

Annual Report 2023



Tianjin Capital Environmental Protection Group Company Limited

天津創業環保集團股份有限公司

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

- I. The board of directors (the “**Board**”), supervisory committee (the “**Supervisory Committee**”), directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) 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. All Directors of the Company attended the Board meeting.
- III. PricewaterhouseCoopers Zhong Tian LLP have issued standard unqualified audit reports of the Company.
- IV. Tang Fusheng, 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 2023 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

As audited by PricewaterhouseCoopers Zhong Tian LLP, the actual profit available for distribution to shareholders this year was RMB5,650,377,740.31, which was calculated based on the net profit of RMB865,207,128.31 attributable to the Company in 2023, less the statutory surplus reserve of RMB64,195,627.55 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 RMB5,075,506,443.79 at the beginning of the year, and less the cash dividend of RMB226,140,204.24 for 2022 already declared in 2023.

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 2024, the Company plans to pay a cash dividend of RMB1.66 (tax inclusive) for every 10 shares to all shareholders in 2023, totaling RMB260,689,402.11, with the cash dividend amount accounting for 30.13% of the distributable profits of the Company realized in 2023. In 2023, 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 2023.

- VI. Risk statements for the forward-looking statements

Not applicable

Important

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.

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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)
“Eco-city Company”	Tianjin Eco-city Investment & Development Co., Ltd.* (天津生態城投資開發有限公司)
“Enshi Company”	Enshi Capital Water Co., Ltd.* (恩施市創環水務有限公司)
“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 Capital Company”	Hanshan Capital Water Co., Ltd.* (含山創業水務有限公司)
“Hanshan Chuanghuan Company”	Hanshan Chuanghuan Water Co., Ltd. (含山創環水務有限公司)
“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)

1. Definitions

“Hefei Company”	Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司)
“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)
“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)
“Jiayuan Binchuang”	Tianjin Jiayuan Binchuang New Energy Technology Co., Ltd.* (天津佳源濱創新能源科技有限公司)
“Jiayuan Tianchuang”	Tianjin Jiayuan Tianchuang New Energy Technology Co., Ltd.* (天津佳源天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)
“Jinghai Company”	Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司)
“Jinning Capital Company”	Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司)
“Jiuquan Company”	Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)

“Karamay Capital Company”	Karamay Capital Water Co., Ltd.* (克拉瑪依創環水務有限公司)
“Karamay Tianchuang Company”	Karamay Tianchuang 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)
“Qujing Company”	Qujing Capital Water Co., Ltd.* (曲靖創業水務有限公司)
“Shandong Company”	Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司)
“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)
“Shibing Company”	Shibinggui Capital Water Co., Ltd.* (施秉貴創水務有限公司)
“Subsidiaries”	Subsidiaries of Tianjin Capital Environmental Protection Group Company Limited
“Tianchuang Environmental”	Tianjin Tianchuang Environmental Technology Co., Ltd.* (天津天創環境技術有限公司)
“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 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 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)
“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)

1. Definitions

“TYCOM”	Tianjin Yuanyicheng Commercial Operation Management Company Limited* (天津元易誠商業運營管理有限公司)
“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. Tang Fusheng

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	Zhu Fan
Correspondence address	TCEP Building 76 Weijin South Road Nankai District, Tianjin, the PRC	22/F, Worldwide House, Central, Hong Kong	TCEP Building 76 Weijin South Road Nankai District, Tianjin, the PRC
Telephone number	86-22-23930128	852-21629620	86-22-23930128
Facsimile number	86-22-23930126	852-25010028	86-22-23930126
Email address	niu_bo@tjcep.com	cosec@tjcep.com	zhu_fan@tjcep.com

III. COMPANY PROFILE

Registered address	12/F, 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/F, 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

(I) Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	2023	2022	Increase/ Decrease for the period as compared to the same period last year (%)	2021
Operating revenue	466,508.30	452,216.70	3.16	453,557.90
Net profit attributable to the shareholders of the Company	86,520.70	75,125.40	15.17	69,318.90
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	77,874.20	66,366.20	17.34	61,359.80
Net cash flow from operating activities	99,201.50	91,205.10	8.77	93,680.80
	As at the end of 2023	As at the end of 2022	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 2021
Net assets attributable to the shareholders of the Company	912,217.70	847,947.30	7.58	712,019.80
Total assets	2,446,065.40	2,296,967.40	6.49	2,106,529.20

(II) Major financial indicators

Currency: RMB

Major financial indicators	2023	2022	Increase/ decrease for the period as compared to the same period last year (%)	2021
Basic earnings per share (RMB/share)	0.55	0.51	7.84	0.49
Diluted earnings per share (RMB/share)	0.55	0.51	7.84	0.49
Basic earnings per share after deduction of extraordinary profit and loss (RMB/share)	0.50	0.45	11.11	0.43
Weighted average return on net assets ratio (%)	9.89	9.88	0.10	10.11
Weighted average return on net assets ratio after deduction of extraordinary profit and loss (%)	8.95	8.78	1.94	9.00

2. Company Profile and Major Financial Indicators

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 2023	Amount in 2022	Amount in 2021
Gain or loss on disposal of non-current assets (including the part of provision for asset impairment being written off)	(0.10)	(256.50)	(70.80)
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	9,501.00	9,700.00	9,183.90
Reversal of provision for impairment loss of account receivables subject to separate impairment testing	234.00	1,022.70	346.00
Other non-operating income and expenses other than the foregoing items	357.50	(65.60)	(26.40)
Less: Effect of income tax	1,666.30	1,707.60	1,578.10
Effect of minority interests (after tax)	(220.40)	(66.20)	(104.50)
Total	<u>8,646.50</u>	<u>8,759.20</u>	<u>7,959.10</u>

X. ITEMS MEASURED BY FAIR VALUE

Not applicable

XI. FIVE-YEAR FINANCIAL SUMMARY

Unit: 0'000 Currency: RMB

	2023	For the year ended 31 December			2019
		2022	2021	2020	
Turnover	<u>466,508</u>	<u>452,217</u>	<u>453,558</u>	<u>336,387</u>	<u>285,145</u>
Profit before taxation	110,621	96,930	89,606	71,818	62,955
Taxation	<u>(20,277)</u>	<u>(15,669)</u>	<u>(17,705)</u>	<u>(11,205)</u>	<u>(10,059)</u>
Profit after taxation	90,344	81,260	71,901	60,614	52,896
Non-controlling interests	<u>(3,824)</u>	<u>(6,135)</u>	<u>(2,582)</u>	<u>(3,610)</u>	<u>(2,185)</u>
Profit attributable to the shareholders of the Company	<u>86,521</u>	<u>75,125</u>	<u>69,319</u>	<u>57,004</u>	<u>50,711</u>
Dividend	<u>22,614</u>	<u>20,838</u>	<u>17,127</u>	<u>15,271</u>	<u>15,129</u>

Note: The results for each of the five years ended 31 December 2023 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				
	2023	2022	2021	2020	2019
Fixed assets, construction in progress and investment properties	170,837	106,330	100,293	81,935	80,101
Intangible assets and right-of-use assets	1,090,143	1,013,851	1,034,071	1,199,982	1,175,944
Associated company	18,865	19,311	19,500	19,500	19,500
Financial asset at fair value through other comprehensive income	200	200	200	200	200
Available-for-sale financial assets	–	–	–	–	–
Long-term receivables	482,882	447,578	381,190	164,740	23,645
Deferred income tax assets	3,208	740	1,927	1,297	421
Other non-current assets	41,360	42,088	45,089	33,097	19,592
Net current assets	<u>192,872</u>	<u>300,206</u>	<u>162,636</u>	<u>27,858</u>	<u>124,790</u>
Non-controlling interests	109,358	102,282	98,387	99,029	96,816
Long-term liabilities	<u>993,796</u>	<u>1,012,056</u>	<u>975,045</u>	<u>770,445</u>	<u>729,975</u>
Net assets	<u>912,218</u>	<u>847,947</u>	<u>712,020</u>	<u>659,135</u>	<u>617,402</u>

3. Management Discussion and Analysis

I OPERATION DISCUSSION AND ANALYSIS

In 2023, with its focus on improving economic efficiency and quality of development, on the basis of consolidating operation, development and construction strengths, and with revitalising stock, cultivating growth and enhancing quality as its main approach, the Company strengthened its operational management, increased its efforts in management improvement, risk prevention and control, cost control and optimisation of science and technology innovation system, clarified development ideas, and promoted the realisation of the annual business plan and operation strategy formulated by the Board.

1. Ensuring stable operation of inventory businesses, reducing costs and increasing efficiency

The Company's main businesses, such as water business, new energy cooling and heating supply business, photovoltaic power generation business, sludge treatment and disposal, and hazardous waste, among others, have maintained stable and safe operation, and generally met the requirements of the annual plan. On the basis of ensuring operational safety, we vigorously explored the potential of inventory projects focusing on water business, such as continuously increasing the volume of sewage treatment business through the establishment of plant-network coordination and operation coordination mechanism, expanding the scope of recycled water supply by accelerating the construction of recycled water pipe network, et cetera. At the same time, through the optimisation of the operation management system, the implementation of refined management and operation standardisation, and the establishment and application of digital intelligence system, multiple measures have been taken to realise the optimisation of resource allocation and energy consumption control. In combination with centralised procurement and other measures, the production and operation costs of various businesses have been reasonably and effectively reduced.

2. Actively expanding incremental capacity to consolidate the new pattern of business development

We continued to consolidate our core businesses of water treatment and water resources utilisation, optimised the Group's market development management system, established market development incentive policies, actively responded to the new PPP policy, and continuously improved the project sourcing and planning capability. We successfully implemented 4 projects including the Karamay Nanjiao project, Hubei Enshi project, Anhui Hanshan Phase II project and Weng' an project, with an additional sewage treatment capacity of 270,000 tonnes per day we actively promoted the development of new strategic businesses, accumulated development experience, and formed project reserves. During the year, we started the construction of photovoltaic power generation projects of three sewage treatment plants in Jingu, Beicang and Xianyang Road, with an additional power generation capacity of 27.7MWp; we obtained the urban renewal energy station project in the southern area of Jinzhonghe Street in Tianjin, adding a cooling and heating service area of 503,300 square metres; we obtained projects such as sludge dewatering and drying system operation and maintenance, among others; we highlighted the development of a business model combining light and heavy assets, vigorously developed light asset business, and expanded a number of light asset projects during the year, achieving a revenue of RMB147 million.

3. Management Discussion and Analysis

3. Continuously deepening enterprise reform and facilitating high-quality development

We continuously pushed forward with the deepening and improvement actions of state-owned enterprise reform, promoted the implementation of reform tasks and improvement measures, benchmarked against top enterprises through various measures such as investment and development, construction and operation, enterprise management and corporate governance, and increased reform efforts. For example, in terms of remuneration incentives, on the one hand, we improved the remuneration assessment system for professional managers and established and revised the corresponding remuneration and assessment system, while on the other hand, we reshaped the employee remuneration and performance system with the goal of marketization, realised the coordinated increase and decrease of total salary and economic performance, established a remuneration distribution system based on position value, personal ability, performance assessment, etc., and formulated and issued the relevant systems for employee remuneration assessment of the headquarters.

4. Continuously optimising the management and control system to improve management efficiency

With the principle of “strengthening the headquarters, consolidating regional companies/professional companies, and optimising project companies”, we carried out organisational reform, adjusted the organisational structure of the Company’s headquarters, optimised the layout of regional companies, and established five regional company development platforms in the Beijing-Tianjin-Hebei region, the Changjiang River basin, the Yellow River basin, the Guangdong-Hong Kong-Macao Greater Bay Area and the Southwest region in combination with the national regional development strategy and key regions of environmental protection governance. We promoted the completion of the establishment of a dual-carbon and new energy business development platform, a sludge treatment and solid waste recycling business development platform, an asset-light business development platform, and a technology research and development and product incubation business development platform and carrier. We have also established a three-level management structure and control system of the Group headquarters-region (professional companies)-project, highlighted the key functions of the regional, professional companies and project companies, increased their business development initiative and enthusiasm, and improved management efficiency.

5. Optimising the technology management system and strengthening technology empowerment

With the lead of green and low-carbon development to promote technological R&D and production technology innovation, the Company established the “dual-carbon” research centre in 2023, built a dual-carbon practise training base, established a dual-carbon research and practise platform in Tianjin, reshaped the scientific and technological management mechanism, closely combined operation, production and R&D, promoted R&D with issues encountered, strengthened the transformation and promotion of R&D achievements, and made breakthroughs in green and low-carbon technologies through tackling of key scientific and technological projects, opening up new spaces for continuously reducing operating costs and improving operational efficiency. At the same time, based on digital construction, we improved the construction of innovation system, strengthened the sharing of scientific and technological information, and improved the ability of scientific and technological innovation.

6. Focusing on various development risks to improve the effectiveness of management and control

During the Reporting Period, the Company effectively coordinated various financing work within the Group, reasonably conducted loan replacement and reduced financing costs; actively strengthened the reduction of receivables and establish an incentive mechanism for collection of receivables; strengthened the integration of business and finance, and built a digital financial control system with comprehensive budget management ideas as the underlying logic; continuously optimised the construction of the system of regulations, insisting on strengthening the governance of enterprises in accordance with the law, and promote legal review throughout the whole process of business activities; deepened the internal audit function and gave full play to the role of internal audit; adhere to the combination of strict prevention from the source and supervision during the process, and take strategic control and financial control as the starting point to build a closed-loop management mechanism that manages investment, returns and risks; adhering to collaborative supervision, we integrated the supervision resources of discipline inspection, audit, finance, legal, among other departments, classified the weak links of management and control, and continued to mitigate the risks of historically remaining issues.

3. Management Discussion and Analysis

II INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

In November 2023, the General Office of the State Council forwarded the Notice of the National Development and Reform Commission and the Ministry of Finance on Standardising the Implementation of the New Mechanism for Government and Social Capital Cooperation, which may have a certain impact on the business model of the water and environmental protection industry. The policy focuses on user-paid projects, and requires that the government and social capital cooperation projects shall clarify the charging channels and methods, and the operating income of the project could cover the construction investment and operation costs, and shall have certain investment returns. Additional local financial future expenditure responsibilities shall not be incurred by virtue of the adoption of the government and social capital cooperation model, the government payment could only subsidise the operation as required and shall not subsidise the construction costs. Therefore, the project model of ecological protection and environmental governance projects such as urban sewage and waste collection and treatment and resource utilisation may change according to the policy requirements. If the government's payment can only subsidise the operation according to the regulations and cannot subsidise the construction costs, it may lead to the separation of the construction and operation of water and environmental protection projects, the construction process is to be subjected to government funding and enterprise construction, and the operation process is to be managed and operated by the enterprise on an entrusted basis. The objective of the policy is to establish a new mechanism for government and social capital cooperation, to avoid the increase in hidden debts of local governments on the one hand, and to encourage private enterprises to participate in government and social capital cooperation new construction (including reconstruction and expansion) projects on the other hand, and to clearly define the ownership of assets and the relationship of rights, responsibilities and interests of all parties during the construction and operation period with the franchise business model. This actually weakened the financing function of local governments in the original mechanism, and required water and environmental protection enterprises to pay further attention to the improvement of technology, process and operation capabilities.

In addition, in December 2023, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment issued the Implementation Opinions on Promoting the Synergistic Efficiency of Sewage Treatment and Emission Reduction and Carbon Reduction. Such opinions require that by 2025, the sewage treatment industry will make positive progress in the synergy of pollution reduction and carbon reduction, and the energy efficiency level and carbon reduction capacity will continue to improve. The reclaimed water utilisation rate of prefecture-level and above water-stressed cities shall reach 25% or more, and 100 green and low-carbon benchmark sewage treatment plants with the characteristics of efficient recycling of energy resources shall be built. Such policy will play an important role in promoting the construction of urban sewage pipeline network, the development of smart water management system, the utilisation of urban reclaimed water, photovoltaic power generation in sewage treatment plants, the promotion of sewage-sourced heat pump technology, the recycling and disposal of sludge, the R&D and use of new green chemicals such as plant deodorant and environmentally friendly flocculant.

In the field of new energy business, photovoltaic power generation continued to maintain rapid growth. In 2023, the total installed power generation capacity in China was 2,919.65 million kilowatts, representing a year-on-year increase of 13.9%. Among them, solar power generation amounted to 609.49 million kilowatts, representing a year-on-year increase of 55.2%; wind power generation amounted to 441.34 million kilowatts, representing a year-on-year increase of 20.7%.

The National Development and Reform Commission, the Ministry of Finance and the National Energy Administration jointly issued the “Notice on the Full Coverage of Renewable Energy Green Power Certificates and Promoting the Consumption of Renewable Energy Electricity” (hereinafter referred to as the “Notice”). The issuance and implementation of the Notice will effectively promote the full coverage of green certificate issuance and trading, and further lay the foundation for expanding green power supply and promoting green power consumption; it will effectively enhance the authority and uniqueness of green certificates, and further enhance the credibility of green power consumption; it will effectively expand the application of green certificates, expand the consumption demand for green certificates, and further stimulate the vitality of the green power consumption market, which is of great practical significance for promoting the green and low-carbon transformation of energy, creating a green consumption environment, accelerating the formation of green production methods and lifestyles, and facilitating the comprehensive green and low-carbon development of the economy and society; it will help improve the profit margin of the photovoltaic power generation industry.

The “14th Five-Year Plan” period is a critical period and window period for China to achieve the goal of carbon peaking, and also an important strategic opportunity period for the development of new energy storage. With the increase in the demand for regulating capacity of the electric power system and the continuous increase in the scale of new energy development and consumption, new energy storage has gradually become one of the breakthroughs in spawning new forms of energy industry and creating new economic engines. The already-issued “14th Five-Year Plan for the Development of New Energy Storage” has clarified the overall deployment to promote the large-scale, industrialization and market-oriented development of new energy storage in the 14th Five-Year Plan. At present, the scale of new energy distribution and storage continues to expand, which strongly supports the construction of new power systems, but also faces issues such as insufficient and flexible energy storage ratio requirements, low utilisation rate, and lack of necessary cost recovery mechanisms. The direction of future transformation and development is the combination of overall planning and market mechanism, on the one hand, independent sharing of energy storage shall be taken as the focus to formulate the planning layout, and provide energy storage equipment with flexible adjustment capabilities according to a certain proportion of the scale of new energy development through self-construction, leasing, sharing, among other methods. On the other hand, a market-oriented operation method needs to be adopted for participating entities to set a scientific cost recovery mechanism.

3. Management Discussion and Analysis

In the field of hazardous waste treatment business, the Ministry of Ecology and Environment and the National Development and Reform Commission jointly issued the Notice on the Overall Implementation Plan for the Construction of Major Hazardous Waste Projects (2023-2025) (hereinafter referred to as the “Plan”). The Plan pointed out that by 2025, through the construction of the national technology centre, 6 regional technology centres and 20 regional disposal centres, the basic research capabilities for the prevention and control of ecological and environmental risks of hazardous waste will be improved, the R&D capabilities for disposal technologies and the technical support capabilities for management decisions will be utilized, so as to provide bottom guarantee and leading demonstration for the utilisation and disposal of hazardous waste in China, especially special categories of hazardous waste.

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, photovoltaic power generation, hazardous wastes business and sludge treatment, etc. In respect of profitability, economic added value and payback period, it could form a good complement with the principal businesses and optimize the overall business structure.

During the reporting period, the capacity of the Company’s newly added equity-type sewage treatment business amounted to 270,000 m³ per day, newly added recycled water pipeline network for break point connection purpose amounted to 26.1 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 Company’s water business was 6,175,350 m³ per day, the total capacity of the equity-type water utilities business of the Company amounted to 5,798,750 m³ per day, among which the sewage treatment capacity amounted to 5,063,750 m³ per day, water supply capacity (including tap water and industrial water supply capacity) amounted to 315,000 m³ per day; and recycled water capacity amounted to 420,000 m³ per day, the above projects are distributed in 15 provinces, municipalities and autonomous regions; the sewage treatment capacity under the entrusted operation model was 316,600 m³ per day, and the scale of recycled water was 60,000 m³ per day.

Based on BOT, TOT and PPP models in sewage treatment and water supply, the Company mainly obtained sales revenue from the production and sale of 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) As regards new energy cooling and heating supply business, 503,300 m² of service areas were added. As of the end of the Reporting Period, the total service areas amounted to 3.9 million m², which was mainly operated in Tianjin under BOT model. The increase in service areas was mainly due to the acquisition of Tianjin Jinzhong River Urban Renewal South Side Area Energy Station Project.
- (2) As regards distributed photovoltaic power generation projects, 1.6MWp of installed capacity were added. As of the end of the reporting period, the total designed installed capacity were 31MWp, and the projects were mainly distributed in Tianjin and Dalian, and their management mode was mainly fully market-oriented operation.
- (3) As regards hazardous waste business, there were no changes during the Reporting Period. As of the end of the Reporting Period, the Company has four projects with the total disposal capacity of 181,300 tons/year, and a storage and transit project with the capacity of 20,000 tons/year and a waste landfill project with the aggregate storage of 314,600 tons with the comprehensive waste utilisation capacity of 78,000 tons/year, which were mainly distributed in Shandong Province and Jiangsu Province. 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.
- (4) As regards sludge treatment business, as of the end of the reporting period, the total scale was 2,810 tons/day, mainly distributed in Tianjin, Gansu, Zhejiang and Anhui. Among which the equity-type sludge treatment business comprises Linxia sludge project and the Jinnan Sludge Treatment Plant project, with a scale of 890 tons/day, while the remaining sludge disposal projects adopt the entrusted operation mode, with a scale of 1,920 tons/day.

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 Tianjin Capital.

3. Management Discussion and Analysis

After the development in 2023, the Company further consolidated its strengths and enhanced its overall competitiveness.

- (1) Continuously consolidating and enhance operational advantages. We prepared and approved the production cost quota of the whole business and the statistical report of the new version of the operation plan, compiled and completed the construction plan of “six improvements” of the large operation system, refined management and carried out strictly control, so as to realise the optimal allocation of resources, improved efficiency and reduced energy consumption; strengthened the scheduling of operation and production, established the operation quality evaluation system of sewage treatment plants, organized, analysed and evaluated the operation of projects, and linked with the statistics of the annual operation plan to diagnose the breakthrough point of cost reduction of each project; continued to promote the digital transformation of the Company, completed the access to the Internet of Things platform of all five regional companies for sewage treatment plants, concentrated on gathering data resources of various operating units, and promoted the digital and intelligent transformation of business and management.
- (2) Continuously consolidating and enhancing technological advantages. In 2023, the Company completed 1 national project acceptance, carried out 18 national, industrial, local and group-level standard preparation works, and won 8 scientific and technological awards such as advanced collectives for collaborative development and scientific and technological innovation and Tianjin Innovation Method Competition. For the first time, the Company won the Zhan Tianyou Civil Engineering Science and Technology Award, and released 11 new environmentally friendly products in a centralised manner. During the year, the Company obtained 47 authorised patents, including 9 invention patents, 38 utility model patents and 10 computer software copyright, further strengthening the leading support of scientific and technological innovation.
- (3) Continuous optimization of employee incentive mechanism and talent management. In 2023, the Company reshaped the performance-based remuneration system, gave full play to the incentive role of performance-based remuneration in accordance with the idea of position-based salary, strengthened the correlation between employee remuneration and the Company’s performance, and stimulated employee motivation; At the same time, the Company introduces excellent professional talents through marketization, and helps the Company’s value creation and corporate development through the differentiated management of talents.

- (4) Continuous forge of brand influence. In 2023, the Company was awarded the “Top Ten Influential Enterprises in China’s Water Industry” for the eighteenth consecutive year; was selected as one of the “Top Fifty Environmental Enterprises in China” for six consecutive years; Jingu and Xianyang Road sewage treatment plants of the Company were awarded the title of “Top Ten Environmental Protection Facilities Opening Units in Tianjin in 2023” by the Tianjin Municipal Bureau of Ecology and Environment; Jiayuan Company’s “Regional Comprehensive Energy Station” was awarded the “Low Carbon (Zero Carbon) Application Scenario in Tianjin” by Tianjin Municipal Development and Reform Commission and Tianjin Municipal Bureau of Ecology and Environment; Fuyang Company won the “Group First Prize” of the first Urban Sewage Treatment Industry Vocational Skills Competition in Fuyang Municipality; Qujing Company was awarded the title of “Advanced Unit of Information Work in Yunnan Water Supply Industry in 2022”, each business unit has practised its corporate mission in their respective fields and established a good corporate image and brand reputation.

V OPERATION SITUATION OF PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company’s overall operation remained stable. Compared with the previous year, there was no significant change in the Group’s core businesses, which continued to focus on sewage treatment, tap water supply, recycled water, new energy heating and cooling supply, road toll collection, hazardous waste, and transformation of achievements in technology research and business, which became the main sources of the Company’s earnings in 2023. In 2023, the Company realised operation revenue of RMB4,665.083 million, representing an increase of 3.16% as compared to the previous year; total profit was RMB1,106.21 million, representing an increase of 14.12% as compared to the previous year; net profit attributable to the Company amounted to RMB865.207 million, representing an increase of 15.17%. as compared to the previous year.

3. Management Discussion and Analysis

(I) ANALYSIS OF THE PRINCIPAL BUSINESSES

1. Analysis of changes in relevant items in 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 change (%)
Operating revenue	466,508.30	452,216.70	3.16
Operating costs	284,451.70	298,603.80	(4.74)
Selling expenses	1,147.10	1,454.50	(21.13)
Administrative expenses	24,012.70	22,093.70	8.69
Finance expenses	21,314.20	18,045.00	18.12
Research and development expenses	5,306.20	4,353.90	21.87
Net cash flows from operating activities	99,201.50	91,205.10	8.77
Net cash flows from investing activities	(164,310.60)	(68,469.30)	(139.98)
Net cash flows from financing activities	3,410.90	86,743.00	(96.07)
Credit impairment losses	(7,558.20)	(5,401.00)	39.94
Asset impairment losses	(16,975.30)	(10,645.40)	59.46
Gains/(Losses) on disposals of assets	2.40	(255.80)	(100.94)
Non-operating income	613.30	165.70	270.13
Minority interests	3,823.60	6,135.10	(37.68)

Reasons for the change in operating revenue: mainly due to the increase in the volume of water settled for stock projects and the increase in revenue from sewage treatment business as a result of the commencement of operation of new projects during the period. In 2023, the Group reclassified interest income from long-term receivables of approximately RMB129 million to “operating revenue” for the purpose of more accurately reflecting the substance of its business. The Group did not reclassify the comparative figures in the income statement for the comparative periods, considering that the corresponding amount of interest income of RMB142 million for 2022 did not have a material impact on the statement.

Reasons for the change in operating costs: mainly due to the decrease in construction service costs recognised in the current period as compared to the corresponding period of the previous year as the volume of work of the Company’s PPP projects under construction was lower than that of the previous year; and the Company’s stringent control of operating costs, which also resulted in a decrease in the cost of sewage treatment and other costs as compared to the corresponding period of the previous year.

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

Reasons for the change in administrative expenses: mainly due to the increase in labour costs.

Reasons for the change in finance expenses: in 2023, the Group reclassified interest income from long-term receivables of approximately RMB129 million to “operating revenue” for the purpose of more accurately reflecting the substance of its business. The Group did not reclassify the comparative figures in the income statement for the comparative periods, considering that the corresponding amount of interest income of RMB142 million for 2022 did not have a material impact on the statement.

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 higher operational funds collection and lower operational funds payments in the current period as compared with the corresponding period of the previous year.

Reasons for the change in net cash flows from investing activities: mainly due to the expenditures in the current period, such as purchase of concession assets for the Enshi, Karamay Nanjiao and Hanshan projects, the purchase of assets for the sludge treatment plant and the higher construction expenditure for engineering projects, are higher as compared with the corresponding period of the previous year.

Reasons for the change in net cash flows from financing activities: mainly due to the receipt of amount of the targeted issuance in the corresponding period of the previous year, which was not available in the current period.

Reasons for the change in credit impairment losses: mainly due to the higher credit impairment loss provided for trade receivables in the current period as compared with the corresponding period of the previous year.

Reasons for the change in asset impairment losses: mainly due to the higher impairment loss on goodwill in the current period as compared with the corresponding period of the previous year.

Reasons for the change in gain/(losses) on disposal of assets: mainly due to disposal gain recognised on disposal of fixed assets in the current period.

Reasons for the change in non-operating income: mainly due to the receipt of refund of transaction deposits for the Dongjiao Relocation Project from the Tianjin Property Rights Exchange during the current period, while no such item is recorded in the corresponding period of the previous year.

Reasons for the changes in minority interests: the net profit of the principal non-wholly-owned subsidiaries for the period was lower than that of the corresponding period of the previous year.

3. Management Discussion and Analysis

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	337,832.70	193,086.80	42.85	5.81	(6.80)	Increase by 7.74%
Recycled water treatment and recycled water supporting projects business	43,258.40	25,503.50	41.04	10.98	4.31	Increase by 3.77%
Road toll business	6,346.50	712.00	88.78	1.72	0	Increase by 0.19%
Tap water supply and water plant facilities construction business	9,687.00	5,870.40	39.40	(18.04)	(29.99)	Increase by 10.34%
Cooling and heating business and related facilities construction business (Note 1)	24,762.50	21,477.90	13.26	2.30	9.63	Decrease by 5.80%
Transformation of achievements in technology research (Note 2)	2,387.80	2,182.70	8.59	(48.65)	(44.62)	Decrease by 6.65%
Hazardous waste disposal business (Note 3)	15,730.40	15,756.80	(0.17)	(33.68)	(2.91)	Decrease by 31.75%
Others	1,065.60	936.90	12.08	84.87	84.90	Decrease by 0.01%

Unit: 0'000 Currency: RMB

Principal business by region

Product	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 4)	242,719.00	134,078.00	44.76	2.77	(8.54)	Increase by 6.83%
Southwest Region (Note 5)	17,539.00	12,245.00	30.18	(15.65)	(17.24)	Increase by 1.34%
Northwest Region (Note 6)	54,641.00	37,251.00	31.83	16.37	7.01	Increase by 5.97%
Central China Region (Note 7)	68,818.90	41,349.00	39.92	18.81	(1.24)	Increase by 12.20%
Eastern China Region (Note 8)	42,847.00	29,639.00	30.83	(9.42)	(5.43)	Decrease by 2.91%
Northeast Region (Note 9)	14,506.00	10,965.00	24.41	(28.58)	(5.38)	Decrease by 18.53%

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

Note 1: The decrease in gross profit margin was mainly due to the increase of labour costs and operating costs such as electricity, gas and municipal heat networks during the period.

Note 2: The decrease in gross profit margin was mainly due to the decrease of gross profit margins on projects during the period.

Note 3: The decrease in gross profit margin was mainly due to the decline in unit price of the hazardous waste business as a result of keen competition in the market.

Note 4: The Tianjin-Beijing-Hebei region comprises the four sewage treatment plants in the eastern suburbs of downtown Tianjin, Xianyang Road, Jinggu and Beicang, as well as Anguo Company, Jinghai Company, Jinning Company, Water Recycling Company, Caring Company, Jiayuanxing, Tianchuang Green Energy Company, Capital Materials Company, HB GJTC, Xiqing Tianchuang Company and Tianchuang Environmental Company. The increase in gross profit margin was mainly due to stringent cost control during the period

Note 5: The Southwest region comprises Guizhou Company, Qujing Company and Huize Company, the improvement in gross profit margin was mainly due to stringent cost control during the period and a decrease in the share of construction business, which has a lower gross profit margin.

3. Management Discussion and Analysis

Note 6: The Northwest region comprises Xi'an Company, Karamay Tianchuang Company, Karamay Capital Company, Bayannur Company, Linxia Company and Jiuquan Company, the improvement in gross profit margin was mainly due to stringent cost control during the period and a decrease in the share of construction business, which has a lower gross profit margin.

Note 7: The Central China region comprises 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, Huoqiu Company, Enshi Company, Hanshan Capital Company and Jieshou Company, the improvement in gross profit margin was mainly due to stringent cost control during the period and a decrease in the share of construction business, which has a lower gross profit margin.

Note 8: The East China region comprises Hangzhou Company, Baoying Company, Deqing Company, Yonghui Company and Compro Company, the reason for the decrease in gross profit margin is the decrease in gross profit margin of hazardous waste projects in the current period.

Note 9: The Northeast region includes Dalian Chunliuhe Company, Wendeng Company, Shandong Company, Dongying Company and Shandong Tianchuang Company, the reason for the decrease in gross profit margin is the decrease in gross profit margin of hazardous waste projects in the current period.

(2). Analysis of production and sales volume

Not applicable

(3). Performance of material procurement contracts and material sales contracts

Not applicable

(4). 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	17,682	6.66	17,147	6.1	3.12	Nil
	Energy consumption (electricity)	36,390	13.7	35,391	12.59	2.82	Nil
	Material consumption	19,531	7.36	31,231	11.11	-37.46	Reduce pharmaceutical inputs by optimising the process and deepening cost quotas
	Depreciation and amortisation	52,951	19.94	48,876	17.39	8.34	Nil
	Other manufacturing expenses	44,069	16.6	43,915	15.63	0.35	Nil
	Infrastructure Construction costs on Sewage water plant	22,464	8.46	30,623	10.9	-26.64	With the decrease of construction business revenue, costs decreased accordingly
	Subtotal	193,087	72.72	207,183	73.73	-6.8	Nil
Tap water supply and construction water plants business	Labor cost	1,528	0.58	1,450	0.52	5.38	Nil
	Energy consumption (electricity)	1,017	0.38	997	0.35	2.01	Nil
	Material consumption	675	0.25	3,540	1.26	-80.93	Reduce raw water bill costs
	Depreciation and amortisation	1,653	0.62	1,662	0.59	-0.54	Nil
	Other manufacturing expenses	997	0.38	736	0.26	35.46	Increase in costs of routine repair, maintenance and inspection
	Subtotal	5,870	2.21	8,385	2.98	-29.99	Nil

3. Management Discussion and Analysis

		By industry				Percentage change	
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 (%)	for the current period as compared to the same period last year (%)	Explanation
Water recycling Treatment and recycled water supporting projects	Labor cost	2,259	0.85	2,479	0.88	-8.87	Nil
	Energy consumption (electricity)	1,335	0.5	1,320	0.47	1.14	Nil
	Material consumption	929	0.35	1,020	0.36	-8.92	Nil
	Depreciation and amortisation	2,510	0.95	2,005	0.71	25.19	Nil
	Other manufacturing expenses	8,055	3.03	7,788	2.77	3.43	Nil
	Project construction cost	10,416	3.92	9,838	3.5	5.88	Nil
	Subtotal	25,504	9.61	24,450	8.7	4.31	Nil
Cooling and heating and related facilities construction business	Labor cost	1,607	0.61	1,226	0.44	31.08	Increase in headcount
	Energy consumption (electricity)	1,949	0.73	1,360	0.48	43.31	Increase in expenses as a result of rising electricity prices and increased energy supply demands from users
	Depreciation and amortisation	2,751	1.04	2,679	0.95	2.69	Nil
	Other manufacturing expenses	501	0.19	577	0.21	-13.17	Nil
	Supporting engineering	14,670	5.52	13,749	4.89	6.7	
	Subtotal	21,478	8.09	19,591	6.97	9.63	Nil
Road toll business	Toll road and management fee	712.00	0.27	712.00	0.25	0	Nil
	Subtotal	712.00	0.27	712.00	0.25	0	Nil
Transformation of achievements in technology research	Material cost, equipment cost	2,173	0.82	3,756	1.34	-42.15	Decrease in income and costs settled during the year
	Other manufacturing expenses	10	0	185	0.07	-94.59	
	Subtotal	2,183	0.82	3,941	1.4	-44.61	
Hazardous waste business	Labor cost	2,233	0.84	2,673	0.95	-16.46	Nil
	Energy consumption (electricity)	2,056	0.77	2,223	0.79	-7.51	Nil
	Material consumption	948	0.36	1,045	0.37	-9.28	Nil
	Depreciation and amortisation	3,098	1.17	3,258	1.16	-4.91	Nil
	Other manufacturing expenses	7,422	2.8	7,030	2.5	5.58	Nil
	Subtotal	15,757	5.93	16,229	5.78	-2.91	Nil
Other	Product sales, etc.	936	0.35	507	0.18	84.62	Increase of revenue and costs
	Subtotal	936	0.35	507	0.18	84.62	
	Total	265,527	100	280,998	100	-5.51	Nil

Other explanation of cost analysis

Nil

(5). Major customers and major suppliers

A. Major customers of the Company

Sales to the largest customer amounted to RMB1,547.2354 million, accounting for 33.17% of the total sales for the year; sales to the top five customers amounted to RMB2,315.5312 million, accounting for 49.64% of the total sales for the year; among which, sales to related parties was RMBNil, accounting for 0% of the total sales for the year.

B. Major suppliers of the Company

Procurement from the largest customer amounted to RMB 197.1049 million, accounting for 7.97% of the total procurement for the year; procurement from the top five suppliers amounted to RMB459.0639 million, accounting for 18.56% of the total procurement for the year, among which procurement from related parties amounted to RMB139.9524 million, accounting for 2.53% of the total procurement for the year.

Other explanations

Nil

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	5,306.20
Capitalised research and development investment for the current period	0.00
Total research and development investment	5,306.20
Percentage of total research and development investment over operating revenue (%)	1.14
Ratio of capitalised research and development investment (%)	0.00

3. Management Discussion and Analysis

(2). Research and development personnel

Number of research and development personnel in the Company	365
Percentage of the number of research and development personnel over the total number of personnel of the Company (%)	16.22
Education of research and development personnel	
Academic Category	Number of Personnel
Doctoral Degree	3
Master Degree	61
Undergraduate Degree	273
Vocational education	27
High school education and below	1
Age Structure of research and development personnel	
Age Category	Number of Personnel
Age under 30 (exclude age 30)	44
Age 30 to 40 (include age 30, exclude age 40)	173
Age 40 to 50 (include age 40, exclude age 50)	112
Age 50 to 60 (include age 50, exclude age 60)	35
Age 60 or above	1

(3). Explanation

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.

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

Not applicable

(III) 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 assets (%)	Explanations
Notes receivable	2,771.1	0.11	753.5	0.03	267.76	Mainly due to the increase in bankers' acceptances receivable by subsidiaries during the period.
Advances to suppliers	1,980.9	0.08	3,522.3	0.15	-43.76	Mainly due to prepaid cost expenditures etc. are carried forward to the cost.
Other current assets	2,876.0	0.12	6,432.1	0.28	-55.29	Mainly due to the decrease in value-added tax input tax which is expected to be credited and pending certification.
Fixed assets	128,692.3	5.26	91,134.7	3.97	41.21	Mainly due to purchase of the assets of the Jinnan Sludge Plant during the period.
Construction in progress	42,144.6	1.72	15,195.7	0.66	177.35	Mainly due to the increase in investment in the Tianjin Main District Recycled Water Pipeline Network Connection Project and Tianjin Sewage Treatment Plant Photovoltaic Power Generation Project during the period.
Goodwill	15,005.1	0.61	31,981.3	1.39	-53.08	Mainly due to the impairment of goodwill arising from hazardous waste items purchased in previous years in the current period.
Deferred income tax assets	3,208.1	0.13	739.8	0.03	333.64	Mainly due to the increase in deductible temporary differences caused by credit impairment provisions in the current period.
Short-term borrowings	199.2	0.01	100.1	0.00	99.00	Mainly due to the new short-term borrowings of subsidiaries in the current period.
Current portion of non-current liabilities	201,092.6	8.22	127,647.1	5.56	57.54	Mainly due to the increase in debentures payable and long-term borrowings due within one year.
Accounts payable	66,888.8	2.73	51,115.9	2.23	30.86	Mainly due to the increase in operating costs payable in the current period.
Other current liabilities	149.0	0.01	49.0	0.00	204.08	Mainly due to new loans from shareholders of subsidiaries in the current period.

3. Management Discussion and Analysis

(IV) ANALYSIS OF INDUSTRIAL OPERATIONAL INFORMATION

China has entered a new stage of high-quality development, and the water and environmental protection industry will further transform and develop in the direction of comprehensive urban environmental governance and comprehensive regional watershed environmental governance. An increasing number of water and environmental protection enterprises have continued to expand diversified new environmental protection businesses on the basis of their original main businesses. On the one hand, they have focused on forging the comprehensive service capabilities of the entire industry chain, and on the other hand, they have also stimulated the innovation of business models. In combination with this change, on the basis of the existing business, Tianjin Capital will form and promote a new business model of “five-dimensional integration” (sewage + recycled water + sewage-sourced heat pump + sludge + photovoltaic energy storage) with resource utilisation as the core and coordinated development as the link. Through the five core businesses, the Company will build comprehensive capabilities for collaborative industrial development, give full play to the role of strategic layout, and make business expansion in accordance with the logic of “one project, one city” for comprehensive urban environmental governance. The Company will achieve a flexible and diversified business portfolio, process portfolio, product portfolio and service portfolio, and form a combination of portfolios in response to new market changes.

(V) ANALYSIS OF INVESTMENT STATUS

1. Overall analysis of external equity investments

During the Reporting Period, the Company's external equity investments were distributed in water and new energy, among other business areas, mainly for the establishment of project companies.

(1) Major equity investment

- (1) On 24 April 2023, the Board approved the establishment of Karamay Capital Water Co., Ltd., which is responsible for the implementation of the franchise project of Karamay Company. The registered capital is RMB113.8732 million, which is 100% contributed by the Company. The equity injection has been completed during the Reporting Period.
- (2) On 23 May 2023, the Board approved the establishment of Enshi Company, which is responsible for the implementation of the concession projects of Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) sewage treatment plants and supporting pipeline projects. The registered capital is RMB170.8609 million, of which the Company contributed RMB162.3179 million, accounting for 95%; Wuhan Municipal Construction Group Co., Ltd. contributed RMB8.5430 million, accounting for 5%. The equity injection has been completed during the Reporting Period.
- (3) On 14 June 2023, the Board approved the establishment of Tianchuang Environmental to carry out asset-light business, with a registered capital of RMB20 million, which is 100% contributed by the Company. The equity injection has been completed during the Reporting Period.
- (4) On 22 September 2023, the Board approved the establishment of Hanshan Capital Company, which is responsible for the implementation of the concession project of Hanshan County Sewage Treatment Plant Phase II and for comprehensive improvement of water environment. The registered capital is RMB91.2244 million, of which RMB46.5244 million is contributed by the Company, accounting for 51%; and RMB44.7 million is contributed by the government on behalf of Hanshan Urban Construction Investment Co., Ltd., accounting for 49%. The capital injection was not completed during the Reporting Period.

3. Management Discussion and Analysis

- (5) On 24 November 2023, the Board approved Tianchuang Green Energy to establish Tianjin Tianchuang Shengcheng New Energy Co., Ltd., which is responsible for the implementation of the urban renewal energy station project in the southern area of Jinzhonghe Street in Tianjin. The registered capital is RMB32.24 million, which shall be 100% contributed by Tianchuang Green Energy. The capital injection was not completed during the Reporting Period.
- (6) On 25 December 2023, the Board approved the Company's non-public acquisition by way of an agreement of 5% equity interest in Guizhou Company held by TMICL at a price of RMB8.8939 million, resulting in the change of Guizhou Company to a wholly-owned subsidiary of the Company. During the Reporting Period, the equity transfer price was not paid and the change of industrial and commercial registration was not completed yet.
- (7) On 16 January 2024, the Board approved the establishment of Weng'an Capital Water Co., Ltd., which is responsible for the implementation of the transfer of the concession rights of the sewage treatment plants in the second and third phases of Weng'an County. The registered capital is RMB53.595 million, of which the Company contributed RMB51.98715 million, accounting for 97%; Beijing Municipal Construction Group Co., Ltd. contributed RMB1.60785 million, accounting for 3%.
- (8) In December 2020, a consortium formed by the Company together with CCCC Tianjin Dredging Co., Ltd. won the bid for the PPP project of new construction and upgrading and supporting pipe network (phase II) of Honghu township sewage treatment plant, and established Honghu Tianchuang Environmental Protection. On 23 May 2023, the Board agreed that Honghu Tianchuang Environmental Protection will make changes and adjustments to the project implementation scope and investment plan in accordance with the relevant requirements of the Honghu Municipal Government side and the Municipal Housing and Urban-Rural Development Bureau. After the adjustment, the total investment of the project is estimated to be RMB148.3199 million, and the registered capital of Honghu Tianchuang Environmental Protection will be reduced from RMB60 million before the adjustment to RMB30 million. During the Reporting Period, the project has completed the adjustment of investment plan, and the capital reduction is not yet completed.
- (9) The distributed photovoltaic power generation projects implemented in 2020 by Jiayuanxin, a controlling subsidiary of Jiayuanxing, a subsidiary of the Company, included three sub-projects, which were implemented in the regions of Jin'gu Reclaimed Water Plant of the Company, Dalian Chunliuhe Sewage Treatment Plant of the Company and Tedahang (Tianjin) Cold Chain Logistics Co., Ltd., with a total investment of RMB13.2856 million. On 10 July 2023, the Board approved Jiayuanxin to adjust the investment plan for the distributed photovoltaic power generation project and cancel the implementation of the distributed photovoltaic project of Teda Cold Chain Logistics. During the Reporting Period, the adjustment of investment plan change for such project has completed.

(10) The distributed photovoltaic power generation projects in other cities owned by Jiayuanxin, a holding subsidiary of Jiayuanxing, a subsidiary of the Company, include two sub-projects, which are implemented in the Company's two projects in Shandong, namely Yishui Hazardous Waste Treatment Plant and Wendeng Sewage Treatment Plant, with a total investment of RMB18.82 million. On 10 July 2023, the Board approved the termination of the external distributed photovoltaic power generation project by Jiayuanxin. During the Reporting Period, such project has been terminated.

(2) Major non-equity investment

On 21 December 2022, the Board agreed to accept the transfer of the assets of the Jinnan Sludge Treatment Plant originally belonged to the Tianjin Investment Group, and the Company intends to accept the transfer of such assets through a cash transaction at a consideration of RMB471,825,900. The aforesaid acquisition has been considered and approved at the first extraordinary general meeting of 2023 of the Company. As at the end of the reporting period, the Company had paid RMB424,643,310 for the transfer of the asset as agreed in the "Conditional Asset Transfer Agreement in respect of Jinnan Sludge Treatment Plant", with the remaining RMB47,182,590 outstanding. For details, please refer to the announcement on the discloseable and connected transaction in relation to the acquisition of assets of Jinnan sludge plant project dated 21 December 2022, the supplemental announcement on the discloseable and connected transaction in relation to the acquisition of assets of Jinnan sludge plant project dated 28 December 2022, the relevant circular dated 13 February 2023, the announcement on the resolutions passed at the 2023 first extraordinary general meeting dated 1 March 2023, and the further announcement on the discloseable and connected transaction in relation to acquisition of assets of Jinnan sludge plant project dated 17 March 2023 published on the website of the Stock Exchange.

(3) Financial assets measured by fair value

Not applicable

(4) Specific progress of the reorganisation and integration of material assets during the reporting period

Not applicable

3. Management Discussion and Analysis

(VI) DISPOSAL OF MAJOR ASSETS AND EQUITY INTEREST

Not applicable

(VII) 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%	144,184.81	43,921.47	12,358.67
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%	81,011.29	70,076.29	6,746.47
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	21,295.052	Limited company	100%	76,004.77	40,160.65	2,694.92
Caring Company	Tianjin	Environmental engineering management and technical advice etc	3,333.3333	Stock Limited Company	60%	23,273.52	14,010.19	1,441.81
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	32,927.08	12,944.03	-1,026.24
Karamay Capital Company	Karamay, Xinjiang	Sewage treatment and its recycling and utilisation; water pollution control; water environment pollution prevention and control services; environmental protection consultancy services, etc.	11,387.32	Limited company	100%	42,199.73	12,273.71	886.39
Enshi Company	Enshi, Hubei	Sewage treatment and its recycling and utilisation; water pollution control; water environment pollution prevention and control services; environmental protection consultancy services, etc.	17,086.09	Limited company	95%	63,975.81	17,464.64	378.55
Tianchuang Environmental	Tianjin	Technical services, technology development, technology consulting, technology exchange, technology transfer and technology promotion; water environment pollution prevention and control services; environmental protection consultancy services; engineering technology services, etc.	2,000	Limited company	100%	2,796.43	2,030.87	30.87
Hanshan Capital Company	Hanshan, Anhui	Sewage treatment and its recycling and utilisation; municipal facilities management; solid waste treatment; air pollution prevention and control services; ecological restoration and ecological protection services; engineering project management services, etc.	9,122.44	Limited company	51%	10,095.29	3,101.37	1.37

Water Recycling Company recognised the revenue of RMB399.5680 million from its principal operations and an operating profit of RMB162.1064 million in 2023.

Hangzhou Company recognised the revenue of RMB275.7435 million from its principal operations and an operating profit of RMB97.8129 million in 2023.

(VIII) STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Not applicable

VI DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(I) STATUS AND TRENDS OF THE INDUSTRY

In the field of sewage treatment, in addition to accelerating the establishment of local water enterprises, focusing on integrating local raw water, water supply, water conservation, drainage, sewage treatment and water resource recycling projects, and establishing water groups with the characteristic of integration, with the support of the State for the development and growth of the private economy, private water and environmental protection enterprises may usher in a new round of development in the future. The Guiding Opinions on Standardising the Implementation of New Mechanisms for Government and Social Capital Cooperation requires that private enterprises shall be encouraged to participate in government and social capital cooperation new construction (including reconstruction and expansion) projects to the greatest extent, and a list of concession new construction (including reconstruction and expansion) projects that support private enterprises shall be formulated and dynamically adjusted. Specifically, projects with a high degree of marketization and weak public attributes shall be solely owned or controlled by private enterprises; For projects that are related to national economy and people's livelihood and have strong public attributes, the equity interest of private enterprises shall not be less than 35% in principle; for the few projects involving national security, with strong public attributes and natural monopoly attributes, conditions shall be actively created to support private enterprises' participation. Private enterprises may be actively encouraged to participate in government and social capital cooperation projects outside the fields listed in the list. The participation of foreign-invested enterprises in government and social capital cooperation projects shall be implemented in accordance with the relevant requirements of foreign investment administration and with reference to the above provisions. In addition, in terms of business model, as affected by the above policies, the construction and operation links will be further separated, and the development space of the asset-light business will be further expanded.

3. Management Discussion and Analysis

In the field of new energy, from the perspective of the overall power supply and demand in China, the supply and demand are generally balanced, and the national adjustment will try to avoid the imbalance between supply and demand. Specifically, in the field of photovoltaic power generation, although it has grown rapidly in recent years, it is basically within the scope of national planning. From the perspective of each link of the subdivided industrial chain, the main links have actually experienced market competition, and the industry-leading enterprises have been basically determined. The market space and growth of the photovoltaic power generation industry mainly need to take into account the following three factors, namely, the overall power demand of the country, the proportion of photovoltaic power generation in the overall power supply, and the relative cost and price of different power supply methods. In the long run, combined with the trend of China's economic and social development, especially the demand for electricity from the development of the digital economy, the overall electricity demand of the country will continue to grow in the future. Also, in consideration of the implementation of the "dual-carbon strategy" and the continuous reduction of the cost of photovoltaic power supply, photovoltaic power generation would still have a large room for development. In the short term, as of the end of the 14th Five-Year Plan period, after comprehensively considering the development plan and the cumulative installed capacity of photovoltaic, the incremental space of the regional market still exists, and the specific market opportunities will be more concentrated in the fields of distributed photovoltaic and long-term energy storage.

In the field of sludge and solid waste treatment, the trend of resource recycling is becoming more and more obvious, that is, on the basis of completing the treatment and disposal of sludge, catering, kitchen waste, hazardous waste, etc., through technological innovation and collaborative disposal to reduce costs, and deeply exploring various recyclable resources to achieve the extension of the industrial chain and the improvement of profit margin. Therefore, the development trend of the sludge and solid waste treatment industry is to build an industrial correlation with the circular economy and achieve positive interaction.

(II) 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 will strengthen the reform of the management mechanism, deepen the core functions of the Group’s three layers of headquarters, regions and project companies, consolidate the market-oriented operation mechanism through the reform of the remuneration and performance system, and optimise the talent system through the introduction and cultivation of core talents. 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

(III) OPERATING PLANS

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

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China and also the key year to promote the implementation of the Company's "14th Five-Year" strategic plan. The Company has conducted an interim evaluation of its development strategy, formulated a three-year action plan for business development, refined the roadmap for strategy realisation, completed the decomposition of strategic objectives of each business segment, and clarified the direction and path of strategic development. At the same time, with the theme of "striving for development, preventing risks, promoting reform and strengthening protection", the Company aimed at high-quality development and focused on market expansion to steadily promote the implementation of the Company's development strategy and annual business plan.

2. *Business volume and revenue, expense and cost plan:*

In 2024, it is expected that the main business of the Company will continue to be sewage treatment business, and the annual sewage treatment volume will not be less than 1,593.86 million cubic metres. With the higher discharge standards applicable to projects in Tianjin and other areas and the continuous increase in costs of various types of resources, energy and labour, the operation costs of projects would increase to a certain extent. If there are no major changes in the prevailing national guidelines, policies and business environment, it is expected that amount of variation in revenue from and cost for sewage treatment service fee will not be higher than 20%.

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

In 2024, the Company's investment in research and development shall not be less than 1.25% of the annual operating income, which will be mainly used for technology research and development and technical reform expenses, and continue to focus on the research and development of new processes and application-oriented technologies in the fields of sewage treatment, sludge treatment as well as new energy.

(IV) 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. In November 2023, the General Office of the State Council forwarded the Notice of the National Development and Reform Commission and the Ministry of Finance on Standardising the Implementation of the New Mechanism for Government and Social Capital Cooperation, which focuses on user-paid projects, and requires that the government and social capital cooperation projects shall clarify the charging channels and methods, and the operating income of the project could cover the construction investment and operation costs, and shall have certain investment returns. Additional local financial future expenditure responsibilities shall not be incurred by virtue of the adoption of the government and social capital cooperation model, the government payment could only subsidise the operation as required and shall not subsidise the construction costs. The introduction of such policy would have a certain impact on the business model of the water and environmental protection industry. In addition, although businesses such as hazardous waste treatment take enterprises as their service targets, they may also be affected by regional industrial policies, i.e. regional industrial upgrading and cross-regional industrial transfer may lead to changes in the amount of hazardous waste generated in the region. As regards social investors, the risk of policy change should be a key concern.

3. Management Discussion and Analysis

(3) Risk of operation and management

With the continuous enhancement 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.

(4) Legal risks

There is a possibility that the Group may suffer from negative legal consequences due to changes in the external legal environment or the failure of legal entities, including the Group itself, to effectively exercise their rights and fulfil their obligations in accordance with legal provisions or contractual agreements. Types of the Group's existing contracts mainly include franchising and construction. There is a risk of default in the payment of downstream payments under franchising contracts as a result of the government defaulting on the payment of service fees, which would lead to the tight cash flow of the project companies under our management. There is a risk of illegal re-contracting/sub-contracting of the projects awarded under the construction contracts, and the actual constructor suing the Company for joint and several liabilities to the extent of the outstanding amounts due as a result of the tight cash flow of the main contractor.

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. In view of the risk of default on payment by the government and other first parties, we will, in light of the actual situation, consider the use of litigation management tools to “promote negotiation by initiating legal actions” to push forward the repayment, and continue to implement the concept of “strong case management to promote risk mitigation”, and to make use of legal and technological means to protect the legitimate interests of the enterprise, while at the same time, focusing on assisting in the management enhancement and value creation of the enterprise.

- (2) Enhance overall risk management

Determine the objectives of the comprehensive risk management work and set up an organisation therefor, strengthen the judgment and warning of various types of policy risks, improve the risk prevention and control mechanism, identify, analyse, evaluate and respond to the risks implied in different business segments in terms of proper project maintenance, promotion of the completion of and settlement of legacy projects, safeguard of safety production, and compliant procurement, so as to enhance the Company's ability of risk and compliance control and management.

3. Management Discussion and Analysis

(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.

(V) 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

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 Shareholders Meeting Rules in order to ensure the shareholders can exercise their voting rights duly and successfully. 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 Board Meeting Rules. 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 Meeting of General Managers”*《總經理議事規則》. 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, during the reporting period, the Company amended the Articles of Association of the Company and the Board Meeting Rules in conjunction with the new regulatory requirements and in accordance with actual circumstances such as organisational restructuring, and rearranged and improved the “1+3” Table of Authority and Responsibility of Corporate Governance Subjects, so as to ensure that the authority and responsibility of each governance subject are clear and coordinated.

4. Corporate Governance

(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 C1 to the Listing Rules. The Company's major corporate governance practices and activities for the year ended 31 December 2023 are set out in this report and the Environmental, Social and Governance Report 2023 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 (including the Corporate Governance Code) 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 hold; they shall not transfer more than a total of 25% of the shares of the Company they hold for each year during their terms of office, and shall not transfer the shares of the Company they hold within six months after their resignation, etc.

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 each of Ms. Jing Wanying and Mr. Li Yang holding 250,000 A-Share options (please refer to “III. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT” in this section 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, Mr. Tian Liang, an independent non-executive Director, resigned from his position as an independent non-executive Director of the Company and as a member of the various committees of the Board due to personal development reasons, and the Company held the 2022 annual general meeting on 1 June 2023, at which Ms. Liu Fei, who has immense legal background, was elected to replace Mr. Tian Liang as an independent Director and a member of relevant committees; and on 22 December 2023, Mr. Ji Guanglin, Mr. Li Yang, Ms. Peng Yilin and Ms. Jing Wanying, Directors of the ninth session of the Board of the Company, applied for resignation as Directors and members of the various committees of the Board due to work adjustment, and on 16 January 2024, the Company held the first extraordinary general meeting of 2024, at which Mr. Tang Fusheng, Mr. Pan Guangwen, Ms. Nie Yanhong and Mr. Wang Yongwei were elected as Directors of the ninth session of the Board of the Company. Current Board members of the Company include Mr. Tang Fusheng (Chairman of the Board), Mr. Pan Guangwen and Ms. Nie Yanhong as executive Directors, Mr. An Pindong, Mr. Wang Yongwei and Mr. Liu Tao as non-executive Directors and Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei as independent non-executive Directors; the term of office of the Directors of the ninth session of the Board shall be for a period until 8 September 2025.

Mr. Tang Fusheng, Mr. Pan Guangwen and Ms. Nie Yanhong were appointed as executive Directors of the Company on 16 January 2024, they have each obtained legal advice under Listing Rule 3.09D on 15 January 2024 regarding the Listing Rule requirements to which they are required to comply as Directors of the Company, and the possible consequences arising from making a false statement or providing false information to the Stock Exchange, and each of them has confirmed that they understand their responsibilities as Directors of the Company.

Mr. Wang Yongwei was appointed as a non-executive Director of the Company on 16 January 2024, he has obtained legal advice under Listing Rules 3.09D on 15 January 2024 regarding the Listing Rules requirements to which he is required to comply as a Director of the Company, and the possible consequences arising from making a false statement or providing false information to the Stock Exchange, and he has confirmed that he understands his responsibilities as a Director of the Company.

4. Corporate Governance

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 2023 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 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 Office of the Board of Directors 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. On 15 November 2023, three independent non-executive Directors, namely Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei, visited the Company to conduct a research and study, provided professional interpretation on the latest "Guiding Opinions on Regulating the Implementation of New Mechanisms for Cooperation between the Government and Social Capital" issued by the General Office of the State Council, and exchanged views and conducted discussions with the management. 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 18 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 Board Meeting Rules. The Board Meeting Rules 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 2023

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 is 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.

In accordance with the provisions of the Listing Rules of the Stock Exchange 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. Tang Fusheng, Mr. Pan Guangwen and Ms. Nie Yanhong; the non-executive Directors, namely Mr. An Pindong, Mr. Wang Yongwei and Mr. Liu Tao; the independent non-executive Directors, namely Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei; and the departed executive Directors, namely Mr. Ji Guanglin, Mr. Li Yang, Ms. Jing Wanying; the departed non-executive Director Ms. Peng Yilin; and the departed independent non-executive Director Mr. Tian Liang) have obtained the aforementioned relevant information for the corresponding period during their of office.

4. Corporate Governance

On 16 January 2023, Ms. Jing Wanying, an Executive Director, and Mr. Niu Bo, the Secretary to the Board, attended the training on disclosure of information and preparation of annual reports of listed companies for FY2022 organised by SSE, which covered the major supervision works in the context of high-quality development and the key points of concern of the annual reports, the accounting issues of listed companies in the annual reports and the supervisory approaches, the disclosure of information of listed companies in the annual reports and the key points of supervision.

On 12 April 2023, Ms. Liu Fei, an independent non-executive Director, attended the second batch of pre-appointment Training for independent directors of main board listed companies in 2023 organised by the SSE, which covered the analysis of specialised committees of listed companies, changes in the legal liabilities of independent directors under the new situation, the regulation of disclosure of information by listed companies and the standardised performance of duties by independent directors.

On 24 October 2023, Ms. Jing Wanying, an executive Director, Mr. An Pindong, Ms. Peng Yilin and Mr. Liu Tao, non-executive Directors, as well as Mr. Sun Shubin, Ms. Shi Zhenjuan and Ms. Wang Jing, Supervisors, participated in the training on the reform of the independent directors' system for listed companies in Tianjin region jointly organised by Tianjin Securities and Regulatory Commission, Tianjin Association of Listed Companies and SSE, which covered the introduction of the reform of the independent director system of listed companies, practical sharing of the latest regulations on reduction of shareholdings by major shareholders, directors and supervisors of listed companies, and norms for performance of duties by directors and supervisors of listed companies.

From 30 November to 1 December 2023, Mr. Niu Bo, secretary to the Board of the Company, attended the 8th follow-up training for secretaries to the board of directors of listed companies in 2023 organised by the SSE, which covered the dynamics of regulatory policies and rules and disclosure regulatory practices, interpretation of policies on mergers and acquisitions, restructurings and re-financing, analysis of macro-economic policies, shareholding incentives for listed companies and shareholding of employees.

On 14 December 2023, Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei, independent non-executive Directors, attended the 6th follow-up training for independent directors of listed companies in 2023 organised by the SSE, which covered the interpretation of the reform of the system of independent directors of listed companies, the changes in the legal liabilities of independent directors under the new situation, information disclosure of listed companies and the standardised performance of duties by independent directors.

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 that suit the needs of to the Board.

4. *About the Chairman and the Chief Executive*

In accordance with the Articles of Association of the Company, the Chairman of the Company is responsible for holding and presiding over the Board meetings, and the effective operation of the Board, while the General Manager is responsible for various operation activities of the Group, 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 appointment of the General Manager shall be approved by the Board.

On 16 January 2024, the twenty-sixth meeting of the ninth session of the Board of the Company elected Mr. Tang Fusheng as the Chairman of the ninth session of the Board of the Company; on 22 December 2023, the twenty-fifth meeting of the ninth session of the Board of the Company agreed Mr. Li Yang's resignation from his position as the General Manager, and that Mr. Zhou Jingdong, the Deputy General Manager, would act as the General Manager.

5. *About Non-executive Directors*

The current non-executive Directors of the Company are Mr. An Pindong, Mr. Wang Yongwei and Mr. Liu Tao, and the independent non-executive Directors are Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei.

4. Corporate Governance

6. *About Committees under the Board*

- (1) The members of the Remuneration and Assessment Committee of the ninth session of the Board of the Company comprised three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) (On 1 June 2023, Mr. Tian Liang resigned as an independent non-executive Director and Ms. Liu Fei succeeded Mr. Tian Liang as an independent non-executive Director) and one non-executive Director (being Mr. Liu Tao) and the chairman is Mr. Xue Tao, an independent non-executive Director.

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 of the Stock Exchange.

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 7 meetings, which mainly discussed matters such as adjustments to the list of participants, the number of options granted and the exercise price of the Company’s 2020 share option incentive scheme, and the remuneration of new directors and senior management, the remuneration of the Directors of the ninth session of the Board, the completion and appraisal of the indicators for the year 2022 and the term of office of the management, and the performance appraisal plan for the management in 2023. Members of the Remuneration and Assessment Committee attended all the meetings held during the reporting period.

- (2) During the reporting period, the members of the Nomination Committee of the ninth session of the Board of the Company comprised three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) (On 1 June 2023, Mr. Tian Liang resigned as an independent non-executive Director and Ms. Liu Fei succeeded Mr. Tian Liang as an independent non-executive Director) 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 3% 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 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 business model and special needs of the Company 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 Group 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 Reporting Period 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, the 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 of the Stock Exchange.

During the reporting period, the Nomination Committee of the Company held 7 meetings which discussed matters in relation to the nomination of candidates for Directors and independent Directors, the nomination of the chief accountant, the general counsel, etc.

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

- (3) During the Reporting Period, the members of the Audit Committee of the ninth session of the Board of the Company comprised three independent non-executive Directors (being Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang) (On 1 June 2023, Mr. Tian Liang resigned as an independent non-executive Director and Ms. Liu Fei succeeded Mr. Tian Liang as an independent non-executive Director) and one executive Director (being Ms. Jing Wangying), the chairman is Mr. Wang Shanggan, an independent non-executive Director. The primary duties of the Audit Committee include reviewing 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 Group company, the Audit Committee reviews the effectiveness of the Company's internal control system at the beginning of the year 2023 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 Group. For details of the corporate governance, please refer to "(1) 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 held 7 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) During the Reporting Period, the members of the Strategic Committee of the ninth session of the Board comprised 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), the chairman is Mr. Ji Guanglin. Its primary duties are to study and propose medium and long-term development strategies and major investment decisions of the Company.

During the reporting period, the Strategic Committee held 3 meetings which mainly discussed the Company's three-year action plan for business development, the "14th Five-Year Plan" development strategic plan and the mid-term evaluation report on the implementation of the "14th Five-Year Plan". The members of the Strategic Committee have attended all the meetings during the Reporting Period.

7. *About the Remuneration of the Auditor*

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 fee for the services provided by 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*

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 of the Stock Exchange. Ms. Cho Yee Yung, Mona attended not less than 15 hours of relevant professional trainings during the financial year 2023 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 Shareholders Meeting Rules 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 are explicitly stated. For details of the regulations, please refer to the Articles of Association of the Company and the Shareholders Meeting Rules.

Shareholders may request access to relevant information obtainable 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 the 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 Group 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 Group 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.

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 Office of the Board of the Company 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 information in relation to the Group 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). 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.

4. Corporate Governance

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 2022 annual results and cash dividend distribution at the Shanghai Securities Roadshow Center of the SSE on 18 April 2023; participated in the 2023 Interim Results Presentation for Listed Companies in Tianjin Region and Investors' Online Collective Reception Day on Panorama Network on 5 September 2023 by way of online conference; held an interactive online presentation on the 2023 third quarter at the Shanghai Securities Roadshow Center of the SSE on 16 November 2023; and addressed and provided answers to questions concerned by the investors.

On 15 June 2023, under the guidance of Tianjin Securities Regulatory Commission and Beijing Securities Regulatory Commission, the Tianjin Listed Companies Association, Tianjin Association of Securities Industry, Tianjin Association of Funds Industry, Tianjin Association of Futures Industry, China Galaxy Securities and p5w.net jointly organised a group of some 30 investors to visit the Company to conduct on-site investigation and survey of the Company's Jin'gu Sewage Treatment Plant, Jin'gu Recycled Water Plant, Jinnan Sludge Treatment Plant, new energy cooling and heating plant and photovoltaic power generation facilities. Investor exchange activities and dialogues with the Company's executives were also held, at which the Chairman of the Board, the Secretary of the Board and director of the Financial Management Centre had adequate and frank exchanges with institutional analysts and small and medium-sized investors, and conducted in-depth discussions on the Company's development status, production and operation, technological research and development, future plans, industrial outlook and certain hot topics of concern to the investors. Such activities formed a well-established communication platform between investors and the Company, enhanced investors' overall knowledge and understanding of the Company, and accumulated experience for the Company to better organise its investor relations management works.

On 1 March 2023, the first extraordinary general meeting for 2023 of the Company was held, and the resolution in relation to the increase in the registered capital and amendment to the Articles of Association of the Company was considered and approved. The amendment was primarily due to the completion of the non-public issuance of 143,189,655 A shares by the Company on 28 September 2022, which resulted in an increase in the registered capital of the Company from RMB1,427,228,430 to RMB1,570,418,085. Articles 19 and 22 of the Articles of Association relating to registered capital were amended accordingly.

On 21 September 2023, the second extraordinary general meeting for 2023 of the Company was held, and the amendments to the Articles of Association of the Company were considered and approved. The relevant amendments were made as follows:

- (a) Standardizing the wording and expression of the leadership role played by the Party Committee of the Company in accordance with the relevant requirements of the higher-level party organizations, which involves one amendment.
- (b) Amending and improving the corresponding articles of the Articles of Association of the Company with reference to the 2022 amendment to the CSRC's "Guidelines on the Articles of Association of Listed Companies", which involves four amendments.
- (c) Changes in the responsibilities and names of departments following the organizational restructuring of the head office of the Company, which involves two amendments.

Besides, the amendments addressed certain textual editing errors and omissions in the Articles of Association.

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 Group in various key business and management activities. The Compliance Management Department of the Group is responsible for the building of the risk management and internal control system.

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 Compliance Management Department as appropriate every year and review the internal control and risk management of the Company.

The Board (through the Audit Committee of the Board) is responsible for the Company's risk management and internal control system and the review of the effectiveness of such. In accordance with Code Provision D.2.1 of the Corporate Governance Code, the Board would carry out annual review against 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. At the Eleventh Meeting of the Ninth Session of the Board of Directors held on 27 March 2023, the internal control situation of the Company for the year 2022 was reviewed and a self-assessment report on internal control was issued. PricewaterhouseCoopers Zhong Tian LLP conducted an audit of the internal control of the Company for the year 2022 and issued a standard unqualified audit opinion. 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 Office of the Board and the Compliance Management Department. After reviewing, if the Office of the Board and the Compliance Management 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 Office of the Board, 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.

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

12. 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 2023, 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 an on-going concern basis.

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.

II. SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Date of meeting	Inquiry index for the designated website for publishing the resolutions	Date of disclosure of the resolutions	Resolutions of the Meeting
2023 first extraordinary general meeting	1 March 2023	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	2 March 2023	To consider and approve the proposals for the Company to be assigned the assets of the Jinnan Sludge Treatment Plant project and for the Company to increase its registered capital and to amend the Articles of Association of the Company.
2022 Annual General Meeting	1 June 2023	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	2 June 2023	Ten motions were considered and approved, including the Company's 2022 annual report and its summary, published both domestically and internationally.
2023 second extraordinary general meeting	21 September 2023	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	22 September 2023	Five motions were considered and approved, including amendments to the Articles of Association, the Board Meeting Rules and the Company's "14th Five-Year" development strategy planning.

4. Corporate Governance

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	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 connected parties of the Company
Tang Fusheng	Executive Director, Chairman	M	51	16 January 2024	8 September 2025	0	0	0	No change	0	Yes
Pan Guangwen	Executive Director	M	46	16 January 2024	8 September 2025	0	0	0	No change	64.1	No
Nic Yanhong	Executive Director	F	49	16 January 2024	8 September 2025	0	0	0	No change	69.41	No
	Chief Accountant			1 March 2023	8 September 2025						
Wang Yongwei	Non-executive Director	M	43	16 January 2024	8 September 2025	0	0	0	No change	0	Yes
An Pindong	Non-executive Director	M	56	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Liu Tao	Non-executive Director	M	40	11 November 2021	8 September 2025	0	0	0	No change	0	Yes
Xue Tao	Independent non-executive directors	M	51	9 September 2022	8 September 2025	0	0	0	No change	12	No
Wang Shanggan	Independent non-executive director	M	60	9 September 2022	8 September 2025	0	0	0	No change	12	No
Liu Fei	Independent non-executive director	F	45	1 June 2023	8 September 2025	0	0	0	No change	7	No
Sun Shubin	Supervisor, Chairman of the Supervisory Committee	M	50	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Shi Zhenjuan	Supervisor	F	54	9 September 2022	8 September 2025	0	0	0	No change	0	Yes
Wang Jing	Staff representative supervisor	F	53	9 September 2022	8 September 2025	0	0	0	No change	64.15	No
Zhou Jingdong	Acting General Manager	M	56	22 December 2023	8 September 2025	0	0	0	No change	87.48	No
	Deputy General Manager			1 December 2022	8 September 2025						
Zhang Jian	Deputy General Manager	M	54	17 January 2012	8 September 2025	822	822	0	No change	87.48	No
Li Jinhe	Deputy General Manager	M	53	29 August 2017	8 September 2025	0	0	0	No change	87.48	No
Jiang Nan	Deputy General Manager	M	52	1 December 2022	8 September 2025	0	0	0	No change	88.56	No
Niu Bo	Secretary to the Board	M	48	29 January 2016	8 September 2025	0	0	0	No change	75.6	No
	General Counsel			24 November 2023	8 September 2025						
Ji Guanglin	Executive Director, Chairman (departed)	M	50	9 September 2022	16 January 2024	0	0	0	No change	0	Yes
Li Yang	Executive Director (departed)	M	55	9 September 2022	16 January 2024	0	0	0	No change	110.4	No
	General Manager (departed)			8 February 2021	22 December 2023						
Jing Wanying	Executive Director (departed)	F	47	9 September 2022	16 January 2024	0	0	0	No change	13.86	Yes
	Chief Accountant (departed)			19 November 2021	1 March 2023						
Peng Yilin	Non-executive Directors (departed)	F	44	9 September 2022	16 January 2024	0	0	0	No change	0	Yes
Tian Liang	Independent non-executive directors (departed)	M	43	9 September 2022	1 June 2023	0	0	0	No change	5	No
Lu Hongyan	General Counsel (departed)	F	54	20 January 2016	25 April 2023	0	0	0	No change	45.67	No
Total	/	/	/	/	/	822	822	0	/	/	/

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 2023, 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 C3 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 (Note i)	Executive director	The Company	A shares	Beneficial owner	250,000 (Note ii)	0.02032%	0.01592%
Li Yang (Note i)	Executive director	The Company	A shares	Beneficial owner	250,000 (Note iii)	0.02032%	0.01592%

Notes:

- (i) With effect from 16 January 2024, Ms. Jing Wanying and Mr. Li Yang retired from the offices as Directors. For details, please refer to the relevant announcements of the Company dated 22 December 2023 and 16 January 2024 published on the website of the Stock Exchange.
- (ii) These interests refer to the A-Share options granted to Ms. Jing Wanying (as the beneficial owner) under the A share option incentive scheme adopted by the Company on 23 December 2020.
- (iii) These interests refer to the A-Share options granted to Mr. Li Yang (as the beneficial owner) under the A share option incentive scheme adopted by the Company on 23 December 2020.

As at 31 December 2023, 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).

4. Corporate Governance

Name	Primary working experience
Tang Fusheng	He is currently the secretary of the Party Committee and the chairman of the Board of the Company. From July 2001 to April 2009, Mr. Tang served as the head of the development department, deputy general manager and general manager of Water Recycling Company; from April 2009 to February 2010, he served as the assistant to the general manager of the Company and concurrently served as the chairman of the board of directors and general manager of Water Recycling Company; and from March 2010 to February 2015, he served as the deputy general manager of the Company and concurrently served as the general manager of the energy and resources department, the chairman and secretary of the Party branch of Water Recycling Company, an executive director of Jiayuanxing, and the chairman of the board of directors of Hong Kong Company. In February 2015, he was appointed as deputy secretary of the Party branch, general manager and director of Tianjin Urban Road Pipeline Network Supporting Construction Investment Co., Ltd. Mr. Tang has been the General Manager of the Company since 26 January 2017 and a Director of the Company from 14 March 2017 to 17 December 2018. From October 2020 to November 2021, he served as the secretary of the party committee and chairman of the board of directors of Tianjin Haihe; from November 2021 to December 2023, he served as the secretary of the Party general branch and chairman of the board of directors of Tianjin Environmental Construction Investment Co. Ltd.; since December 2023, he served as the secretary of the Party committee of the Company and the chairman of the Board; and since January 2024, he served as an executive director and the chairman of the Board of the Company.
Pan Guangwen	He is currently the deputy secretary of the Party committee and a Director of the Company. Mr. Pan worked for Tianjin Financial City Development Co., Ltd. from March 2009 to August 2013, during which he served as deputy director of the general management department and director of the general management department; from August 2013 to September 2017, he served as an assistant to the director of the office of Tianjin Investment Group; from September 2017 to October 2022, he served as a member of the Party committee and secretary of the Disciplinary Committee of Tianjin Haihe. Since October 2022, he served as a member of the Party committee and secretary of the Disciplinary Committee of the Company; since December 2023, he served as a Deputy Secretary of the Party committee of the Company; since January 2024, he served as a Director of the Company.
Nie Yanhong	Ms. Nie is currently the chief accountant and a Director of the Company. 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 March 2023, and since January 2024, she served as a Director of the Company.

Name	Primary working experience
Wang Yongwei	<p>He is currently a Director of the Company and the general manager of the asset (investment) management department of Tianjin Investment Group (with a probationary period of one year), a director of Tianjin Eco-city Company and a director of Municipal Investment. From April 2015 to August 2019, Mr Wang served as a staff member of the Department of Utilisation of Foreign Capital and Overseas Investment and a chief staff member of the Department of Fixed Asset Investment of the Tianjin Municipal Development and Reform Commission; from August 2019 to October 2020, he served as the head of the planning and construction department of the Tuanbo New City Development and Construction Committee of Tianjin Municipality; from October 2020 to November 2022, he served as the director of the integrated office of the Tuanbo New City Working Committee of the Tianjin Municipality of the Communist Party of China; from November 2022 to June 2023, he served as a member of the Party committee and deputy director of the Development and Reform Commission of Tianjin Jinghai District, and a member of the Party committee of the Management Committee of the Demonstration Area for International Co-operation in Tianjin Healthcare Industry; since July 2023, he served as the general manager of the asset (investment) management department of Tianjin Investment Group (with a probationary period of one year). Since January 2024, he served as a Director of the Company.</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 9 September 2022.</p>
Liu Tao	<p>Mr. Liu Tao is now a non-executive Director of the Company, and concurrently served as a manager of the investment management department of Ningbo Energy Group Co., Ltd. and a director of Ningbo Jintong Finance Leasing Co., Ltd.* (寧波杭灣綠捷新能源有限公司) and Ningbo Langchen New Energy Co., Ltd.* (寧波金通融資租賃有限公司). Mr. Liu Tao 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 and deputy manager (presiding work) of the investment management department of Ningbo Energy. Since June 2023, he served as a manager of the investment management department of Ningbo Energy. Mr. Liu Tao has been a director of the Company since 11 November 2021.</p>

4. Corporate Governance

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 Director of the Company since 9 September 2022.</p>

Name	Primary working experience
Liu Fei	<p>She is currently an independent non-executive director of the Company and a senior partner of Shanghai Allbright Law Offices. Ms. Liu Fei is one of the earliest and most authoritative professional lawyers providing legal services for infrastructure investment and financing in China, and has extensive experience in infrastructure investment and financing business models, transaction structure design, project financing, corporate governance, infrastructure REITs and ABS issuance, etc. She is currently a legal expert of the PPP Expert Database of the Ministry of Finance, an invited expert of the PPP Expert Database of the National Development and Reform Commission (“NDRC”), an expert of the Ministry of Finance’s third and fourth batches of PPP demonstration projects, an expert of the second batch of NDRC’s PPP demonstration projects, and a registered legal expert of the Asian Development Bank (ADB). She has been honoured as one of the “Top 15 Female Lawyers in ALB China 2020” and “Recommended Lawyer in Projects and Infrastructure” in Chambers Global and Greater China in 2022 and 2023. Ms. Liu Fei has been appointed as an independent non-executive Director of the Company since 1 June 2023.</p>
Sun Shubin	<p>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.</p>
Shi Zhenjuan	<p>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.</p>
Wang Jing	<p>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.</p>

4. Corporate Governance

Name	Primary working experience
Zhou Jingdong	He is currently the Deputy General Manager of the Company and is acting as the General Manager. Mr. Zhou is a senior engineer. Mr. Zhou has served as Party secretary, general manager and chairman of Fuyang Company; general manager of Anhui region of the Company's outbound water business division, general manager of Central China region; secretary of the Party branch and general manager of the Southern region; Mr. Zhou also served as chairman of a number of subsidiaries, including Wuhan Company, during his tenure in the region, and is rich in experience in the areas of professional and technical skills, investment and development, financial risk control and corporate management. Mr. Zhou has been appointed as the deputy general manager of the Company with effect from 1 December 2022 and acted as the general manager from 22 December 2023 onwards.
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.
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.
Niu Bo	Mr. Niu is now the secretary of the Board and the general counsel of the Company, the chairman of Jiayuanxing, the chairman of Tianjin Jiayuankaichuang New Energy Technology Co., Ltd.* (天津佳源開創新能源科技有限公司), the chairman of Tianchuang Green Energy and the chairman of 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.

Name	Primary working experience
Ji Guanglin	Currently, he is the Deputy General Manager of Tianjin Investment Group, with postgraduate qualifications and a doctorate degree in philosophy. He has served as deputy chief economist, general manager of the strategic planning department and general manager of the asset management department of Shanghai Urban Investment Group, deputy secretary of the Party Committee, chairman of the board of directors and president of Shanghai Urban Investment Holding Co., Ltd. Mr. Ji was appointed as a Director and chairman of the Board of Directors of the Company from 9 September 2022 to 16 January 2024.
Li Yang	He is currently the general manager of Tianjin Investment Group Public Rental Housing Operation Co. Mr. Li was the general manager of Fuyang Company, a wholly-owned subsidiary of the Company, from November 2005 to April 2009; the general manager of the Company's Water Division 2 from April 2009 to December 2009; the general manager of the Eastern Region of the Company's Tianjin Water Business Division from January 2010 to February 2011; and the general manager of Xi'an Company from February 2011 to May 2017; He has been the assistant to the general manager of the Company since January 2012; the chairman of the board of directors of Xi'an Company since September 2015; a supervisor of the Company from 8 September 2009 to 15 March 2017; a deputy general manager of the Company since 15 March 2017, and concurrently the chairman of the board of directors of Hangzhou Company from September 2020 onwards. Mr. Li was the general manager of the Company from February 2021 to December 2023 and a director of the Company from 9 September 2022 to 16 January 2024.
Jing Wanying	She is currently the general manager of the Finance Centre of Tianjin Municipal Investment. She is a master of business administration, a full senior accountant and a certified public accountant and graduated from the Accounting Department of Tianjin Finance and Economics College, majoring in certified public accountant. Ms. Jing joined Municipal Investment in November 2003. From January 2005 to September 2015, she served as deputy manager of the finance department, manager of the finance department and deputy chief accountant of Municipal Investment. From September 2015 to 16 November 2021, Ms. Jing was the chief accountant of Municipal Investment. Ms. Jing was the chief accountant of the Company from November 2021 to 1 March 2023 and a director of the Company from 9 September 2022 to 16 January 2024.
Peng Yilin	She is currently the deputy general manager of Municipal Investment. Ms. Peng was employed by Tianjin Municipal Investment from March 2008 to September 2015, and served as assistant to the head of the finance and development department, head of the finance centre, assistant to the general manager of the Company since 29 October 2015, chief accountant of the Company from 29 January 2016 to 19 November 2021, director of the Company from 16 March 2016 to 17 December 2018, and director of Municipal Investment since 28 December 2020. Ms. Peng was the deputy general manager of the property investment department of Tianjin Municipal Investment from November 2021 to June 2023 (presiding over the work); and the deputy general manager of Municipal Investment from June 2023 onwards. Ms. Peng served as a director of the Company from 9 September 2022 to 16 January 2024.

4. Corporate Governance

Name	Primary working experience
Tian Liang	Mr. Tian is a licensed attorney in Hong Kong SAR, China, and an attorney in the State of New York, USA. Mr. Tian has worked in the China representative offices and Hong Kong offices of a number of 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 Chinese state-owned enterprises and multinational corporations in 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 served as an independent non-executive Director of the Company from 9 September 2022 to 1 June 2023.
Lu Hongyan	She obtained a Ph.D. degree in Law from Nankai University. From January 2001 to December 2009, Ms. Lu worked as a lawyer in Tianjin Jinnuo Law Firm and Tianjin Hongyi Law Firm; since January 2010, she joined the Company as a Law Commissioner; from January 2016 to 25 April 2023, she was the General Counsel of the Company and was responsible for the legal affairs of the Company. Ms. Lu has extensive legal experience in the fields of economics and corporate governance. Ms. Lu has been a Supervisor of the Company since 17 May 2017; and from 18 December 2018 to 8 September 2022, she was the Chairman of the Supervisory Board of the Company.

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).

None of the directors, supervisors and senior management have been subject to any public sanctions imposed by statutory or regulatory authorities.

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
Wang Yongwei	TMICL	Director	22 September 2023	–
An Pindong	TMICL	Secretary of the Party Chairman	19 April 2022	–
Sun Shubin	TMICL	Director	July 2022	–
Shi Zhenjuan	TMICL	Chief Accountant	16 November 2021	–
Peng Yilin	TMICL	Deputy General Manager Director	29 June 2023 28 November 2020	– –
Jing Wanying	TMICL	Director	22 September 2023	–
Liu Tao	Ningbo Energy Group Co., Ltd.	Manager of the investment management department	27 June 2023	–
	Ningbo Hangwan Lvjie New Energy Co., Ltd.	Director	21 July 2020	–
	Ningbo Langchen New Energy Co., Ltd.	Director	12 August 2022	–
	Ningbo Jintong Finance Leasing Co., Ltd.	Director	14 December 2023	–
Description of positions held at shareholders' entities		Nil		

4. Corporate Governance

2. Positions held at the other entities

Name	Name of other entities	Position held in other entities	Appointment date	Termination date
Wang Yongwei	Tianjin Investment Group	General Manager, Asset (Investment) Management Department	July 2023	–
	Ecocity Company	Director	September 2023	–
An Pindong	Tianjin Investment Group	Chief operating officer	27 December 2019	–
Peng Yilin	Tianjin Investment Group	Deputy general manager, Asset (Investment) Management Department	19 November 2021	29 June 2023
Xue Tao	Beijing E20 Environmental Co., Ltd.* (北京易二零环境股份有限公司)	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. (unlisted company)	Independent director	15 September 2019	–
	Cscec Scimee Sci.&Tech. Co., Ltd.	Independent director	24 January 2022	–
	Yunnan Hexu Environmental Technology Co., Ltd. (unlisted company)	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	–
Liu Fei	Shanghai Allbright Law Offices	Senior Partner Lawyer	March 2014	–

Name	Name of other entities	Position held in other entities	Appointment date	Termination date	
Sun Shubin	Tianjin Investment Group	Deputy general counsel	September 2019	–	
		General Manager of Legal and Compliance Department	February 2023	–	
	Tianjin Eco-City Investment and Development Co., Ltd.	Employee representative supervisor	July 2022	–	
		Supervisor	July 2020	–	
		Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.	Supervisor	August 2020	–
		Tianjin Urban Renewal Construction Development Co., Ltd.	Supervisor	June 2021	–
Tianjin Investment Group Asset Management Co., Ltd.	Supervisor	March 2023	–		
Ji Guanglin	Tianjin Investment Group	Vice General Manager	1 February 2021	–	
Li Yang	Tianjin Investment Public Rental Housing Operation Co., Ltd.	General Manager	December 2023	–	
Jing Wanying	Tianjin Investment Group	General Manager of Finance Centre	1 March 2023	–	
Positions held at other entities		Nil			

4. Corporate Governance

(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 an 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.
Whether the Directors recuse themselves from Board discussions on their own emoluments	Yes
Specific information on the recommendations issued by the Remuneration and Evaluation Committee or the specialised meeting of independent directors on matters relating to the remuneration of directors, supervisors and senior management	During the reporting period, the Remuneration and Evaluation Committee issued recommendations on the remuneration of Ms. Nie Yanhong, the chief accountant of the Company, and Ms. Liu Fei, an independent Director of the Company: it was recommended that Ms. Nie Yanhong be evaluated and remunerated in accordance with the Company's standards for the remuneration and evaluation of senior management personnel; and it was recommended that Ms. Liu Fei be remunerated in accordance with the standards for the remuneration of independent Directors of the Ninth Session of the Board of Directors of the Company of RMB120,000 per annum (inclusive of tax, and her personal income tax shall be withheld and paid by the Company on her behalf).
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)	RMB7,300,900

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

Name	Position held	Changes	Reasons for changes
Tang Fusheng	Executive Director, Chairman	Election	Election of shareholders at general meetings
Pan Guangwen	Executive Director	Election	Election of shareholders at general meetings
Nie Yanhong	Executive Director, Chief Accountant	Election	The executive directors are elected by the shareholders' meeting and the chief accountant is appointed by the Board
Wang Yongwei	Non-executive Directors	Election	Election of shareholders at general meetings
Liu Fei	Independent non-executive Director	Election	Election of shareholders at general meetings
Niu Bo	General Counsel	Appointment	Job requirement
Ji Guanglin	Executive Director, Chairman	Resignation	Job transfer
Li Yang	Executive Director, General Manager	Resignation	Job transfer
Jing Wanying	Executive Director, Chief Accountant	Resignation	Job transfer
Peng Yilin	Non-executive Director	Resignation	Job transfer
Tian Liang	Independent Non-Executive Director	Resignation	Personal development reasons

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

Not applicable

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IV. BOARD MEETING HELD DURING THE REPORTING PERIOD

Session	Date of meeting	Resolution(s)
8 th meeting of ninth session	22 February 2023	Approved: Resolution to adjust the list of incentive targets and the number of options granted under the 2020 Share Option Incentive Scheme and to cancel part of the options; Resolution to adjust the exercise price of share options under the Company's 2020 Share Option Incentive Scheme; Resolution on the achievement of the exercise conditions for the first exercise period of the 2020 Share Option Incentive Scheme; Resolution on the application for the Company's first quarterly financing limit; Resolution on extending the design and regional optimisation of the organisational structure of the Company; and Resolution on the signing of the construction contract between Tianjin Water Treatment Company Limited and a related party.
9 th meeting of ninth session	1 March 2023	To consider and pass a resolution in relation to the resignation of Ms Jing Wanying as the chief accountant and the appointment of Ms. Nie Yan Hong as the chief accountant of the Company.
10 th meeting of ninth session	24 March 2023	To consider and pass a resolution on the establishment of Kelamayi Chuanghuan Water Company Limited (tentative name).
11 th meeting of ninth session	27 March 2023	Approved: Resolution to consider the 2022 Annual Report and its summary to be published both domestically and internationally; Resolution to consider the FY2022 Board of Directors' Report and the FY2023 Business Strategy; Resolution on the consideration of the Company's 2022 Financial Accounts and 2023 Financial Budget Report; Resolution on the consideration of the Company's proposed profit distribution for the year 2022; Resolution on the consideration of the Company's 2023 Business Plan; Resolution to consider the Company's 2022 Internal Control Self-Evaluation Report; Resolution to consider the Internal Audit Work Plan 2023; Resolution to consider the 2022 Audit Committee Performance Report; Resolution to consider the Company's 2022 Social Responsibility Report; Resolution to consider the Company's 2022 Environmental, Social and Governance Report; Resolution on application for authorisation from the Board of Directors to bid for open tender projects; Resolution on the application for the 2023 loan amount; Resolution on the Company's new external guarantee limit; Resolution on the continuation of the appointment of PricewaterhouseCoopers Zhong Tian LLP as the Company's external auditor and to propose to the Shareholders' Meeting for authorisation of such appointment;

Session	Date of meeting	Resolution(s)
		<p>Resolution to amend the implementation rules of the Remuneration and Evaluation Committee of the Board of Directors;</p> <p>Resolution on the nomination of Ms. Liu Fei as a candidate for election as an independent director of the ninth session of the Board of Directors of the Company;</p> <p>Resolution on the consideration of the three-year action plan for the operation and development of Tianjin Capital Environmental Protection Group Company Limited; and</p> <p>Resolution on the consideration of the deposit and actual utilisation of the Company's proceeds for the year 2022.</p>
12 th meeting of ninth session	7 April 2023	To consider and pass a resolution on the consideration of the investment in the An Yang Municipal Sewage Treatment Centre Phase I PPP project and the establishment of a project company.
13 th meeting of ninth session	25 April 2023	<p>Approved:</p> <p>Resolution to consider the Company's First Quarterly Report for 2023;</p> <p>Resolution on Ms. Lu Hongyan ceasing to act as General Counsel;</p> <p>Resolution on the appointment of securities representatives of companies; and</p> <p>Resolution to convene the 2022 Annual General Meeting.</p>
14 th meeting of ninth session	23 May 2023	<p>Approved:</p> <p>Resolution on adjusting the changes to the investment proposal for the new and upgraded sewage treatment plant and ancillary pipeline network (Phase II) PPP project in Honghu City; and</p> <p>Resolution on the consideration of the investment in the concession project of Enshi City Dashaba Phase I and Phase II (Tanjiaba) Sewage Treatment Plant and Ancillary Pipeline Network Project and the establishment of a project company.</p>
15 th meeting of ninth session	14 June 2023	<p>Approved:</p> <p>Resolution on amending 11 systems including the Rules of Procedure of the Board of Directors;</p> <p>Resolution on formulating the Market Development Incentive Scheme (Trial);</p> <p>Resolution on formulating the "Accounts Receivable Pressure Reduction Special Incentive System (Pilot)";</p> <p>Resolution on the consideration of the Company's "14th Five-Year Plan";</p> <p>Resolution on the establishment of Tianjin Tianchuang Environmental Technology Company Limited (tentative name); and</p> <p>Resolution on the development of the Venture Environmental Group 2023 Senior Management Performance Appraisal Programme.</p>

4. Corporate Governance

Session	Date of meeting	Resolution(s)
16 th meeting of ninth session	29 June 2023	<p>Approved:</p> <p>Resolution to adjust the exercise price of share options under the Company's 2020 Share Option Incentive Scheme;</p> <p>Resolution on amending the Company's Safety Production Responsibility System;</p> <p>Resolution on the consideration of the signing of the "Tianjin Non-residential Residential Cooling/Heating Supply Contract" with Tianjin Lecheng Properties Limited; and</p> <p>Resolution on the consideration of the mid-term evaluation report on the implementation of the Company's "14th Five-Year Plan".</p>
17 th meeting of ninth session	5 July 2023	<p>Approved:</p> <p>Resolution on the adjustment of the change of investment proposal for the distributed photovoltaic power generation project belonging to Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd.;</p> <p>Resolution on the termination of the outbound distributed photovoltaic power generation project of Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd.; and</p> <p>Resolution on formulating the "Management System for Remuneration and Evaluation of Professional Managers and Other Senior Management Personnel".</p>
18 th meeting of ninth session	2 August 2023	To consider and pass a resolution to change the use of part of the proceeds.
19 th meeting of ninth session	17 August 2023	<p>Approved:</p> <p>Resolution to consider the Company's 2023 Semi-Annual Report and its Summary;</p> <p>Resolution on amending the Articles of Association of Tianjin Capital Environmental Protection Group Company Limited;</p> <p>Resolution on the consideration of the deposit and actual utilisation of the Company's proceeds for the half-year 2023; and</p> <p>Resolution to convene the Second Extraordinary General Meeting of 2023.</p>
20 th meeting of ninth session	29 August 2023	<p>Approved:</p> <p>Resolution on the consideration of the appraisal of professional managers and other senior management staff for the year 2022; and</p> <p>Resolution on the formulation of four systems, including the Company's "Pay Adjustment Scheme" and "Payroll Management System for Headquarters Staff".</p>
21 st meeting of ninth session	22 September 2023	<p>Approved:</p> <p>Resolution on the consideration of the investment in Henshan County Sewage Treatment Plant Phase II and Water Environment Comprehensive Enhancement Concession Project and the establishment of a project company;</p> <p>Resolution on amending the Enterprise Pension Scheme of Tianjin Capital Environmental Protection Group Company Limited; and</p> <p>Resolution on the establishment of a new dedicated fund-raising account and authorisation of the signing of a four-way supervision agreement.</p>

Session	Date of meeting	Resolution(s)
22 nd meeting of ninth session	25 October 2023	Consideration was given to a resolution to consider the Company's Third Quarterly Report for 2023.
23 rd meeting of ninth session	24 November 2023	Approved: Resolution on the appointment of Mr. Niu Bo as General Counsel of the Company; Resolution on consideration of write-off of accounts receivable; Resolution on amending the Investment Management System; and Resolution on the establishment of Tianjin Tianchuang Shengcheng New Energy Company Limited (tentative name).
24 th meeting of ninth session	15 December 2023	Approved: Resolution on the non-public agreement for the transfer of 5% equity interest in Guizhou Chuangye Water Supply Co., Ltd; Resolution on entrusted loan to Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.; Resolution on examining the adjustments to the Group's estimated total wage bill for 2023; and Resolution on the amendment of the "1+3" Table of Authority and Responsibilities of Corporate Governance Entities of Tianjin Capital Environmental Group Co., Ltd.
25 th meeting of ninth session	22 December 2023	The resolution was carried: Resolution on the nomination of Mr. Tang Fusheng, Mr. Wang Yongwei, Mr. Pan Guangwen and Ms. Nie Yanhong as candidates for election as directors of the Ninth Session of the Board of the Company; Resolution on consenting to the resignation of Mr. Li Yang as general manager and proposing Mr. Zhou Jingdong to act as general manager; and Resolution to convene the first Extraordinary General Meeting of 2024.

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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					Not attend in person for 2 consecutive 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		Number of attendance at the general meetings
Ji Guanglin	No	18	18	13	0	0	No	3
Li Yang	No	18	18	12	0	0	No	3
Jing Wanying	No	18	18	16	0	0	No	3
Peng Yilin	No	18	16	15	2	0	No	3
An Pindong	No	18	14	14	4	0	No	3
Liu Tao	No	18	18	18	0	0	No	3
Xue Tao	Yes	18	18	17	0	0	No	3
Wang Shanggan	Yes	18	17	17	1	0	No	3
Tian Liang	Yes	7	7	7	0	0	No	2
Liu Fei	Yes	11	11	11	0	0	No	1

Explanation on not attend in person for 2 consecutive meetings

Not applicable

Number of Board meetings convened during the year	18
Among all: number of meetings held on site	0
Number of meetings held through communication	11
Number of meeting held on site combined with communication	7

(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, Liu Fei, Jing Wanying
Nomination Committee	Xue Tao, Wang Shanggan, Liu Fei, Ji Guanglin, Li Yang
Remuneration and Assessment Committee	Xue Tao, Wang Shanggan, Liu Fei, Liu Tao
Strategy Committee	Xue Tao, Wang Shanggan, Ji Guanglin, An Pindong, Li Yang, Peng Yilin

(2). The Audit Committee held 7 meetings during the reporting period.

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
19 January 2023	<ul style="list-style-type: none"> (1) To discuss the status of the Company's unaudited financial metrics for FY2022; (2) to consider the external auditor's 2022 Final Audit Work Plan; and (3) To consider the Company's Annual Reporting Work Plan 2022. 	The Audit Committee agreed to the External Auditors' 2022 Final Audit Work Plan and 2022 Annual Report Work Plan, agreed that the Company would not conduct a 2022 Annual Results Presentation, and agreed to the auditors' access.	No
3 March 2023	<ul style="list-style-type: none"> (1) The Audit Committee received a report from the Finance Centre on key financial matters for the 2022 Annual Report; (2) The Audit Committee communicates with the external auditors on key audit issues during the year; and (3) The independent non-executive directors communicate separately with the external auditors. 	The Audit Committee recommends that the management of the Company pay close attention to important audit matters, follow up on them and communicate with the auditors.	No
27 March 2023	<ul style="list-style-type: none"> Consideration of (1) the Annual Report of the Company for the year 2022 and its summary; (2) The Company's 2022 Internal Control Self-Evaluation Report; (3) Resolution to consider the Internal Audit Work Plan 2023; (4) the Company's 2022 Audit Committee Performance Report; and (5) Resolution on the continuation of the appointment of PricewaterhouseCoopers Zhong Tian LLP as the Company's external auditors 	The Audit Committee considered and passed all the resolutions and agreed to submit the resolutions to the Board of Directors of the Company for consideration.	No

4. Corporate Governance

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
25 April 2023	To consider the First Quarterly Report of the Company for the year 2023.	The Audit Committee unanimously approved the Company's First Quarterly Report for 2023 and agreed to submit it to the Company's Board of Directors for consideration.	No
3 August 2023	(1) the accountants' report on the Company's key financial data for the first half of 2023 and a description of the related reporting matters; and (2) The Department of Compliance and Management reports on the status of correcting the issues described in the 2022 Stewardship Proposal.	The Audit Committee agreed with the contents of the report and concluded that the Company's operations in the first half of 2023 were solid.	No
25 August 2023	(1) To consider the full text and summary of the Company's 2023 Half Year Report; (2) a report from the Compliance Management Department on the Company's internal audit work in the first half of 2023; and (3) The external auditor reported to the Audit Committee on the audit work programme for 2023.	The Audit Committee agreed with the contents of the report and agreed that the full and summary 2023 Half Year Report should be submitted to the Board for consideration.	No
25 October 2023	To consider the Company's Third Quarterly Report for the year 2023.	Agreed to the Company's Third Quarterly Report for 2023 and agreed to submit it to the Board of Directors of the Company for consideration.	No

In addition to the number of times the Audit Committee met, the contents of its deliberations and significant opinions during the reporting period as disclosed in this table, the composition of the staff of the Ninth Audit Committee of the Company, the attendance of its members, etc. are set out in detail in the relevant contents of "6. About Committees under the Board" under "(2) Corporate Governance Report" in "I. DESCRIPTION OF CORPORATE GOVERNANCE" in "4. Corporate Governance".

(3). The Nomination Committee held 4 meetings during the reporting period

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
1 March 2023	Nomination of Ms. Nie Yanhong as the Chief Accountant of the Company	The Committee agreed to nominate Ms. Nie Yanhong as the chief accountant of the Company for a term coinciding with the term of the current Board of Directors and agreed to submit the nomination to the Board for consideration.	No
27 March 2023	Nomination of Ms. Liu Fei as a candidate for election as an independent director of the ninth session of the Board of Directors of the Company	The Committee agreed to nominate Ms Liu Fei as a candidate for independent director of the Company for a term coinciding with the term of office of the current session of the Board and agreed to submit the nomination to the Board for consideration.	No
24 November 2023	Nomination of Mr Niu Bo as General Counsel of the Company	The Committee is of the view that Mr. Niu Bo meets the requirements for the appointment of the General Counsel of the Company and agrees to nominate Mr. Niu Bo as the General Counsel of the Company for a term of office coinciding with the term of office of the current session of the Board of Directors, and agrees to submit the nomination to the Board of Directors of the Company for deliberation.	No
22 December 2023	To nominate Mr. Tang Fusheng, Mr. Wang Yongwei, Mr. Pan Guangwen and Ms. Nie Yanhong as candidates for election as directors of the ninth session of the Board of Directors of the Company Mr Zhou Jingdong is proposed to act as the General Manager.	Agreed to nominate Mr. Tang Fusheng, Mr. Wang Yongwei, Mr. Pan Guangwen and Ms. Nie Yanhong as candidates for directors of the Company for a term coinciding with the term of the current board of directors, and agreed to submit them to the board of directors for consideration. The nomination of Mr. Zhou Jingdong to act as General Manager was agreed to be submitted to the Board for consideration.	No

In addition to the number of times the Nomination Committee was convened, the contents of its deliberations and the significant opinions expressed during the reporting period as disclosed in this table, details of the composition of the Nomination Committee of the Ninth Session of the Company, the attendance of its members, etc. are set out in the relevant parts of “6. About Committees under the Board” under “(2) Corporate Governance Report” in “I. DESCRIPTION OF CORPORATE GOVERNANCE” in “4. Corporate Governance”.

4. Corporate Governance

(4). The Remuneration and Evaluation Committee held 7 meetings during the reporting period

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
22 February 2023	Adjustment of the list of incentive targets and the number of options granted under the 2020 Share Option Incentive Scheme and cancellation of certain options	The Committee agreed to adjust the number of incentive targets under the 2020 Share Option Incentive Scheme from 155 to 140; and the number of share options to be granted for the first time under the 2020 Share Option Incentive Scheme was adjusted from 12,170,000 to 10,004,500, and agreed to submit the resolution to the Board of Directors for consideration.	No
	Adjustment to the exercise price of share options under the Company's 2020 Share Option Incentive Scheme	The Committee agreed to adjust the exercise price of the share options under the 2020 Share Option Incentive Scheme of the Company to RMB6.72 per share after adjustment.	No
	Exercise conditions for the first exercise period of the 2020 Share Option Incentive Scheme fulfilled	The Committee agreed to the resolution and agreed to bring it to the Board for consideration.	No
1 March 2023	Recommendation on the remuneration of Ms. Nie Yanhong, the proposed chief accountant	The Remuneration and Evaluation Committee recommends that Ms. Nie Yanhong be evaluated and remunerated in accordance with the remuneration and evaluation criteria for senior management of the Company.	No
27 March 2023	Proposal on the Remuneration of Director Candidate Liu Fei	The Committee recommended that the remuneration of the independent directors of the Company be set at RMB120,000 per annum, inclusive of tax, and that their personal income tax be withheld and paid by the Company on their behalf, and agreed to submit the proposal to the Board for consideration.	No
	Amendments to the Implementation Rules for the Remuneration and Evaluation Committee of the Board of Directors	The Committee agreed to the proposed amendments to the Implementation Rules of the Remuneration and Evaluation Committee of the Board of Directors and agreed to submit them to the Board for consideration.	No
14 June 2023	Development of the TTI Group 2023 Senior Management Performance Appraisal Programme	The Committee agreed on the performance appraisal plan for the Company's executives for the year 2023 and agreed to submit it to the Board of Directors for consideration.	No
	Formulation of the Market Development Incentive System (Pilot)	The Committee agreed to the Market Development Incentive System (Pilot) and agreed to submit it to the Board for consideration.	No
	Formulation of the "Accounts Receivable Pressure Reduction Specialised Incentive System (Pilot)"	The Committee agreed on the "Accounts Receivable Pressure Reduction Special Incentive System (Pilot)" and agreed to submit it to the Board for consideration.	No

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
29 June 2023	Adjustment to the exercise price of share options under the Company's 2020 Share Option Incentive Scheme	The Committee agreed to adjust the exercise price of the Company's 2020 Share Option Incentive Scheme, with the adjusted exercise price being RMB6.58 per share, and agreed to submit the same to the Board for consideration.	No
10 July 2023	Formulation of the Remuneration and Appraisal Management System for Professional Managers and Other Senior Management Personnel	The Committee agreed on the "Management System for Remuneration and Appraisal of Professional Managers and Other Senior Management Personnel" and agreed to submit it to the Board for consideration.	No
31 August 2023	Consideration of the 2022 Professional Manager and Other Senior Management Appraisal	The Committee agreed on the results of the 2022 appraisal of the Company's professional managers and other senior management and the proposed remuneration payout, and agreed to submit them to the Board for consideration.	No

In addition to the number of times the Remuneration and Evaluation Committee was convened, the contents of its deliberations and important opinions during the reporting period as disclosed in this table, details of the composition of the staff of the Ninth Remuneration and Evaluation Committee of the Company, the attendance of its members, etc. are set out in the relevant contents of "6. About Committees under the Board" under "(2) Corporate Governance Report" in "I. DESCRIPTION OF CORPORATE GOVERNANCE" in "4. Corporate Governance".

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(5). The Strategic Committee held 3 meetings during the reporting period

Date of meeting	Minutes of the meeting	Major opinions and recommendations	Other performance of duties
27 March 2023	Consideration of the Three-Year Action Plan for the Operation and Development of Tianjin Capital Environmental Protection Group Company Limited	The Committee agreed to the three-year action plan for the Company's business development and agreed to submit it to the Board for consideration.	No
14 June 2023	Consideration of the Company's "14th Five-Year Plan" strategic development plan	The Committee agreed to the Company's "14th Five-Year Plan" development strategy and agreed to submit it to the Board for consideration.	No
29 June 2023	Consideration of the mid-term evaluation report on the implementation of the Company's "14th Five-Year" strategic plan	The Committee considered the proposal to be reasonable and decided to agree the report and submit it to the Board for consideration.	No

In addition to the number of times the Strategic Committee was convened, the contents of its deliberations and important opinions during the reporting period as disclosed in this table, the composition of the staff of the Ninth Strategic Committee of the Company, the attendance of its members, etc. are set out in detail in the relevant contents of "6. About Committees under the Board" under "(2) Corporate Governance Report" in "I. DESCRIPTION OF CORPORATE GOVERNANCE" in "4. Corporate Governance".

(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	1,777
Total number of on-duty employees	2,250
Number of retired employees to whom the Company and its major subsidiaries are required to pay charges	0

Category of profession	Composition by profession	Number
Production		1,225
Sales		105
Technical		412
Finance		136
Administration		205
Corporate management		167
Total		2,250

Category of education	Education	Number (person)
PHD		5
Master		142
Undergraduate		1,305
College		539
Technical secondary and technical school		130
High school or below		129
Total		2,250

As at 31 December 2023, the gender ratio of the Group's employees (including senior management) was approximately 67.82% for males and 32.18% 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 and Appraisal Management System for Professional Managers and other Senior Management Personnel" 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.

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(3) Training programs

During the reporting period, the Company implemented an independent training policy under the control of training funds. The Company formulated annual training plan in compliance with relevant training management systems, 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 (%)
2023 (Note 1)	0	1.66	0	26,069	86,520.7	30.13
2022	0	1.44	0	22,614	75,125.4	30.10
2021	0	1.46	0	20,834	69,318.9	30.06

Note 1: This distribution plan is subject to the approval of the annual general meeting for 2023.

- (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, 22 February 2023, 25 May 2023, 29 June 2023, 23 January 2024, 26 January 2024 and 14 March 2024 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 157 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) (Note 4)	Outstanding as of 31 December 2023	Exercised during the year	Cancelled during the year	Lapsed during the year (Note 9)
		31 December 2022	Date of Grant							
Directors	Li Yang (Note 1)	250,000	21 January 2021	(Note 2)	(Note 3)	6.58	250,000	0	0 (Note 5)	0
	Peng Yilin (Note 1)	250,000	21 January 2021			6.58	0	0	250,000	0
	Jing Wanying (Note 1)	250,000	21 December 2021			6.72	250,000	0	0 (Note 6)	0
Employees (in aggregate)		11,670,000	21 January 2021			6.58	9,754,500	0	1,915,500 (Note 7)	0
		1,098,000	21 December 2021			6.72	1,098,000	0	0 (Note 8)	0

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

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

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

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

Note 5: During the reporting period, 250,000 share options held by Mr. Li Yang were not cancelled. On 14 March 2024, 3 original Participants under the Share Option Incentive Scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company or re-designation, and 260,001 share options granted but not yet exercised were cancelled by the Company, including 250,000 share options held by Mr. Li Yang. Please refer to the relevant announcements of the Company published on the website of the Stock Exchange on 14 March 2024 for details.

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 6: During the reporting period, 250,000 share options held by Ms. Jing Wanying were not cancelled. On 16 January 2024, 2 original Participants under the Share Option Incentive Scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company or re-designation, and 500,000 Reserved Share Options granted but not yet exercised were cancelled by the Company, including 250,000 share options held by Ms. Jing Wanying. Please refer to the relevant announcements of the Company published on the website of the Stock Exchange on 16 January 2024 for details.

Note 7: During the reporting period, 2,415,500 Share Options Granted for the First Time were cancelled on 22 February 2023. On 14 March 2024, 3 original Participants under the Share Option Incentive Scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company or re-designation, and 260,001 Share Options Granted for the First Time granted but not yet exercised were cancelled by the Company, including 10,001 share options held by two employees. Besides, 4 Participants (all employees of the Company) were entitled to 90% Exercise for the Second Exercise Period as they have attained a pass in the 2022 personal performance assessment. The remaining 10%, a total of 8,667 Share Options Granted for the First Time, were canceled by the Company. Please refer to the relevant announcements of the Company published on the website of the Stock Exchange on 22 February 2023 and 14 March 2024 for details.

Note 8: During the reporting period, no Reserved Share Options were cancelled. On 16 January 2024, 2 original Participants under the Share Option Incentive Scheme no longer meet the incentive conditions as they no longer work for the Company due to termination of their employment relationship with the Company or re-designation, and 500,000 Share Options Granted for the First Time granted but not yet exercised were cancelled by the Company, including 250,000 share options held by 1 employee. Please refer to the relevant announcements of the Company published on the website of the Stock Exchange on 16 January 2024 for details.

Note 9: 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 33(a) to Section 11 of “Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises – 4. Notes to the Consolidated Financial Statements” (i.e. 786) 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)

During the Reporting Period, 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 first granted share options to these original Participants but have not yet exercised. The number of incentive Participants holding the Share Options under the First Grant 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.

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

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

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

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 11,352,500 and the corresponding number of underlying shares is 11,352,500 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 10,004,500 options will be granted for the first time (the "Share Options Granted for the First Time"), representing approximately 0.64% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and approximately 88.13% of the total number of the current share options granted; and 1,348,000 options will be reserved (the "Reserved Share Options"), representing approximately 0.09% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and 11.87% 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 2023 (i.e. 11,352,500 Shares) divided by the weighted average number of Shares in issue during the year ended 31 December 2023 (i.e. 1,570,418,085 Shares) is 0.72%. The total number of shares available for issue under the Share Option Incentive Scheme is 11,352,500 Shares, which represents approximately 0.72% 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.

4. Corporate Governance

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.

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

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

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

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

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

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)

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

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

(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;

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)

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

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

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

In view of the completion of (i) the Company's profit distribution plan for the year 2020, a cash dividend of RMB0.12 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB171,267,411.60, (ii) the Company's profit distribution plan for the year 2021, a cash dividend of RMB0.146 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB208,375,350.78; (iii) The Company's 2022 annual profit distribution plan, which is based on the Company's total share capital of 1,570,418,085 shares, with a cash dividend of RMB 0.144 per share (tax inclusive), and a total cash dividend of RMB 226,140,204.24.

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.

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

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)

On 26 January 2024, the Board considered and approved the “Resolution on Adjustment of Exercise Price of Share Options under the Company’s 2020 Share Option Incentive Scheme”, which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Share Options Granted for the First Time after the adjustment was RMB6.69 per share.

(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.

(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 reporting period, the Company formulated the "Management System for Remuneration and Evaluation of Professional Managers and Senior Management" and the "Plan for Performance Appraisal of Senior Management for 2023" to incentivize the Senior Management to perform their duties as conferred by the Board of Directors, to establish a mechanism of incentives and constraints for the unification of responsibilities, rights and benefits, as well as a performance appraisal system that is focused, differentiated and in line with the enterprise's real condition, in which the orientation and differentiation of the objectives and tasks are achieved and rigid constraints and flexible incentives are combined, so as to motivate the Senior Management and the Company to grow together.

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)	95,507.12
Zhou Jingdong (周敬東)	95,507.12
Zhang Jian (張健)	95,507.12
Li Jinhe (李金河)	95,507.12
Jiang Nan (江南)	95,507.12

4. Corporate Governance

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 Company adjusts and gradually improves its internal control system by taking into account the latest organisational structure and the risks that may be faced in the actual business. The compliance management department of the Company supervises and manages the construction of the internal control system and the effectiveness of internal control in each professional business line.

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 at certain time every year and review the internal control and risk management of the Company.

During the reporting period, the Board of the Company reviewed the internal control system, and disclosed the "2023 Annual Self Evaluation Report on Internal Control" on the website of the Stock Exchange and the website of the SSE on 22 March 2024 and 23 March 2024 respectively.

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 Company had a total of 57 wholly-owned and controlled subsidiaries and 3 joint-stock companies, which were distributed in various provinces, municipalities and autonomous regions across the country. In order to achieve effective management and control over subsidiaries, the Company 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.

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 “2023 Internal Control Audit Report” disclosed on the website of the Stock Exchange and the website of the SSE on 22 March 2024 and 23 March 2024 respectively.

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 52 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 Sewage 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.

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 26,000 tonnes, 13,500 tonnes, 464 tonnes and 315 tonnes, respectively. In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen, and total phosphorus, were eliminated by approximately 390,000 tonnes, 53,500 tonnes, 52,500 tonnes, and 6,600 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.

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)

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*

1. Hanshan Capital Company, a subsidiary of the Company, was imposed an administrative penalty of a fine of RMB320,000 on 29 June 2023 by Maanshan Municipal Bureau of Ecology and Environment for violating the relevant provisions of the Law of the People's Republic of China on Prevention and Control of Water Pollution;

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)

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

2. Gaoyou Company, a subsidiary of the Company, was imposed an administrative penalty of a fine of RMB36,000 by Yangzhou Municipal Bureau of Ecology and Environment on 14 September 2023 for violating the relevant provisions of the Law of the People's Republic of China on Prevention and Control of Air Pollution;
3. Caring Company, a subsidiary of the Company, was imposed an administrative penalty of administrative warning by the Tianjin Municipal Water Affairs Bureau on 28 December 2023 for violating the relevant provisions of the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes.

None of the above penalties had a material adverse impact on the overall operation of the Company.

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 390,040 tonnes, 53,500 tonnes, 52,500 tonnes, 6,600 tonnes in terms of the Company's sewage treatment business during the reporting period, respectively, representing a significant contribution to water body environmental governance.

5. Environment and Social Responsibility

I. ENVIRONMENT INFORMATION (Continued)

(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: tonnes)	389,675
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 relevant projects such as new energy cooling and heating supply business, distributed photovoltaic power generation, expansion of renewable water supply, promotion of application of high energy efficient equipment, optimisation of process control to save carbon sources and pharmaceuticals, and implementation of digital transformation, etc., 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 23 March 2024 and the Company's overseas regulatory announcement dated 23 March 2024. The Environmental, Social and Governance report was published on the website of the SSE and the website of the Stock Exchange before 30 April 2024 together with this report.

(2) Specific details for social responsibility work

External donations, public welfare projects	Quantity/content	Explanation
Total investment (RMB ten thousand yuan)	215	Payment to the People's Government of Meichang Town, Wuqing District, for the donation of assistance to Danheng Village (second instalment)
Of which: funds (RMB ten thousand yuan)	215	
Cash equivalent of materials (RMB ten thousand yuan)	0	
Number of beneficiaries (people)	500	

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

Not applicable

I. PERFORMANCE OF COMMITMENT

- (1) Commitment of the Company's Ultimate Controller, Shareholders, Connected 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

6. Major Events

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) Approval Process and Other Explanations

Not applicable

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	29 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	3 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 29 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 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.

On 22 March 2024, the Board of Directors resolved to propose a change of auditors and recommended, upon the retirement of PricewaterhouseCoopers Zhong Tian LLP, the appointment of WUYIGE Certified Public Accountants LLP as the new auditor of the Company, subject to the approval by the Shareholders at the 2023 Annual General Meeting of the Company. PricewaterhouseCoopers Zhong Tian LLP will retire at the conclusion of the 2023 Annual General Meeting and will not be re-appointed.

6. Major Events

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

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

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS

(1) Connected Transactions in the Ordinary Course of Business

1. Events disclosed in the temporary announcements and with no progress or change in subsequent 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 2022 was from 15 November 2022 to 15 March 2023 and the Heat Supply Services Period in 2023 was from 15 November 2023 to 15 March 2024. The unit price for the provision of both Heat Supply Services in 2022 and in 2023 was RMB40 per m², the chargeable area of both Heat Supply Services Period in 2022 and in 2023 was 363,042 m², and the service fee for the Heat Supply Services (including Heat Supply Services Period in 2022 and in 2023) was RMB14,521,680. The Cold Supply Services Period in 2023 was from 1 June 2023 to 30 September 2023. The unit price for the provision of the Cold Supply Services in 2023 was RMB33.21 per m², the chargeable area of the Cold Supply Services in 2023 was 363,042 m², and the service fee for the Cold Supply Services in 2023 was RMB12,056,624.82. The service fee for the Heat Supply Services (including the Heat Supply Services Period in 2022 and in 2023) and the service fee for the Cold Supply Services in the year 2023 amounted to RMB26,578,304.82 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.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation* (Continued)

b. (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 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.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation* (Continued)

- d. 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.

- e. On 22 February 2023, Water Recycling Company entered into the Second Tender Section (Second Batch) Agreement with Railway Fifth Institute (an Independent Third Party to the Company) and Environmental Investment Company, entrusting Railway Fifth Institute and Environmental Investment Company to provide EPC general contracting service for the second tender section of Tianjin Main District Recycled Water Pipeline Network Connection Project (Second Batch), including the design, construction and procurement work of all the engineering projects involved, with a service period which is planned to start from 10 March 2023 to the completion date of the works, which is expected to be 31 August 2025. The service fees under the Second Tender Section (Second Batch) Agreement is RMB80,518,738 (tax inclusive), of which the amount of the design fees paid to Railway Fifth Institute is RMB713,379, and the amount of the construction and installation engineering fees (including the procurement part) paid to Environmental Investment Company is RMB79,805,359.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation* (Continued)

e. (Continued)

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

- f. On 22 February 2023, Water Recycling Company entered into the Third Tender Section (Second Batch) Agreement with Tianjin Municipal Institute (an Independent Third Party to the Company) and Tianjin Tongsheng Municipal, entrusting Tianjin Municipal Institute and Tianjin Tongsheng Municipal to provide EPC general contracting service for the third tender section of Tianjin Main District Recycled Water Pipeline Network Connection Project (Second Batch), including the design, construction and procurement work of all the engineering projects involved, with a service period which is planned to start from 10 March 2023 to the completion date of the works, which is expected to be 31 August 2025. The service fees under the Third Tender Section (Second Batch) Agreement is RMB81,589,770 (tax inclusive), of which the amount of the design fees paid to Tianjin Municipal Institute is RMB713,700, and the amount of the construction and installation engineering fees (including the procurement part) paid to Tianjin Tongsheng Municipal is RMB80,876,070.

Connected relationships: Water Recycling Company is a wholly-owned subsidiary of the Company; Tianjin Tongsheng Municipal is an indirect wholly-owned subsidiary of Tianjin Infrastructure Construction, 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. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation (Continued)

- g. On 30 June 2023, Jiayuanxing entered into the TLP Cold and Heat Supply Agreement with TLP, pursuant to which Jiayuanxing shall provide cold and heat supply services at the Tianjin MIXc of TLP during the period for the cold and heat supply services. The cold and heat supply services period shall be 1 June 2024 to 15 March 2025, 1 June 2025 to 15 March 2026 and 1 June 2026 to 15 March 2027, of which: the period for the cold supply services shall be 1 June 2024 to 30 September 2024, 1 June 2025 to 30 September 2025 and 1 June 2026 to 30 September 2026, the unit price for each year of the Cold Supply Services is RMB333.21 per m², the chargeable area for each year of the Cold Supply Services is 363,042 m² respectively, and the total service fees for each year of the Cold Supply Services (value-added tax inclusive) shall be RMB12,056,624.82 respectively, to be paid in one lump sum to Jiayuanxing by TLP prior to 1 November 2024, 1 November 2025 and 1 November 2026; the period for the heat supply services shall be 15 November 2024 to 15 March 2025, 15 November 2025 to 15 March 2026 and 15 November 2026 to 15 March 2027, the unit price for each year of the Heat Supply Services is RMB40 per m², the chargeable area for each year of the Heat Supply Services is 363,042 m² respectively, and the total service fees for each year of the Heat Supply Services (value-added tax inclusive) shall be RMB14,521,680 respectively, to be paid in one lump sum to Jiayuanxing by TLP prior to 1 May 2025, 1 May 2026 and 1 May 2027. During the Cold and Heat Supply Period, the total service fees for each year of the Cold Supply Services and the Heat Supply Services shall be RMB26,578,304.82 respectively.

Connected relationships: Jiayuanxing is a wholly-owned subsidiary of the Company; TLP is an indirect wholly-owned subsidiary of Tianjin Infrastructure Construction, the ultimate holding company of the Company.

- h. On 15 December 2023, the Board considered and approved the resolution on the Equity Transfer Agreement proposed to be entered into between the Company and TMICL, pursuant to which the Company conditionally agreed to acquire and TMICL conditionally agreed to sell the 5% equity interests of Guizhou Company held by TMICL at a consideration of RMB8,893,947.34. Both parties to the agreement agreed that the Equity Transfer Price shall be paid in cash and the Company shall pay the Equity Transfer Price in one lump sum to TMICL within 10 working days after the Completion Date. Upon Completion, the Company will acquire the Target Equity, and Guizhou Company will be changed from a controlling subsidiary of the Company to a wholly-owned subsidiary of the Company.

Connected relationship: TMICL is the holding company of the Company.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation* (Continued)

- i. On 15 December 2023, the Board considered and approved an entrusted loan in an aggregate amount of up to RMB20,000,000 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 Infrastructure Construction, the ultimate holding company of the Company, holds 40% equity interest in Hebei Guokong which in turn holds 30% equity interest in HB GJTC.

2. *Events disclosed in the temporary announcements but with progress or change in subsequent 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. *Events disclosed in the temporary announcements but with progress or change in subsequent 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. *Events disclosed in the temporary announcements but with progress or change in subsequent 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. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation* (Continued)

- m. 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.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation* (Continued)

- n. 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.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation* (Continued)

- o. 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.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation* (Continued)

- p. 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. On 1 March 2023, the resolution in relation to the Company's acceptance of the assets of the Jinnan Sludge Plant Project was duly passed by way of poll at the first extraordinary general meeting of 2023. On 16 March 2023, the Company made the second payment of RMB330,278,130 (i.e. 70% of the Consideration) to Tianjin Investment Group.

Connected relationship: 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. *Events disclosed in the temporary announcements and with progress or change in subsequent implementation* (Continued)

- q. On 25 November 2022, Water Recycling Company entered into the Jincang 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 Jincang Expressway will not exceed RMB1 million. The contract term of the Jincang Expressway Construction Agreement expired on 15 March 2023. However, due to the fact that when Tianjin Tongsheng Municipal was coordinating the road breaking and traffic control procedures for the project, the local management department put forward the requirements relating to road breaking and traffic guidance, Tianjin Tongsheng Municipal optimized and adjusted the construction drawings and the implementation plan, which resulted in the actual construction period required for the project exceeded the construction period (i.e. from 25 November 2022 to 15 March 2023) as stipulated under the Jincang Expressway Construction Agreement. In view of the above, on 20 March 2023, after amicable negotiation among the Expressway Group, Water Recycling Company and Tianjin Tongsheng Municipal, the three parties agreed to enter into a memorandum of abrogation of the Jincang Expressway Construction Agreement, pursuant to which the Company shall be released from its payments and obligations under the Jincang Expressway Construction Agreement, and each of the parties shall not have any claim against the other parties as a result of the abrogation of the Jincang Expressway Construction Agreement.

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.

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), (c), (d), (e), (f), (g), (j), (k), (l), (m), (n), (o) and (q) constitute 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:

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

2. *Events disclosed in the temporary announcements and with progress or change in subsequent implementation* (Continued)

- (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.

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 2023, namely items (a), (b), (c), (d), (e), (f), (g), (j), (k), (l), (m), (n), (o) and (q).

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in the Annual Report 2023 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.

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

(2) Connected transactions arising from acquisitions or disposals of assets or shareholdings

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

Not applicable

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 Connected 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

6. Major Events

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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	32,036.12
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	298,127.99
Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)	
Total amount of guarantees (A+B)	298,127.99
Percentage of the total amount of guarantees to the net assets of the Company (%)	32.68
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)	48,083.91
Total amount of guarantees exceeding 50% of net assets (E)	0
Total of the above three classes of guarantees (C+D+E)	48,083.91
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

6. Major Events

XIV. PROGRESS ON THE USE OF PROCEEDS

(I) Overall utilisation of proceeds

Unit: Yuan Currency: RMB

Source of proceeds	Time of receipt of proceeds	Total amount of proceeds	Of which: Amount of over-raised funds	Amount of net proceeds after deduction of issuance expenses	Total amount of proceeds committed for investment	Total amount of proceeds committed for investment after adjustment (1)	Cumulative total amount of proceeds invested as at the end of the reporting period (2)	Cumulative progress of investment as at the end of the reporting period (%) (3) = (2)/(1)	Amount invested in the current year (4)	Amount invested in the current year Percentage (%) (5) = (4)/(1)	Total amount of proceeds with usage changed
Issuance of shares to specific parties	20 September 2022	830,499,999	0	810,756,564.92	810,756,564.92	810,756,564.92	470,916,376.81	58.08%	196,759,142.37	24.27%	10,300,000

(II) Project Details

Unit: Yuan Currency: RMB

Project Name	Project Nature	Whether a change of direction is involved	Source of Proceeds	Funding availability	Use of over-provision of funds	Total committed investment of project proceeds	Adjusted total investment of proceeds (1)	Amount invested during the year	Total cumulative proceeds invested as at the end of the reporting period (2)	Progress of cumulative inputs as at the end of the reporting period (%) (3)=(2)/(1)	The date when the item reaches its intended useable condition	Whether the progress of inputs is in line with the progress of the programme	Specific reasons for not meeting the planned progress of inputs	Benefits realised during the year	Benefits realised or R&D results of the project	Has there been any significant change in the feasibility of the project, and if so, please specify?	Savings	
Ashui Fuyang Jiezhou High-tech Zone Tianying Science and Technology Park Sewage Treatment Plant Construction Project	Production and construction	No	Issuance of shares to specific parties	20 September 2022	No	148,000,000.00	148,000,000.00	19,052,293.91	117,178,187.39	79.17%	N/A	No	Yes	N/A	N/A	No	N/A	
Honghu City Township Sewage Treatment Plant New Construction and Standard Enhancing and Upgrading and Supporting Pipeline Network (Phase II) PPP Project	Production and construction	Yes	Issuance of shares to specific parties	20 September 2022	No	214,500,000	115,000,000	15,004,406.38	41,501,458.51	37.22%	N/A	No	No	The project was affected by the adjustment of the implementation programme of the local government's investment project plan, resulting in the project falling behind the established investment plan	N/A	N/A	No	N/A
Tianjin Main District Recycled Water Mains Network Construction Project Batch I Project	Production and construction	No	Issuance of shares to specific parties	20 September 2022	No	219,000,000	219,000,000	32,047,300.85	82,980,165.99	37.89%	N/A	No	No	The construction includes a total of 43 recycled water network construction projects (sub-projects), of which 42 sub-projects have been completed as at the end of 2023. The payment for some of the projects has not yet met the payment terms stipulated in the contracts, and the progress of payment fell behind.	N/A	N/A	No	N/A
Karamay Naojiao Water Treatment Plant Concession Project	Production and construction	Yes	Issuance of shares to specific parties	20 September 2022	No	0	103,000,000	0.00	0.00	0.00	N/A	No	Yes	N/A	N/A	No	N/A	
Repayment of interest-bearing liabilities and replenishment of cash flow	Replenishment of cash flow and repayment of loans	No	Issuance of shares to specific parties	20 September 2022	No	229,256,564.92	229,256,564.92	130,655,141.23	229,256,564.92	100%	N/A	No	Yes	N/A	N/A	No	N/A	

(III) Changes in or termination of investments during the reporting period

Unit: Yuan Currency: RMB

Project name before change	Total investment of project proceeds before change/termination	Total amount of fund raised before change/termination of project	Item Name after change	Reason for change/termination	Amount of proceeds used for replenishment after change/termination	Description of the decision-making process and disclosure of information
Honghu City Township Sewage Treatment Plant New Construction and Standard Enhancing and Upgrading and Supporting Pipeline Network (Phase II) PPP Project	214,500,000	33,106,847.77	Karamay Nanjiao Water Treatment Plant Concession Project	The Company held the 14th meeting of the 9th session of the Board of Directors on 23 May 2023 to consider and approve a proposal on the adjustment of the change of the investment plan of Honghu Project, and a supplemental project agreement was entered into between the Honghu project company and Honghu Municipal Bureau of Housing and Urban-Rural Development on 7 August 2023, which stipulated that the content of the Honghu Project was adjusted to the construction of the Honghu Fengkou East Domestic Sewage Treatment Plant and ancillary pipeline network and the construction of the pipeline network for the villages on the outskirts of the townships of Honghu City. The total scale of recent sewage treatment is 3,000m ³ /d and the total investment of the Honghu Project is adjusted to RMB148,319,900, of which the capital expenditure is approximately RMB118,253,800.	N/A	The Eighteenth Meeting of the Ninth Session of the Board of Directors and the Eighth Meeting of the Ninth Session of the Board of Supervisors were held on 7 August 2023 and the Second Extraordinary General Meeting of 2023 was held on 21 September 2023, both of which had deliberated on and passed the "Proposal on Changing the Purpose of Part of the Proceeds", agreeing to the Company's change of use of the proceeds of the Honghu Project of RMB103.00 million for the investment and construction expenditure of the concessionary project of the Kelayi Nanjiao Sewage Treatment Plant.

(IV) Other use of proceeds during the reporting period

Advance Investments and Replacement of Proceeds Investment Projects

At the Seventh Meeting of the Ninth Session of the Board of Directors and the Third Meeting of the Ninth Session of the Board of Supervisors of the Company held on 21 December 2022, the "Proposal on the Use of Proceeds to Replace the Self-financing Funds Advancely Committed to Proceeds-Investment Projects" was considered and passed, and it was agreed that the Company would use the Proceeds in the amount of RMB109,382,040.38 for the replacement of self-financing funds advance committed to Proceeds-Investment Projects. PricewaterhouseCoopers Zhong Tian LLP has verified the situation that the principal subsidiaries of the fund-raising projects have invested in the fund-raising investment projects in advance with the self-financing funds and has issued a verification report PricewaterhouseCoopers Zhong Tian Special Audit Report No. (2022) No. 5703.

6. Major Events

XV. 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 C3 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.

XV. 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 2023 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	143,189,655	9.12	-143,189,655	0	0	0	-143,189,655	0	0
1. Shares held by the state	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal entities	9,310,344	0.59	-9,310,344	0	0	0	-9,310,344	0	0
3. Shares held by other domestic investors	121,982,761	7.77	-121,982,761	0	0	0	-121,982,761	0	0
Including: Shares held by domestic non-state-owned legal entities	109,051,729	6.95	-109,051,729	0	0	0	-109,051,729	0	0
Shares held by domestic natural persons	12,931,032	0.82	-12,931,032	0	0	0	-12,931,032	0	0
4. Shares held by foreign investors	11,896,550	0.76	-11,896,550	0	0	0	-11,896,550	0	0
Including: Shares held by foreign legal entities	11,896,550	0.76	-11,896,550	0	0	0	-11,896,550	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
2. Non-restricted Shares	1,427,228,430	90.88	143,189,655	0	0	0	143,189,655	1,570,418,085	100
1. RMB-dominated ordinary shares	1,087,228,430	69.23	143,189,655	0	0	0	143,189,655	1,230,418,085	78.35
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	340,000,000	21.65	0	0	0	0	0	340,000,000	21.65
4. Others	0	0	0	0	0	0	0	0	0
3. Total	1,570,418,085	100	0	0	0	0	0	1,570,418,085	100

I. CHANGES IN SHARE CAPITAL (Continued)

(1) Changes in Shares (Continued)

2. *Explanations on Changes in shares*

On 30 May 2022, the Company issued a total of 143,189,655 shares to 18 counterparties in a non-public offering, as approved by the Approval of the Non-public Offering of Shares by Tianjin Capital Environmental Protection Group Company Limited (Zheng Jian Xu Ke [2022] No. 1122) issued by CSRC. On 28 September 2022, the Company completed the registration and escrow procedures for the shares issued at the Shanghai Branch of China Securities Depository & Clearing Corporation Limited, and the 18 counterparties in the issue were subject to a six-month restriction period from the date of closure of the issue. On 28 March 2023, the restriction on the sale of the aforesaid 143,189,655 shares in the non-publicly traded issue was lifted. For details, please refer to the Announcement on the Listing and Circulation of Restricted Shares under the Non-public Offering published by the Company on the website of the SSE, the website of the Stock Exchange and the designated information disclosure media.

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

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*

(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.

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

2. Optimise capital structure to relieve working capital pressure

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

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 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 2023 (including the expected timeline for the intended use of the proceeds not yet utilized) are as follows:

No.	Committed Investment Projects	Proposed investment amount of proceeds to be utilized <i>Approximately RMB0'000</i>	Change of investment amount of Proceeds <i>Approximately RMB0'000</i>	Proceeds utilized for the year ended 31 December 2023 <i>Approximately RMB0'000</i>	Balance of unutilized proceeds as of 31 December 2023 <i>Approximately RMB0'000</i>	Estimated timetable for use of unutilized proceeds as of 31 December 2023
1	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	21,900.00	21,900.00	8,298.02	13,601.98	The balance of the proceeds is expected to be used up by 31 December 2024
2	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	14,800.00	14,800.00	11,717.82	3,082.18	The balance of the proceeds is expected to be used up by 31 August 2025
3	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	21,450.00	11,150.00	4,150.14	6,999.86	The balance of the proceeds is expected to be used up by 31 August 2024
4	Karamay Nanjiao Water Treatment Plant Concession Project	0.00	10,300.00	-	10,300.00	The balance of the proceeds is expected to be used up by 31 December 2025
5	The repayment of interest-bearing liabilities and supplement the working capital	22,925.66	22,925.66	22,925.66	-	-
	Total	81,075.66	81,075.66	47,091.64	33,984.02	

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

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)

The Company held the 14th meeting of the 9th session of the Board of Directors on 23 May 2023 to consider and approve a proposal on the adjustment of the change of the investment plan of Honghu Project, and a supplemental project agreement was entered into between the Honghu project company and Honghu Municipal Bureau of Housing and Urban-Rural Development on 7 August 2023, which stipulated that the content of the Honghu Project was adjusted to the construction of the Honghu Fengkou East Domestic Sewage Treatment Plant and ancillary pipeline network and the construction of the pipeline network for the villages on the outskirts of the townships of Honghu City. The total scale of recent sewage treatment is 3,000m³/d and the total investment of the Honghu Project is adjusted to RMB148,319,900, of which the capital expenditure is approximately RMB118,253,800. The Eighteenth Meeting of the Ninth Session of the Board of Directors and the Eighth Meeting of the Ninth Session of the Board of Supervisors were held on 7 August 2023 and the Second Extraordinary General Meeting of 2023 was held on 21 September 2023, both of which had deliberated on and passed a resolution on changing the purpose of part of the proceeds, agreeing to the Company's change of use of the proceeds of the Honghu Project of RMB103.00 million for the investment and construction expenditure of the concessionary project of the Kelamayi Nanjiao Sewage Treatment Plant. In order to improve the efficiency of the use of the proceeds, safeguard the long-term interests of the Company and arrange the use of the proceeds, the Company intends to use RMB103,000,000 of the remaining proceeds of RMB181,393,100 of the Honghu Project for the construction of the Karamay Nanjiao Project. The remaining proceeds of RMB78,393,100 will continue to be used for the construction of the Honghu Project, thereby promoting the long-term and steady development of the Company's business and protecting the interests of the Company and shareholders. For further details, please refer to the Company's announcement dated 7 August 2023 in relation to the proposed change in the use of part of the proceeds, the circular dated 4 September 2023 in relation to the proposed change in the use of part of the proceeds and the Announcement of Resolution of the Second Extraordinary General Meeting of 2023 posted on the Stock Exchange website. Save as disclosed above, during the year ended 31 December 2023, 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))	4,310,344	4,310,344	0	0	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)	4,310,344	4,310,344	0	0	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)	4,310,344	4,310,344	0	0	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))	8,620,689	8,620,689	0	0	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)	4,310,344	4,310,344	0	0	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)	4,310,344	4,310,344	0	0	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)	20,637,931	20,637,931	0	0	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: Shares

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」))	4,310,344	4,310,344	0	0	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」))	4,310,344	4,310,344	0	0	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」))	4,310,344	4,310,344	0	0	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)	4,310,344	4,310,344	0	0	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)	5,000,000	5,000,000	0	0	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))	8,620,689	8,620,689	0	0	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: Shares

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	7,586,206	7,586,206	0	0	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	4,310,344	4,310,344	0	0	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)	4,310,344	4,310,344	0	0	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)	4,310,344	4,310,344	0	0	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)	41,000,012	41,000,012	0	0	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	143,189,655	0	0	/	/

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

Not applicable

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):

Not applicable

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

Not applicable

(3) Existing Employee Shares

Not applicable

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	60,471
Total number of ordinary shareholders as at the end of the previous month before the disclosure date of the annual report	60,041
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 60,471, among which 62 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 60,041, among which 61 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			Nature of the Shareholder
		Number of shares held at the end of the period (shares)	Percentage (%)	Number of restricted shares held (shares)	Status	Number (shares)		
Tianjin Municipal Investment Company Limited	0	715,565,186	45.57	0	Pledged	287,000,000	State-owned legal person	
HKSCC Nominees Limited	16,000	337,846,810	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	-3,997,103	9,205,569	0.59	0	None	–	Other	
Jinan Hanxiang investment management partnership (L.P.) (濟南瀚祥投資管理合夥企業(有限合夥))	0	8,620,689	0.55	0	None	–	Other	
Qingdao Huixin Investment Partnership (Limited Partnership) (青島惠鑫投資合夥企業(有限合夥))	-720,600	7,900,089	0.50	0	None	–	Other	
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	-73,000	7,393,000	0.47	0	None	–	Domestic non-state-owned legal person	
Wang Caijin	6,419,838	6,419,838	0.41	0	None	–	Domestic natural persons	
Caitong Fund – Ding Fu Tong Da Selection No. 1 Private Equity Fund – Cai Tong Ding Fu Fixed Income No. 1 Single Asset Management Plan	-2,700,000	4,629,718	0.29	0	None	–	Other	
China National Gold Group Asset Management Co., Ltd.	-108,344	4,202,000	0.27	0	None	–	State-owned legal person	

7. Details of Changes in Shares and Shareholders

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)	337,846,810	Overseas listed Foreign Shares	337,846,810
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)	9,205,569	Ordinary RMB Shares	9,205,569
Jinan Hanxiang investment management partnership (L.P.) (濟南瀚祥投資管理合夥企業(有限合夥))	8,620,689	Ordinary RMB Shares	8,620,689
Qingdao Huixin Investment Partnership (Limited Partnership) (青島惠鑫投資合夥企業(有限合夥))	7,900,089	Ordinary RMB Shares	7,900,089
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	7,393,000	Ordinary RMB Shares	7,393,000
Wang Caijin (王財進)	6,419,838	Ordinary RMB Shares	6,419,838
Caitong Fund – Ding Fu Tong Da Selection No. 1 Private Equity Fund – Cai Tong Ding Fu Fixed Income No. 1 Single Asset Management Plan (財通基金—鼎富通達精選1號私募股權投資基金—財通基金鼎富定增1號單一資產管理計劃)	4,629,718	Ordinary RMB Shares	4,629,718
China National Gold Group Asset Management Co., Ltd. (中國黃金集團資產管理有限公司)	4,202,000	Ordinary RMB Shares	4,202,000

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)

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 156,956,000 H shares of the Company, representing 9.99% of the total share capital of the Company, and none of the shares were pledged.</p> <p>(2) The top ten shareholders are not strategic investors of the Company.</p>
Description of preferred shareholders with restored voting rights and the number of shares they hold	Not applicable

Top ten shareholders' participation in lending of shares in the refinancing business

Not applicable

Change in top ten shareholders over the previous period

Unit: Share

Name of shareholder (full name)	Change in top ten shareholders over the end of previous period	Number of shares borrowed under finance facilities and not yet returned at the end of the period		Number of shares held in shareholders' general account, credit account and shares borrowed through transfer facility and not yet returned at the end of the period	
		Total number	Percentage (%)	Total number	Percentage (%)
Wang Caijin (王財進)	Assition	0	0	0	0
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)	Withdrawal	0	0	0	0

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

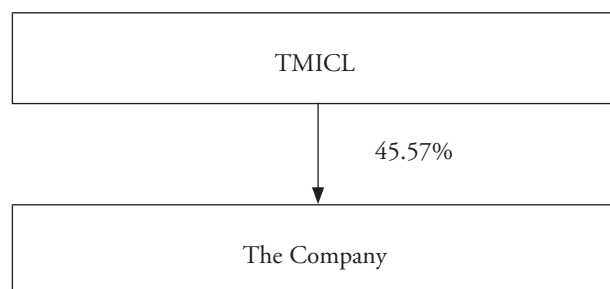
IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(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	Engaging in investment activities with own funds; asset management services for investment of own funds; property management; leasing of residential housing; leasing of non-residential real estate; corporation management and consultation; Category I value-added telecommunication services; Category II value-added telecommunication services; Internet information services; computer and telecommunication equipment leasing; information technology consulting services; network technology services. (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



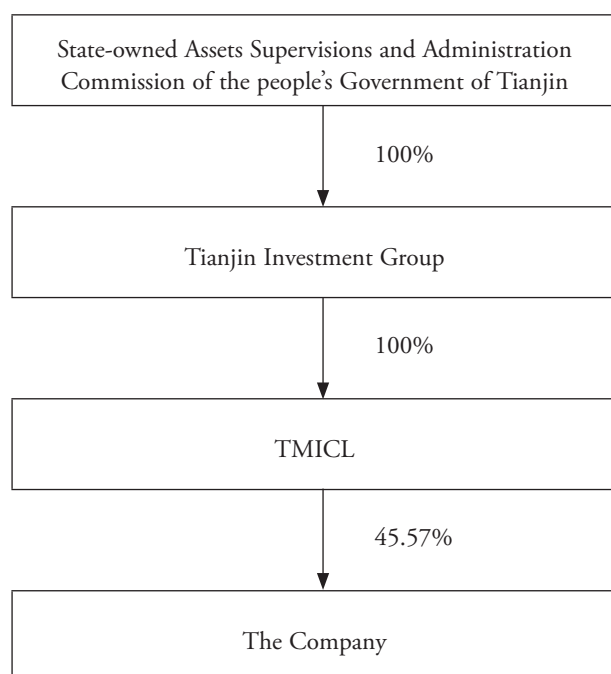
IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER (Continued)

(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 2023, 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	156,956,000 H Shares (L)	46.16%	9.99%
Ningbo Energy Group Co., Ltd. (寧波能源集團股份有限公司)	Interest of controlled corporation	156,956,000 H Shares (L)	46.16%	9.99%
Ningbo Ningdian Investment Development Co., Ltd. (寧波寧電投資發展有限公司)	Beneficial owner	107,552,000 H Shares (L)	31.63%	6.85%
Ningbo BSLS Trade Co., Ltd. (寧波百思樂斯貿易有限公司)	Beneficial owner	45,142,000 H Shares (L)	13.28%	2.87%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.10%

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

- (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 2023, 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. ENTERPRISE BONDS, CORPORATE BONDS AND NONFINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

(I) Enterprise bonds

Not applicable

(II) Corporate bonds

1. Basic information on 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	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

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

Name of Bonds

Description of interest payment and bonds repayment

21 Jinchuang 01*(21津創01)

Interest paid as scheduled

8. Relevant Details of Bonds

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

Not applicable

3. *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

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
21 Jinchuang 01* (21津創01)	250,000,000.00	250,000,000.00	0.00	Normal	None	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

Other explanations

Not applicable

5. *Adjustment of credit rating results*

Not applicable

8. Relevant Details of Bonds

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. Description of Other Conditions of Corporate Bonds

Not applicable

(III) Non Financial Enterprise Debts Financing Instruments of the Interbank 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 Jinchuanghuabao GN001*(22津制 环债 GN001)	132280072	2022-07-26 2022-07-27	2022-07-28	2025-07-28	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

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, N/A 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

8. Relevant Details of Bonds

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	619,963,000.00	10,037,000.00	Normal	None	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

Other explanations

Not applicable

5. Adjustment of credit rating results

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

(IV) The Company's loss in the scope of consolidated statements during the reporting period exceeded 10% of its net assets as at the end of last year

Not applicable

(V) Interest-bearing debt overdue (other than bonds) as at the end of the Reporting Period

Not applicable

(VI) Impact on bond investors' interests caused by any breach of laws and regulations, the Company's Articles of Association, the management system on information disclosure affairs and the agreements or undertakings set out in bond prospectus during the Reporting Period

Not applicable

8. Relevant Details of Bonds

(VII) 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	2023	2022	Increase/decrease for the current period as compared to the same period last year (%)	Change reasons
Net profit after extraordinary profit or loss attributable to shareholders of the listed company	77,874.2	66,366.02	17.34	Mainly due to the increase in net profit
Current ratio	1.45	1.90	-23.76	Mainly due to the increase in fixed assets and long-term receivables
Quick ratio	1.44	1.89	-23.83	Mainly due to the increase in fixed assets and long-term receivables
Gearing ratio (%)	58.24	58.63	-0.67	Basically unchanged
Debt to EBITDA ratio	0.21	0.21	0.00	Basically unchanged
Interest protection multiples	3.83	3.40	12.50	Mainly due to the decreased interest expense as compared with the previous period
Cash interest protection multiples	3.18	2.97	6.94	Mainly due to the increase in operating cash flow as compared with the previous period
EBITDA interest protection multiples	5.51	4.88	12.85	Mainly due to the increase in net profit as compared with the previous period
Debt service ratio (%)	100	100	0.00	Not applicable
Interest coverage rate (%)	100	100	0.00	Not applicable

II. PARTICULARS OF CONVERTIBLE CORPORATE BONDS

Not Applicable

9. Financial Report

For details, please refer to the Company's accounting statements and audit report for the year 2023.

10. Auditor's Report

Auditor's Report

PwC ZT Shen Zi (2024) 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 2023;
- 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 2023, 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 (2024) 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(26) and Note 4(15) "Goodwill" to the financial statements.

As at 31 December 2023, 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, RMB355 million and RMB150 million, respectively.

Due to the significant impact of goodwill on 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 cash-generating units ("CGUs") which the goodwill was allocated to their respective carrying amounts (including related goodwill) as at 31 December 2023. 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 the revenue, terminal growth rate of the revenue, 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 2023 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 the 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 the revenue, terminal growth rate of the revenue, 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 of the revenue 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 forecasts, 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), 2(26), 4(3) "Accounts receivable" and 4(8) "Long-term receivables" to the financial statements.

As at 31 December 2023, Capital Environmental Protection's accounts receivable amounted to approximately RMB3,568 million, and a loss allowance of approximately RMB306 million was recognised. Capital Environmental Protection's long-term receivables (including the current portion) amounted to approximately RMB5,092 million, and a loss allowance of approximately RMB35 million was recognised (accounts receivable and long-term receivables are hereafter collectively referred to as "Receivables"). The Receivables represented 34.01% of the consolidated total assets.

The balance of provision for loss allowance of the Receivables represented the management's best available 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 is 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 of 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.

OTHER INFORMATION

Management of Capital Environmental Protection is responsible for the other information. The other information comprises all of the information included in 2023 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.

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 the 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)

22 March 2024

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 2023
(All amounts in RMB thousand unless otherwise stated)

ASSETS	Note	31 December 2023 Consolidated	31 December 2022 Consolidated	31 December 2023 Company	31 December 2022 Company
Current assets					
Cash at bank and on hand	4(1)	2,612,622	3,252,060	1,394,632	2,280,271
Notes receivable	4(2)	27,711	7,535	-	-
Accounts receivable	4(3), 13(1)	3,261,907	2,745,022	1,258,933	1,168,255
Advances to suppliers	4(4)	19,809	35,223	321	11,501
Other receivables	4(5), 13(2)	20,766	16,212	32,006	25,533
Inventories	4(6)	35,685	31,144	11,030	9,215
Current portion of non-current assets	4(8)	228,394	197,367	29,411	26,133
Other current assets	4(7)	28,760	64,321	804,408	268,561
Total current assets		6,235,654	6,348,884	3,530,741	3,789,469
Non-current assets					
Long-term receivables	4(8)	4,828,821	4,475,777	2,945,153	2,563,108
Long-term equity investments	4(9), 13(3)	188,650	193,108	5,293,375	5,077,604
Investments in other equity instruments	4(10)	2,000	2,000	2,000	2,000
Fixed assets	4(11)	1,286,923	911,347	515,025	118,406
Construction in progress	4(12)	421,446	151,957	17,120	8,559
Right-of-use assets	4(13)	6,671	8,247	3,921	7,523
Intangible assets	4(14)	10,894,759	10,130,264	3,329,190	3,482,915
Goodwill	4(15)	150,051	319,813	-	-
Deferred tax assets	4(16)	32,081	7,398	31,314	11,419
Other non-current assets	4(17)	413,598	420,879	273,750	261,404
Total non-current assets		18,225,000	16,620,790	12,410,848	11,532,938
TOTAL ASSETS		24,460,654	22,969,674	15,941,589	15,322,407

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

As at 31 December 2023
(All amounts in RMB thousand unless otherwise stated)

		31 December 2023	31 December 2022	31 December 2023	31 December 2022
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Consolidated	Consolidated	Company	Company
Current liabilities					
Short-term borrowings	4(19)	1,992	1,001	–	–
Accounts payable	4(20)	668,888	511,159	100,066	88,437
Contract liabilities	4(21)	411,780	513,471	74	74
Employee benefits payable	4(22)	106,268	93,046	42,233	36,940
Taxes payable	4(23)	69,113	54,064	611	716
Other payables	4(24)	1,036,474	897,121	737,797	732,098
Current portion of non-current liabilities	4(25)	2,010,926	1,276,471	1,670,676	971,891
Other current liabilities		1,490	490	–	–
Total current liabilities		4,306,931	3,346,823	2,551,457	1,830,156
Non-current liabilities					
Long-term borrowings	4(26)	7,257,625	7,097,305	3,443,564	3,619,226
Debentures payable	4(27)	629,633	878,373	629,633	878,373
Lease liabilities	4(28)	3,176	4,443	1,420	4,005
Long-term payables	4(29)	140,960	168,703	140,960	168,703
Deferred income	4(30)	1,791,279	1,855,645	1,322,225	1,389,353
Deferred tax liabilities	4(16)	87,289	86,089	–	–
Other non-current liabilities	4(31)	28,000	30,000	470,000	470,000
Total non-current liabilities		9,937,962	10,120,558	6,007,802	6,529,660
Total liabilities		14,244,893	13,467,381	8,559,259	8,359,816
Shareholders' equity					
Share capital	4(32)	1,570,418	1,570,418	1,570,418	1,570,418
Capital surplus	4(33), 13(4)	1,114,793	1,111,156	1,065,703	1,061,780
Surplus reserve	4(34)	786,585	722,389	786,585	722,389
Undistributed profits	4(35), 13(5)	5,650,381	5,075,510	3,959,624	3,608,004
Total equity attributable to shareholders of the Company		9,122,177	8,479,473	7,382,330	6,962,591
Minority interests		1,093,584	1,022,820	–	–
Total shareholders' equity		10,215,761	9,502,293	7,382,330	6,962,591
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,460,654	22,969,674	15,941,589	15,322,407

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

Tang Fusheng
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 2023
(All amounts in RMB thousand unless otherwise stated)

	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
Revenue	4(36), 13(6)	4,665,083	4,522,167	1,657,681	1,585,826
Less: Cost of sales	4(36), 13(6)	(2,844,517)	(2,986,038)	(804,058)	(917,460)
Taxes and surcharges	4(37)	(47,359)	(45,545)	(17,808)	(15,999)
Selling expenses	4(38)	(11,471)	(14,545)	–	–
General and administrative expenses	4(39)	(240,127)	(220,937)	(111,141)	(96,019)
Research and development expenses	4(40)	(53,062)	(43,539)	(28,463)	(23,271)
Financial expenses - net	4(41)	(213,142)	(180,450)	(89,113)	(191,320)
Including: Interest expenses		(390,843)	(403,067)	(248,056)	(259,485)
Interest income		168,984	211,941	150,016	57,236
Add: Other income	4(43)	96,824	105,471	67,160	68,660
Investment (losses)/income	13(7)	(4,258)	(3,601)	266,674	222,502
Including: Share of losses of investments in associates		(4,458)	(1,892)	(4,458)	(1,892)
Provision for credit impairment losses	4(44)	(75,582)	(54,010)	(46,628)	(48,745)
Less: Asset impairment losses	4(45)	(169,753)	(106,454)	(169,762)	(102,979)
Gains/(losses) on disposals of assets	4(46)	24	(2,558)	–	162
Operating profit		1,102,660	969,961	724,542	481,357
Add: Non-operating income	4(47)	6,133	1,657	5,005	–
Less: Non-operating expenses	4(48)	(2,583)	(2,320)	(2,168)	(801)
Total profit		1,106,210	969,298	727,379	480,556
Less: Income tax expenses	4(49)	(202,767)	(156,693)	(85,423)	(30,025)
Net profit		903,443	812,605	641,956	450,531
Classified by continuity of operations					
Net profit from continuing operations		903,443	812,605	641,956	450,531
Net profit from discontinued operations		–	–	–	–
Classified by ownership of the equity					
Attributable to shareholders of the Company		865,207	751,254	641,956	450,531
Minority interests		38,236	61,351	–	–
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income		903,443	812,605	641,956	450,531
Attributable to shareholders of the Company		865,207	751,254	641,956	450,531
Attributable to minority interests		38,236	61,351	–	–
Earnings per share					
Basic earnings per share (in RMB Yuan)	4(50)	0.55	0.51	–	–
Diluted earnings per share (in RMB Yuan)	4(50)	0.55	0.51	–	–

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

Tang Fusheng
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 2023
(All amounts in RMB thousand unless otherwise stated)

	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		3,885,453	3,640,899	1,288,259	1,112,430
Refund of taxes and surcharges		2,242	21,401	58	9,371
Cash received relating to other operating activities	4(51)(c)	77,132	52,126	1,314,474	790,584
Sub-total of cash inflows		3,964,827	3,714,426	2,602,791	1,912,385
Cash paid for goods and services		(2,188,580)	(2,017,993)	(537,854)	(713,781)
Cash paid to and on behalf of employees		(445,463)	(473,923)	(138,801)	(166,066)
Payments of taxes and surcharges		(281,913)	(256,603)	(130,295)	(105,723)
Cash paid relating to other operating activities	4(51)(d)	(56,856)	(53,856)	(1,358,823)	(248,741)
Sub-total of cash outflows		(2,972,812)	(2,802,375)	(2,165,773)	(1,234,311)
Net cash flows from operating activities	4(51)(a)	992,015	912,051	437,018	678,074
Cash flows used in investing activities					
Cash received from returns on investments		200	–	264,340	257,104
Cash received from subsidiaries		–	–	387,064	294,243
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	4(51)(g)	687	365	338	182
Withdrawal of restricted bank deposits		22,339	40,529	–	5,228
Sub-total of cash inflows		23,226	40,894	651,742	556,757
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,666,332)	(666,863)	(327,438)	(100,592)
Net cash paid to acquire equity interests of subsidiaries and associates		–	–	(388,011)	(142,590)
Payment of restricted bank deposits		–	(58,724)	–	–
Cash paid to subsidiaries		–	–	(1,032,938)	(548,560)
Sub-total of cash outflows		(1,666,332)	(725,587)	(1,748,387)	(791,742)
Net cash flows used in investing activities		(1,643,106)	(684,693)	(1,096,645)	(234,985)

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 2023
(All amounts in RMB thousand unless otherwise stated)

	Note	2023 Consolidated	2022 Consolidated	2023 Company	2022 Company
Cash flows from financing activities					
Cash received from capital contributions		71,773	816,702	–	813,890
Including: Cash received from capital contributions by minority shareholders of subsidiaries		71,773	2,812	–	–
Cash received from borrowings		2,557,370	1,959,198	1,588,495	1,306,556
Cash received from issuance of debentures		–	630,000	–	630,000
Cash paid relating to other financing activities	4(51)(e)	1,000	–	–	–
Sub-total of cash inflows		2,630,143	3,405,900	1,588,495	2,750,446
Cash repayments of borrowings		(1,909,774)	(1,895,194)	(1,313,772)	(1,420,014)
Cash payments for interest expenses		(376,001)	(372,018)	(230,737)	(231,610)
Cash payments for distribution of dividends or profits		(262,204)	(233,235)	(226,140)	(208,360)
Including: Dividends or profits paid to minority shareholders by subsidiaries		(36,064)	(24,874)	–	–
Cash paid relating to other financing activities	4(51)(f)	(48,055)	(38,023)	(38,859)	(37,886)
Sub-total of cash outflows		(2,596,034)	(2,538,470)	(1,809,508)	(1,897,870)
Net cash flows from financing activities		34,109	867,430	(221,013)	852,576
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–
Net (decrease)/increase in cash and cash equivalents		(616,982)	1,094,788	(880,640)	1,295,665
Add: Cash and cash equivalents at the beginning of the year		3,188,344	2,093,556	2,275,272	979,607
Cash and cash equivalents at the end of the year	4(51)(b)	2,571,362	3,188,344	1,394,632	2,275,272

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

Tang Fusheng
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 2023
(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 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(34)	–	–	45,053	(45,053)	–	–
Profit distribution to shareholders	4(35)	–	–	–	(208,376)	(25,630)	(234,006)
Balance at 31 December 2022		1,570,418	1,111,156	722,389	5,075,510	1,022,820	9,502,293
Balance at 1 January 2023		1,570,418	1,111,156	722,389	5,075,510	1,022,820	9,502,293
Movements for the year ended 31 December 2023							
Total comprehensive income							
Net profit		–	–	–	865,207	38,236	903,443
Capital contribution by shareholders							
Capital increase by shareholders		–	–	–	–	71,773	71,773
Amount recorded in shareholders' equity arising from share-based payment arrangements		–	3,637	–	–	286	3,923
Profit distribution							
Appropriation to surplus reserve	4(34)	–	–	64,196	(64,196)	–	–
Profit distribution to shareholders	4(35)	–	–	–	(226,140)	(39,531)	(265,671)
Balance at 31 December 2023		1,570,418	1,114,793	786,585	5,650,381	1,093,584	10,215,761

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

Tang Fusheng
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 2023
(All amounts in RMB thousand unless otherwise stated)

	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2022		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		1,570,418	1,061,780	722,389	3,608,004	6,962,591
Balance at 31 December 2022		1,570,418	1,061,780	722,389	3,608,004	6,962,591
Movements for the year ended 31 December 2023						
Total comprehensive income						
Net profit		–	–	–	641,956	641,956
Capital contribution by shareholders						
Capital increase by shareholders		–	–	–	–	–
Amount recorded in shareholders' equity arising from share-based payment arrangements		–	3,923	–	–	3,923
Profit distribution						
Appropriation to surplus reserve		–	–	64,196	(64,196)	–
Profit distribution to shareholders		–	–	–	(226,140)	(226,140)
Balance at 31 December 2023		1,570,418	1,065,703	786,585	3,959,624	7,382,330

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

Tang Fusheng
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 2023
(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 2023, the total share capital of the Company was RMB 1.57 billion with a par value of RMB 1 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 2023
(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 2023
(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
Karamay, Xinjiang	24 March 2023	Karamay Housing and Urban-Rural Construction Bureau
Enshi, Hubei	9 June 2023	Enshi Housing and Urban-Rural Construction Bureau
Ma'anshan, Anhui	22 September 2023	Ma'anshan Hanshan Housing and Urban-Rural Construction Bureau

(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 2023
(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
Xiqing 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 consolidation of the consolidated financial statements of the Company for the year ended 31 December 2023 are detailed in Note 5.

These financial statements were authorised for issue by the Company's Board of Directors on 22 March 2024.

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 (23)), impairment of intangible assets and goodwill (Note 2(17)), the timing of revenue recognition (Note 2(20)), and deferred tax assets and deferred tax liabilities (Note 2(22)).

Key judgements, critical accounting estimates and key assumptions adopted by the Group in determining material accounting policies are detailed in Note 2(26).

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 2023
(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 2023 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 2023 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 2023
(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 2023
(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.

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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.

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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.

For the year ended 31 December 2023
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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.

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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.

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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, using the initial recognition point as the starting point for aging calculation.
Group 4	Other clients	Other clients, using the initial recognition point as the starting point for aging calculation.
Group 5	Project deposits	Project deposits
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

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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.

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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.

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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.

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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.

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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)).

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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	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.

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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)).

(14) Borrowing costs

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

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

(14) Borrowing costs (Continued)

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

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

(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.

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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.

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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;

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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)).

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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.

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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.

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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.

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

(20) 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.

(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.

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

(20) Revenue recognition (Continued)

(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.

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.

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

(20) Revenue recognition (Continued)

(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.

(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.

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

(21) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of obtaining long-term assets through purchase, construction or other means. Government grants related to income refer to those which are not related to assets.

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

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

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

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

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

(22) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred 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.

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

(23) 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.

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.

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

(23) Leases (Continued)

The Group as the lessee (Continued)

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

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

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(24) 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.

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.

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

(25) 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.

(26) 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.

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

(26) 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 2023, the weights of the “benchmark”, “unfavourable” and “favourable” economic scenarios accounted for 60%, 20% and 20% (2022: 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 2023 and 2022, 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
2023 Consumer Price Index	1.11%	1.17%	1.06%
2022 Consumer Price Index	2.13%	2.18%	2.08%

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

(26) 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.

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

(26) 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.

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

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

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

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

(27) Significant changes in accounting policies

The Ministry of Finance released the *Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises* in 2022. The Group and the Company implement the new leasing standards since 1 January 2019. At the initial recognition stage, deferred income tax assets and deferred income tax liabilities were recognized separately with the deductible temporary differences and taxable temporary differences arising from individual transactions, and disclosed separately in the notes. Since 1 January 2023, the Group and the Company have implemented the above circular of Interpretation No. 16, which have no impact on the current profit and loss of the Group and the Company for the year 2022, as well as the financial statements of 1 January 2022 and 31 December 2022, and the relevant notes of 31 December 2022.

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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 2023	Details of the preferential tax policy
The Company	15%	According to <i>The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control</i> 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 24 August 2023, the State Taxation Administration issued the <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (Cai Shui [2023] No. 38), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027.
Fuyang Capital Water Co., Ltd.	15%	According to <i>The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control</i> 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 24 August 2023, the State Taxation Administration issued the <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (Cai Shui [2023] No. 38), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027.

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

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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 2023	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 <i>Notice of Guizhou Provincial Tax Services of State Taxation Administration on Implementation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions</i> (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 <i>Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions</i> , 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 <i>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</i> (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 <i>Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions</i> , stipulating that the implementation period of the policy would be extended to 31 December 2030.
Hangzhou Tianchuang Capital Water Co., Ltd. ("Hangzhou Company")	15%	According to <i>The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control</i> 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 24 August 2023, the State Taxation Administration issued the <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (Cai Shui [2023] No. 38), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027.

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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 2023	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 2023 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.	15%	According to <i>the Notice on Implementing Policies for Encouraging Industries in the Western Regions</i> (Xin Fa Gai Xi Kai [2021] No. 215), the company is entitled to a preferential corporate income tax rate from 2021 to 2030.
Linxia Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Bayannur Capital Water Co., Ltd. ("Bayannur Company")	Sewage water project: 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
	Recycled water project: The taxable income is calculated at 90% of revenue Recycled water and tap water project: 15%	According to <i>the Announcement on Continuing the Enterprise Income Tax Policy for Western Development</i> (The Ministry of Finance, State Administration of Taxation, National Development and Reform Commission [2020] No. 23), the company is entitled to a preferential corporate income tax rate from 2021 to 2030.
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.

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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 2023	Details of the preferential tax policy
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	12.5%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years.
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 and Chibi Sewage Treatment Plant: 15%	According to <i>The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control</i> 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 24 August 2023, the State Taxation Administration issued the <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (Cai Shui [2023] No. 38), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027.
Wuhan Tianchuang Capital Water Co., Ltd.	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.

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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 2023	Details of the preferential tax policy
Honghu Tianchuang Capital Water Co., Ltd.	15%	According to <i>The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control</i> 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 24 August 2023, the State Taxation Administration issued the <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (Cai Shui [2023] No. 38), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2027.
Jiangsu Yonghui Resources Utilisation Co., Ltd. ("Jiangsu Yonghui")	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2019 for the first 3 years and reduction half for the next 3 years.
Changsha Tianchuang Environmental Protection Co., Ltd	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 for the first 3 years and reduction half for the next 3 years.
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	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.

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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 2023	Details of the preferential tax policy
Wendeng Capital Water Co., Ltd.	15%	According to <i>The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control</i> 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 <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (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. ("Guojin Company")	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2020 for the first 3 years and reduction half for the next 3 years.
Karamay Capital Water Co., Ltd	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2023 for the first 3 years and reduction half for the next 3 years.
Enshi Capital Water Co., Ltd	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2023 for the first 3 years and reduction half for the next 3 years.
Jieshou Capital Water Co., Ltd	12.5% and 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2018 to 2023 for the first 3 years and reduction half for the next 3 years.
Hanshan 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.

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

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3 TAXATION (Continued)

(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%.

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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2023	31 December 2022
Cash on hand	1	3
Cash at bank	2,571,361	3,188,341
Other cash balances	41,260	63,716
	<u>2,612,622</u>	<u>3,252,060</u>
Including: Bank deposits in Hong Kong	<u>8,632</u>	<u>8,692</u>

(a) Cash presented in the cash flow statement includes:

	31 December 2023	31 December 2022
Cash at bank and on hand	2,612,622	3,252,060
Less: Restricted cash at bank (i)	(41,260)	(63,716)
	<u>2,571,362</u>	<u>3,188,344</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 2023	31 December 2022
Bank acceptance notes	<u>27,711</u>	<u>7,535</u>

(a) As at 31 December 2023, 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 2023
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Notes receivable (Continued)

(b) *As at 31 December 2023, notes receivable endorsed prior to their maturities are as follows:*

	Derecognised	Not derecognised
Bank acceptance notes	4,812	–

In 2023, the bank acceptance notes were partially endorsed and derecognised by subsidiaries Caring Company, Shandong Company, Bayannur Company and Gaoyou Compro Environmental Resources Co., Ltd. (“Gaoyou Compro”).

(c) *Provision for bad debts*

As at 31 December 2023 and 31 December 2022, 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 2023	31 December 2022
Accounts receivable	3,568,379	2,959,595
Less: Provision for bad debts (c)	(306,472)	(214,573)
	<u>3,261,907</u>	<u>2,745,022</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 2023	31 December 2022
Within 1 year	2,539,347	2,364,118
1 to 2 years	587,245	336,156
2 to 3 years	258,198	111,184
3 to 4 years	78,476	63,061
4 to 5 years	47,735	42,588
Over 5 years	57,378	42,488
	<u>3,568,379</u>	<u>2,959,595</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(b) As at 31 December 2023, 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	1,903,554	(72,769)	53%

(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 ECL throughout the lifetime.

The balances of accounts receivable according to categories recorded, is as follows:

	31 December 2023				31 December 2022			
	Carrying amount	Provision			Carrying amount	Provision		
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis (i)	1,703,375	48%	(163,550)	9.60%	1,591,079	54%	(157,760)	9.92%
Provision for bad debts by group (ii)	1,865,004	52%	(142,922)	7.66%	1,368,516	46%	(56,813)	4.15%
	<u>3,568,379</u>	<u>100%</u>	<u>(306,472)</u>	<u>8.59%</u>	<u>2,959,595</u>	<u>100%</u>	<u>(214,573)</u>	<u>7.25%</u>

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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 2023

Clients	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Notes
Tianjin Water Authority Bureau	1,142,144	0.18%	(2,087)	1)
Qijing Sewage Company	235,818	21.34%	(50,313)	2)
Xi'an Infrastructure Investment Group	134,589	0.18%	(241)	1)
Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd.	44,019	85.60%	(37,682)	3)
Guiyang Water Authority Bureau	29,245	0.67%	(197)	1)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,454	63.64%	(18,109)	4)
Hangzhou City Water Facilities and River Protection Management Centre	23,816	0.04%	(10)	1)
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)	5)
Urad Front Banner Finance Bureau	10,928	100.00%	(10,928)	6)
Urad Rear Banner Finance Bureau	10,392	100.00%	(10,392)	6)
Hangzhou Drainage Co., Ltd.	10,383	0.04%	(4)	1)
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 Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)	9)
Total	1,703,375		(163,550)	

Notes:

- 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 0.04% to 0.67%.

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

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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 2023 (Continued)

Notes: (Continued)

- 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 21.34%.
- 3) Receivables of Tianjin Jinghai Capital Water Co., Ltd from Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd. comprise sewage treatment fees, whose repayment period is longer than that of general government clients, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 85.60%.
- 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 63.64%.
- 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%.

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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 2023 (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 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%.

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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 2023			31 December 2022		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rates	Amount		ECL rates	Amount
Group 3 – Government clients						
Not overdue	655,146	1.28%	(8,411)	465,781	1.84%	(8,553)
Overdue within 1 to 180 days	288,398	3.54%	(10,210)	239,807	3.19%	(7,647)
Overdue over 180 days	369,520	26.23%	(96,933)	301,582	9.36%	(28,215)
	<u>1,313,064</u>		<u>(115,554)</u>	<u>1,007,170</u>		<u>(44,415)</u>
Group 4 – Other clients						
Not overdue	272,600	1.54%	(4,211)	182,474	1.04%	(1,905)
Overdue within 1 to 90 days	124,541	3.81%	(4,743)	81,638	1.53%	(1,253)
Overdue over 90 days	154,799	11.90%	(18,414)	97,234	9.50%	(9,240)
	<u>551,940</u>		<u>(27,368)</u>	<u>361,346</u>		<u>(12,398)</u>

The provision for bad debts in 2023 amounted to about RMB 95 million, of which about RMB 3 million was collected or reversed, there is no written off amount of bad debt provision, the gross carrying amount of provision for bad debts was about RMB 306 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Advances to suppliers

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

	31 December 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	13,756	69%	25,225	72%
1 to 2 years	4,915	25%	9,236	26%
Over 2 years	1,138	6%	762	2%
	19,809	100%	35,223	100%

As at 31 December 2023, advances to suppliers of approximately RMB 6 million (31 December 2022: RMB 10 million) with ageing over one year were mainly for supplemental projects.

(b) *As at 31 December 2023, 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	6,389	32%

(5) Other receivables

	31 December 2023	31 December 2022
Project deposits	10,657	7,576
VAT refund	200	628
Others	10,209	8,238
	21,066	16,442
Less: Provision for bad debts	(300)	(230)
	20,766	16,212

The Group did not have any other receivables related to the funds centralized managed to other parties.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

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

	31 December 2023	31 December 2022
Within 1 year	10,038	5,668
1 to 2 years	1,898	1,631
2 to 3 years	1,551	2,709
Over 3 years	7,579	6,434
	<u>21,066</u>	<u>16,442</u>

(b) As at 31 December 2023 and 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 or Stage 3.

(c) As at 31 December 2023 and 31 December 2022, other receivables provisioned bad debts by group were all belong to Stage 1. The analysis is as below:

	31 December 2023			31 December 2022		
	Carrying amount	Provision Amount	%	Carrying amount	Provision Amount	%
Group 5 – Project deposits						
Within 1 year	5,763	(95)	1.65%	2,446	(40)	1.62%
1 to 2 years	1,006	(17)	1.69%	1,551	(25)	1.62%
2 to 3 years	1,545	(25)	1.62%	1,416	(23)	1.62%
Over 3 years	2,343	(39)	1.66%	2,163	(35)	1.62%
Sub-total	<u>10,657</u>	<u>(176)</u>		<u>7,576</u>	<u>(123)</u>	
Group 6 – Others						
Within 1 year	4,075	(50)	1.23%	2,594	(33)	1.30%
1 to 2 years	892	(11)	1.23%	80	(1)	1.30%
2 to 3 years	6	–	1.21%	1,293	(17)	1.30%
Over 3 years	5,236	(63)	1.20%	4,271	(56)	1.30%
Sub-total	<u>10,209</u>	<u>(124)</u>		<u>8,238</u>	<u>(107)</u>	
Total	<u>20,866</u>	<u>(300)</u>		<u>15,814</u>	<u>(230)</u>	

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

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(d) *As at 31 December 2023, the changes in the Group's loss provision for other receivables were not significant.*

(e) *As at 31 December 2023, other receivables from top five debtors in respect of outstanding balance are analysed as bellow:*

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Tianjin Installation Engineering Co., Ltd.	Deposits of migrant workers' wages	3,127	Over 3 years	14.84%	(68)
Shenyang Dongyuan Environmental Technology Co., Ltd.	Project deposits	1,900	Within 1 year	9.02%	(30)
Chibi City Construction Bureau	Advances	1,586	Within 1 year & 1 to 2 years	7.53%	(5)
State Grid Tianjin Electric Power Company	Project deposits	1,000	Over 3 years	4.75%	(1)
Tianjin Sanbo Water Technology Co., Ltd.	R&D project funds	852	Within 1 year	4.04%	(22)
		<u>8,465</u>		<u>40.18%</u>	<u>(125)</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories

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

	31 December 2023			31 December 2022		
	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	27,374	–	27,374	25,364	–	25,364
Goods in stock	7,774	–	7,774	5,240	–	5,240
Spare parts and low value consumables	537	–	537	540	–	540
	<u>35,685</u>	<u>–</u>	<u>35,685</u>	<u>31,144</u>	<u>–</u>	<u>31,144</u>

(7) Other current assets

	31 December 2023	31 December 2022
Anguo sewage project assets (a)	33,065	33,065
Input VAT to be deducted	15,668	36,395
Input VAT to be verified	8,296	18,456
Corporate income tax prepaid	4,796	9,470
	<u>61,825</u>	<u>97,386</u>
Less: Provision for impairment of other current assets (a)	<u>(33,065)</u>	<u>(33,065)</u>
	<u>28,760</u>	<u>64,321</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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables and current portion of non-current assets

	31 December 2023	31 December 2022
Receivables from Tianjin Water Authority Bureau	2,811,314	2,402,741
Receivables from concession rights	1,969,524	2,011,202
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	168,596	193,539
Receivables from Bayannur Finance Bureau	<u>142,532</u>	<u>116,800</u>
	5,091,966	4,724,282
Less: Provision for bad debts	<u>(34,751)</u>	<u>(51,138)</u>
	5,057,215	4,673,144
Less: Current portion of non-current assets	<u>(228,394)</u>	<u>(197,367)</u>
	<u><u>4,828,821</u></u>	<u><u>4,475,777</u></u>

(a) Provisions

The balances of long-term receivable according to categories recorded, is as follows:

	31 December 2023				31 December 2022			
	Carrying amount		Provision		Carrying amount		Provision	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on an individual basis (i)	2,979,910	59%	(5,345)	0.18%	2,596,280	55%	(7,039)	0.27%
Provision for bad debts by group (ii)	<u>2,112,056</u>	<u>41%</u>	<u>(29,406)</u>	<u>1.39%</u>	<u>2,128,002</u>	<u>45%</u>	<u>(44,099)</u>	<u>2.07%</u>
	<u><u>5,091,966</u></u>	<u><u>100%</u></u>	<u><u>(34,751)</u></u>	<u><u>0.68%</u></u>	<u><u>4,724,282</u></u>	<u><u>100%</u></u>	<u><u>(51,138)</u></u>	<u><u>1.08%</u></u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables and current portion of non-current assets (Continued)

(a) Provisions (Continued)

As at 31 December 2023 and 31 December 2022, the Group did not have any long-term receivables at Stage 2 or Stage 3. The analysis of long-term receivables provisioned bad debts at Stage 1 is as follows:

(i) As at 31 December 2023, the analysis of long-term receivables provisioned bad debts by an individual basis is as below:

	Carrying amount	Lifetime ECL rates	Provision	Reason	Notes
Receivables from Tianjin Water Authority Bureau	2,811,314	0.18%	(5,104)	Expected credit loss	1)
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	<u>168,596</u>	0.14%	<u>(241)</u>	Expected credit loss	2)
	<u>2,979,910</u>		<u>(5,345)</u>		

- 1) Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as “long-term receivables”. The ECL rate for the aforesaid long-term receivables during the lifetime is 0.18%, which is consistent with ECL rate as applied for the remaining accounts receivable with Tianjin Water Authority Bureau. The balance of loss provision is about RMB 5.1million.
- 2) 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 RMB 0.2 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables and current portion of non-current assets (Continued)

(a) Provisions (Continued)

As at 31 December 2022, the analysis of long-term receivables provisioned bad debts by an individual basis is as below:

	Carrying amount	Lifetime ECL rates	Provision	Reason
Receivables from Tianjin Water Authority Bureau	2,402,741	0.29%	(6,762)	Expected credit loss
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	193,539	0.14%	(277)	Expected credit loss
	<u>2,596,280</u>		<u>(7,039)</u>	

(ii) As at 31 December 2023 and 31 December 2022, the analysis of long-term receivables provisioned bad debts by group is as below:

	31 December 2023			31 December 2022		
	Carrying amount	Provision		Carrying amount	Provision	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Receivables from concession rights (1)	1,969,524	(27,458)	1.39%	2,011,202	(41,679)	2.07%
Receivables from Bayannur Finance Bureau (2)	142,532	(1,948)	1.37%	116,800	(2,420)	2.07%
	<u>2,112,056</u>	<u>(29,406)</u>		<u>2,128,002</u>	<u>(44,099)</u>	

- 1) According to the Service Concession Right Agreements, the Group has the right to collect a determinable amount of cash from the recipients of the services for the Concession service periods. Receiving such consideration is recognised as long-term receivables upon completion of the construction of the assets of the concession project in accordance with Interpretation No. 14. The long-term receivables are received for a period of 10 to 30 years and the amortised cost is determined based on the effective interest rate. Since the clients are basically government clients other than the government clients of provincial capitals and municipalities directly under the central government, the ECL rate for the aforesaid long-term receivables is 1.39% 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 RMB 27.5 million.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables and current portion of non-current assets (Continued)

(a) Provisions (Continued)

(ii) As at 31 December 2023 and 31 December 2022, the analysis of long-term receivables provisioned bad debts by group is as below: (Continued)

2) Based on historical collection experience with Bayannur Finance Bureau and Bayannur Linhe District Finance Bureau and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as long-term receivables. The ECL rate for the aforesaid long-term receivables is 1.37% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients except those in provincial capitals and municipalities. The balance of loss provision is about RMB 1.9 million.

(b) As at 31 December 2023, among the Group's long-term receivables, the long-term borrowings of RMB 354 million (31 December 2022: RMB 375 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 RMB 514 million (31 December 2022: RMB 518 million) (Note 4(26)(b)). The long-term borrowings of RMB 136 million (31 December 2022: RMB 138 million) were pledged by the concession right of "Huoqiu Chengbei the Second Sewage Treatment Plant Phase II", which had a carrying amount of about RMB 170 million (31 December 2022: RMB 170 million) (Note 4(26)(b)).

(9) Long-term equity investments

	31 December 2023	31 December 2022
Associates (a)	211,008	215,466
Less: Provision for impairment of long-term equity investments (b)	<u>(22,358)</u>	<u>(22,358)</u>
	<u>188,650</u>	<u>193,108</u>

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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 2022	Share of net profit or loss under the equity method	31 December 2023	Ending balance of provision for impairment
International Machinery (i)	33,000	–	–	–	(22,358)
Tianjin Bihai (ii)	195,000	193,108	(4,458)	188,650	–
	<u>228,000</u>	<u>193,108</u>	<u>(4,458)</u>	<u>188,650</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 2023, 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 RMB 195 million and holds 30% equity interest. In 2023, Tianjin Bihai was still in the construction period. The construction is expected to be completed and put into operation in 2024.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

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

	31 December 2023 and 31 December 2022
International Machinery	<u>22,358</u>

(10) Investments in other equity instruments

	31 December 2023	31 December 2022
Equity of unlisted companies		
Tianjin Beifang Rencaigang Co., Ltd.		
– Cost	2,000	2,000
– Accumulated changes in fair value	<u>–</u>	<u>–</u>
	<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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles and others	Total
Cost				
31 December 2022	752,205	644,259	112,885	1,509,349
Transfers from construction in progress (Note 4(12))	7,537	10,869	2,773	21,179
Other increases in the current year	143,786	313,676	4,516	461,978
Decrease in the current year	—	(363)	(1,835)	(2,198)
31 December 2023	<u>903,528</u>	<u>968,441</u>	<u>118,339</u>	<u>1,990,308</u>
Accumulated depreciation				
31 December 2022	(203,061)	(326,515)	(68,426)	(598,002)
Increase in the current year	(20,530)	(75,983)	(10,380)	(106,893)
Decrease in the current year	—	184	1,326	1,510
31 December 2023	<u>(223,591)</u>	<u>(402,314)</u>	<u>(77,480)</u>	<u>(703,385)</u>
Carrying amount				
31 December 2023	<u>679,937</u>	<u>566,127</u>	<u>40,859</u>	<u>1,286,923</u>
31 December 2022	<u>549,144</u>	<u>317,744</u>	<u>44,459</u>	<u>911,347</u>

- (a) In 2023, the amounts of depreciation expenses charged to cost of sales, general and administrative expenses and research and development expenses were RMB 93 million (2022: RMB 55 million), RMB 11 million (2022: RMB 11 million) and RMB 2 million (2022 :RMB 1 million), respectively.
- (b) As at 31 December 2023, the certificate of title to outsourced assets included in fixed assets, land use rights with cost of RMB 172 million and carrying amount of RMB 96 million (31 December 2022: cost of RMB 172 million and carrying amount of RMB 100 million) and non-monetary exchange assets with cost of RMB 12 million and carrying amount of RMB 8 million (31 December 2022: cost of RMB 12 million and carrying amount of RMB 8 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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets (Continued)

- (c) As at 31 December 2023, fixed assets with cost of RMB 361 million (31 December 2022: RMB 364 million) and a carrying amount of RMB 250 million (31 December 2022: RMB 302 million) were mortgaged as collateral for long-term borrowings of RMB 258 million (31 December 2022: RMB 311 million) (Note 4(26)(c)).
- (d) In 2023, the Group conducted an impairment test on the asset group to which fixed assets of its subsidiaries showed signs of impairment. After comparing the net amount of the fair value of the asset group minus disposal expenses and the present value of expected future cash flows, the recoverable amount of the relevant asset group was determined using the present value of expected future cash flows. The recoverable amount is higher than the book value of the asset group, no impairment provision needs to be made.

The Group forecasts the revenue growth rate and gross profit margin based on historical experience and market development. The revenue growth rate during the forecast period is based on the approved budget by the management. The stable period growth rate is the growth rate adopted after the forecast period, consistent with the forecast data in authoritative industry reports. The discount rate before tax reflects the specific risks of the relevant assets. The key assumptions adopted by the Group when adopting the discounted future cash flow method are as follows:

Revenue growth rates in the forecast period	0%–27.66%
Terminal growth rates	0%
Gross profit margin	18.29%–28.73%
Pre-tax discount rates	10.31%

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Construction in progress

Name	Budgeted amount	31 December 2022	Increase in the current year	Transfer to fixed assets	31 December 2023	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	117,409	161,592	-	279,001	93%	93%	-	-	-	Raised funds and own funds
Distributed Photovoltaic Power Generation Project of Jingu Sewage Treatment Plant	87,639	258	56,184	-	56,442	64%	64%	176	176	2.70%	Loans and own funds
Distributed Photovoltaic Power Generation Project of Xianyanglu Sewage Treatment Plant	65,897	211	40,423	-	40,634	62%	62%	131	131	2.70%	Loans and own funds
Distributed Photovoltaic Power Generation Project of Beicang Sewage Treatment Plant	26,964	97	21,843	-	21,940	81%	81%	115	115	2.70%	Loans and own funds
Other projects		33,982	10,626	(21,179)	23,429			13,367	-		
Total		151,957	290,668	(21,179)	421,446			13,789	422		

(a) As at 31 December 2023, the factory and equipment under construction with carrying amount totalling RMB 6 million (31 December 2022: RMB 15 million) were mortgaged as collateral for the Group's long-term borrowings of RMB 123 million (31 December 2022: RMB 135 million) (Note 4(26)(c)).

(b) As at 31 December 2023, the Group had no provision for impairment of construction in progress (31 December 2022: Nil)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2022	976	13,836	14,812
Increase in the current year	2,958	237	3,195
31 December 2023	3,934	14,073	18,007
Accumulated depreciation			
31 December 2022	(279)	(6,286)	(6,565)
Increase in the current year	(917)	(3,854)	(4,771)
31 December 2023	(1,196)	(10,140)	(11,336)
Carrying amount			
31 December 2023	2,738	3,933	6,671
31 December 2022	697	7,550	8,247

(14) Intangible assets

	Concession rights	Land use rights	Technical know-how and software	Total
Cost				
31 December 2022	14,125,230	148,881	21,225	14,295,336
Increase in the current year	1,290,047	17,700	4,892	1,312,639
Decrease in the current year	-	-	-	-
31 December 2023	15,415,277	166,581	26,117	15,607,975
Accumulated amortisation				
31 December 2022	(3,988,256)	(14,683)	(10,433)	(4,013,372)
Increase in the current year	(543,492)	(3,536)	(1,116)	(548,144)
31 December 2023	(4,531,748)	(18,219)	(11,549)	(4,561,516)
Provision for impairment				
31 December 2022	(151,700)	-	-	(151,700)
Increase in the current year	-	-	-	-
31 December 2023	(151,700)	-	-	(151,700)
Carrying amount				
31 December 2023	10,731,829	148,362	14,568	10,894,759
31 December 2022	9,985,274	134,198	10,792	10,130,264

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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 2022	Increase in the current year	31 December 2023	Accumulated capitalised interests as at 31 December 2022	Capitalised interests for the current year	Accumulated capitalised interests as at 31 December 2023
Enshi- Enshi Dashaba Phase I and Phase II (Tanjiaba) Sewage Treatment Plant and Supporting Pipeline Project	–	555,371	555,371	–	–	–
Karamay Capital- Karamay South Suburb Sewage Treatment Plant Project	–	393,916	393,916	–	–	–
Jiayuan Kaichuang - No. 1 energy station concession project in Tianjin Houtai Park	92,733	86,624	179,357	420	1,413	1,833
Jiayuan Shengchuang-No. 2 energy station project in Tianjin Houtai Scenic Area	68,724	60,439	129,163	–	–	–
Hanshan Capital- Hanshan County Sewage Treatment Plant Phase II Project	–	98,662	98,662	–	–	–
Others	13,963,773	95,035	14,058,808	105,163	2,661	107,824
Total	14,125,230	1,290,047	15,415,277	105,583	4,074	109,657

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

(a) *Concession rights* (Continued)

- (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 2023, concession rights with cost of RMB 393 million (31 December 2022: RMB 275 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 2023	Forecast period growth rates	Terminal growth rates	Discount rates
Jiayuan Kaichuang - No. 1 energy station project in Tianjin Houtai Park	179,357	23.63%	2.2%	11%
Jiayuan Shengchuang-No. 2 energy station project in Tianjin Houtai Scenic Area	129,163	19.03%	2.2%	11%
Enshi- Enshi Dashaba Phase I and Phase II (Tanjiaba) Sewage Treatment Plant and Supporting Pipeline Project	71,853	15.49%	2.2%	11%
Karamay Capital- Karamay South Suburb Sewage Treatment Plant Project	12,663	20.44%	2.2%	11%
	<u>393,036</u>			

- (iii) As at 31 December 2023, the Group's concession rights with net book value of RMB 4,111 million (cost of RMB 6,825 million) (31 December 2022: net book value of RMB 3,061 million, cost of RMB 5,103 million) have been pledged as collateral for long-term borrowings of RMB 2,489 million (31 December 2022: RMB 1,559 million) (Note 4(26)(b)).
- (iv) The remaining amortisation period of concession rights ranges from 7 to 30 years.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

(b) Land use rights

As at 31 December 2023, the land use rights with net book value of RMB 77 million (cost of RMB 87 million) (31 December 2022: net book value of RMB 80 million, cost of RMB 87 million) have been mortgaged as collateral for long-term borrowings of RMB 253 million (31 December 2022: RMB 280 million) (Note 4(26)(c)).

As at 31 December 2023, the land use right included assets exchanged for non-monetary assets with a cost of RMB 5 million and a carrying amount of RMB 3 million (31 December 2022: cost of RMB 5 million and carrying amount of RMB 3 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.

(c) In 2023, the amounts of amortisation expenses charged to cost of sales and general and administrative expenses were RMB 547 million (2022: RMB 526 million) and RMB 1 million (2022: RMB 1 million), respectively.

(d) The research and development expenses of the Group in 2023 are all related to the research and development of the production process of environmental protection equipment, which are all included in profit or loss when incurred.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Goodwill

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
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	(100,255)	(84,518)	–	(184,773)
Gaoyou Compro	(85,052)	(85,244)	–	(170,296)
	<u>(185,307)</u>	<u>(169,762)</u>	<u>–</u>	<u>(355,069)</u>
Net book value –	<u>319,813</u>	<u>(169,762)</u>	<u>–</u>	<u>150,051</u>

All the goodwill has been allocated by the Group to the relevant asset group at the equity transaction date. In 2023, 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(45)).

In 2023, 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 RMB 170 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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Goodwill (Continued)

The main assumptions applied by the Group in calculating discounted future cash flows in 2023 are as follows:

	Jiangsu Yonghui	Gaoyou Compro
Revenue growth rates in the forecast period	0% – 29.07%	0% – 34.72%
Terminal growth rates	0%	0%
Gross profit margin	10.66% – 34.12%	10.50% – 33.24%
Pre-tax discount rates	10.31%	10.74%

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% – 19.28%	0% – 28.50%
Terminal growth rates	0%	0%
Gross profit margin	25.96% – 40.75%	26.00% – 40.89%
Pre-tax discount rates	10.32%	10.96%

(16) Deferred tax assets and liabilities

(a) Deferred tax assets before offsetting

	31 December 2023		31 December 2022	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for credit impairment	307,678	70,083	229,422	53,685
Sewage water processing services on instalment	225,124	55,510	231,423	52,708
Accrued expenses	35,374	8,842	22,557	5,637
Deductible losses	26,818	6,066	14,211	2,503
Recognition of concession gains in financial asset model	9,976	1,193	13,377	2,221
Lease liabilities	6,828	1,413	8,265	1,691
	611,798	143,107	519,255	118,445
Including:				
Expected to be recovered within one year (inclusive)		24,346		17,768
Expected to be recovered after one year		118,761		100,677
		143,107		118,445

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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 2023	31 December 2022
Deductible temporary differences – provision for asset impairment	564,083	394,330
Deductible losses	172,479	174,392
Deductible temporary differences – provision for credit impairment	34,457	36,519
Share-based payment	17,348	13,425
	<u>788,367</u>	<u>618,666</u>

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

	31 December 2023	31 December 2022
2023	–	2,369
2024	16,011	23,106
2025	14,775	20,034
2026	74,550	74,550
2027	54,334	54,333
2028	12,809	–
	<u>172,479</u>	<u>174,392</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred tax assets and liabilities (Continued)

(c) *Deferred tax liabilities before offsetting*

	31 December 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Amortisation of intangible assets	554,052	138,513	580,112	145,028
Business combinations involving entities not under common control	93,388	23,348	96,298	24,073
Recognition of concession gains in financial asset model	139,150	34,787	105,430	26,357
Right-of-use assets	6,671	1,667	8,247	1,678
	<u>793,261</u>	<u>198,315</u>	<u>790,087</u>	<u>197,136</u>
Including:				
Expected to be recovered within one year (inclusive)		13,778		8,710
Expected to be recovered after one year		<u>184,537</u>		<u>188,426</u>
		<u>198,315</u>		<u>197,136</u>

(d) *The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:*

	31 December 2023		31 December 2022	
	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting
Deferred tax assets	(111,026)	32,081	(111,047)	7,398
Deferred tax liabilities	<u>(111,026)</u>	<u>87,289</u>	<u>(111,047)</u>	<u>86,089</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Other non-current assets

	31 December 2023	31 December 2022
Input VAT to be deducted	215,419	201,456
Contract assets (a)	138,336	92,851
Prepayment for construction projects	56,734	26,965
Prepayment for equipment	–	94,365
Others	5,000	7,142
	<u>415,489</u>	<u>422,779</u>
Less: Provision for impairment of contract assets (a)	<u>(1,891)</u>	<u>(1,900)</u>
	<u>413,598</u>	<u>420,879</u>

(a) The Group measures the provision for losses for contract assets based on lifetime expected credit losses, regardless of whether there are significant financing components. At 31 December 2023 and 31 December 2022, the Group did not have any provision for losses based on an individual basis. The provisions of contract assets by group is analyzed as follows:

(i) As at 31 December 2023, the analysis of contract assets provisioned bad debts by group is as below:

	Carrying amount	Lifetime ECL rate	Provision	Reason
Concession rights	<u>138,336</u>	1.37%	<u>(1,891)</u>	Expected credit loss

As at 31 December 2022, the analysis of contract assets provisioned bad debts by group is as below:

	Carrying amount	Lifetime ECL rate	Provision	Reason
Concession rights	<u>92,851</u>	2.05%	<u>(1,900)</u>	Expected credit loss

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Provision for asset impairment and losses

	31 December 2022	Increase in the current year	Decrease in the current year		31 December 2023
			Reversal	Write-off	
Provision for bad debts of accounts receivable	214,573	95,138	(3,239)	–	306,472
Including: Individual provision for bad debts Group					
provision for bad debts	157,760	8,130	(2,340)	–	163,550
Provision for bad debts on a collective basis	56,813	87,008	(899)	–	142,922
Provision for impairment of other receivables	230	191	(121)	–	300
Provision for bad debts of long-term receivables (including current portion of non-current assets)	51,138	–	(16,387)	–	34,751
Sub-total	265,941	95,329	(19,747)	–	341,523
Provision for impairment of intangible assets	151,700	–	–	–	151,700
Provision for impairment of goodwill	185,307	169,762	–	–	355,069
Provision for impairment of other non-current assets	1,900	–	(9)	–	1,891
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	394,330	169,762	(9)	–	564,083

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Short-term borrowings

	31 December 2023	31 December 2022
Unsecured	1,531	1,001
Guaranteed	<u>461</u>	<u>—</u>
	<u>1,992</u>	<u>1,001</u>

(a) As at 31 December 2023, the Group had no overdue short-term borrowings, and the weighted average interest rate of short-term borrowings was 3.85% per annum (31 December 2022: 4.90%).

(b) As at 31 December 2023, no interest expense was accrued from the balance of short-term borrowings on an accrual basis (31 December 2022: RMB 1 thousand).

(20) Accounts payable

	31 December 2023	31 December 2022
Accounts payable (a)	<u>668,888</u>	<u>511,159</u>

(a) As at 31 December 2023, accounts payable aged over one year were approximately RMB 200 million (31 December 2022: RMB 123 million), mainly representing payables for source water of RMB 96 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 RMB 27 million from the subsidiary Tianjin Water Recycling Co., Ltd. The settlement for the pipeline connection project was still pending as agreed in the contract.

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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 2023	31 December 2022
Within 1 year	469,193	387,931
Over 1 year	199,695	123,228
	<u>668,888</u>	<u>511,159</u>

(21) Contract liabilities

	31 December 2023	31 December 2022
For pipeline connection service	388,655	487,613
For hazard waste treatment	11,362	15,686
Others	11,763	10,172
	<u>411,780</u>	<u>513,471</u>

In 2023, the amount of RMB 265 million (2022: RMB 268 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 2023	31 December 2022
Short-term employee benefits payable (a)	101,306	92,714
Defined contribution plans payable (b)	4,962	332
	<u>106,268</u>	<u>93,046</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Employee benefits payable (Continued)

(a) Short-term employee benefits

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Wages and salaries, bonus, allowances and subsidies	80,103	263,394	(256,679)	86,818
Staff welfare	128	15,259	(15,302)	85
Social security contributions	280	28,637	(27,427)	1,490
Including: Medical insurance	280	26,744	(25,622)	1,402
Work injury insurance	–	1,155	(1,067)	88
Maternity insurance	–	738	(738)	–
Housing funds	58	72,980	(73,032)	6
Labour union funds and employee education funds	12,145	8,711	(7,949)	12,907
	<u>92,714</u>	<u>388,981</u>	<u>(380,389)</u>	<u>101,306</u>

(b) Defined contribution plans

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Basic pensions	321	49,540	(45,908)	3,953
Unemployment insurance	11	2,027	(1,914)	124
Annuity	–	18,137	(17,252)	885
	<u>332</u>	<u>69,704</u>	<u>(65,074)</u>	<u>4,962</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.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Taxes payable

	31 December 2023	31 December 2022
Corporate income tax payable	39,849	22,213
Unpaid VAT	21,784	24,046
Others	7,480	7,805
	<u>69,113</u>	<u>54,064</u>

(24) Other payables

	31 December 2023	31 December 2022
Construction costs payable	717,087	608,197
Payable for purchases of fixed assets and intangible assets	132,980	66,999
Payable for the old Dongjiao sewage plant's assets transfer (a)	68,300	68,300
Guarantee deposits payable	41,550	50,086
Dividends payable to non-controlling shareholders	7,024	3,557
Others	69,533	99,982
	<u>1,036,474</u>	<u>897,121</u>

As at 31 December 2023, other payables of RMB 468 million (31 December 2022: RMB 726 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) In accordance with the obligations stipulated in the compensation contract for the Tianjin Land Consolidation Reserve Project, the company will use the funds collected during the land leveling process of the Dongjiao Sewage Treatment Plant (old plant) for the expenses of this project in the future.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Current portion of non-current liabilities

	Note	31 December 2023	31 December 2022
Long-term borrowings to be settled within one year	4(26)	1,715,529	1,227,811
Interest payable for the debentures to be settled within one year	4(27)	263,168	13,168
Long-term payables to be settled within one year	4(29)	28,577	31,670
Lease liabilities to be settled within one year	4(28)	3,652	3,822
		<u>2,010,926</u>	<u>1,276,471</u>

(26) Long-term borrowings

		31 December 2023	31 December 2022
Long-term borrowings			
– Unsecured		2,759,987	3,022,411
– Guaranteed (a)		2,550,226	2,527,349
– Pledged (b)		3,405,147	2,463,688
– Mortgaged (c)		257,794	311,668
		<u>8,973,154</u>	<u>8,325,116</u>
Less: Long-term borrowings to be settled within one year (Note 4(25))			
– Unsecured		(1,092,586)	(671,791)
– Guaranteed (a)		(217,310)	(200,114)
– Pledged (b)		(371,787)	(312,466)
– Mortgaged (c)		(33,846)	(43,440)
		<u>(1,715,529)</u>	<u>(1,227,811)</u>
		<u>7,257,625</u>	<u>7,097,305</u>

- (a) As at 31 December 2023, the long-term borrowings of RMB 2,254 million (31 December 2022: RMB 2,235 million) were guaranteed by the Company for its subsidiaries. The long-term borrowings of RMB 296 million (31 December 2022: RMB 292 million) were guaranteed by the Company and Karamay City Urban Construction Investment and Development Co., Ltd.

The interests of guaranteed borrowings are paid monthly or quarterly; and the principal will be due for repayment in the years of 2024 to 2040.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Long-term borrowings (Continued)

- (b) As at 31 December 2023, the long-term borrowings of RMB 2,489 million (31 December 2022: RMB 1,559 million) were pledged by intangible assets of the Group (Note 4(14)). The long-term borrowings of RMB 364 million (31 December 2022: RMB 392 million) were pledged by the long-term equity investment of the Group (Note 13(3)). The long-term borrowings of RMB 490 million (31 December 2021: RMB 513 million) were pledged by the long-term receivables (Note 4(8)b). The long-term borrowings of RMB 62 million (31 December 2022: Ni) were pledged by the long-term receivables (Note 4(8)b).

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

- (c) As at 31 December 2023, the long-term borrowings of RMB 130 million (31 December 2022: RMB 145 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 RMB 123 million (31 December 2022: RMB 135 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 RMB 5 million (31 December 2022: RMB 31 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 2024 to 2030.

- (d) As at 31 December 2023, the balance of long-term borrowings due within one year included the accrual of interest expenses of RMB 4.3 million. (31 December 2022: RMB 3 million)
- (e) As at 31 December 2023, the Group had no overdue long-term borrowings, and these long-term borrowings bore interest rates between 2.50% and 4.90% (31 December 2022: between 3.33% and 5.15%).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Debentures payable

	31 December 2022	Amortisation charged in the current year	31 December 2023
Debentures payable			
– Par value	880,000	–	880,000
– Transaction cost	(1,627)	1,260	(367)
	<hr/>	<hr/>	<hr/>
Sub-total	878,373	1,260	879,633
Less: Debentures payable within one year	–		(250,000)
	<hr/>		<hr/>
	878,373		629,633
	<hr/>		<hr/>

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
	<hr/>			<hr/>
	880,000			880,000
	<hr/>			<hr/>

Interest accrued/paid for the debentures is analysed as follows:

	31 December 2022	Interest provision in the current year	Interest paid in the current year	31 December 2023
Corporate debenture (a)	2,491	12,125	(12,125)	2,491
Medium-term notes (b)	10,677	24,822	(24,822)	10,677
	<hr/>	<hr/>	<hr/>	<hr/>
	13,168	36,947	(36,947)	13,168
	<hr/>	<hr/>	<hr/>	<hr/>

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

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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 RMB 250 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. At December 2023, the balance of debenture payable was RMB 250 million, which was reclassified to the non current liabilities within one year with the re-sale option of the investors at 13 October 2024.
- (b) On 26 July 2022 and 27 July 2022, the Company issued 3-year green medium-term notes at par value of RMB 630 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 2023	31 December 2022
Lease liabilities	6,828	8,265
Less: Current portion of non-current liabilities (Note 4(25))	(3,652)	(3,822)
	<u>3,176</u>	<u>4,443</u>

- (a) As at 31 December 2023, the future minimum lease payments of short-term leases adopting the practical expedient according to the new lease standard were RMB 6 million (31 December 2022: RMB 3 million), which should be paid within one year. Therefore, such amounts are not presented in lease liabilities.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Long-term payables

	31 December 2023			31 December 2022		
	Amount payable	Unrecognised financial charges	Total	Amount payable	Unrecognised financial charges	Total
Payable for assets acquisition	285,071	(115,534)	169,537	332,913	(134,940)	197,973
Payable for sale-leaseback assets	—	—	—	2,400	—	2,400
	285,071	(115,534)	169,537	335,313	(134,940)	200,373
Less: current portion of non-current liabilities (Note 4(25))			(28,577)			(31,670)
			140,960			168,703

(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%	169,537	(28,577)	140,960

As at 31 December 2023, 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 RMB 261 million, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining 18 years. The fair value of the initial recognition of the payable balance was RMB 430 million, which was calculated based on discounted future cash payments and discount rate of 5.94%.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Long-term payables (Continued)

(b) The balance of long-term payables is denominated in the following currencies:

	31 December 2023	31 December 2022
JPY	138,192	150,404
USD	31,345	47,569
RMB	—	2,400
	<u>169,537</u>	<u>200,373</u>

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

	31 December 2023	31 December 2022
JPY	212,766	236,630
USD	72,305	96,283
RMB	—	2,400
	<u>285,071</u>	<u>335,313</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 2023, long-term payables to be settled within one year amounted to RMB 29 million (31 December 2022: RMB 32 million), and were classified as current liabilities (Note 4(25)).

	31 December 2023	31 December 2022
Within 1 year	28,577	31,670
1 to 2 years	34,723	28,828
2 to 5 years	40,963	52,870
Over 5 years	65,274	87,005
	<u>169,537</u>	<u>200,373</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Deferred income

	31 December 2022	Increase in the current year	Recognised in other income	31 December 2023
Asset related government grants				
Sewage water processing project				
– Tianjin Jingu sewage water processing plant	1,053,405	–	(51,285)	1,002,120
– Tianjin Jingu sewage water processing plant upgrading project	136,920	–	(6,520)	130,400
– Tianjin Beichen sewage water processing plant upgrading project	75,600	–	(3,600)	72,000
– Tianjin Xianyang Road-upgrading project	49,627	–	(2,363)	47,264
– Tianjin Dongjiao sewage water processing plant upgrading project	34,824	–	(1,658)	33,166
– Shijiazhuang Gaocheng project	30,081	–	–	30,081
– Ningxiang upgrading project	21,476	–	(930)	20,546
– Linxia reconstruction and extension project	8,426	–	(320)	8,106
– Beishiqiao upgrading project	7,478	–	(719)	6,759
– Chibi upgrading project	7,054	–	(298)	6,756
Water recycling project				
– Jingu	182,828	–	(5,545)	177,283
– Dongjiao	18,381	–	(675)	17,706
– Beichen	16,012	–	(525)	15,487
– Xianyanglu	11,034	–	(415)	10,619
– Recycled Water Pipeline Connection Project in Tianjin City	–	20,000	–	20,000
Heating and cooling supply service project	196,842	570	(9,464)	187,948
Sub-total	1,849,988	20,570	(84,317)	1,786,241
Income related government grants				
Others	5,657	–	(619)	5,038
	1,855,645	20,570	(84,936)	1,791,279

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Other non-current liabilities

	31 December 2023	31 December 2022
Heating service subsidy	<u>28,000</u>	<u>30,000</u>

(32) Share capital

	31 December 2022	Issued in the current year	31 December 2023
Ordinary shares denominated in RMB	1,230,418	–	1,230,418
Foreign shares listed overseas	<u>340,000</u>	<u>–</u>	<u>340,000</u>
	<u>1,570,418</u>	<u>–</u>	<u>1,570,418</u>

	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>

(33) Capital surplus

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium	1,098,591	–	–	1,098,591
Other capital surplus – Share-based payment (a)	<u>12,565</u>	<u>3,637</u>	<u>–</u>	<u>16,202</u>
	<u>1,111,156</u>	<u>3,637</u>	<u>–</u>	<u>1,114,793</u>

	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)	<u>6,925</u>	<u>5,640</u>	<u>–</u>	<u>12,565</u>
	<u>437,949</u>	<u>673,207</u>	<u>–</u>	<u>1,111,156</u>

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

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) 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 RMB 6.98 and RMB 6.86 per share, respectively. The exercise price of RMB 6.86 per share was based on the exercise price of RMB 6.98 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

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Capital surplus (Continued)

(a) Share-based payment (Continued)

Statement of changes in share-based payment:

	2023 Thousand shares	2022 Thousand shares
Number of ordinary shares subject to outstanding options at the beginning of year	11,352	12,542
Number of options lapsed during the year	<u>(786)</u>	<u>(1,190)</u>
Number of ordinary shares subject to outstanding options at the end of year	<u>10,566</u>	<u>11,352</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 RMB 23 million and RMB 3 million respectively. As at 31 December 2023, due to changes in the number of participants, the fair value adjustment of share options were adjusted to RMB 18 million and RMB 2 million (2022: RMB 19 million and RMB 3 million), respectively and was recognised as general and administrative expenses and cost of sales based on the type of services provided by the participants by the participants in 2023, and the corresponding increase in capital surplus by RMB 3.6 million and minority interests by RMB 0.3 million (2022: capital surplus by RMB 5.6 million and minority interests by RMB 0.4 million).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Surplus reserve

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Statutory surplus reserve	722,389	64,196	–	786,585
	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

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.

(35) Undistributed profits

	2023	2022
Undistributed profits at the beginning of year	5,075,510	4,577,685
Add: Net profit attributable to shareholders of the Company for the year	865,207	751,254
Less: Appropriation of statutory surplus reserve (Note 4(34))	(64,196)	(45,053)
Ordinary share dividends payable (a)	(226,140)	(208,376)
Undistributed profits at the end of year	5,650,381	5,075,510

- (a) On 1 June 2023, the shareholders approved the cash dividend of RMB 1.44 (gross tax) for every 10 shares to all shareholders, totalling RMB 226 million based on 1.570 billion shares issued (Note 9). The cash dividend was totally paid in 2023.

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

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Main operations	4,410,709	2,655,270	4,294,658	2,809,978
Other operations	254,374	189,247	227,509	176,060
	<u>4,665,083</u>	<u>2,844,517</u>	<u>4,522,167</u>	<u>2,986,038</u>

(a) Revenue and cost of sales from main operations

Analysis by the nature of services is as below:

	2023		2022	
	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	3,248,863	1,930,868	3,192,788	2,071,827
Recycled water and pipeline connection	432,584	255,035	389,775	244,502
Heating and cooling supply and related facilities construction	247,625	214,779	242,050	195,907
Hazardous waste treatment	157,304	157,568	237,196	162,291
Interest income from PPP projects (i)	129,464	–	–	–
Tap water and water plant facilities construction	96,870	58,704	118,195	83,851
Environmental protection equipment customisation	23,878	21,827	46,501	39,413
Others	74,121	16,489	68,153	12,187
	<u>4,410,709</u>	<u>2,655,270</u>	<u>4,294,658</u>	<u>2,809,978</u>

- (i) For PPP projects that are accounted by financial-asset model, the Group recognizes the right to receive consideration from the authorizing party (which only depends on the passage of time) as long-term receivables, and recognizes interest income based on amortized cost using the effective interest rate method. Prior to 2022, such interest income was disclosed in the “financial expenses – net” in the income statement (Note 4 (41)). In 2023, in order to more accurately reflect the essence of the business, the Group reclassified the interest income of long-term receivable approximately RMB 129 million as “revenue”. However, considering that the corresponding interest income of RMB 142 million for the year 2022 does not have a significant impact on the financial statements, the Group has not reclassified the income statement data for the comparative period.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

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

Analysis by locations is as follows:

	2023		2022	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Tianjin	2,357,761	1,284,433	2,272,547	1,386,863
Hangzhou	202,628	105,179	316,994	189,773
Xi'an	275,743	166,338	291,288	211,419
Fuyang	219,981	143,878	272,730	187,530
Others	1,354,596	955,442	1,141,099	834,393
	<u>4,410,709</u>	<u>2,655,270</u>	<u>4,294,658</u>	<u>2,809,978</u>

(b) Revenue and cost of sales from other operations

	2023		2022	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Contract operation	158,090	133,792	171,135	146,974
Technical service	45,755	14,837	39,221	17,239
Sales of equipment	25,642	25,494	9,681	7,807
Others	24,887	15,124	7,472	4,040
	<u>254,374</u>	<u>189,247</u>	<u>227,509</u>	<u>176,060</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(c) *The Group's revenue is disaggregated as follows* (Continued)

As at 31 December 2023, 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 2023, the performance obligation regarding a signed contract of recycled water supply supporting project amounted to approximately RMB 389 million (31 December 2022: RMB 488 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 2023, the performance obligation regarding a signed contract of cooling supply services amounted to approximately RMB 36 million (31 December 2022: RMB 11 million) was not fully completed and the Group expects the related revenue of approximately RMB 11 million will be recognised in 2024 and RMB 25 million will be recognised during 2025 to 2027; the performance obligation regarding a contract of heating supply services amounted to approximately RMB 43 million (31 December 2022: RMB 13 million) was not fully completed and the Group expects the related revenue of approximately RMB 13 million will be recognised in 2024; the performance obligation regarding a contract of commissioned contract operation amounted to approximately RMB 9 million (31 December 2022: RMB 83 million) was not fully completed and the Group expects the related revenue of approximately RMB 7 million and RMB 2 million will be recognised in 2024 and 2025, respectively.

The performance obligation regarding a signed contract of tolls road service amounted to approximately RMB 323 million (31 December 2022: RMB 385 million) was not fully completed. The Group expects to recognise revenue of approximately RMB 62 million in each of the years from 2024 to 2028, and revenue of approximately RMB 13 million in 2029.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Taxes and surcharges

	2023	2022
Land use tax	22,979	22,094
Property tax	18,409	16,727
City maintenance and construction tax	1,869	2,752
Educational surcharge	833	1,237
Local educational surcharge	807	1,039
Others	2,462	1,696
	<u>47,359</u>	<u>45,545</u>

(38) Selling expenses

	2023	2022
Employee benefits	6,473	8,068
Travelling, meeting and business entertainment expenses	1,287	920
Consulting service fees	1,182	2,181
Depreciation of fixed assets	289	153
General office expenses	231	153
Others	2,009	3,070
	<u>11,471</u>	<u>14,545</u>

(39) General and administrative expenses

	2023	2022
Employee benefits	173,174	155,746
Consulting service fees	15,776	16,887
Depreciation of fixed assets	10,990	11,298
General office expenses	7,523	7,584
Repair and maintenance expenses	6,497	5,985
Travelling, meeting and business entertainment expenses	5,935	4,102
Expenses of the board of directors	4,112	3,748
Audit fees	3,700	3,700
Share-based amortisation	3,438	5,385
Other taxes	2,570	2,453
Utilities	2,413	2,306
Amortisation of intangible assets	1,198	969
Others	2,801	774
	<u>240,127</u>	<u>220,937</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Research and development expenses

	2023	2022
Employee benefits	32,231	26,797
Raw materials consumption	6,141	5,411
Consulting service fees	2,738	1,151
Depreciation of fixed assets	2,348	1,250
Repair and maintenance expenses	2,281	1,213
Utilities	1,849	3,298
Factory environment, detection and fire prevention fee	183	263
Others	5,291	4,156
	<u>53,062</u>	<u>43,539</u>

(41) Financial expenses

	2023	2022
Loan Interest expenses	394,958	406,441
Add: Interest costs on lease liabilities	381	366
Less: Amounts capitalised on qualifying assets	<u>(4,496)</u>	<u>(3,740)</u>
Interest expenses	390,843	403,067
Less: Interest income	(168,984)	(211,941)
Including: From long-term receivables	(138,186)	(192,988)
From cash at bank	(30,798)	(18,953)
Exchange gains (a)	(9,571)	(12,089)
Others	<u>854</u>	<u>1,413</u>
	<u>213,142</u>	<u>180,450</u>

- (a) In 2023, the exchange gains on the long-term payables denominated in JPY and USD were RMB 10 million (2022: RMB 12 million).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Expenses by nature

	2023	2022
Amortisation of intangible assets	548,144	526,763
Employee benefit expenses	458,685	461,946
Less: Cost in concession project assets	(2,748)	(2,426)
Utilities	413,352	465,962
Sewage mud processing expenses	329,982	285,802
Concession project construction expenses	300,725	445,874
Raw materials consumption	250,635	376,625
Repair and maintenance expenses (a)	241,645	208,275
Depreciation of fixed assets	106,893	67,534
Subcontract cost of recycling water pipeline	97,172	98,376
Factory environment, detection and fire prevention fee	72,301	58,655
Construction cost of environmental protection project	69,605	54,546
Network maintenance costs	57,611	49,625
Consulting service fees	45,412	44,493
Travelling, meeting and business entertainment expenses	27,440	26,786
General office expenses	11,525	12,332
Toll road management fee	7,120	7,120
Depreciation of right-of-use assets	4,771	3,938
Expenses of the board of directors	4,112	3,748
Share-based amortisation	3,923	6,055
Audit fees	3,700	3,700
Other taxes	2,744	2,619
Others	94,428	56,711
	<u>3,149,177</u>	<u>3,265,059</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.

(43) Other income

	2023	2022
Government grants (a)	95,010	97,000
VAT refund	1,755	8,431
Subsidy for withholding individual income tax	59	40
	<u>96,824</u>	<u>105,471</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Other income (Continued)

(a) Details of government grants

	2023	2022
Government grants - Deferred income (Note 4(30))		
Sewage water processing project		
– Tianjin Jingu sewage water processing plant	51,285	51,285
– Tianjin Jingu sewage water processing plant upgrading project	6,520	6,520
– Tianjin Beichen sewage water processing plant upgrading project	3,600	3,600
– Tianjin Xianyang Road-upgrading project	2,363	2,363
– Tianjin Dongjiao sewage water processing plant upgrading project	1,658	1,658
Others	2,267	2,666
Water recycling project		
– Jingu	5,545	5,549
– Others	1,615	1,628
Heating and cooling supply service project	9,464	9,576
	<hr/>	<hr/>
Sub-total	84,317	84,845
	<hr/>	<hr/>
Government grants - Income related (Note 4(30))		
Others	619	1,213
	<hr/>	<hr/>
Government grants - One-off		
Tax subsidy	9,101	2,505
Others	973	8,437
	<hr/>	<hr/>
Sub-total	10,074	10,942
	<hr/>	<hr/>
Total government grants	95,010	97,000
	<hr/>	<hr/>

(44) Provision for/(reversal of) credit impairment losses

	2023	2022
(Reversal of)/Provision for bad debts of long-term receivables	(16,387)	10,903
Losses on bad debts of accounts receivable	91,899	43,807
Provision for/(reversal of) bad debts of other receivables	70	(700)
	<hr/>	<hr/>
	75,582	54,010
	<hr/>	<hr/>

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

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Asset impairment losses

	2023	2022
Provision for impairment of goodwill (Note 4(15))	169,762	85,648
Provision for impairment of intangible assets	–	22,066
Reversal of impairment of other non-current assets	(9)	(1,260)
	<u>169,753</u>	<u>106,454</u>

(46) Gains/(losses) on disposals of assets

	2023	2022	Classified as non-recurring profit or loss for 2023
Gains/ (losses) on scrapping of fixed assets	<u>24</u>	<u>(2,558)</u>	<u>24</u>

(47) Non-operating income

	2023	2022	Classified as non-recurring profit or loss for 2023
Receiving of compensation	5,523	1,098	5,523
Others	<u>610</u>	<u>559</u>	<u>610</u>
	<u>6,133</u>	<u>1,657</u>	<u>6,133</u>

(48) Non-operating expenses

	2023	2022	Classified as non-recurring profit or loss for 2023
Donation	2,150	800	2,150
Losses on scrapping of fixed assets	25	7	25
Others	<u>408</u>	<u>1,513</u>	<u>408</u>
	<u>2,583</u>	<u>2,320</u>	<u>2,583</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(49) Income tax expenses

	2023	2022
Current income tax calculated according to tax laws	226,250	178,428
Deferred income tax	(23,483)	(21,735)
	<u>202,767</u>	<u>156,693</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:

	2023	2022
Total profit	<u>1,106,210</u>	<u>969,298</u>
Income tax expenses calculated at statutory rate of 25%	276,552	242,325
Effect of preferential tax rates	(106,863)	(89,520)
Income not subject to tax	(27,604)	(51,557)
Costs, expenses and losses not deductible for tax purposes	30,991	35,820
Utilisation of previously unrecognised deductible temporary differences	–	(2,958)
Utilisation of previously unrecognised deductible losses	(2,088)	(2,258)
Deductible temporary differences for which no deferred tax asset was recognised	25,691	16,221
Deductible losses for which no deferred tax asset was recognised	<u>6,088</u>	<u>8,620</u>
Income tax expenses	<u>202,767</u>	<u>156,693</u>

(50) 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 RMB 865 million (2022: RMB 751 million) and weighted average number of ordinary shares of 1,570 million shares in issue during the year (2022: 1,468 million shares).

	2023	2022
Consolidated net profit attributable to ordinary shareholders of the Company	865,207	751,254
Weighted-average number of ordinary shares in issue (thousand shares)	1,570,418	1,467,635
Basic earnings per share (RMB Yuan)	<u>0.55</u>	<u>0.51</u>
Including:		
– Basic earnings per share for continuing operations	0.55	0.51
– Basic earnings per share for discontinued operations	<u>–</u>	<u>–</u>

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) 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 2023, 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 (2022: Nil). Therefore, diluted earnings per share equal to basic earnings per share.

(51) Notes to the cash flow statement

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

	2023	2022
Net profit	<u>903,443</u>	<u>812,605</u>
Adjust for:		
Asset impairment losses	169,753	106,454
Provision for credit impairment losses	75,582	54,010
Depreciation of right-of-use assets	4,771	3,938
Depreciation of fixed assets	106,893	67,534
Amortisation of intangible assets	548,144	526,763
Losses on scrapping of fixed assets	25	7
(Gains)/losses on disposals of fixed assets	(24)	2,558
Financial expenses - net	381,272	390,978
Share-based amortisation	3,923	6,055
Investment losses	4,258	3,601
Amortisation of deferred income	(84,936)	(86,058)
(Increase)/ decrease in deferred tax assets	(24,683)	11,870
Increase/ (decrease) in deferred tax liabilities	1,200	(33,605)
Increase in inventories	(4,541)	(9,316)
Increase in operating receivables	(982,046)	(959,972)
Increase/ (decrease) in operating payables	<u>(111,019)</u>	<u>14,629</u>
Net cash flows from operating activities	<u>992,015</u>	<u>912,051</u>

(b) Cash presented in the cash flow statement includes:

	31 December 2023	31 December 2022
Cash on hand	1	3
Cash at bank that can be readily drawn on demand	<u>2,571,361</u>	<u>3,188,341</u>
Cash presented in the cash flow statement	<u>2,571,362</u>	<u>3,188,344</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(51) Notes to the cash flow statement (Continued)

(c) Cash received relating to other operating activities

	2023	2022
Government grants received	30,843	18,754
Interest income from cash at bank	30,798	18,953
Deposit on project bids received	–	5,409
Others	15,491	9,010
	<u>77,132</u>	<u>52,126</u>

(d) Cash paid relating to other operating activities

	2023	2022
Consulting service fees	16,958	19,068
General office expenses	7,754	7,737
Travelling, meeting and business entertainment expenses	7,222	5,022
Repair and maintenance expenses	6,797	5,985
Deposit on project bids paid	3,881	4,812
Expenses of the board of directors	4,112	3,748
Donations	2,150	–
Financial expenses	854	1,413
Others	7,128	6,071
	<u>56,856</u>	<u>53,856</u>

(e) Cash received relating to other financing activities

	2023	2022
Loans from minority shareholders	1,000	–
	<u>1,000</u>	<u>–</u>

(f) Cash paid relating to other financing activities

	2023	2022
Payment of assets acquisition	35,129	30,646
Payment of deposit of loans	5,513	–
Payment of lease liabilities	5,013	1,177
Payment of assets sale-leaseback	2,400	6,200
	<u>48,055</u>	<u>38,023</u>

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

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(51) Notes to the cash flow statement (Continued)

(g) Net cash received from disposals of fixed assets

	2023	2022
Carrying amount of disposals of fixed assets	688	4,637
Losses on disposals of subsidiaries	–	(1,707)
Losses on scrapping of fixed assets	(25)	(7)
Gains/(losses) from disposals of fixed assets	24	(2,558)
	<u>687</u>	<u>365</u>

(h) Changes in liabilities arising from financing activities

	Borrowing from banks (Including expiration within one year)	Debenture payable (Including expiration within one year)	Lease liabilities (Including expiration within one year)	Others (Including expiration within one year)	Total
31 December 2022	8,326,117	891,541	8,265	200,863	9,426,786
Net cash flow from financing activities	308,542	(36,947)	(5,013)	(36,529)	230,053
Interest expenses	340,487	36,947	381	–	377,815
Non-cash changes	–	1,260	3,195	16,264	20,719
Others	–	–	–	(9,571)	(9,571)
	<u>8,975,146</u>	<u>892,801</u>	<u>6,828</u>	<u>171,027</u>	<u>10,045,802</u>
31 December 2023	8,975,146	892,801	6,828	171,027	10,045,802

(52) Monetary items denominated in foreign currencies

	31 December 2023		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand – HKD	<u>9,525</u>	<u>0.9062</u>	<u>8,632</u>
Long-term payables – USD	4,426	7.0827	31,345
JPY	2,752,829	0.0502	<u>138,192</u>
			<u>169,537</u>

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

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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 Jiming 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	212,951	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	65,910	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
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

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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	
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 Tanchuang 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 Tanchuang 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
Karamay Capital Water Co., Ltd.	Wholly owned	Limited Liability Company	Karamay	Karamay	Sewage water processing	113,873	100	-	Capital contribution
Enshi Capital Water Co., Ltd.	Controlling	Limited Liability Company	Enshi	Enshi	Sewage water processing	170,861	95	-	Capital contribution
Tianjin Tanchuang Environmental Technology Co., Ltd.	Wholly owned	Limited Liability Company	Tianjin	Tianjin	Technical services and development, consulting and transfer services, promotion services.	20,000	100	-	Capital contribution
Hanshan Capital Water Co., Ltd.	Controlling	Limited Liability Company	Ma'anshan	Ma'anshan	Sewage water processing	91,224	51	-	Capital contribution

In 2023, the Company invested RMB 114 million to establish the subsidiary Karamay Capital Water Co., Ltd. and RMB 20 million to establish the subsidiary Tianjin Tanchuang Environmental Technology Co., Ltd. with equity interests of 100%. The Company invested RMB 162 million to establish the subsidiary Enshi Capital Water Co., Ltd. with equity interests of 95% and RMB 16million to establish the subsidiary Hanshan Capital Water Co., Ltd. with equity interests of 51%.

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

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5 EQUITY IN OTHER ENTITIES (Continued)

(2) Subsidiaries with significant minority interests

Comprehensively considering the factors such as whether the subsidiary is a listed company, the proportion of minority shareholder equity to the consolidated shareholder equity of the Group, and the proportion of minority shareholder gains and losses to the consolidated net profit of the Group, the Group recognized the subsidiaries with significant minority shareholder equity, which are as follows:

Name	Minority interests	Minority interests for 2023	Declared dividends distribution to minority interests for 2023	Minority interests as at 31 December 2023
Bayannur Company	30%	382	(5,572)	320,871
Hangzhou Company	30%	20,247	(31,962)	210,229
Guojin Company	41%	6,572	–	103,077
Shandong Company	45%	(4,615)	–	58,248
Caring Company	40%	5,831	–	56,041

Major financial information of material non-wholly-owned subsidiaries of the Group is listed below:

	31 December 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bayannur Company	48,491	1,062,662	1,111,153	30,157	11,427	41,584
Hangzhou Company	313,337	496,776	810,113	54,789	54,561	109,350
Guojin Company	111,577	303,226	414,803	72,298	91,097	163,395
Shandong Company	99,811	229,460	329,271	89,830	110,000	199,830
Caring Company	221,753	10,982	232,735	92,510	123	92,633
	<u>794,969</u>	<u>2,103,106</u>	<u>2,898,075</u>	<u>339,584</u>	<u>267,208</u>	<u>606,792</u>

	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>

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

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5 EQUITY IN OTHER ENTITIES (Continued)

(2) Subsidiaries with significant minority interests (Continued)

	2023			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
Bayannur Company	81,899	1,242	1,242	10,311
Hangzhou Company	276,252	67,465	67,465	183,006
Guojin Company	59,441	15,915	15,915	(7,277)
Shandong Company	42,217	(10,278)	(10,278)	3,049
Caring Company	176,932	14,418	14,418	21,861
	<u>636,741</u>	<u>88,762</u>	<u>88,762</u>	<u>210,950</u>

	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>

(3) Non-essential information of associates

	2023	2022
Total book value of investment	188,650	193,108
Aggregate of the following items in proportion		
Net loss (a)	(4,458)	(1,892)
Other comprehensive income (a)	—	—
Total comprehensive income	<u>(4,458)</u>	<u>(1,892)</u>

- (a) The net profit and other comprehensive income have taken into account the impacts of both the fair value 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

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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 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

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6 SEGMENT INFORMATION (Continued)

(1) Segment information as at and for the year ended 31 December 2023 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(36))	1,620,237	275,743	1,482,346	432,584	247,625	96,870	23,878	485,800	4,665,083
Cost of sales	(792,557)	(166,338)	(971,974)	(255,035)	(214,779)	(58,704)	(21,827)	(363,303)	(2,844,517)
Interest income (Note 4(41))	150,195	3,818	3,096	2,491	1,953	4,570	848	2,013	168,984
Interest expenses (Note 4(41))	(255,665)	(2,021)	(95,815)	(23)	(2,040)	(4,474)	–	(30,805)	(390,843)
Results before share of profits of an associate	593,418	97,393	282,509	183,253	33,963	25,903	91	(105,862)	1,110,668
Segment total profit/(loss)	593,418	97,393	282,509	183,253	33,963	25,903	91	(110,320)	1,106,210
Income tax expenses	(69,606)	(30,360)	(39,430)	(39,021)	(8,948)	(4,708)	(65)	(10,629)	(202,767)
Segment net profit/(loss)	523,812	67,033	243,079	144,232	25,015	21,195	26	(120,949)	903,443
Net profit									<u>903,443</u>
Depreciation expenses	(57,362)	–	(5,317)	(15,317)	(2,470)	(235)	(138)	(30,825)	(111,664)
Amortisation	(162,166)	(58,693)	(245,971)	(9,786)	(25,036)	(16,296)	–	(30,196)	(548,144)
Segment assets	10,122,650	810,113	9,044,724	929,004	942,288	529,137	8,998	1,885,090	24,272,004
Equity investments in associate									<u>188,650</u>
Total assets									<u>24,460,654</u>
Total liabilities	(7,430,900)	(109,350)	(4,652,276)	(903,982)	(466,368)	(103,450)	(18,659)	(559,908)	(14,244,893)
Addition of non-current assets (a)	466,275	–	1,157,792	162,545	150,725	250	–	130,893	2,068,480

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 2023
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6 SEGMENT INFORMATION (Continued)

(2) 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 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(36))	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(41))	57,294	478	132,231	4,130	1,970	6,061	1,090	8,687	211,941
Interest expenses (Note 4(41))	(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									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

(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 RMB 1,547 million is derived from a single customer, accounting for 33% of the Group's total revenue (2022: RMB 1,454 million, 32%).

(b) Other segment losses included a goodwill impairment loss of RMB 170 million (2022: RMB 86 million).

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

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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 2022	Increase in the current year	Decrease in the current year	31 December 2023
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 2023		31 December 2022	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Tianjin Municipal Investment Co., Ltd.	45.57%	45.57%	45.57%	45.57%

(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

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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 Chengtou 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	2023	2022
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Expenses for project engineering measurement	70,929	67,596
Tianjin Environmental Investment Green Engineering Co., Ltd.	Expenses for project engineering measurement	39,918	13,458
Tianjin Infrastructure Investment Group	Sewage mud processing expenses	21,722	83,063
Tianjin Infrastructure Investment Group	Contracted operating expenses	16,881	11,407
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Consulting expenses	10,870	9,875
Tianjin Environmental Construction Investment Co., Ltd.	Investment expenses for project equipment	–	103,548
		160,320	288,947

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Rendering of services

Related parties	Nature of transaction	2023	2022
Tianjin Lecheng Properties Co., Ltd.	Heating and cooling supply income	25,701	27,486
Tianjin Infrastructure Investment Group	Revenue from contract operation	13,791	52,735
		<u>39,492</u>	<u>80,221</u>

(c) Sale-leaseback

Related parties	Type of the leased assets	2023	2022
Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	Fixed assets	–	2,400
		<u>–</u>	<u>2,400</u>

(d) Asset acquisition

Related parties	Nature of transaction	2023	2022
Tianjin Infrastructure Investment Group	Asset acquisition	471,826	–
		<u>471,826</u>	<u>–</u>

(e) Remuneration of key management

	2023	2022
Remuneration of key management	10,606	13,497
Share-based incentive payment	147	277
	<u>10,753</u>	<u>13,774</u>

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Balances of receivables from and payables to related parties

(a) Receivables from related parties

	Related parties	31 December 2023		31 December 2022	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Tianjin Infrastructure Investment Group	94,969	(54,401)	121,368	(15,177)
	Tianjin Lecheng Properties Co., Ltd.	5,594	(99)	5,641	(59)
	Tianjin City Resource Operation Co., Ltd.	—	—	1,200	(1,200)
		<u>100,563</u>	<u>(54,500)</u>	<u>128,209</u>	<u>(16,436)</u>

The receivables from related parties arose from the daily business operations and were unsecured and bore no interest.

(b) Payables to related parties

		31 December 2023	31 December 2022
Accounts payable	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	65,965	33,027
	Tianjin Infrastructure Investment Group	15,205	11,632
	Tianjin Environmental Investment Green Engineering Co., Ltd.	32,266	14,163
		<u>113,436</u>	<u>58,822</u>
Other payable	Tianjin Infrastructure Investment Group	47,183	—
Current portion of non-current liabilities	Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	—	2,400

(c) Advances to related parties

		31 December 2023	31 December 2022
Advances to suppliers	Tianjin Infrastructure Investment Group	—	104,066

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

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

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors

(a) Directors' emoluments

The emoluments of directors of the Company for the year ended 31 December 2023 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:								
Ji Guanglin (i)	-	-	-	-	-	-	-	-
Executive directors:								
Li Yang	-	429	96	765	131	96	1,517	250
Jing Wanying	-	54	14	393	21	51	533	250
Independent directors:								
Liu Fei (ii)	59	-	-	-	-	-	59	-
Xue Tao	101	-	-	-	-	-	101	-
Wang Shanggan	101	-	-	-	-	-	101	-
Tian Liang (ii)	42	-	-	-	-	-	42	-
	<u>303</u>	<u>483</u>	<u>110</u>	<u>1,158</u>	<u>152</u>	<u>147</u>	<u>2,353</u>	<u>500</u>

- (i) The emolument of the Chairman Mr. Ji Guanglin for services rendered to the Group in 2023 was borne by Tianjin Infrastructure Investment Group. The emolument of Mr. Ji Guanglin was not distributed to the Group due to that management considered that there was no reasonable benchmark for distribution. The directors of the Company consider that such matter does not exert a significant impact on the Group's consolidated financial statements and the Company's financial statements for the year ended 31 December 2023.

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

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

- (ii) The independent director Tian Liang resigned On 27 March 2023, and Liu Fei was appointed as the independence director on 28 March 2023.

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	-	213	45	365	92	-	715	-
Ji Guanglin	-	-	-	-	-	-	-	-
Executive directors:								
Li Yang	-	107	21	482	40	127	777	250
Jing Wanying	-	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	31	-	-	-	-	-	31	-
Wang Shanggan	31	-	-	-	-	-	31	-
Tian Liang	31	-	-	-	-	-	31	-
Guo Yongqing	134	-	-	-	-	-	134	-
Xu Zhiming	134	-	-	-	-	-	134	-
Lu Yingying	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>

	Emoluments paid in respect of services as a director of the Company or subsidiaries	
	2023	2022
Directors' emoluments	<u>2,353</u>	<u>3,821</u>

In 2023, the Group had no waiver of remuneration by the directors (2022: 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 2023
(All Amounts In RMB thousand unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Five highest paid individuals

In 2023, the five individuals whose emoluments were the highest in the Group for the year (excluding share-based payment) included one (2022: two) directors whose emoluments are reflected in the analysis shown in Note 7(8)(a).

The emoluments to the remaining four (2022: three) highest paid individuals during the year are as follows:

	2023	2022
Salaries, housing subsidy and other subsidies	1,289	740
Bonus	2,038	1,405
Social security costs	523	362
Pension costs – defined contribution plans	382	179
	<u>4,232</u>	<u>2,686</u>
	Number of individuals	
	2023	2022
Emolument bands (in HKD)		
HKD 500,000-1,000,000	1	1
HKD 1,000,000-1,500,000	<u>3</u>	<u>2</u>

8 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 2023	31 December 2022	31 December 2023	31 December 2022
	RMB million	RMB million	RMB million	RMB million
Intangible assets – Concession				
– Heating and cooling supply	95	109	–	–
– Sewage processing project	353	76	–	–
Jinnan sludge treatment project	–	334	–	–
Fixed assets project	247	171	–	–
	<u>695</u>	<u>690</u>	<u>–</u>	<u>–</u>

(2) Investment commitments

Pursuant to the resolution of the 23rd meeting of the 9th Board of Directors on 24 November 2023, the Company will establish Tianjin Tianchuang Shengcheng New Energy Co., Ltd. The registered capital is RMB32.24 million, which shall be 100% contributed by the Company.

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

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9 EVENTS AFTER THE BALANCE SHEET DATE

- (1) At the 26th meeting of the 9th Board of Directors on 16 January 2024, the company deliberated and approved the *Proposal on Deliberating Investment in the Transfer of Franchise Rights for Weng'an County Phase II and Phase III Sewage Treatment Plants and Establishing a Project Company*. The proposal approved the establishment of a project company (tentatively named Weng'an Capital Water Co., Ltd.) with its own funds RMB51,987, which is responsible for investment and financing, operation and maintenance, and the transfer of concession rights for Weng'an County Phase II and Phase III sewage treatment plants.
- (2) At the 27th meeting of the 9th Board of Directors on 26 January 2024, 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 RMB 6.98 to RMB 6.69 per share.
- (3) Dividends

	Amount
Proposed cash dividends(a)	260,689
Dividends declared upon deliberation and approval	226,140

- (a) On 22 March 2024, the Board of Directors resolved to propose to the Board of Shareholders a cash dividend of RMB 261 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(35)(a)).

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

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10 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.

(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 2023, 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 RMB 2 million (31 December 2022: RMB 2 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 RMB 9 million (31 December 2022: RMB 10 million) higher/lower.

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 2023
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10 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(1) Market risk (Continued)

(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 2023, the Group's long-term interest bearing borrowings were USD-denominated borrowings with floating rates linked to six-month LIBOR of RMB 31 million (Note 4(29)). As at 31 December 2023, 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 2023 and 2022, the Group did not enter into any interest rate swap agreements.

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

	Fixed interest rate	Floating interest rate	Total
31 December 2023			
Short-term borrowings	1,992	–	1,992
Current portion of non-current liabilities:			
Long-term borrowings to be settled within one year	217,865	1,497,664	1,715,529
Long-term payables to be settled within one year	12,174	16,403	28,577
Debentures payable and interest to be settled within one year	263,168	–	263,168
Long-term borrowings	377,453	6,880,172	7,257,625
Long-term payables	126,019	14,941	140,960
Debentures payable	629,633	–	629,633
Other current liabilities	1,490	–	1,490
	<u>1,629,794</u>	<u>8,409,180</u>	<u>10,038,974</u>
Total	1,629,794	8,409,180	10,038,974

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

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10 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

	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	<u>1,766,485</u>	<u>7,652,036</u>	<u>9,418,521</u>

As at 31 December 2023, 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 RMB 98 million (At 31 December 2022: RMB 71 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.

(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 2023, the Group had no significant collateral or other credit enhancements held as securities from debtors (31 December 2022: Nil).

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

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

	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
Lease liabilities	36,947	36,947	903,791	–	977,685	891,541
Debentures payable	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>

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

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10 FINANCIAL INSTRUMENTS AND RISKS (Continued)

(3) Liquidity risk (Continued)

(b) Repayment periods for bank borrowings and other borrowings

	31 December 2023		31 December 2022	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	1,717,521	293,235	1,228,812	45,328
1 to 2 years	1,613,891	658,261	2,105,761	28,828
2 to 5 years	2,929,339	36,091	2,877,685	931,243
Over 5 years	2,714,395	76,241	2,113,859	87,005
	<u>8,975,146</u>	<u>1,063,828</u>	<u>8,326,117</u>	<u>1,092,404</u>

11 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

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11 FAIR VALUE ESTIMATES (Continued)

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

As at 31 December 2023 and 31 December 2022, 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

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12 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 2023	31 December 2022
Total borrowings	10,038,974	9,418,521
– Short-term borrowings	1,992	1,001
– Long-term borrowings	8,973,154	8,325,116
– Debentures payable	892,801	891,541
– Long-term payables	169,537	200,373
– Other current liabilities	1,490	490
Less: Cash and cash equivalents	(2,571,362)	(3,188,344)
Net debt	<u>7,467,612</u>	<u>6,230,177</u>
Total Equity	<u>10,215,761</u>	<u>9,502,293</u>
Total capital	<u>17,683,373</u>	<u>15,732,470</u>
Gearing ratio	<u>42%</u>	<u>40%</u>

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

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13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	31 December 2023	31 December 2022
Accounts receivable	1,368,281	1,237,270
Less: Provision for bad debts	<u>(109,348)</u>	<u>(69,015)</u>
	<u>1,258,933</u>	<u>1,168,255</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 2023	31 December 2022
Within 1 year	1,172,309	1,085,069
1 to 2 years	46,809	54,782
2 to 3 years	52,944	51,923
3 to 4 years	51,923	11,979
4 to 5 years	11,979	13,141
Over 5 years	<u>32,317</u>	<u>20,376</u>
Total	<u>1,368,281</u>	<u>1,237,270</u>

(b) As at 31 December 2023, 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>1,316,526</u>	<u>(93,009)</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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 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 2023

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts	Reason
Tianjin Water Authority Bureau	1,142,144	0.18%	(2,087)	Note 4(3)(c)(i)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,454	63.64%	(18,109)	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 Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)	Note 4(3)(c)(i)
Total	1,201,323		(50,921)	

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(1) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

	31 December 2023			31 December 2022		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rates	Amount		ECL rates	Amount
Group 3 – Government clients						
Overdue within 1 to 180 days	–	0.00%	–	3,906	2.07%	(81)
Overdue over 180 days	94,295	57.27%	(54,002)	94,295	15.71%	(14,818)
	<u>94,295</u>		<u>(54,002)</u>	<u>98,201</u>		<u>(14,899)</u>
Group 4 – Other clients						
Not overdue	10,934	1.77%	(193)	42,646	0.90%	(386)
Overdue within 1 to 90 days	45,945	5.76%	(2,645)	9,693	1.79%	(173)
Overdue over 90 days	15,784	10.05%	(1,587)	8,058	9.47%	(763)
	<u>72,663</u>		<u>(4,425)</u>	<u>60,397</u>		<u>(1,322)</u>

In the current year, the provision for bad debts amounted to RMB 42 million, of which RMB 2 million was collected. The corresponding gross carrying amount of provision for bad debts was RMB 109 million.

(2) Other receivables

	31 December 2023	31 December 2022
Receivables from subsidiaries	20,020	19,937
Dividends receivable from subsidiaries	10,148	4,000
Project deposits	1,130	1,007
Others	713	607
	<u>32,011</u>	<u>25,551</u>
Less: Provision for bad debts	(5)	(18)
	<u>32,006</u>	<u>25,533</u>

The Company did not have any other receivables related to the funds centralized managed to other parties.

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

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

	31 December 2023	31 December 2022
Within 1 year	7,175	23,959
1 to 2 years	23,245	75
2 to 3 years	74	–
Over 3 years	1,517	1,517
	<u>32,011</u>	<u>25,551</u>

(b) As at 31 December 2023 and 31 December 2022, 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 2023			31 December 2022		
	Carrying amount	Provision		Carrying amount	Provision	
		Amount	%		Amount	%
Group 1 – Related parties within consolidation scope:						
Within 1 year	6,930	–	0.00%	23,937	–	0.00%
1 to 2 years	23,238	–	0.00%	–	–	0.00%
Sub-total	<u>30,168</u>	<u>–</u>		<u>23,937</u>	<u>–</u>	
Group 5 – Project deposits:						
Within 1 year	123	–	0.17%	7	–	1.47%
2 to 3 years	7	–	0.17%	–	–	0.00%
Over 3 years	1,000	(2)	0.17%	1,000	(15)	1.47%
Sub-total	<u>1,130</u>	<u>(2)</u>		<u>1,007</u>	<u>(15)</u>	
Group 6 – Others:						
Within 1 year	122	–	0.41%	15	–	0.45%
1 to 2 years	–	–	0.00%	75	–	0.45%
2 to 3 years	74	–	0.41%	–	–	0.00%
Over 3 years	517	(3)	0.41%	517	(3)	0.45%
Sub-total	<u>713</u>	<u>(3)</u>		<u>607</u>	<u>(3)</u>	
Total	<u>32,011</u>	<u>(5)</u>		<u>25,551</u>	<u>(18)</u>	

(c) As at 31 December 2023, 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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

(d) As at 31 December 2023, 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	1 to 2 year	27.11%	–
Qijing Capital Water Co., Ltd.	Dividends receivable from subsidiaries	4,328	Within 1 year	13.52%	–
Wendeng Capital Water Co., Ltd.	Dividends receivable from subsidiaries	4,000	1 to 2 years	12.50%	–
Baoying Capital Water Co., Ltd.	Dividends receivable from subsidiaries	1,820	Within 1 year	5.69%	–
Tianjin Capital New Materials Co., Ltd.	Receivables from subsidiaries	1,744	1 to 2 years	5.45%	–
Total		<u>20,572</u>		<u>64.27%</u>	<u>–</u>

(3) Long-term equity investments

	31 December 2023	31 December 2022
Subsidiaries (a)	5,693,798	5,303,807
Associates	188,650	193,108
Less: Provision for impairment of long-term equity investments (b)	<u>(589,073)</u>	<u>(419,311)</u>
	<u>5,293,375</u>	<u>5,077,604</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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries

	Investment cost	31 December 2022	Movements for the year			31 December 2023	Ending balance of provision for impairment	Cash dividends declared in the year
			Increase in investments	Decrease in investments	Provision			
Bayannur Company	777,076	777,046	30	–	–	777,076	–	13,002
Xi'an Capital Water Co., Ltd.	476,526	476,437	89	–	–	476,526	–	30,000
Fuyang Capital Water Co., Ltd.	456,380	456,284	96	–	–	456,380	–	–
Hangzhou Company	264,325	264,301	24	–	–	264,325	–	74,578
Gaoyou Compro	383,024	297,947	25	–	(85,244)	212,728	(170,296)	–
Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd (ii)	213,199	192,044	21,155	–	–	213,199	–	213,199
Hefei Capital Water Co., Ltd.	206,149	206,118	31	–	–	206,149	–	–
Jiangsu Yonghui	350,090	249,835	–	–	(84,518)	165,317	(184,773)	–
Wuhan Tianchuang Capital Water Co., Ltd.	197,432	197,385	47	–	–	197,432	–	8,000
Enshi Capital Water Co., Ltd. (i)	162,318	–	162,318	–	–	162,318	–	–
Jiuquan Capital Water Co., Ltd.	158,358	158,327	31	–	–	158,358	–	–
Qijing Capital Water Co., Ltd.	155,217	155,140	77	–	–	155,217	–	4,328
Tianjin Water Recycling Co., Ltd.	135,200	100,940	34,260	–	–	135,200	–	77,000
Guojin Company	128,773	128,656	117	–	–	128,773	–	–
Guizhou Capital Water Co., Ltd.	114,569	114,422	147	–	–	114,569	–	–
Karamay Capital Water Co., Ltd. (i)	113,873	–	113,873	–	–	113,873	–	–
Honghu Tianchuang Capital Water Co., Ltd.	111,897	111,831	66	–	–	111,897	–	–
Karamay Tianchuang Capital Water Co., Ltd.	108,209	108,155	54	–	–	108,209	–	–
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd (i)	80,000	80,000	–	–	–	80,000	–	–
Wendeng Capital Water Co., Ltd.	68,827	68,750	77	–	–	68,827	–	–
Linxia Capital Water Co., Ltd. (ii)	66,000	45,067	20,933	–	–	66,000	–	–
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	–	16,660
Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.	60,500	60,500	–	–	–	60,500	–	–

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

	Investment cost	31 December 2022	Movements for the year			31 December 2023	Ending balance of provision for impairment	Cash dividends declared in the year
			Increase in investments	Decrease in investments	Provision			
Baoying Capital Water Co., Ltd.	58,309	58,256	53	-	-	58,309	-	1,820
Deqing Capital Water Co., Ltd.	54,299	54,222	77	-	-	54,299	-	-
Honghu Tianchuang Environmental Protection Co., Ltd.	53,400	53,400	-	-	-	53,400	-	-
Yingshang Capital Water Co., Ltd.	53,209	53,156	53	-	-	53,209	-	-
Dalian Oriental Chunliube Water Quality Purification Co., Ltd.	48,340	48,248	92	-	-	48,340	-	-
Shandong Company	45,238	45,215	23	-	-	45,238	-	-
Changsha Tianchuang Environmental Protection Co., Ltd.	37,770	37,692	78	-	-	37,770	-	-
Huoqiu Capital Water Co., Ltd.	37,364	37,310	54	-	-	37,364	-	-
Hanshou Tianchuang Capital Water Co., Ltd.	34,046	33,972	74	-	-	34,046	-	-
Huize Capital Water Co., Ltd.	32,839	32,793	46	-	-	32,839	-	-
Tianjin Tianchuang Environmental Technology Co., Ltd. (i)	20,000	-	20,000	-	-	20,000	-	-
Changsha Tianchuang Capital Water Co., Ltd.	17,002	17,002	-	-	-	17,002	-	-
Caring Company	16,625	16,467	158	-	-	16,625	-	-
Hanshan Capital Water Co., Ltd. (i)	15,810	-	15,810	-	-	15,810	-	-
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.	26,589	66	23	-	-	89	(26,500)	-
Tianjin Jinghai Capital Water Co., Ltd.	37,553	-	-	-	-	-	(37,553)	-
Anguo Capital Water Co., Ltd.	41,000	-	-	-	-	-	(41,000)	-
Anhui Yuwan	63,670	-	-	-	-	-	(63,670)	-
Total	5,693,798	4,884,496	389,991	-	(169,762)	5,104,725	(589,073)	240,388

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) *Subsidiaries* (Continued)

- (i) In 2023, the Company contributed RMB 114 million and RMB 162 million to set up Karamay Capital Water Co., Ltd. and Enshi Capital Water Co., Ltd, RMB 20 million and 16 million to set up Tianjin Tianchuang Environmental Technology Co., Ltd and Hanshan Capital Water Co., Ltd, respectively, holding 100%, 95%, 100%, 51% equity interests of these four subsidiaries.
- (ii) In 2023, the company invested RMB 21 million and RMB 21 million to increase the capital of Linxia Capital Water Co., Ltd. and Tianjin Jiayuanxing Innovation Energy Technology Co., Ltd., respectively, for the upgrading and renovation of the bidding and sewage treatment construction projects, the construction of heating, cooling and related facilities.
- (iii) As at 31 December 2023, the Company's long-term equity investments in subsidiaries increased by RMB 3 million as a result of 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 2023
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13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

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

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Jiangsu Yonghui (i)	100,255	84,518	–	184,773
Gaoyou Compro (i)	85,052	85,244	–	170,296
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)	37,553	–	–	37,553
Tianjin Jinning Capital Water Co., Ltd.	15,000	–	–	15,000
	<u>419,311</u>	<u>169,762</u>	<u>–</u>	<u>589,073</u>

- (i) In 2023, 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 RMB 84.5 million and RMB 85.2 million respectively for long-term equity investments after conducting impairment assessment.
- (ii) As at 31 December 2023, an equity of a subsidiary with net book value of RMB 456 million (cost of RMB 733 million) (31 December 2022: net book value of RMB 548 million, cost of RMB 733 million) included in the Group's long-term equity investments was pledged as collateral for long-term borrowings of RMB 364 million (31 December 2022: RMB 392 million) (Note 4(26)(b)).

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(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Capital surplus

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium	1,048,355	–	–	1,048,355
Other capital surplus – Amount recorded in shareholders' equity arising from share-based payment arrangements	13,425	3,923	–	17,348
	<u>1,061,780</u>	<u>3,923</u>	<u>–</u>	<u>1,065,703</u>
	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>

(5) Undistributed profits

	2023	2022
Undistributed profits at the beginning of year	3,608,004	3,410,902
Add: Net profit attributable to shareholders of the Company for the year	641,956	450,531
Less: Appropriation to statutory surplus reserve	(64,196)	(45,053)
Ordinary share dividends payable	(226,140)	(208,376)
Undistributed profits at the end of year	<u>3,959,624</u>	<u>3,608,004</u>

Information on the cash dividends distributed by the Company in 2023 and the proposed cash dividends proposed for the approval by the shareholders in 2024 is set out in Note 9.

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Revenue and cost of sales

(a) Revenue and cost of sales from main operations

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Main operations	1,610,700	785,698	1,552,359	892,005
Other operations	46,981	18,360	33,467	25,455
	<u>1,657,681</u>	<u>804,058</u>	<u>1,585,826</u>	<u>917,460</u>

Analysis by the nature of services is as below:

	2023		2022	
	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	1,547,235	778,578	1,489,970	884,885
Road tolls	63,465	7,120	62,389	7,120
	<u>1,610,700</u>	<u>785,698</u>	<u>1,552,359</u>	<u>892,005</u>

(b) Revenue and cost of sales from other operations

	2023		2022	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Contract operation service	17,420	16,215	17,329	14,114
Technical service	28,323	–	14,127	1,831
Rental income (i)	1,044	2,026	1,044	9,331
Others	194	119	967	179
	<u>46,981</u>	<u>18,360</u>	<u>33,467</u>	<u>25,455</u>

- (i) The Company's rental income comes arose from leasing its own recycled water plant facilities to its subsidiary Tianjin Water Recycling Co., Ltd. In 2023, there's no variable lease payments recognised based on a certain portion of the lessee' sales revenue in rental income.

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 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:*

	2023							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	1,547,235	63,465	–	–	–	–	–	1,610,700
Revenue from other operations – Recognised over a period of time	–	–	17,420	1,044	–	28,323	194	46,981
	<u>1,547,235</u>	<u>63,465</u>	<u>17,420</u>	<u>1,044</u>	<u>–</u>	<u>28,323</u>	<u>194</u>	<u>1,657,681</u>
	2022							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	1,489,970	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>

As at 31 December 2023, 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.

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 2023
(All Amounts In RMB thousand unless otherwise stated)

13 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 2023, the contract amount of the uncompleted service relating to the entrusted operation contract of the Company was approximately RMB 6 million (31 December 2022: RMB 3 million), of which RMB5 million and RMB 1 million will be recognised as revenue in 2024 and 2025. The contract amount of the uncompleted services relating to the road tolls of the Company was approximately RMB323 million (31 December 2022: RMB385 million) of which RMB62 million will be recognised as revenue annually between 2024 to 2028 and RMB13 million will be recognised as revenue in 2029.

(7) Investment income

	2023	2022
Dividends distribution by subsidiaries	240,388	210,110
Dividends distribution from other equity instrument investment	200	–
Losses on investments in associates	(4,458)	(1,892)
Interest income from entrusted loans	30,544	14,284
	<u>266,674</u>	<u>222,502</u>

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Supplement of the Financial Statements

For The Year Ended 31 December 2023
(All amounts in thousand unless otherwise stated) [English translation for reference only]

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	2023
Government grants	95,010
Losses on scrapping of fixed assets	(25)
Gains on disposals of fixed assets	24
Other non-operating expenses – net	3,575
Reversal of individual provision for bad debts of accounts receivable	2,340
	<hr/>
	100,924
	<hr/>
Effect of corporate income tax	(16,663)
Effect of minority interests, net of tax	2,204
	<hr/>
	86,465
	<hr/>

(i) **Basis for preparation of statement of non-recurring profit or loss**

The requirements in *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profit or Loss [2023 revised]* (as "2023 Edition No.1 Explanatory Announcement") was issued by the China Security Regulatory Commission ("CSRC"). This announcement came into effect from the date of publication, and the Group has prepared the detailed statement of non recurring gains and losses for the year 2023 in accordance with the 2023 Edition No.1 Explanatory Announcement.

Accordinging to the 2023 Edition No.1 Explanatory Announcement, 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.

(ii) **The implementation of the 2023 Edition No.1 Explanatory Announcement has no significant impact on the presentation of non-recurring profit or loss of the Group for the year 2022.**

11. Financial Statements prepared in accordance with the PRC Accounting Standards for Business Enterprises Supplement of the Financial Statements

For The Year Ended 31 December 2023

(All amounts in thousand unless otherwise stated) [English translation for reference only]

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS (Continued)

	2022
Government grants	97,000
Losses on scrapping of fixed assets	(7)
Losses on disposals of fixed assets	(2,558)
Other non-operating expenses – net	(656)
Reversal of individual provision for bad debts of accounts receivable	10,227
	<u>104,006</u>
Effect of corporate income tax	(17,076)
Effect of minority interests, net of tax	662
	<u>87,592</u>

(i) Basis for preparation of statement of non-recurring profit or loss in 2022

the Group has prepared the detailed statement of non recurring gains and losses for the year 2022 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]*.

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 Chinese mainland.

3 RETURN ON EQUITY AND EARNINGS PER SHARE

	Weighted-average return on net assets (%)		Basic/diluted earnings per share (RMB)	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	9.89	9.88	0.55	0.51
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	8.95	8.78	0.50	0.45

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