>1,061,780</u>	<u>722,389</u>	<u>3,608,004</u>	<u>6,962,591</u>

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

Ji GuangLin
Legal representative:

Nie Yanhong
Principal in charge of accounting:

Liu Tao
Head of accounting department:

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

1 GENERAL INFORMATION

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was formerly Tianjin Bohai Chemical Industry (Group) Company Limited (“Bohai Chemical Industry”). Bohai Chemical Industry was established on 8 June 1993 in Tianjin, the People’s Republic of China (the “PRC”). Shares (“H Shares”) were issued to foreign investors, listed in the Stock Exchange of Hong Kong Ltd. in May 1994; then listed in the Shanghai Stock Exchange (“A Shares”) in June 1995. Due to significant losses, Bohai Chemical Industry completed the major equity and assets reorganisation, and became Tianjin Capital Environmental Protection Group Company Limited at the end of 2000. As at 31 December 2022, the total share capital of the Company was RMB1.57 billion with a par value of RMB1 per share.

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

1 GENERAL INFORMATION (Continued)

(1) Sewage treatment

In accordance with the concession agreements signed with the relevant institutions affiliated to the governments of many places in China (“Service Concession Right Agreements”), the Group engages in processing of sewage water through the following listed sewage treatment plants, obtaining the revenue of the processing of sewage at the agreed price. According to the changes in the factors affecting the cost of water price, the unit price of sewage treatment service will be adjusted periodically based on the contract, as shown below:

Location	Agreement date	Authorised by
Guiyang, Guizhou	16 September 2004	Guiyang City Administration Bureau
Baoying, Jiangsu	13 June 2005	Baoying Construction Bureau
Chibi, Hubei	15 July 2005	Chibi Construction Bureau
Fuyang, Anhui	18 December 2005	Fuyang Construction Committee
Qujing, Yunnan	25 December 2005	Qujing Housing and Urban-Rural Construction Bureau
Honghu, Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou, Zhejiang	20 November 2006	Hangzhou City Water Facilities and River Protection Management Center
Jinghai District, Tianjin	12 September 2007	Management Committee of Tianjin Tianyu Science Technology Park
Wendeng District, Weihai, Shandong	19 December 2007	Weihai Wendeng Construction Bureau
Xi'an, Shaanxi	18 March 2008	Xi'an Municipal Infrastructure Construction Investment Group Corporation, Ltd.
Anguo, Hebei	28 September 2008	The People's Government of Anguo City
Xianning, Hubei	16 October 2008	Xianning Construction Committee
Yingdong District, Fuyang, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Ninghe District, Tianjin	21 September 2010	Management Committee of Modern Industrial Zone of Ninghe
Qujing, Yunnan	16 August 2011	Qujing Housing and Urban-Rural Construction Bureau
Chaohu, Anhui	25 August 2011	Chaohu Hanshan Housing and Urban-Rural Construction Bureau
Jinnan District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Xiqing District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Dongli District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Beichen District, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Yingshang County, Fuyang, Anhui	16 June 2016	Fuyang Yingshang Housing and Urban-Rural Construction Bureau
Karamay, Xinjiang	4 November 2016	Karamay Construction Bureau
Linxia, Gansu	13 May 2017	Linxia Housing and Urban-Rural Construction Bureau
Ningxiang, Hunan	5 June 2017	Administrative Committee of Ningxiang Economic & Technological Development Zone
Hefei, Anhui	16 June 2017	Hefei Urban-Rural Construction Committee
Dalian, Liaoning	1 November 2017	Dalian Urban Construction Bureau
Bayannur, Inner Mongolia	12 December 2017	Bayannur Water Bureau and Bayannur Hetao Water Affair Group Co., Ltd.
Ningxiang, Hunan	27 April 2018	Administrative Committee of Ningxiang Economic & Technological Development Zone
Honghu, Hubei	9 June 2018	Honghu Housing and Urban-Rural Construction Bureau

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

1 GENERAL INFORMATION (Continued)

(1) Sewage treatment (Continued)

Location	Agreement date	Authorised by
Shibing County, Qiandongnan, Guizhou	12 July 2018	Shibing Water Bureau
Hefei, Anhui	28 November 2018	Hefei Urban-Rural Construction Committee
Deqing County, Huzhou, Zhejiang	21 November 2018	Deqing Qianyuan Municipal Government
Jieshou, Anhui	2 March 2019	Jieshou Housing and Urban-Rural Construction Committee
Gaocheng District, Shijiazhuang, Hebei	2 April 2019	Management Committee of Shijiazhuang Gaocheng Economic and Technological Development Zone
Jiuquan, Gansu	22 June 2019	Jiuquan Suzhou District People's Government
Yingdong District, Fuyang, Anhui	26 August 2019	Fuyang Urban-Rural Construction Bureau
Huoqiu County, Lu'an, Anhui	2 January 2020	Lu'an Huoqiu Housing and Urban-Rural Construction Bureau
Huize County, Qujing, Yunnan	24 February 2020	Qujing Huize Housing and Urban-Rural Construction Bureau
Honghu, Hubei	18 March 2021	Honghu Housing and Urban-Rural Construction Bureau
Xiqing District, Tianjin	12 May 2021	Tianjin Xiqing District Water Affairs Center

(2) Tap water supply

Pursuant to Service Concession Right Agreements, tap water supply service of the Group was initially at the pre-determined price. According to the changes in the factors affecting the cost of water price, the unit price of tap water supply service will be adjusted periodically based on the contract, as shown below:

Location	Agreement date	Authorised by
Bayannur, Inner Mongolia	12 December 2017	Bayannur Water Bureau and Bayannur Hetao Water Affair Group Co., Ltd.
Hanshou County, Changde, Hunan	11 March 2019	Changde Hanshou Water Bureau
Qujing, Yunnan	25 December 2005	Qujing Sewage Company

(3) Recycled water business

The Group's recycled water business mainly includes developing, constructing, and operating of recycled water projects, production and sales of recycled water, as well as provision of related research, development and technical consultation services of recycled water treatment process and equipment.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

1 GENERAL INFORMATION (Continued)

(4) Heating and cooling supply services

Pursuant to Service Concession Right Agreements, the Group provides the following areas with the heating and cooling supply services, including design, construction, operations and transfer of centralised heating and cooling infrastructures, and provision of heating and cooling services:

Location	Agreement date	Authorised by
Xiqing District, Tianjin	16 June 2016	Tianjin Urban-Rural Construction Commission
Binhai New Area, Tianjin	11 July 2017	Tianjin Urban-Rural Construction Commission and The People's government of Tianjin Binhai New Area
Hexi District, Tianjin	16 June 2016	Tianjin Urban-Rural Construction Commission
Hexi District, Tianjin	16 March 2011	Tianjin Urban-Rural Construction and Transportation Commission
Hexi District, Tianjin	31 December 2021	Tianjin Xiqing District Housing and Construction Committee and Tianjin Xiqing District Urban Management Committee

(5) Hazardous waste treatment

Hazardous treatment includes hazardous and general solid waste treatment. Currently, the Group conducts the disposal by way of incineration, landfill, physicochemical and curing treatment. Adoption of treatment method tailored to the local conditions helps to realise the aim of harmless treatment, conversion to resource and waste reduction.

Subsidiaries included in the scope of the consolidated financial statements of the Company for the year ended 31 December 2022 are detailed in Note 5.

These financial statements were authorised for issue by the Company's Board of Directors on 27 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the specific accounting policies and accounting estimates based on the characteristics of production and operation, which are mainly reflected in the measurement of expected credit losses ("ECL") on receivables and contract assets (Note 2(9)), depreciation of fixed assets, amortisation of intangible assets and right-of-use assets (Note 2(12), (15), and (24)), impairment of intangible assets and goodwill (Note 2(17)), the timing of revenue recognition (Note 2(21)), and deferred tax assets and deferred tax liabilities (Note 2(23)).

Key judgements, critical accounting estimates and key assumptions adopted by the Group in determining material accounting policies are detailed in Note 2(27).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the year ended 31 December 2022 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company’s financial position of the Company as at 31 December 2022 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company’s accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company’s recording currency is Renminbi (RMB). The recording currency of the Company’s each of subsidiaries is determined based on the primary economic environment in which the subsidiary operates, and except the recording currency of Tianjin Capital Environmental Protection (Hong Kong) Limited is HKD, the remaining subsidiaries’ recording currency is RMB. The financial statements are presented in RMB.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(5) Business combinations involving entities not under common control

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

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of 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, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted to align with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(6) Preparation of consolidated financial statements (Continued)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of owners' equity of subsidiaries as at the balance sheet date, net profit/loss and comprehensive income of subsidiaries for the period then ended not attributable to the Company are recognised as minority interests, net profit or loss attributable to minority interests and total comprehensive income attributable to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income, respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction in the financial statements at the Group level is inconsistent with that at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Foreign currency translation

(a) Foreign currency transactions

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

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from foreign currency translations are recognised in profit or loss for the current period. 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.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) *Financial assets*

(i) Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable arising from sales of products or rendering of services (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Measured at amortised cost

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables and long-term receivables. Long-term receivables that are due within one year (inclusive) as from the balance sheet date are presented as current portion of non-current asset.

Equity instruments

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) *Financial assets* (Continued)

(ii) Impairment

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

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected.

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

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

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

The Group assessed the ECL on an individual basis for a single financial asset with huge amount and significant lower credit risk, as well as financial assets whose credit risk had significantly increased since initial recognition or whose credit impairment was recognised.

In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of grouping and the method of provision are as follows:

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) *Financial assets* (Continued)

(ii) Impairment (Continued)

For accounts receivable, and notes receivable and long-term receivables arising from the sales of goods and rendering of services in the ordinary course of operating activities which are categorised into different groups for collective assessment, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rates.

For other receivables which are categorised into different groups, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

The Group recognises the provision or reversal for losses in profit or loss for the current period.

(iii) Derecognition

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

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

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(10) Inventories

(a) *Classification*

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

(b) *Costing of inventories*

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

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

(d) *Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories*

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Long-term equity investments

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

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

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

(a) *Determination of investment cost*

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

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

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

(d) *Impairment of long-term equity investments*

The carrying amount of long-term equity investments in subsidiaries is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

The estimated useful 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 constructions	10 to 50 years	0% to 5%	1.9% to 10%
Machinery and equipment	10 to 20 years	0% to 5%	4.8% to 10%
Motor vehicles and others	5 to 10 years	0% to 5%	9.5% to 20%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(12) Fixed assets (Continued)

(c) The carrying amount of the fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

(d) Disposals of fixed assets

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

(13) Construction in progress

Construction in progress is measured at actual cost as incurred. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for its intended use. Construction in progress is transferred to fixed assets when the asset is ready for its intended use, and depreciation is charged starting from the month following the transfer. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Borrowing costs

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(15) Intangible assets

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

(a) Concession rights

As described in Note 1(1), (2) and (4), the Group is engaged in the development, financing, operating and maintenance of facilities for public service (the “Concession services”) by the government or its authorised institution over a specified period (the “Concession services period”). The Group is reimbursed for the Concession services related to the operation and franchising of the facility on behalf of the government in accordance with the terms of the Concession services’ agreements and hand over the facilities to the government or its authorised institution at the end of the Concession service period.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Intangible assets (Continued)

(a) *Concession rights* (Continued)

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

(b) *Land use rights*

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Intangible assets (Continued)

(c) *Technical know-how and software*

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

(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 and its useful life and amortisation method are adjusted as appropriate.

(e) *Research and development*

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure for the planned investigation, evaluation and selection phases for the study of the production process is expenditure for the research phase, which is recognised in profit or loss in the period in which it is incurred. Prior to mass production, expenditure in the relevant design and testing phases for the final application of the environmental protection equipment production process is expenditure on the development phase. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- The development of the environmental protection equipment production process has been fully demonstrated by the technical team;
- Management has approved the budget for environmental protection equipment production process development;

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Intangible assets (Continued)

(e) *Research and development* (Continued)

- Research and analysis of previous market survey indicate that the products produced by the environmental protection equipment production process have marketing capabilities;
- Adequate technical and financial support for the development of the environmental protection equipment production process and subsequent mass production; and
- Expenditure on environmental protection equipment production process development can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) *Impairment of intangible assets*

The carrying amount of the intangible asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Non-monetary asset exchange

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

(17) Impairment of long-term assets

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Impairment of long-term assets (Continued)

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

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(18) Employee benefits (Continued)

(b) *Post-employment benefits*

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

Basic pensions

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

(19) Dividends distribution

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Provisions

Provisions for the recovery of concession assets 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 determining 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 carrying amount of the provision arising from passage of time is recognised as interest expense.

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

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

(21) Revenue recognition

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

(a) *Revenue from processing of sewage water and heating and cooling supply services*

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Revenue recognition (Continued)

(b) Revenue from construction of the concession project assets

Revenue from the construction services under the Service Concession Right Agreements is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin applicable to similar construction services rendered, and contract assets are recognised as well.

(c) Revenue from supply of tap water and recycled water

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

(d) Revenue from provision of pipeline connection services for recycled water

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

When the Group recognises revenue based on the stage of completion, the amount with an unconditional collection right obtained by the Group is recognised within accounts receivable, and the remainder is recognised as a contract asset. Meanwhile, loss provisions for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised within contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Revenue recognition (Continued)

(d) *Revenue from provision of pipeline connection services for recycled water* (Continued)

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

(e) *Revenue from provision of environmental protection equipment customisation services*

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Revenue recognition (Continued)

(f) Revenue from hazardous waste treatment

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

(g) Revenue from contract operation

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

(h) Technical service income

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

(22) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of obtaining long-term assets through purchase, construction or other means. Government grants related to income refer to those which are not related to assets.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Government grants (Continued)

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

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

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

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

(23) Deferred tax assets and deferred tax liabilities

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

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(24) Leases

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

The Group as the lessee

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Leases (Continued)

The Group as the lessee (Continued)

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

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

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

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Leases (Continued)

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

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

(25) Share-based payments

(a) *Types of share-based payments*

Share-based payments are transactions in which equity instruments are granted or liabilities are determined on the basis of obtaining services provided by employees. Equity instruments include equity instruments of the company itself, the parent company of the company or other accounting entities in the same group. Share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Share-based payments (Continued)

(a) *Types of share-based payments* (Continued)

Equity-settled share-based payments

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

(b) *The method of determining the fair value of equity instruments*

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

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Segment information

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

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

(27) Critical accounting estimates and judgements

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

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

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

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions

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

(i) Measurement of ECL

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

When considering forward-looking information, the Group takes different economic scenarios into consideration. In 2022, the weights of the “benchmark”, “unfavourable” and “favourable” economic scenarios accounted for 60%, 20% and 20% (2021: 60%, 20% and 20%) respectively. The Group regularly monitors and reviews the assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, Gross Domestic Product (“GDP”), external market environment, changes in customer conditions, etc. The Group regularly monitors and reviews assumptions related to the calculation of ECL.

In 2022 and 2021, the Group considered the uncertainty under different macroeconomic scenarios and updated the relevant assumptions and parameters. The key macroeconomic parameters used in each scenario are listed below:

	Benchmark	Economic scenario Unfavourable	Favourable
2022 Consumer Price Index	<u>2.13%</u>	<u>2.18%</u>	<u>2.08%</u>
2021 Consumer Price Index	<u>2.20%</u>	<u>2.25%</u>	<u>2.15%</u>

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

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

(ii) Income taxes and deferred income taxes

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

As stated in Note 3(2), some subsidiaries of the Group are high-tech enterprises. The qualification of high-tech enterprises is effective for an initial term of three years. After the termination of the qualification, it is necessary to submit a new application to the relevant government departments for the high-tech enterprises' status renewal. According to historical status renewal experience and the actual situation of these subsidiaries in the past, the Group believes that the subsidiaries can continue to obtain the approval for the renewal of the status of being high-tech enterprises. Hence, the Group calculates subsidiaries' corresponding deferred income tax at the preferential rate of 15%. If some of the subsidiaries' renewal application has not been approved after the expiry of the high-tech enterprises status, the income tax shall be calculated at the statutory tax rate of 25%. Deferred tax assets, deferred tax liabilities, and income tax expenses will be affected.

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

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

(iii) Impairment of long-term assets

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

(iv) Accounting estimates on impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of asset groups or groups of asset groups is the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. These calculations require the use of estimates (Note 4(15)).

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

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

(iv) Accounting estimates on impairment of goodwill (Continued)

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

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

(28) Significant changes in accounting policies

The Ministry of Finance released the Circular on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises in 2021, and Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises and Q&A on Implementation of Accounting Standards for Business Enterprises in 2022 and 2023. The financial statements for the year ended 31 December 2022 have been prepared by the Group and the Company in accordance with the above circulars and Q&A. The revisions have no significant impacts on the financial statements of the Group and the Company.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group

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

(2) Preferential policies on corporate income tax

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

Entities	Tax rate for 2022	Details of 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 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
Fuyang Capital Water Co., Ltd.	Yingnan project and Yingdong project – phase I: 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
	Other projects: 0% & 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 to 2022 for the first 3 years and reduction half for the next 3 years.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential policies on corporate income tax (Continued)

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

Entities	Tax rate for 2022	Details of the preferential tax policy
Guizhou Capital Water Co., Ltd.	Shibing sewage project, Niudachang sewage project: 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2022 for the first 3 years and reduction half for the next 3 years.
	Other sewage projects: 15%	According to the Notice of Guizhou Provincial Tax Services of State Taxation Administration on Implementation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (Qian Guo Shui Han [2011] No. 19), the company is entitled to a preferential corporate income tax rate from 2011 to 2020. On 23 April 2020, the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission issued the Announcement [2020] No. 23, the Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions, stipulating that the implementation period of the policy would be extended to 31 December 2030.
Xi'an Capital Water Co., Ltd.	Sewage water projects' upgrading: 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2021 for the first 3 years and reduction half for the next 3 years.
	Other projects: 15%	According to the Notice of Shaanxi Provincial Tax Service of State Taxation Administration on Issuing Measures for Review and Management of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (Notice [2010] No. 3), the company is entitled to a preferential corporate income tax rate from 2011 to 2020. On 23 April 2020, the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission issued the Announcement [2020] No. 23, the Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions, stipulating that the implementation period of the policy would be extended to 31 December 2030.
Hangzhou Tianchuang Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential policies on corporate income tax (Continued)

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

Entities	Tax rate for 2022	Details of the preferential tax policy
Tianjin Caring Technology Development Co., Ltd (“Caring Company”)	15%	In 2021, Caring Company has obtained the High- tech Enterprise Certificate (Certificate No. GR202112000412) issued by Tianjin Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Municipal Tax Service of the State Taxation Administration. The certificate is valid for 3 years. According to relevant provisions of the income tax law, the corporate income tax rate applicable for 2022 was 15%.
Tianjin Water Recycling Co., Ltd.	25%	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Karamay Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2017 for the first 3 years and reduction half for the next 3 years.
Linxia Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Bayannur Capital Water Co., Ltd.	Sewage water project: 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
	Recycled water project: The taxable income is calculated at 90% of revenue	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Yingshang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
Shandong Capital Environmental Protection Technology Consultant Co., Ltd. (“Shandong Company”)	12.5%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential policies on corporate income tax (Continued)

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

Entities	Tax rate for 2022	Details of the preferential tax policy
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	0%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years.
Hanshou Tianchuang Capital Water Co., Ltd.	12.5%	According to Cai Shui [2019] No. 67, income from rural drinking water safety projects is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Jiuquan Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Huize Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2021 for the first 3 years and reduction half for the next 3 years.
Huoqiu Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2022 for the first 3 years and reduction half for the next 3 years.
Wuhan Tianchuang Capital Water Co., Ltd.	Honghu Sewage Treatment Plant: 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
	Yong'an, Xianning Sewage Treatment Plant: 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
	Chibi Sewage Treatment Plant: 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential policies on corporate income tax (Continued)

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

Entities	Tax rate for 2022	Details of the preferential tax policy
Honghu Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
Jiangsu Yonghui Resources Utilisation Co., Ltd. ("Jiangsu Yonghui")	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Gaoyou Compro Environmental Resources Co., Ltd. ("Gaoyou Compro")	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2017 for the first 3 years and reduction half for the next 3 years.
Changsha Tianchuang Environmental Protection Co., Ltd	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2021 for the first 3 years and reduction half for the next 3 years.
Changsha Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Anhui Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Hefei Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential policies on corporate income tax (Continued)

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

Entities	Tax rate for 2022	Details of the preferential tax policy
Wendeng Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
Deqing Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years.

(3) Tax policies on VAT

Pursuant to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the VAT rate for revenue from sewage water processing applicable to the Group and its subsidiaries is 6%; the tax rate for revenue from recycled water processing is 13%; the tax rate for revenue from heating and cooling supply services is 9%; the tax rate for revenue from hazardous waste treatment is 6%; the tax rate for revenue from tap water supply is 3%; the tax rate for revenue from environmental protection equipment customisation is 13%; the tax rate for revenue from auxiliary projects and facility construction is 9%; and the tax rate for other businesses is from 5% to 13%.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(3) Tax policies on VAT (Continued)

According to the Announcement on Clarifying the Collection and Management of VAT on Second Hand Car Distribution and Other Issues (Announcement [2020] No. 9) issued by the State Taxation Administration, if no goods are produced after professional treatment by means of landfill, incineration, etc., and the trustee belongs to the “professional and technical services” in the “modern services” provided in the Sales Services, Intangible Assets, Real Estate Notes (Cai Shui [2016] No. 36), the treatment fee charged by the trustee is subject to the VAT rate of 6%.

(4) Preferential tax policies on VAT

On 15 April 2019, the Ministry of Finance and the State Taxation Administration issued the Announcement on Continued Implementation of Tax Preferential Policies for Rural Drinking Water Safety Projects (Cai shui [2019] No. 67), stipulating that from 1 January 2019 to 31 December 2020, in the tap water supply business of the Group, the tap water sales income obtained by providing rural residents with domestic water is exempt from VAT. On 15 March 2021, the Ministry of Finance and the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2021] No. 6), which stipulates that the implementation period of the policy will be extended to 31 December 2023.

According to the Announcement on Improving the VAT Policy for Comprehensive Utilisation of Resources (Announcement [2021] No. 40) issued by the State Taxation Administration, and other relevant regulations, engagement in “sewage treatment service” and “recycled water business” included in the Catalogue of Preferential VAT on Products and Services for Comprehensive Utilisation of Resources is entitled to 70% refund of VAT upon collection, or applicable VAT exemption policies. The preferential policy, once selected, shall not be changed within 36 months. Some subsidiaries of the Group have chosen to adopt the VAT exemption policy since 2022.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2022	31 December 2021
Cash on hand	3	13
Cash at bank	3,188,341	2,093,543
Other cash balances	<u>63,716</u>	<u>45,931</u>
	<u>3,252,060</u>	<u>2,139,487</u>
Including: Bank deposits in Hong Kong	<u>8,692</u>	<u>8,964</u>

(a) Cash presented in the cash flow statement includes:

	31 December 2022	31 December 2021
Cash at bank and on hand	3,252,060	2,139,487
Less: Restricted cash at bank (i)	<u>(63,716)</u>	<u>(45,931)</u>
Cash in the cash flow statement (Note 4(52))	<u>3,188,344</u>	<u>2,093,556</u>

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

(2) Notes receivable

	31 December 2022	31 December 2021
Bank acceptance notes	<u>7,535</u>	<u>8,123</u>

(a) As at 31 December 2022, the Group had no pledged notes receivable.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Notes receivable (Continued)

(b) As at 31 December 2022, notes receivable endorsed prior to their maturities are as follows:

	Derecognised	Not derecognised
Bank acceptance notes	<u>17,839</u>	<u>–</u>

In 2022, the bank acceptance notes were endorsed and derecognised by subsidiaries Caring Company, Shandong Company and Gaoyou Compro. As at 31 December 2022, the notes receivable of the above subsidiaries had no balance.

(c) Provision for bad debts

The Group does not have bank acceptance notes with provision for impairment loss assessed on an individual basis, and the Group considers that there is no significant credit risk in the bank acceptance notes.

(3) Accounts receivable

	31 December 2022	31 December 2021
Accounts receivable	2,959,595	2,503,473
Less: Provision for bad debts (c)	<u>(214,573)</u>	<u>(177,923)</u>
	<u>2,745,022</u>	<u>2,325,550</u>

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

(a) The ageing analysis of accounts receivable according to date recorded, is as follows:

	31 December 2022	31 December 2021
Within 1 year	2,364,118	2,123,978
1 to 2 years	336,156	190,992
2 to 3 years	111,184	71,371
3 to 4 years	63,061	56,836
4 to 5 years	42,588	41,665
Over 5 years	<u>42,488</u>	<u>18,631</u>
	<u>2,959,595</u>	<u>2,503,473</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(b) As at 31 December 2022, the balances of accounts receivable from the top five debtors are as follows

	Amount	Provision for bad debts	% of total balance
Accounts receivable from the top five debtors	1,687,234	(67,210)	57%

(c) Provision for bad debts

For accounts receivable, regardless of whether there is a significant financing component, the Group measures the loss provision according to the ECL throughout the lifetime.

(i) Provision for bad debts on an individual basis as at 31 December 2022

Clients	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Notes
Tianjin Water Authority Bureau	1,028,824	0.29%	(2,946)	1)
Qijing Sewage Company	252,180	16.80%	(42,369)	2)
Xi'an Infrastructure Investment Group	108,266	0.30%	(329)	1)
Hangzhou City Water Facilities and River Protection Management Centre	50,182	0.07%	(38)	1)
Tianjin Jinghai Development Area Management Committee	37,694	100.00%	(37,694)	3)
Guiyang Water Authority Bureau	29,458	1.18%	(346)	1)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	17,923	100.00%	(17,923)	4)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	100.00%	(16,797)	5)
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	100.00%	(13,776)	4)
Urad Front Banner Finance Bureau	10,928	100.00%	(10,928)	6)
Hangzhou Drainage Co., Ltd.	10,445	0.07%	(8)	1)
Urad Rear Banner Finance Bureau	10,392	100.00%	(10,392)	6)
Tianjin Goldin International Club Co. Ltd.	1,548	100.00%	(1,548)	7)
Inner Mongolia Zijin Zinc Industry Co., Ltd.	1,314	100.00%	(1,314)	8)
Tianjin City Investment Urban Resources Management Co., Ltd.	1,200	100.00%	(1,200)	9)
Tianjin Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)	10)
Total	1,591,079		(157,760)	

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(i) Provision for bad debts on an individual basis as at 31 December 2022 (Continued)

Notes:

- 1) As these clients are provincial and municipal governments or their representatives, whose ability to meet their contractual obligations may not be weakened even if there are adverse changes in the economic and business situation over a long period, then the receivables of the Group from Tianjin Water Authority Bureau, Xi'an Infrastructure Investment Group, Hangzhou City Water Facilities and River Protection Management Centre, Guiyang Water Authority Bureau, and Hangzhou Drainage Co., Ltd., have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Company estimates that the lifetime ECL rate is from 0.07% to 1.18%.
- 2) Receivables from Qujing Sewage Company are composed of sewage treatment fee and tap water fee. As the receivables of sewage treatment fee and tap water fee have a longer repayment period than ordinary government clients, indicating high credit risk, the Group estimates that the lifetime ECL rate is 16.80%.
- 3) Receivables of Tianjin Jinghai Capital Water Co., Ltd from Tianjin Jinghai Development Area Management Committee comprise sewage treatment fees, whose repayment period is longer than that of general government clients, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
- 4) Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. ("City Appearance Sanitation") and Tianjin Shuangkou Municipal Solid Waste Landfill ("Shuangkou Solid Waste") comprise technical services fees. There was no transaction between the Company and City Appearance Sanitation during the year, and the repayment period is longer than that of general government clients; there was also no transaction between the Company and Shuangkou Solid Waste during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
- 5) Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The client had no transactions with the Company during the year. Considering factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(i) Provision for bad debts on an individual basis as at 31 December 2022 (Continued)

Notes: (Continued)

- 6) Receivables from Urad Front Banner Finance Bureau and Urad Rear Banner Finance Bureau comprise sewage treatment fees, whose repayment period is longer than that of general government clients, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
- 7) Receivables of the Group from Tianjin Goldin International Club Co. Ltd. comprise recycled water supply fees. Tianjin Goldin International Club Co. Ltd. had no transactions with Tianjin Water Recycling Co., Ltd. during the year. Considering factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
- 8) Receivables of Inner Mongolia Zijin Zinc Industry Co., Ltd. comprise tap water supply fees, whose repayment period is longer than that of general clients, are under high credit risk. Considering litigation disputes with the debtor and the factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group presumes estimates that the lifetime ECL rate is 100%.
- 9) Receivables of the Group from Tianjin City Investment Urban Resources Management Co., Ltd. comprise rental fees. Tianjin City Investment Urban Resources Management Co., Ltd. had no transactions with the Company during the year. Considering the factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
- 10) Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd comprise contract operation fees. Considering the factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group still estimates that the lifetime ECL rate is 100%.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(ii) Provision for bad debts by group

	31 December 2022			31 December 2021		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rates	Amount		ECL rates	Amount
Group 3 – Government clients						
Not overdue	465,781	1.84%	(8,553)	285,075	1.25%	(3,569)
Overdue within 1 to 180 days	239,807	3.19%	(7,647)	116,013	3.04%	(3,526)
Overdue over 180 days	301,582	9.36%	(28,215)	145,469	10.31%	(14,993)
	<u>1,007,170</u>		<u>(44,415)</u>	<u>546,557</u>		<u>(22,088)</u>
Group 4 – Other clients						
Not overdue	182,474	1.04%	(1,905)	101,712	2.61%	(2,652)
Overdue within 1 to 90 days	81,638	1.53%	(1,253)	65,920	2.68%	(1,768)
Overdue over 90 days	97,234	9.50%	(9,240)	102,720	8.22%	(8,440)
	<u>361,346</u>		<u>(12,398)</u>	<u>270,352</u>		<u>(12,860)</u>

The provision for bad debts in 2022 amounted to about RMB54 million, of which about RMB10 million was collected or reversed, about RMB7 million was written off, the gross carrying amount of provision for bad debts was about RMB215 million.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Advances to suppliers

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

	31 December 2022		31 December 2021	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	25,225	72%	10,360	49%
1 to 2 years	9,236	26%	9,718	47%
Over 2 years	762	2%	756	4%
	<u>35,223</u>	<u>100%</u>	<u>20,834</u>	<u>100%</u>

As at 31 December 2022, advances to suppliers of approximately RMB10 million (31 December 2021: RMB10.5 million) with ageing over one year were mainly for supplemental projects.

(b) *As at 31 December 2022, the top five advances to suppliers in respect of outstanding balance of the Group are analysed as follows:*

	Amount	% of total balance
Total amounts of advances to suppliers to the top five debtors in respect of outstanding balance	<u>15,464</u>	<u>44%</u>

(5) Other receivables

	31 December 2022	31 December 2021
Project deposits	7,576	8,173
VAT refund	628	5,758
Others	<u>8,238</u>	<u>16,292</u>
	16,442	30,223
Less: Provision for bad debts	<u>(230)</u>	<u>(930)</u>
	<u>16,212</u>	<u>29,293</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

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

	31 December 2022	31 December 2021
Within 1 year	5,668	19,716
1 to 2 years	1,631	3,166
2 to 3 years	2,709	3,435
Over 3 years	<u>6,434</u>	<u>3,906</u>
	<u>16,442</u>	<u>30,223</u>

(b) *As at 31 December 2022, the Group did not have any other receivables for which the related provision for bad debts was provided on the individual basis, neither had any other receivables at Stage 2.*

As at 31 December 2021, other receivables at Stage 2 is analysed as follows:

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

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

	31 December 2022			31 December 2021		
	Carrying amount	Provision Amount	%	Carrying amount	Provision Amount	%
Group 5 – Project deposits						
Within 1 year	2,446	(40)	1.62%	4,228	(43)	1.03%
1 to 2 years	1,551	(25)	1.62%	1,610	(17)	1.03%
2 to 3 years	1,416	(23)	1.62%	60	(1)	1.03%
Over 3 years	2,163	(35)	1.62%	2,275	(23)	1.03%
Sub-total	<u>7,576</u>	<u>(123)</u>		<u>8,173</u>	<u>(84)</u>	
Group 6 – Others						
Within 1 year	2,594	(33)	1.30%	9,730	(24)	0.24%
1 to 2 years	80	(1)	1.30%	384	(1)	0.24%
2 to 3 years	1,293	(17)	1.30%	1,420	(3)	0.24%
Over 3 years	4,271	(56)	1.30%	1,630	(4)	0.24%
Sub-total	<u>8,238</u>	<u>(107)</u>		<u>13,164</u>	<u>(32)</u>	
Total	<u>15,814</u>	<u>(230)</u>		<u>21,337</u>	<u>(116)</u>	

(d) As at 31 December 2022, the changes in the Group's loss provision for other receivables were not significant.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(e) As at 31 December 2022, other receivables from top five debtors in respect of outstanding balance are analysed as below:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Tianjin Installation Engineering Co., Ltd.	Deposits of migrant workers' wages	3,128	2 to 3 years and over 3 years	19.02%	(54)
State Grid Tianjin Electric Power Co., Ltd.	Project deposits	1,000	Over 3 years	6.08%	(14)
Administrative Committee of Ningxiang Economic & Technological Development Zone	Project deposits	800	Over 3 years	4.87%	(1)
Huoqiu County Natural Resources and Planning Bureau, Lu'an City	Project deposits	789	2 to 3 years	4.80%	(1)
Tianjin Xiqing Water Authority Bureau	Advances	721	Within 1 year	4.39%	(7)
		6,438		39.16%	(77)

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories

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

	31 December 2022			31 December 2021		
	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount
Raw materials	25,364	–	25,364	14,036	–	14,036
Goods in stock	5,240	–	5,240	3,320	–	3,320
Spare parts and low value consumables	540	–	540	4,472	–	4,472
	<u>31,144</u>	<u>–</u>	<u>31,144</u>	<u>21,828</u>	<u>–</u>	<u>21,828</u>

(7) Other current assets

	31 December 2022	31 December 2021
Anguo sewage project assets (a)	33,065	33,065
Input VAT to be deducted	36,395	20,865
Input VAT to be verified	18,456	21,227
Corporate income tax prepaid	9,470	8,804
	<u>97,386</u>	<u>83,961</u>
Less: Provision for impairment of other current assets (a)	<u>(33,065)</u>	<u>(33,065)</u>
	<u>64,321</u>	<u>50,896</u>

(a) The Group conducted an impairment assessment of the relevant assets of Anguo sewage processing plant in previous year and made full amount provision for assets impairment.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables and current portion of non-current assets

	31 December 2022	31 December 2021
Receivables from Tianjin Water Authority Bureau (a)	2,402,741	1,757,504
Receivables from concession rights (b), (e)	2,011,202	2,037,524
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans (c)	193,539	216,552
Receivables from Bayannur Finance Bureau (d)	<u>116,800</u>	<u>81,673</u>
	4,724,282	4,093,253
Less: Provision for bad debts	<u>(51,138)</u>	<u>(40,235)</u>
	4,673,144	4,053,018
Less: Current portion of non-current assets	<u>(197,367)</u>	<u>(241,114)</u>
	<u><u>4,475,777</u></u>	<u><u>3,811,904</u></u>

- (a) Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as “long-term receivables”. The ECL rate for the aforesaid long-term receivables during the lifetime is 0.29%, which is consistent with ECL rate as applied for the remaining accounts receivable with Tianjin Water Authority Bureau. The balance of loss provision is about RMB6.7 million.
- (b) According to the Service Concession Right Agreements, the Group has the right to collect a determinable amount of cash from the recipients of the services for the Concession service periods. Receiving such consideration is recognised as long-term receivables upon completion of the construction of the assets of the concession project in accordance with Interpretation No. 14. The long-term receivables are received for a period of 10 to 30 years and the amortised cost is determined based on the effective interest rate. Since the clients are basically government clients other than the government clients of provincial capitals and municipalities directly under the central government, the ECL rate for the aforesaid long-term receivables is 2.07% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients except those in provincial capitals and municipalities. The balance of loss provision is about RMB41.7 million.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables and current portion of non-current assets (Continued)

- (c) Receivables from toll road concession represent the amortised cost, using effective interest method, calculated with reference to a guaranteed minimum future traffic flow over the concession period. Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans is a public institution under the Tianjin municipal government, which has low credit risk. According to historical experience, the Company can collect the receivables within the agreed period. Therefore, the Company estimates that the ECL rate of this receivable item is 0.14%. The balance of loss provision is about RMB0.3 million.
- (d) Based on historical collection experience with Bayannur Finance Bureau and Bayannur Linhe District Finance Bureau and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as long-term receivables. The ECL rate for the aforesaid long-term receivables is 2.07% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients except those in provincial capitals and municipalities. The balance of loss provision is about RMB2.4 million.
- (e) As at 31 December 2022, among the Group's long-term receivables, the long-term borrowings of RMB375 million (31 December 2021: RMB395 million) were pledged by the concession right of "Jiuquan Suzhou the First and the Second Sewage Treatment Plant PPP Project", which had a carrying amount of about RMB518 million (31 December 2021: RMB584 million) (Note 4(26)(b)). The long-term borrowings of RMB138 million were pledged by the concession right of "Huoqiu Chengbei the Second Sewage Treatment Plant Phase II (Note 4(26)(b)). The concession right was accounted for as other non-current assets in 2021. In 2022, as the project was completed, the concession right was presented as long-term receivables. As at 31 December 2022, the carrying amount of such long-term receivables served as pledges for long-term borrowings, including non-current assets to be recovered within one year, was about RMB170 million (31 December 2021: RMB164 million).

(9) Long-term equity investments

	31 December 2022	31 December 2021
Associates (a)	215,466	217,358
Less: Provision for impairment of long-term equity investments (b)	<u>(22,358)</u>	<u>(22,358)</u>
	<u>193,108</u>	<u>195,000</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(a) Associates

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

The movements of the Group's investment in associates are as follows:

	Initial investment cost	31 December 2021	Share of net profit or loss under the equity method	31 December 2022	Ending balance of provision for impairment
International Machinery (i)	33,000	–	–	–	(22,358)
Tianjin Bihai (ii)	195,000	195,000	(1,892)	193,108	–
	<u>228,000</u>	<u>195,000</u>	<u>(1,892)</u>	<u>193,108</u>	<u>(22,358)</u>

- (i) International Machinery is a Sino-foreign joint venture registered in Tianjin, the PRC. The businesses of International Machinery include research and development, production, sales and installation of valve and actuating device, heater exchanger and the whole set, environment protection equipment, and general mechanical equipment. As at 31 December 2022, the carrying amount of the investment had been reduced to zero.
- (ii) Tianjin Bihai is a limited liability company registered in Tianjin. The businesses of Tianjin Bihai include constructions and operations 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, and construction and operation of municipal engineering. The Company, together with Origin Water Technology Co., Ltd. and Jiu'an Investment Group Co., Ltd., formed a consortium to win the bid for the construction PPP project of the sponge city in Jefang South Road area, Tianjin. After that, Tianjin Bihai was established on 30 July 2018. The Company invested RMB195 million and holds 30% equity interest. In 2022, Tianjin Bihai was still in the construction period. The construction is expected to be completed and put into operation in 2023.

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

	31 December 2022 and 31 December 2021
International Machinery	<u>22,358</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Investments in other equity instruments

	31 December 2022	31 December 2021
Equity of unlisted companies		
Tianjin Beifang Rencaigang Co., Ltd.		
– Cost	2,000	2,000
– Accumulated changes in fair value	–	–
	<u>2,000</u>	<u>2,000</u>

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

(11) Fixed assets

	Buildings and constructions	Machinery and equipment	Motor vehicles and others	Total
Cost				
31 December 2021	752,205	639,512	112,917	1,504,634
Transfers from construction in progress (Note 4(12))	–	–	496	496
Other increases in the current year	–	4,929	4,820	9,749
Decrease in the current year	–	(182)	(5,348)	(5,530)
31 December 2022	<u>752,205</u>	<u>644,259</u>	<u>112,885</u>	<u>1,509,349</u>
Accumulated depreciation				
31 December 2021	(183,596)	(286,890)	(60,875)	(531,361)
Increase in the current year	(19,465)	(39,721)	(8,348)	(67,534)
Decrease in the current year	–	96	797	893
31 December 2022	<u>(203,061)</u>	<u>(326,515)</u>	<u>(68,426)</u>	<u>(598,002)</u>
Carrying amount				
31 December 2022	<u>549,144</u>	<u>317,744</u>	<u>44,459</u>	<u>911,347</u>
31 December 2021	<u>568,609</u>	<u>352,622</u>	<u>52,042</u>	<u>973,273</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets (Continued)

- (a) In 2022, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB55 million (2021: RMB65 million) and RMB11 million (2021: RMB10 million), respectively.
- (b) As at 31 December 2022, the certificate of title to outsourced assets included in fixed assets, land use rights with cost of RMB172 million and carrying amount of RMB100 million (31 December 2021: cost of RMB172 million and carrying amount of RMB104 million) and non-monetary exchange assets with cost of RMB12 million and carrying amount of RMB8 million (31 December 2021: cost of RMB12 million and carrying amount of RMB8 million) have yet to be or are in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, management of the Company believes that the titles will be received in due course without any legal barrier or additional significant cost.
- (c) As at 31 December 2022, fixed assets with cost of RMB364 million (31 December 2021: RMB364 million) and a carrying amount of RMB302 million (31 December 2021: RMB321 million) were mortgaged as collateral for long-term borrowings of RMB311 million (31 December 2021: RMB347 million) (Note 4(26)(c)).

(12) Construction in progress

Name	Budgeted amount	31 December 2021	Increase in the current year	Transfer to fixed assets	31 December 2022	Percentage to total budget	Percentage of completion	Accumulated capitalised interests	Including: Capitalised interests in the current year	Capitalisation rate for the current year	Source of funds
Recycled Water Pipeline Connection Project in Tianjin City	299,000	2,104	115,305	-	117,409	39%	39%	-	-	-	Raised funds and own funds
Shandong-Dongying Transi Station Project	20,539	5,896	1,569	-	7,465	36%	36%	-	-	-	Own funds
Other projects		<u>21,660</u>	<u>5,919</u>	<u>(496)</u>	<u>27,083</u>			<u>13,367</u>	<u>-</u>	<u>-</u>	Loans and own funds
Total		<u>29,660</u>	<u>122,793</u>	<u>(496)</u>	<u>151,957</u>			<u>13,367</u>	<u>-</u>	<u>-</u>	

- (a) As at 31 December 2022, the factory and equipment under construction with carrying amount totalling RMB15 million (31 December 2021: RMB15 million) were mortgaged as collateral for the Group's long-term borrowings of RMB135 million (31 December 2021: RMB145 million) (Note 4(26)(c)).
- (b) As at 31 December 2022, the Group had no provision for impairment of construction in progress (31 December 2021: Nil)

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2021	–	11,648	11,648
Increase in the current year	976	2,188	3,164
31 December 2022	976	13,836	14,812
Accumulated depreciation			
31 December 2021	–	(2,627)	(2,627)
Increase in the current year	(279)	(3,659)	(3,938)
31 December 2022	(279)	(6,286)	(6,565)
Carrying amount			
31 December 2022	697	7,550	8,247
31 December 2021	–	9,021	9,021

(14) Intangible assets

	Concession rights	Land use rights	Technical know-how and software	Total
Cost				
31 December 2021	13,786,049	147,217	14,668	13,947,934
Increase in the current year	339,181	1,664	6,557	347,402
Decrease in the current year	–	–	–	–
31 December 2022	14,125,230	148,881	21,225	14,295,336
Accumulated amortisation				
31 December 2021	(3,465,310)	(11,564)	(9,735)	(3,486,609)
Increase in the current year	(522,946)	(3,119)	(698)	(526,763)
31 December 2022	(3,988,256)	(14,683)	(10,433)	(4,013,372)
Provision for impairment				
31 December 2021	(129,634)	–	–	(129,634)
Increase in the current year (iii)	(22,066)	–	–	(22,066)
31 December 2022	(151,700)	–	–	(151,700)
Carrying amount				
31 December 2022	9,985,274	134,198	10,792	10,130,264
31 December 2021	10,191,105	135,653	4,933	10,331,691

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

(a) Concession rights

(i) The movements of costs in major concession projects are as follow:

Project name	31 December 2021	Increase in the current year	31 December 2022	Accumulated capitalised interests as at 31 December 2021	Capitalised interests for the current year	Accumulated capitalised interests as at 31 December 2022
Jieshou sewage operation PPP project (second batch and third batch)	135,734	109,075	244,809	23,877	442	24,319
Jiayuan Kaichuang – No. 1 energy station concession project in Tianjin Houtai Park	–	92,733	92,733	–	420	420
Xi'an – Dengjiacun and Beishiqiao upgrading and deodorant projects	1,200,098	61,951	1,262,049	10,883	–	10,883
Jiayuan Shengchuang – No. 2 energy station project in Tianjin Houtai Scenic Area	23,619	45,105	68,724	–	–	–
Guojin-Gaocheng district water environment upgrading PPP project	289,205	23,894	313,099	3,210	2,329	5,539
Others	12,137,393	6,423	12,143,816	63,873	549	64,422
Total	13,786,049	339,181	14,125,230	101,843	3,740	105,583

(ii) According to requirements of Interpretation No. 14, the Group presents the concession rights under construction in intangible asset model as intangible assets. As at 31 December 2022, concession rights with cost of RMB275 million (31 December 2021: RMB584 million) were still under the construction period. The Group adopts the discounted future cash flow model to main intangible assets under the construction which are not yet ready for their intended use. The estimated unit price is based on that in the Service Concession Right Agreements. Other main assumptions are as follows:

Project name	31 December 2022	Forecast period growth rates	Terminal growth rates	Discount rates
Jiayuan Kaichuang – No. 1 energy station project in Tianjin Houtai Park	92,733	27.55%	2.5%	11%
Jiayuan Shengchuang – No. 2 energy station project in Tianjin Houtai Scenic Area	68,724	24.54%	2.5%	11%
Guojin-Gaocheng district water environment upgrading PPP project	113,425	14.40%	2.5%	11%
	274,882			

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

(a) Concession rights (Continued)

- (iii) As at 31 December 2022, the Group conducted impairment assessment for concession rights with indication of impairment, and made impairment provision of RMB22 million. The net book value of project assets impaired was RMB22 million (including cost of RMB68 million, accumulated depreciation of RMB17 million and accumulated impairment provision of RMB29 million).
- (iv) As at 31 December 2022, the Group's concession rights with net book value of RMB3,061 million (cost of RMB5,103 million) (31 December 2021: net book value of RMB2,961 million, cost of RMB4,756 million) have been pledged as collateral for long-term borrowings of RMB1,559 million (31 December 2021: RMB1,592 million) (Note 4(26)(b)).
- (v) The remaining amortisation period of concession rights ranges from 8 to 30 years.

(b) Land use rights

As at 31 December 2022, the land use rights with net book value of RMB80 million (cost of RMB87 million) (31 December 2021: net book value of RMB80 million, cost of RMB86 million) have been mortgaged as collateral for long-term borrowings of RMB280 million (31 December 2021: RMB300 million) (Note 4(26)(c)).

As at 31 December 2022, the land use right included assets exchanged for non-monetary assets with a cost of RMB5 million and a carrying amount of RMB3 million (31 December 2021: cost of RMB5 million and carrying amount of RMB3 million). For which, the certificates of legal title have yet to be or are in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, management of the Company believes that the titles will be received in due course without any legal barrier or additional significant cost.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

- (c) In 2022, the amounts of amortisation expenses charged to cost of sales and general and administrative expenses were RMB526 million (2021: RMB545 million) and RMB1 million (2021: RMB6 million), respectively.
- (d) The research and development expenses of the Group in 2022 are all related to the research and development of the production process of environmental protection equipment, which are all included in profit or loss when incurred.

(15) Goodwill

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Goodwill –				
Jiangsu Yonghui	270,396	–	–	270,396
Gaoyou Compro	234,724	–	–	234,724
	<u>505,120</u>	<u>–</u>	<u>–</u>	<u>505,120</u>
Less: Provision for impairment –				
Jiangsu Yonghui	(53,092)	(47,163)	–	(100,255)
Gaoyou Compro	(46,567)	(38,485)	–	(85,052)
	<u>(99,659)</u>	<u>(85,648)</u>	<u>–</u>	<u>(185,307)</u>
Net book value –	<u>405,461</u>	<u>(85,648)</u>	<u>–</u>	<u>319,813</u>

All the goodwill has been allocated by the Group to the relevant asset group at the equity transaction date. In 2022, the allocation of goodwill remains unchanged, and the corresponding asset groups are Jiangsu Yonghui and Gaoyou Compro, which are included in “all other segments” (Note 6).

When testing the goodwill for impairment, the Group compares the carrying amount (Note 6) of relevant asset groups or groups of asset groups (including goodwill) and the recoverable amount, an impairment loss is recognised for the amount by which the assets’ carrying amount exceeds their recoverable amount (Note 4(46)).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Goodwill (Continued)

In 2022, the sales volumes and the unit prices of Jiangsu Yonghui and Gaoyou Compro decreased accordingly due to increased market competition. In conducting the impairment assessment, the Group has compared the fair value less the cost of disposals of the relevant groups of asset groups with the present value of the expected future cash flows and used the estimate of present value of future cash flows to determine the recoverable amount. A provision for impairment losses of RMB86 million has been recognised accordingly.

The Group determines the revenue growth rates and the gross profit margins based on its past experience and forecast on future market development. The forecast period revenue growth rates are based on the five-year budget approved by management, and the terminal growth rates represent the growth rates applied by management to extrapolate cash flows beyond the forecast period, which are consistent with those forecasts as set out in authoritative industry reports, and do not exceed the long-term average growth rate of each product. The discount rates used by management are the pre-tax rates that are able to reflect the risks specific to the related asset group or groups of asset groups.

The main assumptions applied by the Group in calculating discounted future cash flows in 2022 are as follows:

	Jiangsu Yonghui	Gaoyou Compro
Revenue growth rates in the forecast period	0% to 19.28%	0% to 28.50%
Terminal growth rates	0%	0%
Gross profit margin	25.96% to 40.75%	26.00% to 40.89%
Pre-tax discount rates	10.32%	10.96%

The main assumptions applied by the Group in calculating discounted future cash flows in 2021 are as follows:

	Jiangsu Yonghui	Gaoyou Compro
Revenue growth rates in the forecast period	0% to 53.74%	0% to 63.94%
Terminal growth rates	0%	0%
Gross profit margin	38.10% to 42.55%	37.61% to 42.37%
Pre-tax discount rates	11.32%	12.36%

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred tax assets and liabilities

(a) *Deferred tax assets before offsetting*

	31 December 2022		31 December 2021	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for credit impairment	229,422	53,685	195,841	48,682
Sewage water processing services on instalment	231,423	52,708	133,024	25,780
Accrued expenses	22,557	5,637	20,901	4,180
Deductible losses	14,211	2,503	29,339	5,275
Recognition of concession gains in financial asset model	13,377	2,221	19,671	4,918
Provisions	–	–	14,075	2,111
Lease liabilities	8,265	1,691	9,345	1,402
	<u>519,255</u>	<u>118,445</u>	<u>422,196</u>	<u>92,348</u>
Including:				
Expected to be recovered within one year (inclusive)		17,768		14,812
Expected to be recovered after one year		<u>100,677</u>		<u>77,536</u>
		<u>118,445</u>		<u>92,348</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred tax assets and liabilities (Continued)

(b) Unrecognised deferred tax assets

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

	31 December 2022	31 December 2021
Deductible temporary differences – provision for asset impairment	394,330	287,876
Deductible losses	174,392	145,662
Deductible temporary differences – provision for credit impairment	36,519	23,248
Share-based payment	13,425	7,370
Provisions	–	5,391
	<u>618,666</u>	<u>469,547</u>

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

	31 December 2022	31 December 2021
2022	–	2,561
2023	2,369	8,503
2024	23,106	31,060
2025	20,034	22,614
2026	74,550	80,924
2027	54,333	–
	<u>174,392</u>	<u>145,662</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred tax assets and liabilities (Continued)

(c) *Deferred tax liabilities before offsetting*

	31 December 2022		31 December 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Amortisation of intangible assets	580,112	145,028	604,604	151,151
Business combinations involving entities not under common control	96,298	24,073	100,536	25,134
Recognition of concession gains in financial asset model	105,430	26,357	69,328	15,136
Right-of-use assets	8,247	1,678	9,021	1,353
	<u>790,087</u>	<u>197,136</u>	<u>783,489</u>	<u>192,774</u>
Including:				
Expected to be recovered within one year (inclusive)		8,710		8,528
Expected to be recovered after one year		<u>188,426</u>		<u>184,246</u>
		<u>197,136</u>		<u>192,774</u>

(d) *The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:*

	31 December 2022		31 December 2021	
	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting
Deferred tax assets	(111,047)	7,398	(73,080)	19,268
Deferred tax liabilities	<u>(111,047)</u>	<u>86,089</u>	<u>(73,080)</u>	<u>119,694</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Other non-current assets

	31 December 2022	31 December 2021
Input VAT to be deducted	201,456	260,868
Prepayment for equipment (a)	94,365	–
Contract assets	92,851	172,983
Prepayment for construction projects	26,965	5,213
Others	7,142	14,985
	<u>422,779</u>	<u>454,049</u>
Less: Provision for impairment of contract assets	(1,900)	(3,160)
	<u>420,879</u>	<u>450,889</u>

- (a) On 21 December 2022, the Company signed a Conditional Asset Transfer Agreement on Jinnan Sludge Treatment Plant (hereafter “asset transfer agreement”) with Tianjin Infrastructure Group to transfer the assets of Jinnan sludge treatment plant from Tianjin Infrastructure Investment Group at a consideration of RMB471,825.9 thousand. According to the provisions of the asset transfer agreement, the Board of Directors of the Company reviewed and approved the asset transfer, where the Company would transfer the down payment at 20% of the transfer price to Tianjin Infrastructure Investment Group within 15 days upon signing the asset transfer agreement.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Provision for asset impairment and losses

	31 December 2021	Increase in the current year	Decrease in the current year		31 December 2022
			Reversal	Write-off	
Provision for bad debts of accounts receivable	177,923	54,034	(10,227)	(7,157)	214,573
Including: Individual provision for bad debts	142,975	27,541	(10,227)	(2,529)	157,760
Group provision for bad debts	34,948	26,493	–	(4,628)	56,813
Provision for impairment of other receivables	930	114	(814)	–	230
Provision for bad debts of long-term receivables (including current portion of non-current assets)	40,235	10,903	–	–	51,138
Sub-total	219,088	65,051	(11,041)	(7,157)	265,941
Provision for impairment of intangible assets	129,634	22,066	–	–	151,700
Provision for impairment of goodwill	99,659	85,648	–	–	185,307
Provision for impairment of other non-current assets	3,160	–	(1,260)	–	1,900
Provision for impairment of other current assets	33,065	–	–	–	33,065
Provision for impairment of long-term equity investments	22,358	–	–	–	22,358
Sub-total	287,876	107,714	(1,260)	–	394,330

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Short-term borrowings

	31 December 2022	31 December 2021
Unsecured	1,001	115,823
Guaranteed	—	30,029
	<u>1,001</u>	<u>145,852</u>

- (a) As at 31 December 2022, the weighted average interest rate of short-term borrowings was 4.90% per annum (31 December 2021: 3.70% to 4.90%).
- (b) As at 31 December 2022, the balance of short-term borrowings included interest expense accrued on an accrual basis of RMB1 thousand (31 December 2021: RMB30 thousand).

(20) Accounts payable

	31 December 2022	31 December 2021
Accounts payable (a)	<u>511,159</u>	<u>429,522</u>

- (a) As at 31 December 2022, accounts payable aged over one year were approximately RMB123 million (31 December 2021: RMB101 million), mainly representing payables for source water of RMB68 million from the subsidiary Qujing Capital Water Co., Ltd., of which payment was made in accordance with the requirements of Qujing Water Conservancy and Hydropower Development and Investment Co., Ltd., and payables for project of RMB20 million from the subsidiary Tianjin Water Recycling Co., Ltd. The settlement for the pipeline connection project was still pending as agreed in the contract.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Accounts payable (Continued)

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

	31 December 2022	31 December 2021
Within 1 year	387,931	328,642
Over 1 year	123,228	100,880
	<u>511,159</u>	<u>429,522</u>

(21) Contract liabilities

	31 December 2022	31 December 2021
For pipeline connection service	487,613	515,301
For hazard waste treatment	15,686	38,017
Others	10,172	14,364
	<u>513,471</u>	<u>567,682</u>

In 2022, the amount of RMB268 million (2021: RMB212 million) which is included in the beginning balance of contract liabilities has been recognised into revenue. The Group expects that contract liabilities will be carried forward to recognise revenue through normal operating processes, and therefore will be recognised as current liabilities.

(22) Employee benefits payable

	31 December 2022	31 December 2021
Short-term employee benefits payable (a)	92,714	104,238
Defined contribution plans payable (b)	332	330
	<u>93,046</u>	<u>104,568</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Employee benefits payable (Continued)

(a) Short-term employee benefits

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Wages and salaries, bonus, allowances and subsidies	93,243	304,531	(317,671)	80,103
Staff welfare	151	18,150	(18,173)	128
Social security contributions	298	25,095	(25,113)	280
Including: Medical insurance	288	23,520	(23,528)	280
Work injury insurance	3	969	(972)	–
Maternity insurance	7	606	(613)	–
Housing funds	39	53,205	(53,186)	58
Labour union funds and employee education funds	10,507	8,806	(7,168)	12,145
	<u>104,238</u>	<u>409,787</u>	<u>(421,311)</u>	<u>92,714</u>

(b) Defined contribution plans

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Basic pensions	329	38,052	(38,060)	321
Unemployment insurance	1	1,251	(1,241)	11
Annuity	–	12,856	(12,856)	–
	<u>330</u>	<u>52,159</u>	<u>(52,157)</u>	<u>332</u>

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Taxes payable

	31 December 2022	31 December 2021
Unpaid VAT	24,046	19,436
Corporate income tax payable	22,213	18,564
Others	7,805	9,291
	<u>54,064</u>	<u>47,291</u>

(24) Other payables

	31 December 2022	31 December 2021
Construction costs payable	608,197	628,657
Payable for the old Dongjiao sewage plant's assets transfer (a)	68,300	68,736
Payable for purchases of fixed assets and intangible assets	66,999	51,174
Guarantee deposits payable	50,086	49,388
Dividends payable to non-controlling shareholders	3,557	2,800
Others	99,982	157,963
	<u>897,121</u>	<u>958,718</u>

As at 31 December 2022, other payables of RMB726 million (31 December 2021: RMB680 million) were aged over one year, which mainly represented construction costs payable and guarantee deposits for a sewage processing project in Dalian, Liaoning, a sewage processing project in Ningxiang, Hunan, a sewage processing project in Karamay, Xinjiang and Honghu sewage plants construction upgrading projects in Hubei. The balance is yet to be settled as the projects have not been completed.

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Current portion of non-current liabilities

	Note	31 December 2022	31 December 2021
Long-term borrowings to be settled within one year	4(26)	1,227,811	911,758
Long-term payables to be settled within one year	4(29)	31,670	35,555
Interest payable for the debentures to be settled within one year	4(27)	13,168	2,458
Lease liabilities to be settled within one year	4(28)	3,822	3,115
Provisions to be settled within one year	4(30)	–	4,253
		<u>1,276,471</u>	<u>957,139</u>

(26) Long-term borrowings

		31 December 2022	31 December 2021
Long-term borrowings			
– Unsecured		3,022,411	2,670,637
– Guaranteed (a)		2,527,349	2,561,395
– Pledged (b)		2,463,688	2,529,219
– Mortgaged (c)		<u>311,668</u>	<u>347,674</u>
		<u>8,325,116</u>	<u>8,108,925</u>
Less: Long-term borrowings to be settled within one year (Note 4(25))			
– Unsecured		(671,791)	(308,900)
– Guaranteed (a)		(200,114)	(302,967)
– Pledged (b)		(312,466)	(263,428)
– Mortgaged (c)		<u>(43,440)</u>	<u>(36,463)</u>
		<u>(1,227,811)</u>	<u>(911,758)</u>
		<u>7,097,305</u>	<u>7,197,167</u>

- (a) As at 31 December 2022, the long-term borrowings of RMB2,235 million (31 December 2021: RMB2,238 million) were guaranteed by the Company for its subsidiaries. The long-term borrowings of RMB292 million (31 December 2021: RMB292 million) were guaranteed by the Company and Karamay City Urban Construction Investment and Development Co., Ltd.

The interests of guaranteed borrowings are paid monthly or quarterly; and the principal will be due for repayment in the years of 2023 to 2036.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Long-term borrowings (Continued)

- (b) As at 31 December 2022, the long-term borrowings of RMB1,559 million (31 December 2021: RMB1,592 million) were pledged by intangible assets of the Group (Note 4(14)). The long-term borrowings of RMB392 million (31 December 2021: RMB420 million) were pledged by the long-term equity investment of the Group (Note 14(3)). The long-term borrowings of RMB375 million (31 December 2021: RMB395 million) were pledged by the long-term receivables (Note 4(8)). The long-term borrowings of RMB138 million (31 December 2021: RMB122 million) were pledged by the long-term receivables (Note 4(8)) while it was pledged by other non-current assets on 31 December 2021.

The interests of pledged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2023 to 2041.

- (c) As at 31 December 2022, the long-term borrowings of RMB145 million (31 December 2021: RMB155 million) were mortgaged by land use rights (Note 4(14)) and machinery and equipment (Note 4(11)) of the Group. The long-term borrowings of RMB135 million (31 December 2021: RMB145 million) were mortgaged by land use rights (Note 4(14)), machinery and equipment (Note 4(11)), and construction in process (Note 4(12)). The long-term borrowings of RMB31 million (31 December 2021: RMB47 million) were mortgaged by the Group's plants (Note 4(11)).

The interests of mortgaged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2023 to 2030.

- (d) As at 31 December 2022, the balance of long-term borrowings due within one year included the accrual of interest expenses of RMB3 million. (31 December 2021: RMB3 million)
- (e) As at 31 December 2022, these long-term borrowings bore interest rates between 3.33% and 5.15% (31 December 2021: between 3.30% and 5.15%).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Debentures payable

	31 December 2021	Increase in the current year	Repayment in the current year	Amortisation charged in the current year	31 December 2022
Debentures payable					
– Par value	250,000	630,000	–	–	880,000
– Transaction cost	–	(1,890)	–	263	(1,627)
	<u>250,000</u>	<u>628,110</u>	<u>–</u>	<u>263</u>	<u>878,373</u>
Sub-total	250,000	628,110	–	263	878,373
Less: Debentures payable within one year	–	–	–	–	–
	<u>250,000</u>	<u>628,110</u>	<u>–</u>	<u>263</u>	<u>878,373</u>

Brief information of debentures payable are as follows:

	Par value	Issuance date	Period	Issuance amount
Corporate debenture (a)	250,000	14 October 2021	5 years	250,000
Medium-term notes (b)	630,000	26 and 27 July 2022	3 years	630,000
	<u>880,000</u>			<u>880,000</u>

Interest accrued/paid for the debentures is analysed as follows:

	31 December 2021	Interest provision in the current year	Interest paid in the current year	31 December 2022
Corporate debenture (a)	2,458	12,158	(12,125)	2,491
Medium-term notes (b)	–	10,677	–	10,677
	<u>2,458</u>	<u>22,835</u>	<u>(12,125)</u>	<u>13,168</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Debentures payable (Continued)

- (a) On 14 October 2021, the Company issued a 5-year debenture at par value of RMB250 million on The Shanghai Stock Exchange as approved by the Securities Regulatory Commission of China [2021]1702. The fixed interest rate of 4.85% has been accrued and settled per annum. The principal will be repaid on maturity date, which is 18 October 2026.
- (b) On 26 July 2022 and 27 July 2022, the Company issued 3-year green medium-term notes at par value of RMB630 million at the National Association of Financial Market Institutional Investors as approved by the National Association of Financial Market Institutional Investors [2020] GN22. The fixed interest rate of 3.94% has been accrued and settled per annum. The principal will be repaid on maturity date, which is 28 July 2025.

(28) Lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	8,265	9,345
Less: Current portion of non-current liabilities (Note 4(25))	<u>(3,822)</u>	<u>(3,115)</u>
	<u>4,443</u>	<u>6,230</u>

- (a) As at 31 December 2022, the future minimum lease payments of short-term leases adopting the practical expedient according to the new lease standard were RMB3 million (31 December 2021: RMB1 million), which should be paid within one year. Therefore, such amounts are not presented in lease liabilities.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Long-term payables

	31 December 2022			31 December 2021		
	Amount payable	Unrecognised financial charges	Total	Amount payable	Unrecognised financial charges	Total
Payable for assets acquisition	332,913	(134,940)	197,973	361,266	(138,055)	223,211
Payable for sale-leaseback assets	2,400	—	2,400	8,600	—	8,600
	335,313	(134,940)	200,373	369,866	(138,055)	231,811
Less: current portion of non-current liabilities (Note 4(25))			(31,670)			(35,555)
			<u>168,703</u>			<u>196,256</u>

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

Creditor	Maturity date	Effective interest rate	Payable balance	Less: To be settled within one year	Ending balance
Tianjin Drainage Company	20 March 2041	5.94%	197,973	(29,270)	168,703
Tianjin Chengtuo Chuangzhan Leasing Co., Ltd	3 September 2023	3.80%	2,400	(2,400)	—
			<u>200,373</u>	<u>(31,670)</u>	<u>168,703</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Long-term payables (Continued)

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

As at 31 December 2022, long-term payable to Tianjin Drainage Company (“Drainage Company”) was the consideration payable by the Group in respect of the acquisition of sewage water processing assets from Drainage Company, net of unrecognised financing charges. Pursuant to Assets Transfer Agreement from Foreign Banks Loans About Haihe River Tianjin Sewage Processing Project and Beicang Sewage Processing Project (the “Transfer Agreement”), Sewage Company sold to the Company certain sewage processing assets. The down payment was RMB261 million, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining 19 years. The fair value of the initial recognition of the payable balance was RMB430 million, which was calculated based on discounted future cash payments and discount rate of 5.94%.

The balance of the long-term payables to Tianjin Chengtuo Chuangzhan Leasing Co., Ltd. is the amount of sale-lease back assets of Shandong Capital Environmental Protection Technology Consultant Co., Ltd., which is recognised as financing secured by assets instead of asset sale in accordance with CASs. As at 31 December 2022, the net book value of the assets as collateral was RMB19 million (31 December 2021: RMB20 million).

(b) The balance of long-term payables is denominated in the following currencies:

	31 December 2022	31 December 2021
JPY	150,404	165,627
USD	47,569	57,584
RMB	2,400	8,600
	<u>200,373</u>	<u>231,811</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Long-term payables (Continued)

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

	31 December 2022	31 December 2021
JPY	236,630	266,227
USD	96,283	95,039
RMB	2,400	8,600
	<u>335,313</u>	<u>369,866</u>

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

- (d) The long-term payables mature as follows. As at 31 December 2022, long-term payables to be settled within one year amounted to RMB32 million (31 December 2021: RMB36 million), and were classified as current liabilities (Note 4(25)).

	31 December 2022	31 December 2021
Within 1 year	31,670	35,555
1 to 2 years	28,828	31,135
2 to 5 years	52,870	67,758
Over 5 years	87,005	97,363
	<u>200,373</u>	<u>231,811</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Provisions

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Maintenance cost of concession project				
assets (a)	15,919	–	(15,919)	–
Others	3,546	–	(3,546)	–
Less: Provisions to be settled within one year (Note 4(25))	(4,253)	4,253	–	–
	<u>15,212</u>	<u>4,253</u>	<u>(19,465)</u>	<u>–</u>

- (a) Such provisions are associated with the maintenance cost of concession project equipment of sewage processing service. The maintenance was completed in the year.

(31) Deferred income

	31 December 2021	Increase in the current year	Recognised in other income	31 December 2022	Asset related/ Income related
Government grants –					
Sewage water processing project					
– Tianjin Jingu sewage water processing plant	1,104,690	–	(51,285)	1,053,405	Asset related
– Tianjin Jingu sewage water processing plant upgrading project	143,440	–	(6,520)	136,920	Asset related
– Tianjin Beichen sewage water processing plant upgrading project	79,200	–	(3,600)	75,600	Asset related
– Tianjin Xianyang Road-upgrading project	51,990	–	(2,363)	49,627	Asset related
– Tianjin Dongjiao sewage water processing plant upgrading project	36,482	–	(1,658)	34,824	Asset related
– Shijiazhuang Gaocheng project	22,388	7,693	–	30,081	Asset related
– Ningxiang upgrading project	22,407	–	(931)	21,476	Asset related
– Linxia reconstruction and extension project	8,746	–	(320)	8,426	Asset related
– Beishiqiao upgrading project	8,197	–	(719)	7,478	Asset related
– Chibi upgrading project	7,750	–	(696)	7,054	Asset related
Water recycling project					
– Jingu	188,377	–	(5,549)	182,828	Asset related
– Dongjiao	19,056	–	(675)	18,381	Asset related
– Beichen	16,537	–	(525)	16,012	Asset related
– Xianyanglu	11,462	–	(428)	11,034	Asset related
Heating and cooling supply service project	206,334	84	(9,576)	196,842	Asset related
Others	6,835	35	(1,213)	5,657	Income related
	<u>1,933,891</u>	<u>7,812</u>	<u>(86,058)</u>	<u>1,855,645</u>	

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Other non-current liabilities

	31 December 2022	31 December 2021
Heating service subsidy	<u>30,000</u>	<u>32,000</u>

(33) Share capital

	31 December 2021	Issued in the current year	31 December 2022
Ordinary shares denominated in RMB	1,087,228	143,190	1,230,418
Foreign shares listed overseas	<u>340,000</u>	<u>–</u>	<u>340,000</u>
	<u>1,427,228</u>	<u>143,190</u>	<u>1,570,418</u>

The Company issued 143,189,655 RMB-denominated ordinary shares to the public at an issue price of RMB5.80 per share, as permitted by the CSRC in the Reply on Approving the Non-public Offering of Tianjin Capital Environmental Protection Group Company Limited (Zheng Jian Xu Ke [2022] No. 1122) dated 30 May 2022. The Company received the proceeds from the offering on 20 September 2022, which was verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2022) No. 0816 issued accordingly. The raised funds totalled RMB830,499,999.00, and the Company's share capital increased by RMB143,189,655.00. After deducting transaction cost (VAT exclusive) of RMB19,743,434.08, the share premium of RMB667,566,909.92 was included in capital surplus (Note (34)).

	31 December 2020	Issued in the current year	31 December 2021
Ordinary shares denominated in RMB	1,087,228	–	1,087,228
Foreign shares listed overseas	<u>340,000</u>	<u>–</u>	<u>340,000</u>
	<u>1,427,228</u>	<u>–</u>	<u>1,427,228</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Capital surplus

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Share premium	431,024	667,567	–	1,098,591
Other capital surplus – Share-based payment (a)	6,925	5,640	–	12,565
	<u>437,949</u>	<u>673,207</u>	<u>–</u>	<u>1,111,156</u>
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium	431,024	–	–	431,024
Other capital surplus – Share-based payment (a)	–	6,925	–	6,925
	<u>431,024</u>	<u>6,925</u>	<u>–</u>	<u>437,949</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Capital surplus (Continued)

(a) Share-based payment

According to the approval of the meeting of Shareholder dated 23 December 2020, the Group is authorised to grant share options to certain directors and senior management (the “Participant”). The number of share options proposed to be granted under the scheme was 14.27 million; and the corresponding number of underlying shares was 14.27 million RMB-denominated shares, representing not more than 1.0% of the Company’s total issued share capital; where 12.17 million options were granted initially, representing approximately 0.85% of the total issued capital of the Company; and 2.1 million options will be reserved, representing approximately 0.15% of the total issued capital of the Company. On 21 January 2021 and 21 December 2021, the Board of Directors of the Company resolved to grant 12.17 million share options to 155 participants and 1.348 million share options to 17 participants, respectively. The exercise price of the share option granted under the scheme is RMB6.98 and RMB6.86 per share, respectively. The exercise price of RMB6.86 per share was based on the exercise price of RMB6.98 per share and adjusted accordingly after considering the impact of the cash dividend paid in 2020. If the performance of the Group of 2021, 2022 and 2023 reaches the specific targets and the participants do not resign, the share options will be exercised according to the following exercise period, exercise time and exercise proportions:

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Capital surplus (Continued)

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

Statement of changes in share-based payment:

	2022 Thousand shares	2021 Thousand shares
Number of ordinary shares subject to outstanding options at the beginning of year	12,542	–
Number of options granted during the year	–	13,518
Number of options lapsed during the year	(1,190)	(976)
Number of ordinary shares subject to outstanding options at the end of year	<u>11,352</u>	<u>12,542</u>

Determine the fair value of the share-based payment on the grant date

The Company engages an independent valuation agency to assess the fair value of the shares option on the grant date. The fair value of the share option granted is calculated according to binomial option pricing model. This method is assessed based on vital parameters and assumptions, including the company's share price on grant date, the remaining vesting period, the expected resignation rate, the expected dividend yield, the risk-free rate corresponding to the share price volatility and the agreed exercise price.

As at the grant date of 21 January 2021 and 21 December 2021, the fair value of the share-based payments were RMB23 million and RMB3 million respectively. As at 31 December 2022, due to changes in the number of participants, the fair value adjustment of share options were adjusted to RMB19 million and RMB3 million (2021: RMB21 million and RMB3 million), respectively and was recognised as general and administrative expenses and cost of sales based on the type of services provided by the participants in 2022, and the corresponding increase in capital surplus by RMB5.6 million and minority interests by RMB0.4 million (2021: capital surplus by RMB7 million and minority interests by RMB0.4 million).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Surplus reserve

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Statutory surplus reserve	677,336	45,053	–	722,389
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Statutory surplus reserve	619,054	58,282	–	677,336

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

(36) Undistributed profits

	2022	2021
Undistributed profits at the beginning of year	4,577,685	4,114,045
Add: Net profit attributable to shareholders of the Company for the year	751,254	693,189
Less: Appropriation of statutory surplus reserve (Note 4(35))	(45,053)	(58,282)
Ordinary share dividends payable (a)	(208,376)	(171,267)
Undistributed profits at the end of year	5,075,510	4,577,685

- (a) On 17 June 2022, the shareholders approved the cash dividend of RMB 1.46 (gross tax) for every 10 shares to all shareholders, totalling RMB 208 million based on 1.427 billion shares issued (Note 10). The cash dividend was totally paid in 2022.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales

	2022		2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Main operations	4,294,658	2,809,978	4,282,486	3,018,725
Other operations	227,509	176,060	253,093	169,571
	<u>4,522,167</u>	<u>2,986,038</u>	<u>4,535,579</u>	<u>3,188,296</u>

(a) Revenue and cost of sales from main operations

Analysis by the nature of services is as below:

	2022		2021	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sewage treatment and water plant facilities construction	3,192,788	2,071,827	3,351,815	2,353,001
Recycled water and pipeline connection	389,775	244,502	337,044	209,258
Heating and cooling supply and related facilities construction	242,050	195,907	102,354	68,981
Hazardous waste treatment	237,196	162,291	220,384	187,531
Tap water and water plant facilities construction	118,195	83,851	149,716	115,254
Environmental protection equipment customisation	46,501	39,413	52,752	39,003
Others	68,153	12,187	68,421	45,697
	<u>4,294,658</u>	<u>2,809,978</u>	<u>4,282,486</u>	<u>3,018,725</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

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

Analysis by locations is as follows:

	2022		2021	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Tianjin	2,272,547	1,386,863	2,012,667	1,207,859
Hangzhou	316,994	189,773	261,007	166,000
Xi'an	291,288	211,419	518,500	461,717
Fuyang	272,730	187,530	290,841	187,229
Others	1,141,099	834,393	1,199,471	995,920
	4,294,658	2,809,978	4,282,486	3,018,725

(b) Revenue and cost of sales from other operations

	2022		2021	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Contract operation	171,135	146,974	174,573	147,793
Technical service	39,221	17,239	60,240	10,807
Sales of equipment	9,681	7,807	—	—
Others	7,472	4,040	18,280	10,971
	227,509	176,060	253,093	169,571

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

(c) The Group's revenue is disaggregated as follows

	2022							
	Sewage water processing and water plant facilities construction	Recycled water and pipeline connection	Heating and cooling supply and related facilities construction	Hazardous waste treatment	Tap water and water plant facilities construction	Environmental protection equipment customisation	Others	Total
Revenue from main operations								
Recognised at a point in time	-	-	-	-	-	-	2,160	2,160
Recognised over a period of time	3,192,788	389,775	242,050	237,196	118,195	46,501	65,993	4,292,498
	<u>3,192,788</u>	<u>389,775</u>	<u>242,050</u>	<u>237,196</u>	<u>118,195</u>	<u>46,501</u>	<u>68,153</u>	<u>4,294,658</u>
Revenue from other operations								
Recognised at a point in time	-	-	-	-	-	-	9,681	9,681
Recognised over a period of time	-	-	-	-	-	-	217,828	217,828
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,509</u>	<u>227,509</u>
	2021							
	Sewage water processing and water plant facilities construction	Recycled water and pipeline connection	Heating and cooling supply and related facilities construction	Hazardous waste treatment	Tap water and water plant facilities construction	Environmental protection equipment customisation	Others	Total
Revenue from main operations								
Recognised at a point in time	-	-	-	-	-	-	1,261	1,261
Recognised over a period of time	3,351,815	337,044	102,354	220,384	149,716	52,752	67,160	4,281,225
	<u>3,351,815</u>	<u>337,044</u>	<u>102,354</u>	<u>220,384</u>	<u>149,716</u>	<u>52,752</u>	<u>68,421</u>	<u>4,282,486</u>
Revenue from other operations								
Recognised over a period of time	-	-	-	-	-	-	253,093	253,093
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,093</u>	<u>253,093</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Revenue and cost of sales (Continued)

(c) *The Group's revenue is disaggregated as follows* (Continued)

As at 31 December 2022, based on the pre-determined agreement price, actual processing and supplying amount, the Group issued bills to customers at fixed period for its sewage operation services, supplies of recycled water and tap water. The bill can represent the value that the Group has transferred to customers. All consideration is included in the bills amount thus the Group did not disclose the transaction price allocated to the remaining performance obligations.

As at 31 December 2022, the performance obligation regarding a signed contract of recycled water supply supporting project amounted to approximately RMB488 million (31 December 2021: RMB515 million) was not fully completed. The revenue will be recognised over time based on the progress towards the completion of related performance obligations in the following years.

As at 31 December 2022, the performance obligation regarding a signed contract of cooling supply services amounted to approximately RMB11 million (31 December 2021: RMB24 million) was not fully completed and the Group expects the related revenue of approximately RMB11 million will be recognised in 2023; the performance obligation regarding a contract of heating supply services amounted to approximately RMB13 million (31 December 2021: RMB26 million) was not fully completed and the Group expects the related revenue of approximately RMB13 million will be recognised in 2023; the performance obligation regarding a contract of commissioned contract operation amounted to approximately RMB83 million (31 December 2021: RMB29 million) was not fully completed and the Group expects the related revenue of approximately RMB62 million and RMB21 million will be recognised in 2023 and 2024, respectively.

The performance obligation regarding a signed contract of tolls road service amounted to approximately RMB385 million (31 December 2021: RMB447 million) was not fully completed. The Group expects to recognise revenue of approximately RMB62 million in each of the years from 2023 to 2028, and revenue of approximately RMB13 million in 2029.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Taxes and surcharges

	2022	2021
Land use tax	22,094	17,163
Property tax	16,727	16,054
City maintenance and construction tax	2,752	5,031
Educational surcharge	1,237	2,245
Local educational surcharge	1,039	1,783
Others	1,696	2,422
	<u>45,545</u>	<u>44,698</u>

(39) Selling expenses

	2022	2021
Employee benefits	8,068	7,722
Consulting service fees	2,181	1,007
Travelling, meeting and business entertainment expenses	920	1,719
Depreciation of fixed assets	153	45
General office expenses	153	145
Others	3,070	1,197
	<u>14,545</u>	<u>11,835</u>

(40) General and administrative expenses

	2022	2021
Employee benefits	155,746	153,439
Consulting service fees	16,887	14,846
Depreciation of fixed assets	11,298	10,341
General office expenses	7,584	6,314
Repair and maintenance expenses	5,985	8,972
Share-based amortisation	5,385	6,574
Travelling, meeting and business entertainment expenses	4,102	5,473
Expenses of the board of directors	3,748	4,972
Audit fees	3,700	3,784
Other taxes	2,453	2,485
Utilities	2,306	2,061
Amortisation of intangible assets	969	1,849
Others	774	3,723
	<u>220,937</u>	<u>224,833</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) Research and development expenses

	2022	2021
Employee benefits	26,797	10,028
Raw materials consumption	5,411	4,151
Utilities	3,298	–
Depreciation of fixed assets	1,250	–
Repair and maintenance expenses	1,213	2,298
Consulting service fees	1,151	–
Factory environment, detection and fire prevention fee	263	290
Others	4,156	1,578
	<u>43,539</u>	<u>18,345</u>

(42) Financial expenses

	2022	2021
Loan Interest expenses	406,441	375,544
Add: Interest costs on lease liabilities	366	439
Less: Amounts capitalised on qualifying assets	<u>(3,740)</u>	<u>(36,566)</u>
Interest expenses	403,067	339,417
Less: Interest income	(211,941)	(193,656)
Including: From long-term receivables	(192,988)	(178,916)
From cash at bank	(18,953)	(14,740)
Exchange gains (a)	(12,089)	(30,648)
Others	<u>1,413</u>	<u>1,579</u>
	<u>180,450</u>	<u>116,692</u>

- (a) In 2022, the exchange gains on the long-term payables denominated in JPY and USD were RMB12 million (2021: RMB31 million).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Expenses by nature

	2022	2021
Amortisation of intangible assets	526,763	550,728
Utilities	465,962	390,427
Employee benefit expenses	461,946	457,266
Less: Cost in concession project assets	(2,426)	(3,652)
Concession project construction expenses	445,874	726,077
Raw materials consumption	376,625	412,211
Sewage mud processing expenses	285,802	219,388
Repair and maintenance expenses (a)	208,275	202,826
Subcontract cost of recycling water pipeline	98,376	87,346
Depreciation of fixed assets	67,534	76,931
Factory environment, detection and fire prevention fee	58,655	52,511
Construction cost of environmental protection project	54,546	35,890
Network maintenance costs	49,625	43,203
Consulting service fees	44,493	57,776
Travelling, meeting and business entertainment expenses	26,786	25,955
General office expenses	12,332	10,970
Hazard waste treatment fee	10,633	20,555
Toll road management fee	7,120	7,120
Share-based amortisation	6,055	7,370
Depreciation of right-of-use assets	3,938	2,627
Expenses of the board of directors	3,748	4,972
Audit fees	3,700	3,784
Other taxes	2,619	4,507
Others	46,078	46,521
	<u>3,265,059</u>	<u>3,443,309</u>

- (a) For the repair and maintenance expenses, that do not qualify for capitalisation of long-term assets, were all assets maintenance relating to the main operating assets, and therefore were recognised as costs of sales.

(44) Other income

	2022	2021	Asset related/ Income related
Government grants (a)	97,000	91,839	Asset related/ income related
VAT refund	8,431	21,813	Income related
Subsidy for withholding individual income tax	40	174	
	<u>105,471</u>	<u>113,826</u>	

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Other income (Continued)

(a) Details of government grants

	2022	2021	Asset related/ Income related
Government grants – Deferred income			
Sewage water processing project			
– Tianjin Jingu sewage water processing plant	51,285	51,285	Asset related
– Tianjin Jingu sewage water processing plant upgrading project	6,520	6,520	Asset related
– Tianjin Beichen sewage water processing plant upgrading project	3,600	3,600	Asset related
– Tianjin Xianyang Road-upgrading project	2,363	2,363	Asset related
– Tianjin Dongjiao sewage water processing plant upgrading project	1,658	1,658	Asset related
Others	2,666	1,970	Asset related
Water recycling project			
– Jingu	5,549	5,557	Asset related
– Others	1,628	1,641	Asset related
Heating and cooling supply service project	9,576	9,174	Asset related
Others	1,213	1,237	Income related
Sub-total	86,058	85,005	
Government grants – One-off			
Tax subsidy	2,505	1,393	Income related
Others	8,437	5,441	Income related
Sub-total	10,942	6,834	
Total government grants	97,000	91,839	

(45) Provision for/(reversal of) credit impairment losses

	2022	2021
Provision for/(reversal of) bad debts of long-term receivables	10,903	(20,584)
Losses on bad debts of accounts receivable	43,807	15,526
(Reversal of)/provision for bad debts of other receivables	(700)	914
	54,010	(4,144)

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) Asset impairment losses

	2022	2021
Provision for impairment of goodwill (Note 4(15))	85,648	99,659
Provision for impairment of intangible assets (Note 4(14)(a)(iii))	22,066	49,000
(Reversal of)/provision for impairment of other non-current assets	(1,260)	3,160
	<u>106,454</u>	<u>151,819</u>

(47) Losses on disposals of assets

	2022	2021	Classified as non-recurring profit or loss for 2022
Losses on scrapping of fixed assets	<u>(2,558)</u>	<u>(22)</u>	<u>(2,558)</u>

(48) Non-operating income

	2022	2021	Classified as non-recurring profit or loss for 2022
Receiving of compensation	1,098	815	1,098
Others	<u>559</u>	<u>358</u>	<u>559</u>
	<u>1,657</u>	<u>1,173</u>	<u>1,657</u>

(49) Non-operating expenses

	2022	2021	Classified as non-recurring profit or loss for 2022
Donation	800	–	800
Losses on scrapping of fixed assets	7	686	7
Others	<u>1,513</u>	<u>1,437</u>	<u>1,513</u>
	<u>2,320</u>	<u>2,123</u>	<u>2,320</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) Income tax expenses

	2022	2021
Current income tax calculated according to tax laws	178,428	172,722
Deferred income tax	(21,735)	4,327
	<u>156,693</u>	<u>177,049</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is set out as below:

	2022	2021
Total profit	<u>969,298</u>	<u>896,059</u>
Income tax expenses calculated at statutory rate of 25%	242,325	224,015
Effect of preferential tax rates	(89,520)	(51,870)
Income not subject to tax	(51,557)	(41,176)
Costs, expenses and losses not deductible for tax purposes	35,820	29,865
Utilisation of previously unrecognised deductible temporary differences	(2,958)	(569)
Utilisation of previously unrecognised deductible losses	(2,258)	(1,334)
Deductible temporary differences for which no deferred tax asset was recognised	16,221	16,149
Deductible losses for which no deferred tax asset was recognised	<u>8,620</u>	<u>1,969</u>
Income tax expenses	<u>156,693</u>	<u>177,049</u>

(51) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated based on the consolidated net profit attributable to ordinary shareholders of the parent of RMB751 million (2021: RMB693 million) and weighted average number of ordinary shares of 1,468 million shares in issue during the year (2021: 1,427 million shares).

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	751,254	693,189
Weighted-average number of ordinary shares in issue (thousand shares)	1,467,635	1,427,228
Basic earnings per share (RMB Yuan)	<u>0.51</u>	<u>0.49</u>
Including:		
– Basic earnings per share for continuing operations	0.51	0.49
– Basic earnings per share for discontinued operations	<u>–</u>	<u>–</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(51) Earnings per share (Continued)

- (b) Diluted earnings per share are calculated based on consolidated net profit attributable to ordinary shareholders of the parent company adjusted for dilutive underlying common shares divided by the weighted average of the adjusted ordinary shares issued by the Company.

As at 31 December 2022, the market price of the Company's ordinary shares denominated in RMB was lower than the exercise price of the share options issued, therefore, the outstanding share options were not dilutive (2021: Nil). Therefore, diluted earnings per share equal to basic earnings per share.

(52) Notes to the cash flow statement

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

	2022	2021
Net profit	<u>812,605</u>	<u>719,010</u>
Adjust for:		
Asset impairment losses	106,454	151,819
Provision for/(Reversal of) credit impairment losses	54,010	(4,144)
Depreciation of right-of-use assets	3,938	2,627
Depreciation of fixed assets	67,534	76,931
Amortisation of intangible assets	526,763	550,728
Losses on scrapping of fixed assets	7	686
Losses on disposals of fixed assets	2,558	22
Financial expenses – net	390,978	308,769
Share-based amortisation	6,055	7,370
Investment losses	3,601	–
Decrease in deferred tax assets	11,870	6,480
Amortisation of deferred income	(86,058)	(85,005)
Decrease in deferred tax liabilities	(33,605)	(2,153)
Increase in inventories	(9,316)	(2,567)
Increase in operating receivables	(959,972)	(1,018,688)
Increase in operating payables	<u>14,629</u>	<u>224,923</u>
Net cash flows from operating activities	<u>912,051</u>	<u>936,808</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) Notes to the cash flow statement (Continued)

(b) Cash presented in the cash flow statement includes:

	31 December 2022	31 December 2021
Cash on hand	3	13
Cash at bank that can be readily drawn on demand	<u>3,188,341</u>	<u>2,093,543</u>
Cash presented in the cash flow statement	<u>3,188,344</u>	<u>2,093,556</u>

(c) Cash received relating to other operating activities

	2022	2021
Interest income from cash at bank	18,953	14,740
Government grants received	18,754	44,296
Deposit on project bids received	5,409	7,670
Cash received from transfer of assets of the old Dongjiao sewage plant	–	68,736
Others	<u>9,010</u>	<u>6,183</u>
	<u>52,126</u>	<u>141,625</u>

(d) Cash paid relating to other operating activities

	2022	2021
Consulting service fees	19,068	19,636
Repair and maintenance expenses	5,985	8,972
Travelling, meeting and business entertainment expenses	5,022	7,192
Deposit on project bids paid	4,812	9,527
Expenses of the board of directors	3,748	4,972
Financial expenses	1,413	1,579
Others	<u>13,808</u>	<u>27,258</u>
	<u>53,856</u>	<u>79,136</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) Notes to the cash flow statement (Continued)

(e) Net cash received from disposals of fixed assets

	2022	2021
Carrying amount of disposals of fixed assets	4,637	4,922
Losses on disposals of subsidiaries	(1,707)	–
Losses on scrapping of fixed assets	(7)	(686)
Net gains from disposals of fixed assets	<u>(2,558)</u>	<u>(22)</u>
	<u>365</u>	<u>4,214</u>

(f) Acquisition of subsidiaries

	2022	2021
Cash and cash equivalents paid for business combinations in the year	–	729,873
Less: Cash and cash equivalents held by the acquired subsidiaries at the completion day	<u>–</u>	<u>(56,849)</u>
Net cash paid to acquire the subsidiary	<u>–</u>	<u>673,024</u>

(53) Monetary items denominated in foreign currencies

	31 December 2022		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand – HKD	9,730	0.8933	<u>8,692</u>
Long-term payables – USD	6,830	6.9646	47,569
JPY	2,870,305	0.0524	<u>150,404</u>
			<u>197,973</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

5 EQUITY IN OTHER ENTITIES

(1) Subsidiaries

Name of subsidiaries	Type of subsidiary	Category of legal entity	Major business location	Place of registration	Nature of business and business activity	Registered capital	Shareholding (%)		Acquisition method
							Direct	Indirect	
Qijing Capital Water Co., Ltd.	Controlling	Limited Liability Company	Qijing	Qijing	Sewage water processing and tap water supply	178,983	87	-	Capital contribution
Guizhou Capital Water Co., Ltd.	Controlling	Limited Liability Company	Guizhou	Guizhou	Sewage water processing	120,000	95	-	Capital contribution
Baoying Capital Water Co., Ltd.	Controlling	Limited Liability Company	Baoying	Baoying	Sewage water processing	83,000	70	-	Capital contribution
Hangzhou Tianchuang Capital Water Co., Ltd.	Controlling	Limited Liability Company	Hangzhou	Hangzhou	Sewage water processing	377,445	70	-	Capital contribution
Tianjin Capital New Materials Co., Ltd.	Controlling	Limited Liability Company	Tianjin	Tianjin	Manufacturing and sales of new building materials	37,500	71	-	Capital contribution
Fuyang Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Fuyang	Fuyang	Sewage water processing	455,689	100	-	Capital contribution
Tianjin Capital Environmental Protection (Hong Kong) Limited	Wholly owned	Limited Liability Company	Hong Kong	Hong Kong	Sewage water processing	62,987	100	-	Capital contribution
Wendeng Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Wendeng	Wendeng	Sewage water processing	68,527	100	-	Capital contribution
Tianjin Jinghai Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Sewage water processing	37,553	100	-	Capital contribution
Tianjin Water Recycling Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Production and sales of recycled water, development and construction of water recycling facilities, and technical consulting services	100,000	100	-	Capital contribution
Xi'an Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Xi'an	Xi'an	Sewage water processing	476,170	100	-	Capital contribution
Caring Company	Controlling	Stock Limited Company	Tianjin	Tianjin	Environment project governance, technical consultation	33,333	48	12	Capital contribution
Anguo Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Anguo	Anguo	Sewage water processing	41,000	100	-	Capital contribution
Wuhan Tianchuang Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Wuhan	Wuhan	Sewage water processing and tap water supply	201,969	100	-	Capital contribution
Tianjin Jinning Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Sewage water processing	22,560	100	-	Capital contribution
Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer services, property management	191,951	100	-	Capital contribution
Yingshang Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Yingshang	Yingshang	Sewage water processing	53,000	100	-	Capital contribution
Shandong Company	Controlling	Limited Liability Company	Shandong	Shandong	Collection, storage and transportation of hazardous wastes	82,000	55	-	Capital contribution
Changsha Tianchuang Environmental Protection Co., Ltd.	Controlling	Limited Liability Company	Changsha	Changsha	Sewage water processing	46,015	81	-	Capital contribution
Karamay Tianchuang Capital Water Co., Ltd.	Controlling	Limited Liability Company	Karamay	Karamay	Sewage water processing	120,000	90	-	Capital contribution
Anhui Tianchuang Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Hefei	Hefei	Sewage water processing	63,670	100	-	Capital contribution
Linxia Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Linxia	Linxia	Sewage water processing	45,000	100	-	Capital contribution
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	Controlling	Limited Liability Company	Dalian	Dalian	Sewage water processing	94,079	64	-	Capital contribution
Changsha Tianchuang Capital Water Co., Ltd.	Controlling	Limited Liability Company	Changsha	Changsha	Sewage water processing	21,252	80	-	Capital contribution
Bayannur Capital Water Co., Ltd.	Controlling	Limited Liability Company	Bayannur	Bayannur	Sewage water processing, producing and sales of recycled water and supply of tap water	1,067,578	70	-	Business combinations involving entities not under common control
Honghu Tianchuang Capital Water Co., Ltd.	Controlling	Limited Liability Company	Honghu	Honghu	Sewage water processing	131,331	85	-	Capital contribution
Hefei Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Hefei	Hefei	Sewage water processing	205,957	100	-	Capital contribution
Deqing Capital Water Co., Ltd.	Controlling	Limited Liability Company	Deqing	Deqing	Sewage water processing	60,000	90	-	Capital contribution
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd.	Controlling	Limited Liability Company	Gaocheng	Gaocheng	Sewage water processing, producing and sales of recycled water	217,497	59	-	Capital contribution
Hanshou Tianchuang Capital Water Co., Ltd.	Controlling	Limited Liability Company	Hanshou	Hanshou	Supply of tap water	45,000	75	-	Capital contribution
Jiuquan Capital Water Co., Ltd.	Controlling	Limited Liability Company	Jiuquan	Jiuquan	Sewage water processing	178,238	89	-	Capital contribution

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (Continued)

(1) Subsidiaries (Continued)

Name of subsidiaries	Type of subsidiary	Category of legal entity	Major business location	Place of registration	Nature of business and business activity	Registered capital	Shareholding (%)		Acquisition method
							Direct	Indirect	
Huize Capital Water Co., Ltd.	Controlling	Limited Liability Company	Huize	Huize	Centralised tap water supply and sewage water processing	41,237	79	-	Capital contribution
Huoqiu Capital Water Co., Ltd.	Controlling	Limited Liability Company	Huoqiu	Huoqiu	Sewage water processing	41,283	90	-	Capital contribution
Dongying Tianchi Environmental Protection Technology Consultant Co., Ltd.	Controlling	Limited Liability Company	Dongying	Dongying	Solid waste treatment	136,300	51	-	Capital contribution
Honghu Tianchuang Environmental Protection Co., Ltd.	Controlling	Limited Liability Company	Honghu	Honghu	Sewage water processing	60,000	89	-	Capital contribution
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Sewage water processing	62,106	100	-	Capital contribution
Jiangsu Yonghui	Wholly owned	Limited Liability Company	Gaoyou	Gaoyou	Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation	50,000	100	-	Business combinations involving entities not under common control
Gaoyou Compro	Wholly owned	Limited Liability Company	Gaoyou	Gaoyou	Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation	100,000	100	-	Business combinations involving entities not under common control
Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.	Controlling	Limited Liability Company	Tancheng	Tancheng	Hazardous waste treatment and disposal	110,000	55	-	Division of existing subsidiary
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer services, property management	80,000	100	-	Capital contribution
Tianjin Tianchuang Green Energy Investment Management Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Investment management; power generation business, transmission business, and power supply (distribution) business; heating services.	80,000	100	-	Capital contribution

In 2022, the Company invested RMB63 million to establish the subsidiary Tianjin Tianchuang Green Energy Investment Management Co., Ltd. and RMB80 million to establish the subsidiary Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd., with equity interests of 100%.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (Continued)

(2) Subsidiaries with significant minority interests

Name	Minority interests	Minority interests for 2022	Declared dividends distribution to minority interests for 2022	Minority interests as at 31 December 2022
Bayannur Capital Water Co., Ltd. ("Bayannur Company")	30%	(119)	(4,800)	326,070
Hangzhou Tianchuang Capital Water Co., Ltd. ("Hangzhou Company")	30%	30,584	(14,339)	221,951
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd. ("Guojin Company")	41%	1,163	–	96,552
Shandong Company	45%	23,318	–	62,866
Caring Company	40%	4,316	(4,400)	50,274

Major financial information of material non-wholly-owned subsidiaries of the Group is listed below:

	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bayannur Company	49,608	1,074,857	1,124,465	25,719	11,845	37,564
Hangzhou Company	296,298	550,279	846,577	36,464	70,275	106,739
Guojin Company	82,498	300,511	383,009	53,763	93,751	147,514
Shandong Company	238,008	240,104	478,112	85,821	252,588	338,409
Caring Company	189,683	5,079	194,762	68,918	161	69,079
	<u>856,095</u>	<u>2,170,830</u>	<u>3,026,925</u>	<u>270,685</u>	<u>428,620</u>	<u>699,305</u>

	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bayannur Company	58,976	1,073,339	1,132,315	16,659	12,316	28,975
Hangzhou Company	271,594	583,088	854,682	83,439	85,470	168,909
Guojin Company	70,939	283,618	354,557	47,334	74,413	121,747
Shandong Company	214,824	249,099	463,923	94,967	282,292	377,259
Caring Company	177,824	6,363	184,187	54,319	3,739	58,058
	<u>794,157</u>	<u>2,195,507</u>	<u>2,989,664</u>	<u>296,718</u>	<u>458,230</u>	<u>754,948</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (Continued)

(2) Subsidiaries with significant minority interests (Continued)

	2022			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
Bayannur Company	75,003	(439)	(439)	8,493
Hangzhou Company	317,688	101,861	101,861	142,678
Guojin Company	80,450	2,683	2,683	1,939
Shandong Company	112,433	51,786	51,786	44,556
Caring Company	167,397	10,555	10,555	13,547
	<u>752,971</u>	<u>166,446</u>	<u>166,446</u>	<u>211,213</u>
	2021			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
Bayannur Company	71,092	(5,847)	(5,847)	10,319
Hangzhou Company	261,269	59,351	59,351	150,501
Guojin Company	76,153	9,761	9,761	25,584
Shandong Company	134,016	(8,756)	(8,756)	6,803
Caring Company	156,516	12,411	12,411	(26,914)
	<u>699,046</u>	<u>66,920</u>	<u>66,920</u>	<u>166,293</u>

(3) Non-essential information of associates

	2022	2021
Total book value of investment	193,108	195,000
Aggregate of the following items in proportion		
Net loss (a)	(1,892)	—
Other comprehensive income (a)	—	—
Total comprehensive income	<u>(1,892)</u>	<u>—</u>

- (a) The net profit and other comprehensive income have taken into account the impacts of both the fair values of the identifiable assets and liabilities upon the acquisitions of investments in joint ventures and associates and the alignment of accounting policies.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

6 SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies and the Group, therefore, separately manages the production and operation activities of each reportable segment and evaluates their respective operating results for resources allocation and performance assessment.

The Group considers its operations from the perspective of providing services and regions. As the perspective of providing services, management assesses the performance of sewage treatment, recycled water, pipeline connection, heating and cooling supply services, sales of tap water and sales of environmental protection equipment. Sewage treatment is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). The environmental protection equipment sold by the Group is mainly the result of the scientific research and transformation of environmental protection patent technology. Other services, including contract operation services, rental income and technical services, are not separately presented within the reportable operating segments, but are included in the 'all other segments' column. The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to the segments are allocated based on the proportion of each segment's revenue.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

(1) Segment information as at and for the year ended 31 December 2022 is as follows:

	Sewage water processing and sewage treatment plant construction			Recycled water and auxiliary projects	Heating and cooling supply services	Tap water and water plant facilities construction	Sales of environmental protection equipment	All other segments (b)	Group
	Tianjin	Hangzhou	Others						
Revenue from external customers (Note 4(37))	1,559,622	316,994	1,316,172	389,775	242,050	118,195	46,501	532,858	4,522,167
Cost of sales	(916,528)	(189,773)	(965,526)	(244,502)	(195,907)	(83,851)	(39,413)	(350,538)	(2,986,038)
Interest income (Note 4(42))	57,294	478	132,231	4,130	1,970	6,061	1,090	8,687	211,941
Interest expenses (Note 4(42))	(242,028)	(2,484)	(128,891)	(33)	(2,335)	(3,722)	–	(23,574)	(403,067)
Results before share of profits of an associate	382,269	112,428	293,456	179,381	56,188	37,294	1,243	(91,069)	971,190
Segment total profit/(loss)	382,269	112,428	293,456	179,381	56,188	37,294	1,243	(92,961)	969,298
Income tax expenses	(35,934)	(9,809)	(33,937)	(44,420)	(13,681)	(7,065)	(107)	(11,740)	(156,693)
Segment net profit/(loss)	346,335	102,619	259,519	134,961	42,507	30,229	1,136	(104,701)	812,605
Net profit/(loss)									812,605
Depreciation expenses	(9,281)	–	(22,371)	(14,151)	(2,002)	(171)	(157)	(23,339)	(71,472)
Amortisation	(167,072)	(59,305)	(230,734)	(5,894)	(24,785)	(16,446)	–	(22,527)	(526,763)
Segment assets	10,339,004	827,680	7,974,808	715,849	753,055	604,876	45,410	1,515,884	22,776,566
Equity investments in associate									193,108
Total assets									22,969,674
Total liabilities	(7,429,346)	(106,739)	(3,734,705)	(887,661)	(310,480)	(88,630)	(18,077)	(891,743)	(13,467,381)
Addition of non-current assets (a)	8,434	25,828	177,088	116,904	141,665	1,636	43	11,510	483,108

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

(2) Segment information as at and for the year ended 31 December 2021 is as follows:

	Sewage water processing and sewage treatment plant construction			Recycled water and pipeline connection	Heating and cooling supply services	Tap water and water plant facilities construction	Sales of environmental protection equipment	All other segments (b)	Group
	Tianjin	Hangzhou	Others						
Revenue from external customers (Note 4(37))	1,481,307	261,007	1,609,501	337,044	102,354	149,716	52,752	541,898	4,535,579
Cost of sales	(872,503)	(166,000)	(1,314,498)	(209,258)	(68,981)	(115,254)	(39,003)	(402,799)	(3,188,296)
Interest income (Note 4(42))	54,756	442	115,059	4,386	1,152	8,019	1,078	8,764	193,656
Interest expenses (Note 4(42))	(208,358)	(4,052)	(108,629)	(451)	(3,025)	–	–	(14,902)	(339,417)
Results before share of profits of an associate	458,042	79,881	197,029	121,944	31,488	34,393	3,938	(30,656)	896,059
Segment total profit/(loss)	458,042	79,881	197,029	121,944	31,488	34,393	3,938	(30,656)	896,059
Income tax expenses	(69,918)	(20,700)	(21,357)	(38,402)	(8,524)	(4,557)	(964)	(12,627)	(177,049)
Segment net profit/(loss)	388,124	59,181	175,672	83,542	22,964	29,836	2,974	(43,283)	719,010
Net profit/(loss)									719,010
Depreciation expenses	(17,030)	–	(10,812)	(14,595)	(2,201)	–	(38)	(34,882)	(79,558)
Amortisation	(163,739)	(59,376)	(257,654)	(7,876)	(24,771)	(15,468)	–	(21,844)	(550,728)
Segment assets	8,220,258	843,771	7,792,478	712,753	662,271	488,334	58,101	2,092,326	20,870,292
Equity investments in associate									195,000
Total assets									21,065,292
Total liabilities	(6,807,037)	(168,909)	(3,598,953)	(1,006,133)	(307,714)	(33,256)	(20,319)	(1,018,901)	(12,961,222)
Addition of non-current assets (a)	201,762	140	549,822	7,805	14,661	1,318	536	35,452	811,496

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

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

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

The income from processing of sewage water segment of RMB1,454 million is derived from a single customer, accounting for 32% of the Group's total revenue (2021: RMB1,436 million, 32%).

(b) Other segment losses included a goodwill impairment loss of RMB86 million (2021: RMB100 million).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) General information of the parent company

	Type	Place of incorporation	Legal representative	Nature of business
Tianjin Municipal Investment Co., Ltd.	Limited liability company	Tianjin, the PRC	Mr. An Pindong	Development and operation of municipal infrastructures

The Company's ultimate controlling party is Tianjin Infrastructure Investment Group, which is registered in Tianjin.

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

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Tianjin Municipal Investment Co., Ltd.	1,820,000	–	–	1,820,000

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

	31 December 2022		31 December 2021	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Tianjin Municipal Investment Co., Ltd.	45.57%	45.57%	50.14%	50.14%

(2) Subsidiaries

The general information and other related information of subsidiaries are set out in Note 5.

(3) Associates

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) 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 Chengtuo Chuangzhan Leasing Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Environmental Investment Green Engineering Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Environmental Construction Investment Co., Ltd.	Controlled by the same ultimate holding company

(5) Related party transactions

The Group's material transactions with related parties are as follows:

(a) Purchases of goods and receiving of services

Related parties	Nature of transaction	2022	2021
Tianjin Environmental Construction Investment Co., Ltd.	Investment expenses for project equipment	103,548	–
Tianjin Infrastructure Investment Group	Sewage mud processing expenses	83,063	60,578
Tianjin Infrastructure Investment Group	Contracted operating expenses	11,407	16,448
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Expenses for project engineering measurement	67,596	–
Tianjin Environmental Investment Greening Engineering Co., Ltd.	Expenses for project engineering measurement	13,458	–
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Consulting expenses	9,875	–
		<u>288,947</u>	<u>77,026</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Rendering of services

Related parties	Nature of transaction	2022	2021
Tianjin Infrastructure Investment Group	Revenue from contract operation	52,735	85,148
Tianjin Lecheng Properties Co., Ltd.	Heating and cooling supply income	27,486	23,598
Tianjin Infrastructure Investment Group	Technical service income	–	7,657
Tianjin Infrastructure Investment Group	Asset repair services	–	1,392
		80,221	117,795

(c) Sale-leaseback

Related parties	Type of the leased assets	2022	2021
Tianjin Chengtuo Chuangzhan Leasing Co., Ltd.	Fixed assets	2,400	7,600

(d) Asset acquisition

The Resolution on the Transfer of Assets of Jinnan Sludge Treatment Plant was deliberated and approved at the 7th meeting of the 9th Board of Directors of the Company on 21 December 2022. The Company intends to transfer the assets of Jinnan sludge treatment plant subordinated to Tianjin Infrastructure Investment Group at a transfer price of RMB471,825.9 thousand. As at 31 December 2022, the Company had paid deposits of RMB94,365.18 thousand for asset transfer, which has yet to be completed.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(e) Remuneration of key management

	2022	2021
Remuneration of key management	13,497	13,069
Share-based incentive payment	<u>277</u>	<u>441</u>
	<u>13,774</u>	<u>13,510</u>

(6) Balances of receivables from and payables to related parties

(a) Receivables from related parties

		<u>31 December 2022</u>		<u>31 December 2021</u>	
Related parties		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Tianjin Infrastructure Investment Group	121,368	(15,177)	138,310	(4,666)
	Tianjin Lecheng Properties Co., Ltd.	5,641	(59)	550	(10)
	Tianjin City Resource Operation Co., Ltd.	<u>1,200</u>	<u>(1,200)</u>	<u>1,200</u>	<u>(1,200)</u>
		<u>128,209</u>	<u>(16,436)</u>	<u>140,060</u>	<u>(5,876)</u>

The receivables from related parties arose from the daily business operations and were unsecured and bore no interest.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Balances of receivables from and payables to related parties (Continued)

(b) Payables to related parties

		31 December 2022	31 December 2021
Accounts payable	Tianjin Infrastructure Investment Group	11,632	–
	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	33,027	–
	Tianjin Environmental Investment Green Engineering Company Limited	14,163	–
		<u>58,822</u>	<u>–</u>
Current portion of non-current liabilities	Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	<u>2,400</u>	<u>6,200</u>
Long-term payables	Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	<u>–</u>	<u>2,400</u>

(c) Advances to related parties

		31 December 2022	31 December 2021
Advances to suppliers	Tianjin Infrastructure Investment Group	<u>104,066</u>	<u>–</u>

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

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

During the year, the Group’s significant transactions with these state-controlled entities include sewage treatment and construction and management of related facility, contract operation services of sewage treatment plant and recycled water plant, supply of tap water and recycled water, and supply of heating and cooling supply services. At the end of the year, the majority of the Group’s cash and cash equivalents and borrowings were saved at or obtained from state-owned banks.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors

(a) Directors' emolument

The emoluments of directors of the Company for the year ended 31 December 2022 are as follows:

	Remuneration	Salaries and subsidies	Pension plan contributions	Bonus	Other allowances and benefits	Share-based incentive payment	Total	Number of share options
Chairman:								
Liu Yujun (i)	-	213	45	365	92	-	715	-
Ji Guanglin (i)(ii)	-	-	-	-	-	-	-	-
Executive directors:								
Li Yang (i)	-	107	21	482	40	127	777	250
Jing Wanying (i)	-	86	21	403	40	181	731	250
Wang Jing	-	191	46	-	95	-	332	-
Niu Bo	-	197	46	342	95	91	771	180
Independent directors:								
Xue Tao (i)	31	-	-	-	-	-	31	-
Wang Shanggan (i)	31	-	-	-	-	-	31	-
Tian Liang (i)	31	-	-	-	-	-	31	-
Guo Yongqing (i)	134	-	-	-	-	-	134	-
Xu Zhiming (i)	134	-	-	-	-	-	134	-
Lu Yingying(i)	134	-	-	-	-	-	134	-
	<u>495</u>	<u>794</u>	<u>179</u>	<u>1,592</u>	<u>362</u>	<u>399</u>	<u>3,821</u>	<u>680</u>

- (i) On 19 August 2022, an election at expiration of office terms of the Board of Directors of the Company was held. Ji Guanglin was appointed as the Chairman, Li Yang and Jing Wanying were appointed as executive directors, and Xue Tao, Wang Shanggan and Tian Liang were appointed as independent directors. The former Chairman Liu Yujun and independent directors Guo Yongqing, Xu Zhiming and Lu Yingying resigned.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Five highest paid individuals

In 2022, the five individuals whose emoluments were the highest in the Group for the year (excluding share-based payment) included two (2021: two) directors whose emoluments are reflected in the analysis shown in Note 7(8)(a). The emoluments to the remaining three (2021: three) highest paid individuals during the year are as follows:

	2022	2021
Salaries, housing subsidy and other subsidies	740	875
Bonus	1,405	1,648
Social security costs	362	399
Pension costs – defined contribution plans	179	190
	<u>2,686</u>	<u>3,112</u>
	Number of directors	
	2022	2021
Emolument bands (in HKD)		
HKD 500,000-1,000,000	1	–
HKD 1,000,000-1,500,000	<u>2</u>	<u>3</u>

8 CONTINGENCIES

In 2021, the subsidiaries of the Group were involved in three civil litigations as the defendant, in which the related personnel forged official seals, signed false loan or project cooperation agreements with third parties respectively in the name of the subsidiaries and received payments from third parties. And the entire process of relevant matters was unrelated to the Group. As at the date when the financial statements were authorised for issue, two of the three litigations were dismissed by the court and withdrawn by the plaintiff respectively, while for the remaining one, the Group had won the first instance judgement, and the proceedings of second instance were under trial. The total amount of litigations was RMB9.49 million. The Group had no new similar civil litigations in 2022. Based on the facts and with the reference to the opinions of external legal counsels, the Group believes that these pending litigation are less likely to fail and are not expected to cause significant losses to the Group. Therefore, no provision for the contingent loss was made.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

9 COMMITMENTS

(1) Capital commitments

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

	Contracted but not provided for		Authorized but not contracted for	
	31 December 2022 RMB million	31 December 2021 RMB million	31 December 2022 RMB million	31 December 2021 RMB million
Intangible assets – Concession				
– Heating and cooling supply	109	126	–	–
– Sewage processing project	76	280	–	–
Jinnan sludge treatment project	334	–	–	–
Fixed assets project	171	119	–	–
	<u>690</u>	<u>525</u>	<u>–</u>	<u>–</u>

(2) Investment commitments

Pursuant to the resolution of the 73rd meeting of the 8th Board of Directors on 11 May 2022, the Company will increase its capital injection to Linxia Capital Water Co., Ltd. Linxia Capital Water Co., Ltd. has a registered capital of RMB45 million, with an increased capital of RMB 20.91 million by the Company, and 100% equity held.

Pursuant to the resolution of the 7th meeting of the 9th Board of Directors on 21 December 2022, the Company will increase its capital injection to Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd. Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd has a registered capital of RMB191.95 million, with an increased capital of RMB21 million by the Company, and 100% equity held.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

10 EVENTS AFTER THE BALANCE SHEET DATE

(1) At the 8th meeting of the 9th Board of Directors on 22 February 2023, the Company deliberated and approved the Proposal for the Adjustment of the Exercise Price of Stock Option Incentive Plan of the Company in 2020, which adjusted the exercise price of the first equity incentive plan in 2021 from RMB6.98 to RMB6.72 per share.

(2) Dividends

	Amount
Proposed cash dividends(a)	226,140
Dividends declared upon deliberation and approval	208,376

(a) On 27 March 2023, the Board of Directors resolved to propose to the Board of Shareholders a cash dividend of RMB226 million to the shareholders. It is subject to the approval of the Board of Shareholders and was not accounted for as a liability in the financial statements (Note 4(36)(a)).

11 FINANCIAL INSTRUMENTS AND RISKS

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities and clients are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB. The Group has no significant foreign exchange risk. All of the Group's borrowings are denominated in RMB. The sole foreign exchange risk of the Group arises from long-term payables, which arise from the asset transfer agreement between the Company and the sewage company for the purchase of foreign bank loans, mainly involving USD and JPY (Note 4(29)).

As at 31 December 2022, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the Group's net profit for the year would have been RMB2 million (31 December 2021: RMB2 million) higher/lower. Similarly, if the RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, the Group's net profit for the year would have been RMB10 million (31 December 2021: RMB7 million) higher/lower.

(b) Interest rate risk

The Group's interest rate risk arises mainly from interest bearing borrowings including long-term bank borrowings, long-term payables and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2022, the Group's long-term interest bearing borrowings were USD-denominated borrowings with floating rates linked to six-month LIBOR of RMB48 million (Note 4(29)). As at 31 December 2022, the Group is still yet to complete the replacement of benchmark interest rate.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In 2022 and 2021, the Group did not enter into any interest rate swap agreements.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

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

	Fixed interest rate	Floating interest rate	Total
31 December 2022			
Short-term borrowings	1,001	–	1,001
Current portion of non-current liabilities			
Long-term borrowings to be settled			
within one year	36,855	1,190,956	1,227,811
Long-term payables to be settled			
within one year	15,973	15,697	31,670
Debentures payable and interest to be settled			
within one year	13,168	–	13,168
Long-term borrowings	683,794	6,413,511	7,097,305
Long-term payables	136,831	31,872	168,703
Debentures payable	878,373	–	878,373
Other current liabilities	490	–	490
Total	1,766,485	7,652,036	9,418,521
	Fixed interest rate	Floating interest rate	Total
31 December 2021			
Short-term borrowings	145,852	–	145,852
Current portion of non-current liabilities			
Long-term borrowings to be settled			
within one year	–	911,758	911,758
Long-term payables to be settled			
within one year	15,357	20,198	35,555
Debentures payable and interest to be settled			
within one year	2,458	–	2,458
Long-term borrowings	–	7,197,167	7,197,167
Long-term payables	150,270	45,986	196,256
Debentures payable	250,000	–	250,000
Total	563,937	8,175,109	8,739,046

As at 31 December 2022, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, the Group's net profit for the year would have been RMB71 million (At 31 December 2021: RMB66 million) lower/higher.

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(2) Credit risk

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

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

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

As at 31 December 2022, the Group had no significant collateral or other credit enhancements held as securities from debtors (31 December 2021: Nil).

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(3) Liquidity risk

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

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

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

	31 December 2022				Total	Carrying amount
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term borrowings	1,026	–	–	–	1,026	1,001
Long-term borrowings	1,525,962	2,339,467	3,289,776	2,579,343	9,734,548	8,325,116
Long-term payables	34,421	33,418	63,580	203,893	335,312	200,373
Accounts payable	511,159	–	–	–	511,159	511,159
Other payables	897,121	–	–	–	897,121	897,121
Debentures payable	36,947	36,947	903,791	–	977,685	891,541
Lease liabilities	4,087	2,920	2,228	–	9,235	8,265
Other current liabilities	490	–	–	–	490	490
	<u>3,011,213</u>	<u>2,412,752</u>	<u>4,259,375</u>	<u>2,783,236</u>	<u>12,466,576</u>	<u>10,835,066</u>

	31 December 2021				Total	Carrying amount
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term borrowings	148,642	–	–	–	148,642	145,852
Long-term borrowings	1,235,513	1,832,027	3,772,860	3,013,273	9,853,673	8,108,925
Long-term payables	36,497	33,826	81,984	217,559	369,866	231,811
Accounts payable	429,522	–	–	–	429,522	429,522
Other payables	958,718	–	–	–	958,718	958,718
Lease liabilities	3,451	3,167	3,345	–	9,963	9,345
Debentures payable	12,125	12,125	284,354	–	308,604	252,458
	<u>2,824,468</u>	<u>1,881,145</u>	<u>4,142,543</u>	<u>3,230,832</u>	<u>12,078,988</u>	<u>10,136,631</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(3) Liquidity risk (Continued)

(b) Repayment periods for bank borrowings and other borrowings

	31 December 2022		31 December 2021	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	1,228,812	45,328	1,057,610	38,013
1 to 2 years	2,105,761	28,828	1,560,567	31,135
2 to 5 years	2,877,685	931,243	3,264,669	317,758
Over 5 years	2,113,859	87,005	2,371,931	97,363
	<u>8,326,117</u>	<u>1,092,404</u>	<u>8,254,777</u>	<u>484,269</u>

12 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

12 FAIR VALUE ESTIMATES (Continued)

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

As at 31 December 2022 and 31 December 2021, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 3
Investments in other equity instruments – Unlisted equity instrument investments of Tianjin Beifang Rencaigang Co., Ltd.	<u>2,000</u>

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

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

(2) Assets and liabilities not measured at fair value but for which their fair values are disclosed

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

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

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

13 CAPITAL MANAGEMENT

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

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

Consistent with others in the industry, the Group monitors its capital by the debt-to-capital ratio. This ratio is calculated by taking net debt and dividing it by the total capital. Net debt represents total borrowings (including short-term borrowings, long-term borrowings, debentures payable and long-term payables of the Group) less cash and cash equivalents. Total capital is equity (as shown on the consolidated balance sheet) plus net debt.

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

	31 December 2022	31 December 2021
Total borrowings	9,418,521	8,739,046
– Short-term borrowings	1,001	145,852
– Long-term borrowings	8,325,116	8,108,925
– Debentures payable	891,541	252,458
– Long-term payables	200,373	231,811
– Other current liabilities	490	–
Less: Cash and cash equivalents	(3,188,344)	(2,093,556)
Net debt	6,230,177	6,645,490
Total Equity	9,502,293	8,104,070
Total capital	15,732,470	14,749,560
Gearing ratio	40%	45%

As at 31 December 2022, the gearing ratio of the Group decreased comparing to last year due to the increase in directional funds raised for new projects and upgrading of existing projects and the increase in liquidity.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	31 December 2022	31 December 2021
Accounts receivable	1,237,270	1,341,713
Less: Provision for bad debts	<u>(69,015)</u>	<u>(52,534)</u>
	<u>1,168,255</u>	<u>1,289,179</u>

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

(a) The ageing analysis of accounts receivable according to date recorded is as follows:

	31 December 2022	31 December 2021
Within 1 year	1,085,069	1,230,663
1 to 2 years	54,782	64,534
2 to 3 years	51,923	11,979
3 to 4 years	11,979	13,141
4 to 5 years	13,141	18,839
Over 5 years	<u>20,376</u>	<u>2,557</u>
Total	<u>1,237,270</u>	<u>1,341,713</u>

(b) As at 31 December 2022, the accounts receivable from the top five debtors in respect of outstanding balance are analysed as below:

	Amount	Provision for bad debts	% of total balance
Accounts receivable from the top five debtors	<u>1,193,107</u>	<u>(52,559)</u>	<u>96%</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(1) Accounts receivable (Continued)

(c) Provision for bad debts

For accounts receivable, the Company recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

(i) Provision for bad debts made on an individual basis as at 31 December 2022

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Tianjin Water Authority Bureau	1,028,824	0.29%	(2,946)	Note 4(3)(c)(i)
Tianjin City Appearance Sanitation Constructio Development Co. Ltd.	17,923	100.00%	(17,923)	Note 4(3)(c)(i)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	100.00%	(16,797)	Note 4(3)(c)(i)
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	100.00%	(13,776)	Note 4(3)(c)(i)
Tianjin City Resource Operation Co., Ltd.	1,200	100.00%	(1,200)	Note 4(3)(c)(i)
Tianjin Tianbao Municipal Administration Co. Ltd	152	100.00%	(152)	Note 4(3)(c)(i)
Total	1,078,672		(52,794)	

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

	31 December 2022			31 December 2021		
	Carrying amount	Provision ECL rates	Amount	Carrying amount	Provision ECL rates	Amount
Group 3 – Government clients						
Overdue within 1 to 180 days	3,906	2.07%	(81)	12,580	3.55%	(446)
Overdue over 180 days	94,295	15.71%	(14,818)	81,535	4.42%	(3,607)
	98,201		(14,899)	94,115		(4,053)
Group 4 – Other clients						
Not overdue	42,646	0.90%	(386)	5,849	0.48%	(28)
Overdue within 1 to 90 days	9,693	1.79%	(173)	6,824	2.40%	(164)
Overdue over 90 days	8,058	9.47%	(763)	19,577	8.30%	(1,626)
	60,397		(1,322)	32,250		(1,818)

In the current year, the provision for bad debts amounted to RMB17 million, of which RMB1 million was collected. The corresponding gross carrying amount of provision for bad debts was RMB69 million.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Other receivables

	31 December 2022	31 December 2021
Receivables from subsidiaries	19,937	19,862
Dividends receivable from subsidiaries	4,000	36,710
Project deposits	1,007	2,536
VAT refund receivable	–	1,530
Others	607	1,159
	<u>25,551</u>	<u>61,797</u>
Less: Provision for bad debts	(18)	(56)
	<u>25,533</u>	<u>61,741</u>

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

	31 December 2022	31 December 2021
Within 1 year	23,959	58,032
1 to 2 years	75	1,558
2 to 3 years	–	896
Over 3 years	1,517	1,311
	<u>25,551</u>	<u>61,797</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

(b) As at 31 December 2022 and 31 December 2021, other receivables for which the related provision for bad debts was provided for on a collective basis were all within Stage 1, which are analysed as follows:

	31 December 2022			31 December 2021		
	Carrying amount	Provision Amount	%	Carrying amount	Provision Amount	%
Group 1 – Related parties within consolidation scope:						
Within 1 year	23,937	–	0.00%	55,014	–	0.00%
1 to 2 years	–	–	0.00%	1,558	–	0.00%
Sub-total	23,937	–		56,572	–	
Group 5 – Project deposits:						
Within 1 year	7	(0)	1.47%	1,410	(27)	1.90%
Over 3 years	1,000	(15)	1.47%	1,126	(21)	1.90%
Sub-total	1,007	(15)		2,536	(48)	
Group 6 – Others:						
Within 1 year	15	(0)	0.45%	79	(1)	0.69%
1 to 2 years	75	(0)	0.45%	–	–	0.69%
2 to 3 years	–	–	0.45%	895	(6)	0.69%
Over 3 years	517	(3)	0.45%	185	(1)	0.69%
Sub-total	607	(3)		1,159	(8)	
Total	25,551	(18)		60,267	(56)	

(c) As at 31 December 2022, changes in the Company's loss provision for other receivables were not significant.

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

(d) As at 31 December 2022, other receivables from the top five debtors in respect of outstanding balance are analysed as below:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Tianjin Water Recycling Co., Ltd.	Receivables from subsidiaries	8,680	Within 1 year	33.97%	–
Wendeng Capital Water Co., Ltd.	Dividends receivable from subsidiaries	4,000	Within 1 year	15.66%	–
Tianjin Capital New Materials Co., Ltd.	Receivables from subsidiaries	1,744	Within 1 year	6.83%	–
State Grid Tianjin Electric Power Co., Ltd.	Project deposits	1,000	Over 3 years	3.91%	(15)
Tianjin Jinghai Capital Water Co., Ltd.	Receivables from subsidiaries	782	Within 1 year	3.06%	–
Total		<u>16,206</u>		<u>63.43%</u>	<u>(15)</u>

(3) Long-term equity investments

	31 December 2022	31 December 2021
Subsidiaries (a)	5,303,807	5,158,292
Associates	193,108	195,000
Less: Provision for impairment of long-term equity investments (b)	<u>(419,311)</u>	<u>(316,333)</u>
	<u>5,077,604</u>	<u>5,036,959</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries

	Investment cost	31 December 2021	Movements for the year			31 December 2022	Ending balance of provision for impairment	Cash dividends declared in the year
			Increase in investments	Decrease in investments	Provision			
Bayannur Company	777,046	777,005	41	–	–	777,046	–	11,200
Xi'an Capital Water Co., Ltd.	476,437	476,292	145	–	–	476,437	–	30,000
Fuyang Capital Water Co., Ltd.	456,284	456,130	154	–	–	456,284	–	10,000
Gaoyou Compro	382,999	336,345	87	–	(38,485)	297,947	(85,052)	2,254
Hangzhou Company	264,301	264,214	87	–	–	264,301	–	33,457
Jiangsu Yonghui	350,090	296,998	–	–	(47,163)	249,835	(100,255)	–
Hefei Capital Water Co., Ltd.	206,118	206,078	40	–	–	206,118	–	–
Wuhan Tianchuang Capital Water Co., Ltd.	197,385	197,268	117	–	–	197,385	–	11,369
Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd.	192,044	191,841	203	–	–	192,044	–	15,000
Jiuquan Capital Water Co., Ltd.	158,327	158,286	41	–	–	158,327	–	–
Qijing Capital Water Co., Ltd.	155,140	155,039	101	–	–	155,140	–	5,000
Guojin Company	128,656	128,504	152	–	–	128,656	–	–
Guizhou Capital Water Co., Ltd.	114,422	114,229	193	–	–	114,422	–	–
Honghu Tianchuang Capital Water Co., Ltd.	111,831	111,717	114	–	–	111,831	–	–
Karamay Tianchuang Capital Water Co., Ltd.	108,155	108,084	71	–	–	108,155	–	–
Tianjin Water Recycling Co., Ltd.	100,940	100,714	226	–	–	100,940	–	79,730
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd. (i)	80,000	–	80,000	–	–	80,000	–	–
Wendeng Capital Water Co., Ltd.	68,750	68,648	102	–	–	68,750	–	4,000
Tianjin Tianchuang Green Energy Investment Management Co., Ltd. (i)	62,590	–	62,590	–	–	62,590	–	–
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	62,106	62,106	–	–	–	62,106	–	–

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

	Investment cost	31 December 2021	Movements for the year			31 December 2022	Ending balance of provision for impairment	Cash dividends declared in the year
			Increase in investments	Decrease in investments	Provision			
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	60,500	60,500	-	-	-	60,500	-	-
Baoying Capital Water Co., Ltd.	58,256	58,185	71	-	-	58,256	-	1,820
Deqing Capital Water Co., Ltd.	54,222	54,121	101	-	-	54,222	-	-
Honghu Tanchuang Environmental Protection Co., Ltd.	53,400	53,400	-	-	-	53,400	-	-
Yingshang Capital Water Co., Ltd.	53,156	53,084	72	-	-	53,156	-	1,000
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	48,248	48,126	122	-	-	48,248	-	-
Shandong Company	45,215	45,185	30	-	-	45,215	-	-
Linxia Capital Water Co., Ltd.	45,067	45,036	31	-	-	45,067	-	-
Changsha Tanchuang Environmental Protection Co., Ltd.	37,692	37,590	102	-	-	37,692	-	-
Huoqiu Capital Water Co., Ltd.	37,310	37,240	70	-	-	37,310	-	-
Hanshou Tanchuang Capital Water Co., Ltd.	33,972	33,848	124	-	-	33,972	-	-
Huize Capital Water Co., Ltd.	32,793	32,732	61	-	-	32,793	-	-
Tianjin Jinghai Capital Water Co., Ltd.	37,553	17,330	-	-	(17,330)	-	(37,553)	-
Changsha Tanchuang Capital Water Co., Ltd.	17,002	17,002	-	-	-	17,002	-	-
Caring Company	16,467	16,230	237	-	-	16,467	-	5,280
Tianjin Capital Environmental Protection (Hong Kong) Limited	62,987	12,706	-	-	-	12,706	(50,281)	-
Tianjin Jinning Capital Water Co., Ltd.	22,560	7,560	-	-	-	7,560	(15,000)	-
Dongying Tianchi Environmental Protection Technology Consultant Co., Ltd.	2,550	2,550	-	-	-	2,550	-	-
Tianjin Capital New Materials Co., Ltd.	26,566	36	30	-	-	66	(26,500)	-
Anguo Capital Water Co., Ltd.	41,000	-	-	-	-	-	(41,000)	-
Anhui Yuwan	63,670	-	-	-	-	-	(63,670)	-
Total	5,303,807	4,841,959	145,515	-	(102,978)	4,884,496	(419,311)	210,110

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) *Subsidiaries* (Continued)

- (i) In 2022, the Company contributed RMB80 million and RMB63 million to set up Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd. and Tianjin Tianchuang Green Energy Investment Management Co., Ltd., respectively, holding 100% equity interests of both subsidiaries.
- (ii) As at 31 December 2022, the Company's long-term equity investments in subsidiaries increased by RMB3 million as a result of share-based payments.

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

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Jiangsu Yonghui (i)	53,092	47,163	–	100,255
Gaoyou Compro (i)	46,567	38,485	–	85,052
Anhui Yuwan	63,670	–	–	63,670
Tianjin Capital Environmental Protection (Hong Kong) Limited	50,281	–	–	50,281
Anguo Capital Water Co., Ltd.	41,000	–	–	41,000
Tianjin Capital New Materials Co., Ltd.	26,500	–	–	26,500
Tianjin Jinghai Capital Water Co., Ltd. (ii)	20,223	17,330	–	37,553
Tianjin Jinning Capital Water Co., Ltd.	15,000	–	–	15,000
	<u>316,333</u>	<u>102,978</u>	<u>–</u>	<u>419,311</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(b) Provision for impairment of long-term equity investments (Continued)

- (i) In 2022, the sales volumes and the unit prices of Jiangsu Yonghui and Gaoyou Compro decreased accordingly due to increased market competition. The Company made further impairment provisions of RMB47 million and RMB38 million respectively for long-term equity investments after conducting impairment assessment.
- (ii) In 2022, due to the suspension of the upgrading and reconstruction of Tianjin Jinghai Capital Water Co., Ltd, the water supply was insufficient, and revenue from sewage treatment could not cover the cost, resulting in a run under deficit. The Company made an impairment provision of RMB17 million for long-term equity investments based on the impairment assessment.
- (iii) As at 31 December 2022, an equity of a subsidiary with net book value of RMB548 million (cost of RMB733 million) (31 December 2021: net book value of RMB633 million, cost of RMB733 million) included in the Group's long-term equity investments was pledged as collateral for long-term borrowings of RMB392 million (31 December 2021: RMB420 million) (Note 4(26)(b)).

(4) Capital surplus

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Share premium	380,788	667,567	–	1,048,355
Other capital surplus – Amount recorded in shareholders' equity arising from share-based payment arrangements	7,370	6,055	–	13,425
	<u>388,158</u>	<u>673,622</u>	<u>–</u>	<u>1,061,780</u>
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium	380,788	–	–	380,788
Other capital surplus – Amount recorded in shareholders' equity arising from share-based payment arrangements	–	7,370	–	7,370
	<u>380,788</u>	<u>7,370</u>	<u>–</u>	<u>388,158</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(5) Undistributed profits

	2022	2021
Undistributed profits at the beginning of year	3,410,902	3,057,638
Add: Net profit attributable to shareholders of the Company for the year	450,531	582,813
Less: Appropriation to statutory surplus reserve	(45,053)	(58,282)
Ordinary share dividends payable	(208,376)	(171,267)
	<u>3,608,004</u>	<u>3,410,902</u>
Undistributed profits at the end of year	<u>3,608,004</u>	<u>3,410,902</u>

Information on the cash dividends distributed by the Company in 2022 and the proposed cash dividends pending for the approval by the shareholders in 2023 is set out in Note 10.

(6) Revenue and cost of sales

(a) Revenue and cost of sales from main operations

	2022		2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Main operations	1,552,359	892,005	1,498,496	871,458
Other operations	33,467	25,455	107,293	80,586
	<u>1,585,826</u>	<u>917,460</u>	<u>1,605,789</u>	<u>952,044</u>

Analysis by the nature of services is as below:

	2022		2021	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sewage treatment and auxiliary projects	1,489,970	884,885	1,435,998	864,338
Road tolls	62,389	7,120	62,498	7,120
	<u>1,552,359</u>	<u>892,005</u>	<u>1,498,496</u>	<u>871,458</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	2022		2021	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Contract operation service	17,329	14,114	66,712	61,160
Technical service	14,127	1,831	30,539	3,233
Agent construction services	239	179	7,657	6,601
Rental income (i)	1,044	9,331	2,271	9,592
Others	728	–	114	–
	<u>33,467</u>	<u>25,455</u>	<u>107,293</u>	<u>80,586</u>

- (i) The Company's rental income arose from leasing its own recycled water plant facilities to its subsidiary Tianjin Water Recycling Co., Ltd. In 2022, there's no variable lease payments recognised based on a certain portion of the lessee's sales revenue in rental income.

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

	2022							Total
	Sewage treatment and auxiliary projects	Road tolls	Contract operation service	Rental income	Agent construction services	Technical service	Others	
Revenue from main operations								
– Recognised over a period of time	1,489,970	62,389	–	–	–	–	–	1,552,359
Revenue from other operations								
– Recognised over a period of time	–	–	17,329	1,044	239	14,127	728	33,467
	<u>1,489,970</u>	<u>62,389</u>	<u>17,329</u>	<u>1,044</u>	<u>239</u>	<u>14,127</u>	<u>728</u>	<u>1,585,826</u>
	2021							Total
	Sewage treatment	Road tolls	Contract operation service	Rental income	Agent construction services	Technical service	Others	
Revenue from main operations								
– Recognised over a period of time	1,435,998	62,498	–	–	–	–	–	1,498,496
Revenue from other operations								
– Recognised over a period of time	–	–	66,712	2,271	7,657	30,539	114	107,293
	<u>1,435,998</u>	<u>62,498</u>	<u>66,712</u>	<u>2,271</u>	<u>7,657</u>	<u>30,539</u>	<u>114</u>	<u>1,605,789</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Revenue and cost of sales (Continued)

(c) *The Company's operating income is disaggregated as follows:* (Continued)

As at 31 December 2022, service bills of the Company's sewage treatment service are regularly issued to customers, based on the agreed unit price in contract, and actual sewage water treatment capacity. And the amount of bills represents the value of the Company's cumulative portion of performance to date transferred 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.

As at 31 December 2022, the contract amount of the uncompleted service relating to the entrusted operation contract of the Company was approximately RMB3 million (31 December 2021: RMB10 million), of which RMB3 million will be recognised as revenue in 2023. The contract amount of the uncompleted services relating to the road tolls of the Company was approximately RMB385 million (31 December 2021: RMB447 million) of which RMB62 million will be recognised as revenue annually between 2023 to 2028 and RMB13 million will be recognised as revenue in 2029.

(7) Investment income

	2022	2021
Dividends distribution by subsidiaries	210,110	349,565
Losses on investments in associates	(1,892)	–
Interest income from entrusted loans	14,284	14,035
	<u>222,502</u>	<u>363,600</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Supplementary Information to the Financial Statements

For the year ended 31 December 2022
(All Amounts In RMB thousand unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	2022	2021
Government grants	97,000	91,839
Losses on scrapping of fixed assets	(7)	(686)
Losses on disposals of fixed assets	(2,558)	(22)
Other non-operating expenses – net	(656)	(264)
Reversal of individual provision for bad debts of accounts receivable	10,227	3,460
	<u>104,006</u>	<u>94,327</u>
Effect of corporate income tax	(17,076)	(15,781)
Effect of minority interests, net of tax	662	1,045
	<u>87,592</u>	<u>79,591</u>

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

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

2 RECONCILIATION STATEMENT OF INLAND AND ABROAD FINANCIAL STATEMENT

There is no difference between the financial statements of the Group issued inside and outside the Mainland China.

3 RETURN ON EQUITY AND EARNINGS PER SHARE

	<u>Weighted-average return on net assets (%)</u>		<u>Basic/diluted earnings per share (RMB)</u>	
	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company	9.88	10.11	0.51	0.49
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	8.78	9.00	0.45	0.43

12 List of Documents Available for Inspection

1. Financial statements with the signatures and seals of the officer in charge of the Company, the officer in charge of the accounting function, and the officer in charge of the accounting department (the accounting management officer)
2. Original of the audit report with the seal of the accounting firm and the signatures and seals of certified public accountants
3. Originals of all documents and announcements of the Company publicly disclosed on the website designated by the China Securities Regulatory Commission during the reporting period
4. Annual report published in other securities markets