



*Interim Report for the six
months ended 30th June 2026*



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 (the “**Board**”) of directors (the “**Directors**”) of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) and all of its Directors and senior management guarantee the truthfulness, accuracy and completeness of the contents of the 2026 interim report (the “**Interim Report**”), which does not contain any false information, misleading statements or material omissions, and accept joint and several legal responsibilities.

II. Absent directors

Position of absent Director	Name of absent Director	Reason for absence	Name of proxy
Director	Mr. Fu Xinghai	Other job arrangement	Mr. Tang Fusheng

III. The interim financial report of the Company for the six months ended 30 June 2026 has not been audited.

IV. Mr. Tang Fusheng, the officer in charge of the Company, Ms. Nie Yanhong, the officer in charge of accounting operations, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have warranted the truthfulness, accuracy and completeness of the financial reports contained in the Interim Report.

V. The proposal on profit distribution or transfer of capital reserve fund to share capital for the reporting period as approved by the Board by way of a resolution
Not applicable

VI. Risk statements for the forward-looking statement
Not applicable

VII. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes
No

VIII. Did the Company provide external guarantees in violation of any specified decision-making procedures
No

IX. Whether more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of the Interim Report disclosed by the Company
No

X. Significant risks warning
No

XI. Other matters
Unless indicated otherwise, financial figures in this Interim Report are denominated in RMB.

Content

SECTION 1	Definitions	3
SECTION 2	Company Profile and Major Financial Indicators	8
SECTION 3	Management Discussion and Analysis	11
SECTION 4	Corporate Governance, Environment and Society	36
SECTION 5	Major Events	54
SECTION 6	Details of Changes in Shares and Shareholders	69
SECTION 7	Details of the Company's Bonds	77
SECTION 8	Financial Reports	93
SECTION 9	List of Documents Available for Inspection	268

In the Interim 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)
“Asset Management Company”	Tianjin Investment Group Asset Management Co., Ltd.* (天津城投集團資產管理有限公司)
“Baoying Company”	Baoying Capital Water Co., Ltd.* (寶應創業水務有限責任公司)
“Bayannur Company”, “Bayan Company”	Inner Mongolia Bayannur Capital Water Co., Ltd.
“Bohai Chemical”	Tianjin Bohai Chemical Industry (Group) Co., Ltd.* (天津渤海化工(集團)股份有限公司)
“Caring Company”	Tianjin Caring Technology Development Co., Ltd.
“Capital Materials Company”	Tianjin Capital New Materials Co., Ltd.* (天津創業建材有限公司)
“Changsha Tianchuang Environmental Protection”	Changsha Tianchuang Environmental Protection Co., Ltd
“Changsha Tianchuang Water”	Changsha Tianchuang Water Co., Ltd.* (長沙天創水務有限公司)
“Chibi Chuanghuan Company”	Chibi Chuanghuan Water Co., Ltd.* (赤壁創環水務有限公司)
“Chibi Company”	Chibi Capital Water Co., Ltd.* (赤壁創業水務有限公司)
“CSRC”	the China Securities Regulatory Commission
“Dalian Chunliuhe Company”	Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.
“Deqing Company”	Deqing Capital Water Co., Ltd.* (德清創業水務有限公司)

Section 1 Definitions

“Dongying Company”	Dongying Tianchi Environmental Technology Co., Ltd.
“Enshi Company”	Enshi Capital Water Co., Ltd.* (恩施市創環水務有限公司)
“Expressway Construction”	Tianjin Expressway Construction Engineering Co., Ltd.* (天津高速建設工程有限公司)
“Fuyang Company”	Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)
“Gaoyou Compro”	Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司)
“GJTC”	Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.
“Group”	the Company 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.
“Hanshan Capital Company”	Hanshan Capital Water Co., Ltd.
“Hanshan Chuanghuan Company”	Hanshan Chuanghuan Water Co., Ltd.
“Hanshou Company”	Hanshou Tianchuang Water Co., Ltd.* (漢壽天創水務有限公司)
“Hefei Company”	Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司)
“Honghu Tianchuang Environmental Protection”	Honghu Tianchuang Environmental Protection Co., Ltd.
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.* (天津創業環保(香港)有限公司)
“Honghu Tianchuang Water”	Honghu Tianchuang Capital Water Co., Ltd.

“Huamiao Planning”	Tianjin Water Group Huamiao Planning Survey and Design Research Institute Co., Ltd.* (天津水務集團華森規劃勘測設計研究院有限公司)
“Huize Capital Company”	Huize Capital Water Co., Ltd.
“Huize Chuanghuan Company”	Huize Chuanghuan Water Co., Ltd.
“Huoqiu Capital Company”	Huoqiu Capital Water Co., Ltd.
“Huoqiu Chuanghuan Company”	Huoqiu Chuanghuan Water Co., Ltd.
“Jiangsu Yonghui”	Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用有限公司)
“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)
“Jinzhong Urban Renewal”	Tianjin Jinzhong Urban Renewal Construction Development Company Limited* (天津金鐘城市更新建設發展有限公司)
“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 Capital Water Co., Ltd.
“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.
“Shandong Company”	Shandong Capital Environmental Protection Technology Co., Ltd.

Section 1 Definitions

“Shandong Tanchuang Company”	Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.
“Subsidiary(ies)”	the subsidiary(ies) of the Company
“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 New Energy Technology Co., Ltd.* (天津天創綠能新能源科技有限公司)
“Tianjin Chengzhu”	Tianjin Chengzhu Real Estate Development Co., Ltd.* (天津市城築房地產開發有限公司)
“Tianjin Jiayuankaichuang”	Tianjin Jiayuankaichuang New Energy Technology Co., Ltd.* (天津佳源開創新能源科技有限公司)
“Tianjin Jiyuanshengchuang”	Tianjin Jiyuanshengchuang New Energy Technology Co., Ltd.* (天津佳源盛創新能源科技有限公司)
“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)
“Tianjin Municipal Institute”	Tianjin Municipal Engineering Design & Research Institute* (天津市政工程設計研究總院有限公司)
“TLP”	Tianjin Lecheng Properties Co., Ltd.
“TMICL”	Tianjin Municipal Investment Co., Ltd.
“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)
“Weng’an Company”	Weng’an Capital Water Co., Ltd.
“Tianjin Tianchuang”	Tianjin Tianchuang Green Energy New Energy Technology Co., Ltd.

“Wuhan Company”	Wuhan Tianchuang Environmental Protection Co., Ltd.* (武漢天創環保有限公司)
“Wuhu Company”	Wuhu Chuanghuan Water Co., Ltd.
“Xi’an Company”	Xi’an Capital Water Co., Ltd.
“Xiqing Tianchuang Company”	Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.
“Yingshang Company”	Yingshang Capital Water Co., Ltd.* (潁上創業水務有限公司)

Section 2 Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSON AND METHOD

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

III. CHANGES OF BASIC CORPORATE INFORMATION

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

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

Name of the newspaper designated for the disclosure of information	Shanghai Securities News, China Securities Journal
Website designated by China Securities Regulatory Commission (“CSRC”) for the publication of Interim Report	www.sse.com.cn
The Interim Report is available at	Office of the Board of Directors, 16/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC

V. PROFILE OF THE SHARES OF THE COMPANY

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

VI. PRINCIPAL ACCOUNTING ITEMS AND FINANCIAL INDICATORS

(I) Principal accounting items

Unit: Yuan Currency: RMB

Principal accounting items	During the reporting period (From January to June)	During the same period last year	Increase/decrease for the reporting period as compared to the same period last year (%)
Operating revenue	2,249,367,192.71	2,177,915,496.72	3.28
Total profit	621,993,280.56	585,590,509.96	6.22
Net profits attributable to the shareholders of the Company	488,426,915.39	472,920,534.82	3.28
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit or loss items	451,198,635.50	396,393,562.39	13.83
Net cash flows from operating activities	916,080,089.58	517,864,524.50	76.90
	As at the end of the reporting period	As at the end of last year	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
Net assets attributable to the shareholders of the Company	10,419,527,820.23	10,259,318,284.61	1.56
Total assets	25,573,411,074.08	25,964,872,256.25	-1.51

Section 2 Company Profile and Major Financial Indicators

(II) Major Financial Indicators

Major Financial Indicators	During the reporting period (From January to June)	During the same period last year	Increase/decrease for the reporting period as compared to the same period last year (%)
Basic earnings per share (Yuan/share)	0.31	0.30	3.33
Diluted earnings per share (Yuan/share)	0.31	0.30	3.33
Basic earnings per share after deducting non-recurring gains and losses (Yuan/share)	0.29	0.25	16.00
Weighted average return ratio on net assets (%)	4.65	4.80	Decreased by 0.15 percentage points
Weighted average return ratio on net assets after deducting non-recurring gains and losses (%)	4.30	4.02	Increased by 0.28 percentage points

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

Not applicable

VIII. EXTRAORDINARY PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary profit and loss items	Amount
Gain or loss on disposal of non-current assets (including the part of provision for asset impairment being written off)	-180.00
Government grants recognized in current profit and loss, except for those closely related to normal business operation of the Company, in compliance with requirements of national policies, granted in a certain amount or quantity and continuously affecting the profit or loss of the Company	38,437,190.46
Reversal of impairment provision for accounts receivable subject to separate impairment test	2,000,000.00
Non-operating income and expenses other than the foregoing items	-537,294.36
Less: Effect of income tax	2,240,457.58
Effect of minority interests (after tax)	430,978.63
Total	37,228,279.89

Section 3 Management Discussion and Analysis

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

(I) Industries where the Company operates during the reporting period

2026 marks the inaugural year of the 15th Five-Year Plan, with the official promulgation of the Outline of the 15th Five-Year Plan for National Economic and Social Development, alongside the successive issuance and implementation of national-level special plans such as the 15th Five-Year Plan for Urban Renewal, the 15th Five-Year Plan for the Development of a New Energy System, and the 15th Five-Year Plan for Building a Beautiful China. The Ecological Environment Code has been reviewed, approved, and officially put into effect as of August 2026, further clarifying the industry's development direction: First, adhering to the development mindset of systemic governance, coordinating industrial restructuring, pollution prevention and control, ecological protection and climate change response and synergistically promoting carbon reduction, pollution mitigation, ecological expansion and economic growth, following a development path that prioritises ecological conservation, promotes intensive and efficient resource utilisation and pursues green and low-carbon development. Second, leveraging urban renewal policies to accelerate the remediation of shortcomings in urban sewage collection and treatment infrastructure, promoting the establishment of a long-term mechanism for the integrated construction, operation and maintenance of plants and networks and enhancing the quality and efficiency of sewage treatment facilities. Third, focusing on the development of a new energy system, driving the green and low-carbon transformation of the thermal energy sector, actively developing non-fossil energy heating, increasing the recovery and utilisation of waste heat and promoting the adoption of heat pump technologies tailored to local conditions, thereby continuously contributing to the energy conservation and carbon reduction upgrades of the industry. Fourth, the Code mandates the simultaneous construction of sludge treatment and disposal facilities alongside sewage treatment facilities, encourages co-processing and disposal, promotes the coordinated management of industrial wastewater treatment and the standardised full-process control of solid and hazardous waste and supports the recycling and utilisation of treated sewage as a resource.

Overall, the current period represents a critical phase for advancing the construction of a Beautiful China and implementing the “15th Five-Year Plan” ecological and environmental protection policies, the environmental protection industry is upgrading towards systemisation, platformisation and integrated services, with its overall efficiency and value steadily improving. Concurrently, the industry’s development landscape is undergoing profound changes. Environmental protection enterprises are accelerating their transformation from traditional “pollution treatment service providers” to “green value creators”, and their business models are evolving from singular end-of-pipe treatment to a diversified and integrated ecosystem encompassing circular economy system construction, comprehensive urban intelligent operations and green and low-carbon efficiency-enhancing services. The current industry competition centres on the synergistic reduction of pollution and carbon emissions, driven by the dual engines of technological innovation and business model innovation. Leveraging technology to advance industrial upgrading and enhance industrial development capacity, enterprises that achieve comprehensive upgrades in strategic positioning, market presence and professional capabilities and that possess the ability to provide full-chain integrated environmental solutions, are best positioned to adapt to the new trends of high-quality industry development and continuously consolidate their core competitive advantages.

(II) Principal business of the Company

The Group anchors itself to the “dual carbon” goals, consistently driving its technological R&D and production process innovation through green and low-carbon development. Focusing on core businesses such as sewage treatment, reclaimed water utilisation, sludge resource utilisation, solid waste disposal, resource recycling, new energy cooling and heating and photovoltaic energy storage, the Group continues to deepen and refine its “N-dimensional integration” business model.

During the reporting period, the Group’s business scope and operational model remained unchanged from the previous year, continuing to be divided into core businesses and strategic new businesses. Core businesses, including municipal sewage treatment, water supply and recycled water, remain the primary sources of revenue and profit of the Company; strategic new businesses, such as renewable energy cooling and heating, sludge treatment and resource utilisation, hazardous waste management, photovoltaic power generation and energy storage, complement the core businesses by enhancing profitability, economic value-added and investment returns, thereby optimising the overall business structure.

During the reporting period, the Deqing expansion project of the Company was launched, adding 27,000 m³/day to the scale of equity-based sewage treatment operations. The reclaimed water pipeline network connection project added 21 kilometres of newly connected existing pipelines during the reporting period. As of the end of the Reporting Period, the total capacity of the Company's water business was 6,404,000 m³ per day. The total capacity of the equity-type water utilities business of the Company amounted to 6,152,000 m³ per day, among which the sewage treatment capacity amounted to 5,307,000 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 530,000 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 252,000 m³ per day.

Unit: 0'000 m³/day

Type of business	Scale of equity-based business	Scale of equity-based business in operation as of the end of the Reporting Period	Scale of entrusted operation
Processing of sewage water	530.7	506.5	25.2
Water supply (Including tap water and industrial water supply)	31.5	31.5	/
Recycled water	53	44.5	/

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.

Section 3 Management Discussion and Analysis

During the reporting period, the principal development of Company's strategic new business is as follows:

- (1) As regards new energy cooling and heating supply business, as of the end of the Reporting Period, the total service areas amounted to 6.96 million m², which was mainly operated in Tianjin under BOT and entrusted operation models.
- (2) As regards distributed photovoltaic power generation projects, as of the end of the reporting period, the total designed installed capacity was 35MWp, the projects were mainly distributed in Tianjin and Dalian, and their management mode was mainly fully market-oriented operation.
- (3) As regards energy storage, the total designed capacity was 22.381MWh. Energy storage projects at the Company's Beishiqiao, Yuwan, Taochong, Jieshou, Yingshang and Chibi sewage treatment plants have been completed and put into operation, with a total installed capacity of 21.658 MWh. Work on the remaining user-side energy storage projects at out-of-town sewage treatment plants is progressing steadily.
- (4) As regards hazardous waste management, as of the end of the reporting period, the Company operates four projects with a combined disposal capacity of 181,300 tons per year, mainly distributed in Shandong and Jiangsu provinces: the Jiangsu Yonghui Hazardous Waste Project (30,000 tons/year), the Gaoyou Compro Hazardous Waste Project (30,000 tons/year), the Tancheng Industrial Waste Treatment and Disposal Centre Project (28,000 tons/year) and the Yishui Lushan Chemical Industrial Park Hazardous Waste Comprehensive Disposal Centre Project (93,300 tons/year); one storage and transfer project with a capacity of 20,000 tons/year; and comprehensive utilisation of waste PAC products amounted to 75,000 tons/year. The hazardous waste business operates under a fully market-oriented model, where the Company independently develops customers, negotiates prices and provides hazardous waste disposal services, collecting disposal service fees accordingly, subject to obtaining the Hazardous Waste Management Licence.
- (5) As regards sludge treatment business, as of the end of the reporting period, the total scale was 3,630 tons/day, mainly distributed in Tianjin, Gansu, Zhejiang and Anhui, among which the equity-based 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 2,740 tons/day.

Explanation on new significant non-principal businesses added during the reporting period

N/A

(II) OPERATION DISCUSSION AND ANALYSIS

Guided by the principle of nurturing clean water as a flowing bond, the Company remains steadfast in its mission to “return clean water to the world and bring freshness to humanity”, and upholding the development vision of “becoming a first-class modern integrated urban environmental service operator”. The Company focuses on its core businesses, including sewage treatment, clean energy application, solid waste disposal and resource utilisation. Through technological innovation and digital empowerment, it deeply cultivates the “N-dimensional integration” business model and implements the comprehensive development model of “deep cultivation in Tianjin, replication in other regions and coordinated expansion of asset-heavy and asset-light operations”. During the reporting period, the water treatment volume reached 879 million cubic metres, with an operating load rate of 81.2%. Sludge treatment volume was 120,000 tons, hazardous waste treatment volume was 40,200 tons. Cooling and heating supply amounted to 208,000 GJ and photovoltaic power generation reached 24.42 million kWh.

(I) Deepening the Path of Technology-Driven Empowerment and Green-Centric High-Quality Development

Technology serves as the core engine driving the transformation and upgrading of the environmental protection industry, and constitutes a critical pillar for the Company’s cultivation of new productive forces and implementation of its dual-carbon strategy. The Company has positioned technological innovation as a core strategy for the inaugural year of the “15th Five-Year Plan”. With the objective of enhancing the “technological value, green value, innovation value and financial value” of its business operations, the Company is steering its research and development efforts from an “input-oriented” approach towards an “outcome-oriented” one, establishing an integrated innovation system characterised by “market demand driven, technological R&D breakthroughs and industrialisation of outcomes”.

1. Consolidating the Digital Infrastructure Foundation to Empower Intelligent Upgrades in Business Management

During the reporting period, capitalising on the opportunities presented by the digital transformation of the environmental protection industry, the Company systematically advanced the development of a comprehensive digital system anchored by the core objectives of “intelligent operations, penetrative management and control and data-driven decision-making”. The Company continuously iterates its digital intelligent business system matrix, connecting core data chains across human resources, assets and finance to achieve unified data sources and standardised data collection, so as to establish an integrated, traceable digital management and control system. By optimising the digital top-level architecture, the Company deeply empowered the quality enhancement and upgrade of its “mega-operations” system, continuously strengthened its digital infrastructure foundation, and drove the transformation of its core business management models towards greater sophistication and digital intelligence.

At the operational decision-making level, leveraging its intelligent digital platform, the Company completed the standardised collection, cleansing and intelligent analysis of operational data across all business areas, and established a visualised operational dispatching system, enabling panoramic visibility and dynamic monitoring of overall operational performance and the operational status of each business segment. Through the innovation of digital management modes, a digital management paradigm featuring real-time monitoring, intelligent early warning and dynamic dispatching has been formed, continuously enhancing the precision and efficiency of the operational decisions.

At the level of data governance and risk management, the Company continuously improved its standardised data asset management system, systematically organised and consolidated data resources across all business areas and steadily advanced the transformation of data into resources and value, fully unleashing the enabling value of data elements. The digital supervision platform is continuously iterated to break down cross-business and cross-level data barriers, further promoting the development of penetrative management and control, and the implementation of full-dimensional, full-process penetrative supervision is implemented in phases. Leveraging the digital risk control framework, a closed-loop risk management system encompassing pre-event early warning, in-event control and post-event traceability was established, steadily enhancing the refined governance and intelligent risk control capabilities of the enterprise.

2. Tackling Difficulties in Core Technology R&D to Facilitate the Green and Low-Carbon Transition

During the reporting period, the Company deepened scenario development and established a platform for matching technology supply and demand. In response to relevant deployment requirements of the State and Tianjin municipality on scenario-driven innovation, the Company comprehensively reviewed and consolidated its open application scenarios through a list-based management approach. A systematic and targeted mechanism is established to connect advanced technology supply with demand, facilitating the critical links of technology implementation and industrial empowerment. To drive industrial upgrading with scenario innovation, continuously activating the Company's internal momentum for technological innovation.

The Company continues to strengthen its industry-academia-research collaborative innovation system, deeply engaging with the research resources of premier universities such as Tianjin University and Nankai University, so as to establish an efficient and smooth channel for the translation of scientific and technological achievements, promoting the deep integration of cutting-edge research outcomes with industrial scenarios. Through industry exhibition platforms such as the World Intelligence Expo and the Shanghai Environmental Protection Expo, the Company showcased its core treatment processes, smart water solutions and innovative operational models, comprehensively demonstrating its technological hard power and continuously enhancing its industry brand influence and core market competitiveness.

The Company actively promoted the development of innovation platforms, successfully establishing the Bayannur Industrial Sewage Treatment and Resource Utilisation R&D Base and steadily advancing the construction of professional laboratories for industrial sewage and pilot platforms for energy-saving equipment, thereby strengthening the foundation for industrial innovation and R&D. During the reporting period, the Company obtained 8 newly authorised patents and 2 computer software copyrights, further enriching its portfolio of technological achievements. At the same time, we received three prestigious industry honours: the Third Prize of the Tianjin Science and Technology Progress Award, the Third Prize of the Huaxia Construction Science and Technology Award and recognition as a typical case of green and low-carbon development, fully attests the Company's technological innovation strength and benchmark value in the water and environmental protection, as well as green and low-carbon sectors.

The digital and intelligent upgrade of the environmental protection industry continues to advance in breadth and depth, with substantial progress achieved in the construction of plant-level intelligent platforms. Oriented towards the industrialisation, standardisation and scalability of plant-level intelligent platforms, the Company coordinated and formulated a three-year development plan for the plant-level intelligent platform. Taking Jingu Water Plant serving as a core site for in-depth validation and pilot testing, functional validation and application of production scenarios such as intelligent aeration and visual configuration were successfully completed, formulating a replicable and scalable sample for standardised retrofits of smart water plants. Concurrently, smart water development for out-of-town projects in Xi'an and Hangzhou was proactively advanced, steadily expanding the national footprint. Through digital and intelligent retrofits, the traditional water business is empowered to enhance quality and efficiency, forging new competitive advantages for the water industry segment of the Company.

3. Leveraging Technological Innovation to Empower the Market and Broaden the Diverse Business Development Landscape

During the reporting period, the Company adhered to a two-way linkage between technological innovation and market development. With water operations as the core foundation, the diversified businesses including photovoltaic energy storage, sewage-source heat pumps, solid and hazardous waste resource utilisation, industrial water treatment and zero-carbon park services are coordinated, leveraging our own scenario resources and mature technology reserves to support market expansion. Aligning with the "dual carbon" policy, the Company actively positioned itself in the zero-carbon park business, integrating sewage treatment, reclaimed water, photovoltaic-storage-charging systems and waste heat utilisation to form a one-stop zero-carbon integrated service solution.

The market development data management platform is launched, enabling functions such as project information collection and management, planning and reserve database management and soliciting feedback on outcome documents. AI-driven digital intelligence is utilised to enhance market information retrieval. The overall architecture of the platform and connectivity with external data are completed, facilitating the collection and governance of business opportunity data across multiple regions nationwide, thereby improving both the quality and efficiency of market development efforts.

(II) Focusing on the “Three Key Dimensions” to Enhance Quality and Efficiency, Deepen Cultivation of Core Businesses to Consolidate the Development Foundation

1. *Dig Deeper into the Potential of Existing Assets to Continuously Improve the Performance of Business Operation*

Key operating indicators for existing assets showed steady progress, with cost control outperforming annual plans. The Baoying Xianhe Sewage Treatment Plant Upgrading Project and the Phase II of the Weng'an County Phase III Sewage Treatment Plant Construction Project commenced commercial operation in the first half of the year. The Wuhu and Wendeng projects accelerated construction to catch up with schedules, sparing no efforts to safeguard the steady progress of projects under construction.

Existing concession assets are continuously revitalised; a supplementary concession agreement was signed for the Jinghai Water Plant, successfully achieving an upward adjustment of water tariffs, thereby enhancing the profitability of existing projects.

Routine operational special inspections are conducted on an ongoing basis, with 26 on-site inspections covering 23 operational units completed in the first half of the year. A monthly operational analysis and dispatching mechanism was established and standardised cost control tools were refined. Through technological upgrades such as smart flow meters and digital pipeline network platforms, energy consumption and operational maintenance costs were continuously reduced. The standardised procurement system was fully implemented, achieving cost reduction and efficiency enhancement through centralised procurement and online electronic purchasing.

With debt resolution and receivables collection as core priorities, accounts receivable were managed through differentiated strategies based on their categories and a multi-path debt resolution system was initially established. Six toolkits for debt resolution pathways were systematically developed.

2. *Precisely Deploying Incremental Business to Cultivate New Momentum for the Growth of the Enterprise*

A “1+4+N” comprehensive “mega-development” market expansion system was established and a regional development plan for “deep cultivation in Tianjin and replication in other regions” was formulated, clearly defining the overall approach and implementation pathways for deepening operations in Tianjin and expanding to other regions. In out-of-town regions, a replication model of “one project, one region” was implemented. Asset-heavy business anchored the transformation and upgrading of core operations and the cultivation of new productive forces in the environmental protection field. Through three key pathways—internal synergy and empowerment, external resource expansion and deep cultivation of the Tianjin market—the Company continuously broadened its business landscape and consolidated its industrial foundation. The overall business expansion and operational momentum remained stable and positive. Through a deep restructuring of internal development logic, a pattern of “asset-heavy driving asset-light, with synergistic coordination between the two” was formed.

The strategic new business racetracks were systematically explored. In line with national emerging industry strategies, the Company continued to organise various operating units to conduct comprehensive market research on zero-carbon park businesses, computing centre water resource and energy utilisation and industrial sewage opportunities within provincial-level and above industrial parks in their respective development regions, thereby proactively positioning itself for new growth tracks. Concurrently, efforts were made to transform green technologies such as sewage-source heat pumps and waste heat utilisation into marketable products, providing a basis for decision-making as the Group strategically positions itself and accurately enters three high-growth tracks of “green transformation – zero carbon, computing power and industrial sewage”.

3. *Concentrating Efforts on Enhancing Quality and Achieving Excellence to Comprehensively Improve Development Quality*

The Group’s quality and efficiency improvement action plan was fully implemented, with a “one-enterprise, one-policy” governance record established for loss-making enterprises. In the first half of the year, Jinghai Company successfully turned losses into profits and follow-up measures were taken for other loss-making units to continue their loss-reduction initiatives.

Efforts were intensified in both capital and funding management, continuing to deepen cooperation with financial institutions. Diversified financing tools were coordinated and through a combination of measures including early repayments, loan replacements and policy-driven and competitive interest rate reductions, interest expenses were reduced by over RMB30 million compared to the same period last year.

The “large risk control and large supervision” system was fully implemented across all business areas. The 15th Five-Year Plan Comprehensive Risk Prevention and Control System Development Plan was formulated, identifying 156 risks, with a corresponding annual risk list. Dual mechanisms of self-inspection and self-correction, as well as rectification and effectiveness evaluation, were implemented.

Full-process risk control in financial management was implemented. Multiple modules of the Financial Shared Service Centre and Kingdee Treasury Management System went online, with 16 banks achieving direct connectivity. Routine tax health checks for subsidiaries were carried out to prevent tax and fund management risks.

The management and control of safety production is operated on a closed-loop manner. The final tasks of the three-year special campaign to address root causes and enhance capabilities in work safety were strictly implemented. The construction of the dual prevention mechanism was deepened. In the first half of the year, 2,407 safety inspections were conducted, identifying 314 potential hazards with a rectification rate of 100%. A total of 592 safety education sessions and 311 emergency drills were organised, covering more than 12,000 participants. The full-process safety management of outsourced parties was standardised. The development of the Dongjiao Sewage Treatment Plant as a safety production standardisation demonstration project was deepened, with no attributable work safety accidents occurring.

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

Not applicable

(III) ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the reporting period, the Company’s core competitiveness continued to be reflected in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, systematic and sustainable research and development capabilities; (3) our professional, dedicated, cooperative and innovative staff team; (4) our corporate reputation for being trustworthy, responsible, standardized and reliable. These four core competitiveness complement one another in which corporate integrity, diligent employees and technology innovation provide an ultimate assurance to customers, thereby resulting in the Company’s positive brand influence in environmental protection. Through the development in the first half of 2026, the Company continued to build upon its existing strengths to enhance its competitiveness in the industry.

- (1) Deepening the “Large Operation” System to Establish Standardised and Intelligent Operational Advantages across All Business Areas. Anchored by the development targets of “safety, compliance, economy and intelligence,” and guided by the management philosophy of “strengthening the headquarters and empowering front-line operations,” the Company established a three-tier “Large Operation” framework comprising headquarter-level coordination, business unit-level implementation and project-level implementation. The entire operational management system was restructured and a standardised work guidance system encompassing 8 major modules and 22 sub-modules was developed, creating a unified operational standard covering all businesses, including water, sludge, hazardous waste and energy supply, facilitating the transition of various water plants and out-of-town projects from experience-based management to modularised, replicable and standardised operations.
- (2) Refining the Full-Chain Technology Innovation System to Amplify the Advantage of Industrialising Technological Outcomes. During the reporting period, the Company focused on our principal responsibilities and businesses, demonstrated courage in transformation and breakthroughs and seized opportunities at the intersection of technological innovation and industrial development, concentrating efforts on tackling difficulties for key core technologies. We continuously improved our technological innovation system, optimised the full-process management of science and technology projects and achieved the integrated and coordinated advancement of research planning, process control and outcome transformation across the entire chain. In the first half of the year, the Company obtained 8 newly authorised patents and 2 software copyrights, continuously strengthening our independent innovation reserves. The Company established a two-way outcome transformation system encompassing “internal empowerment” and “external output”: internally, we actively promoted the adoption of achievements such as energy-efficient mixers, permanent magnet motors and plant-level platforms; externally, we advanced the market-based application of phosphorus removal agents and sludge deep-dewatering technologies, continuously facilitating the value realisation of technological innovations. Concurrently, focusing on the directions of intelligence, green development and resource utilisation, the Company strategically positioned itself in areas such as low-carbon environmental protection, solid waste resource utilisation, smart environmental protection and industrial water treatment, strengthening our core technology reserves. We actively built open platforms for technological innovation and application scenarios, coordinating internal and external scientific and technological resources to empower incremental business expansion and ensure the high-quality operation of existing projects.

- (3) Establishing a Tiered Talent Development and Empowerment System to Consolidate the Advantage of a Versatile Talent Pool. The Company stimulated internal momentum through institutional innovation and the development of a robust talent pipeline. First, we refined our market-oriented operational mechanisms. We issued the Group's "Remuneration Management System for Senior Management Personnel" and "Remuneration Management Measures for Enterprise Heads, Among Others". We deepened the term-based and contractual management of our management team and optimised our performance appraisal and incentive distribution systems, effectively unlocking the innovative potential of our core employees and providing institutional safeguards for sustainable development. Second, we strengthened strategic forward-looking planning. Aligning with the Group's "15th Five-Year Plan" strategic development plan to define the core directions, key tasks and implementation measures for cadres and talent work over the next five years, thereby making proactive arrangements for the Group's talent system. Third, we deepened the precise empowerment system. Centred on the Group's strategic tasks and job capability enhancement needs, a dual-track "core thematic" and "specialised thematic" training system was systematically established. In the first half of the year, over 10 key training sessions were conducted, covering some 700 person-times of all hands. Leveraging the "Cultural Exchange and Training Centre" physical platform, diverse training programmes were implemented, including a Factory Principals' Seminar, an N-dimensional Integrated Learning Programme for Middle-level Officers and university-enterprise collaborative order-based classes. 1 external training session for business development was conducted through the university-enterprise cooperation platform and over 20 cross-regional practical assignments were organised internally.

- (4) Building Brand Influence through Multiple Dimensions to Shape a Reputation for Green, Compliant and Benchmark Corporate Conduct. During the reporting period, the Company was recognised as one of the “Top 10 Influential Enterprises in China’s Water Industry” for the 21st consecutive year; was named among the “Top 50 Chinese Environmental Enterprises (by Revenue)” for the eighth consecutive year; achieved a Wind ESG rating of AA, placing us among the top tier in the water industry; in the fourth phase of the E20 Environmental Platforms “Double Hundred Leap” benchmarking selection for sewage treatment plants, the Jingu Sewage Treatment Plant was honoured as a benchmark plant for “Intelligence + Low-Carbon + Resource Recovery,” while the Xianyang Road Sewage Treatment Plant was recognised as an ecological benchmark plant; the Company’s wholly-owned subsidiary, Tianjin Water Recycling Co., Ltd., was awarded the honorary title of “Advanced Collective for China Water Conservation Award” by the Ministry of Water Resources; the Dongjiao “Dual Carbon” Practice Training Base underwent comprehensive optimisation and enhancement, was officially inaugurated and opened to the public, marking our upgrade from an industry exchange platform to a public welfare environmental science education centre accessible to all citizens; the Company successfully passed the Level 3 (“Stable”) certification under the National Data Management Capability Maturity Assessment Model (DCMM) and further advanced the inventory and review of assets based on pilot project outcomes, establishing a standardised data resource catalogue to solidify the foundation for the long-term operation of DCMM Level 3 governance. During the reporting period, the Company received three industry honours: the Third Prize of the Tianjin Science and Technology Progress Award, the Third Prize of the Huaxia Construction Science and Technology Award and recognition as a typical case of green and low-carbon development, demonstrating outstanding progress in cultivating new productive forces. Various operating units across the Company fulfilled the corporate mission within their respective fields, establishing a strong corporate image and brand reputation.

(IV) THE PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(i) Analysis of principal business

1. Analysis of changes in relevant items on financial statements

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change in percentage (%)
Operating revenue	2,249,367,192.71	2,177,915,496.72	3.28
Operating costs	1,350,258,944.70	1,361,599,524.47	-0.83
Selling expenses	7,802,897.87	3,853,033.52	102.51
Administrative expenses	96,435,058.94	91,448,154.98	5.45
Finance expenses	118,304,560.07	146,373,643.87	-19.18
Research and development expenses	14,711,095.43	16,303,446.24	-9.77
Net cash flows from operating activities	916,080,089.58	517,864,524.50	76.90
Net cash flows from investing activities	-450,204,876.20	-664,062,442.29	32.20
Net cash flows from financing activities	-902,706,156.04	-210,528,343.58	-328.78
Gain from investments	0.00	829,978.35	-100.00
Credit impairment losses	-47,948,527.83	25,286,554.13	-289.62
Gains on disposals of assets	0.00	-3,553,929.71	100.00
Non-operating income	138,801.24	286,355.32	-51.53
Non-operating expenses	847,623.38	69,581.34	1,118.18
Minority interests	24,835,419.20	17,982,216.75	38.11

Explanation of reasons for changes in operating revenue: mainly attributable to the increase in revenue from sewage treatment business as the volume of incoming water at the four Tianjin plants increased year-on-year; and the increase in revenue from the construction of sewage treatment, cooling and heating and reclaimed water supporting projects in accordance with project progress.

Explanation of reasons for changes in operating cost: primarily attributable to the Company's continued optimisation of operating costs, leading to a decrease in costs.

Explanation of reasons for changes in sales expenses: primarily due to an increase in sales expenses related to the hazardous waste disposal business.

Explanation of reasons for changes in administrative expenses: primarily due to an increase in personnel costs.

Explanation of reasons for changes in finance expenses: primarily due to a reduction in interest expenses as a result of loan refinancing and interest rate adjustments.

Explanation of reasons for changes in R&D expenses: primarily due to a reduction in R&D investment by the Company based on the progress of research projects.

Explanation of reasons for changes in net cash flow from operating activities: primarily due to the receipt of certain historical arrears from the Tianjin Water Affairs Bureau during the current period, with no such matter occurring in the corresponding period of last year.

Explanation of reasons for changes in net cash flow from investing activities: primarily due to lower payments for project construction and investments during the current period compared to the corresponding period of last year.

Explanation of reasons for changes in net cash flow from financing activities: primarily due to the decrease in cash received from borrowings during the current period, while reasonable arrangements were made for financing progress in accordance with capital requirements.

Explanation of reasons for the changes in investment income: primarily due to the recognition of investment income from the disposal of equity interest in Hong Kong Company, a subsidiary, during the corresponding period of last year, with no such matter occurring in the current period.

Explanation of reasons for changes of credit impairment loss: primarily due to the reversal of credit impairment losses as portions of the trade receivables for which impairment losses were provided in previous years were recovered during the corresponding period of last year.

Explanation of reasons for the change in gain on disposal of assets: primarily due to the recognition of corresponding gains on disposal of assets as the landfill project of the subsidiary Shandong Tancuang Company was terminated during the corresponding period of last year, with no such matter occurring in the current period.

Explanation of reasons for changes in non-operating revenue: primarily due to the receipt of compensation payments in the corresponding period of last year, with no such matter occurring in the current period.

Explanation of reasons for changes in non-operating expenses: primarily due to late payment penalties paid by subsidiaries during the current period.

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

2. *Material changes in the business types, profits structures or profits sources of the Company for the reporting period*

Not applicable

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

Not applicable

(iii) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Name of project	Amount at the end of the current period	Amount at the end of the current period over total assets (%)	Amount at the end of the corresponding period of last year	Amount at the end of the corresponding period of last year over total assets (%)	Change in balance as at the end of the current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Notes receivable	8,669,604.74	0.03	31,343,964.58	0.12	-72.34	Primarily due to the maturity or endorsement and transfer of bank acceptance bills receivable by subsidiaries during the current period.
Receivables financing	3,000,000.00	0.01	11,277,067.24	0.04	-73.40	Primarily due to the maturity or endorsement and transfer of bank acceptance bills receivable by subsidiaries during the current period.
Development expenditures	3,321,400.42	0.01	1,652,761.39	0.01	100.96	Representing the capitalised R&D expenditure of the intelligent energy integrated management platform of Tianchuang Green Energy.
Long-term unamortized expenses	4,273,289.01	0.02	14,121,813.77	0.05	-69.74	Primarily due to the amortisation of deferred expenses such as house decoration and fixed asset improvements during the current period.
Other non-current assets	387,509,089.52	1.52	168,385,925.90	0.65	130.13	Primarily due to the purchase of water rights by the subsidiary Bayan Company during the current period.
Short-term borrowings	154,507,078.35	0.60	95,663,213.80	0.37	61.51	Mainly due to the new short-term borrowings of subsidiaries in the current period.

Section 3 Management Discussion and Analysis

Name of project	Amount at the end of the current period	Amount at the end of the current period over total assets (%)	Amount at the end of the corresponding period of last year	Amount at the end of the corresponding period of last year over total assets (%)	Change in balance as at the end of the current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Advance receipts	423,085.84	0.002	736,667.61	0.003	-42.57	Primarily due to the conversion of part of the advance rental income received by subsidiaries into costs during the current period.
Employee benefits payable	46,023,148.38	0.18	112,792,860.91	0.43	-59.20	Primarily due to the payment of part of the performance-based salaries accrued at the end of the previous year during the current period.
Other current liabilities	6,688,325.89	0.03	12,984,465.19	0.05	-48.49	Primarily due to the derecognition of discounted notes receivable at the end of the period and a decrease in tax payable on deferred revenues.

Other explanations

None

2. Information on overseas assets

Not applicable

3. Restricted assets as at the end of the reporting period

Please refer to Section 8 Financial Report, VII. Notes to Consolidated Financial Statements, 31. Assets with Restricted Ownership or Rights of Use.

4. Other matters

Not applicable

(iv) Investment Analysis

1. Overall analysis of external equity investments

During the reporting period, the Company's external equity investments were concentrated in the water sector, primarily for the establishment of new subsidiaries and capital increases to existing subsidiaries.

1. On 17 April 2026, the sixth meeting of the tenth session of the Board of the Company approved a capital increase to Inner Mongolia Bayannur Capital Water Co., Ltd. to implement the Urat Front Banner Water Rights Transfer Project. The total investment in the project does not exceed RMB242.75 million, with project capital of RMB48.55 million to be funded proportionally by both shareholders of Inner Mongolia Bayannur Capital Water Co., Ltd. through a capital increase, of which the Company will contribute RMB33.985 million from its own funds. During the reporting period, the Company contributed RMB33.985 million of paid-in capital in accordance with our 70% equity ratio.
2. On 8 May 2026, the eighth meeting of the tenth session of the Board of the Company approved the joint establishment of Xiaochang Chuanghuan Water Co., Ltd. (provisional name) with Hubei Shunhe State-owned Capital Investment and Operation Group Co., Ltd. to carry out the Xiaochang County Sewage Treatment Facility Operation Project. The registered capital is RMB10 million, of which the Company will contribute RMB5.8 million in cash, representing a 58% shareholding and Hubei Shunhe State-owned Capital Investment and Operation Group Co., Ltd. will contribute RMB4.2 million in cash, representing a 42% shareholding. During the reporting period, Xiaochang Chuanghuan Water Co., Ltd. was established on 30 June 2026, but the registered capital has not yet been paid in.

(1) Major equity investments

Not applicable

(2) Major non-equity investments

Not applicable

(3) Financial assets measured at fair value

Not applicable

Section 3 Management Discussion and Analysis

(v) Disposal of major assets and equities

Not applicable

(vi) Analysis of major subsidiaries, associates and joint ventures

Major subsidiaries and equity participation companies which have an impact on the net profit of the Company of over 10%

Unit: 0,000 Currency: RMB

Company name	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hangzhou Tianchuang Capital Water Co., Ltd.	Subsidiary	Operation and maintenance for facilities for sewage treatment and recycled water usage, and supporting services such as its technical services and technical training.	37,744.5	66,930.11	63,534.92	14,499.28	6,150.68	5,193.03

Acquisition and disposal of subsidiaries during the reporting period

Company name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall production, operation and results
Xiaochang Chuanghuan Water Co., Ltd.* (孝昌創環水務有限公司)	Newly established	None

(vii) Particulars of structured entities controlled by the Company

Not applicable

(V) OTHER DISCLOSURE

(I) Possible risks

1. *Possible risks*

(1) Risk of government credit

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

(2) Policy and market risks

China is currently at a critical stage for comprehensively deepening reforms and promoting high-quality development, a process that will continue long-term. During this process, policies will be continuously optimised and adjusted in response to domestic and international economic conditions, social demands and reform progress. Policy changes will involve multiple areas, such as industrial restructuring, financial regulation, taxation and environmental protection. For example, the successive promulgation of the Guiding Opinions on Standardizing the Implementation of the New Mechanism for Government-Private Cooperation (《關於規範實施政府和社會資本合作新機制的指導意見》) and the Infrastructure and Public Utilities Franchise Management Measures (《基礎設施和公用事業特許經營管理辦法》) has had a material impact on the business models of the public utilities, water and environmental protection industries; additionally, although business such as hazardous waste disposal takes enterprises as service targets, it may nevertheless be affected by regional industrial policies, i.e. regional industrial upgrading and cross-regional industrial transfer may lead to changes in the quantity of hazardous waste generated in the region. On the market side, entering the latter half of the 14th Five-Year Plan period, the environmental protection industry has experienced a significant slowdown in growth due to factors such as economic downturn, insufficient effective demand and limited payment capacity of local governments. The model of relying heavily on government policy subsidies for large-scale investment and construction will gradually be replaced by a operation-centred profit model. In addition, the trend toward group-based and scaled operations in the local water service sector is becoming increasingly evident. As market competition becomes more intense, the industrial structure will undergo changes, which will be reflected in the phase-out, consolidation, transformation and upgrading of enterprises.

(3) Operational and management risks

With growing national emphasis on environmental protection issues, a series of policies and regulations such as the Environmental Protection Law, the “Ten Measures to Improve Air Quality” (大氣十條) and the “Ten Measures to Improve Water Quality” (水十條) have been successively introduced. Environmental governance standards have become increasingly stringent, placing higher demands on the management capabilities and operation quality of environmental enterprises, and the demand for sewage treatment plants to adapt to the new standards of upgrading and transformation has spawned. In this context, on the one hand, the sewage treatment plant is facing the risk of transformation and operation, and on the other hand, the enterprise is also facing the risk of the adjustment of the original franchise agreement. In addition, whether sludge disposal after sewage treatment can form a more complete business model is also worthy of attention.

(4) Legal risks

The Company faces potential negative legal consequences due to changes in laws, regulations or regulatory policies, contract performance disputes, as well as the transmission of third-party disputes. In terms of business structure, the current principal contract types of the Company cover franchising, construction engineering, material procurement and technical services. Among these, the risks of franchising projects are concentrated on the payment and performance sides. Certain projects are affected by the pace of local government fiscal payments, resulting in delayed service fee payments, which may have phased impact transmitted to the project company's cash flow, and create payment pressure on upstream and downstream entities. Regarding construction engineering projects, these mainly involve EPC, general contracting and specialised subcontracting models. In recent years, with the overall tightening of industry liquidity, certain general contractors or subcontractors have experienced liquidity difficulties, leading to the risk of lawsuits from the actual party who carries out the construction work. Although the Company, as the contracting party, has fulfilled contractual obligations in accordance with the law, there is still a risk of litigation from the actual party who carries out the construction work claiming joint and several liability for "outstanding unpaid construction costs" due to downstream parties' illegal subcontracting or delayed payments.

2. *Risk control measures*

(1) Policy research first, strategic planning for the future

To closely monitor domestic and international economic trends, stay abreast of regional and industry development planning policies and intensify research and analysis of industry policies. Proactively plan for the "15th Five-Year Plan" with foresight and high standards, focusing on ecological conservation and green, low-carbon development as primary directions. With a broader perspective, seek new strategic opportunities and pioneer new development pathways, emphasising technology-driven leadership and technical empowerment and vigorously promote the development of new productive forces.

(2) Strengthening risk management and upholding law-based corporate governance

Centred on the goals of the “15th Five-Year Plan” comprehensive risk prevention and control system development and following the main thread of “identification – analysis – assessment – response – improvement” against risks, the Company systematically advances the prevention and mitigation of major risks and full-lifecycle risk management of projects. A risk assessment and early warning mechanism is established to conduct risk identification, assessment and response for key business areas such as investment and financing, engineering construction, work safety, financial funds and compliance procurement, thereby strengthening the Company’s risk control capabilities. To address government credit risks, the Company promotes the equality of contracting parties, the improvement of performance assessment and profit distribution mechanisms in concession projects and incorporates government performance obligations and investor return rights into contractual protections, effectively reducing credit and financial risks. The legal safeguard mechanism covering the entire lifecycle of contracts is further deepened, including strengthening the creditworthiness review of partners and standardising contract texts at the front end, embedding compliance review nodes and dynamically tracking the performance status of major projects in the middle stage, and implementing tiered and escalated management for case handling at the back end. The Company continuously promotes the coordinated operation of legal affairs, compliance, internal control and risk control, achieving the transformation of legal risk prevention and control from passive response to proactive identification and source governance, laying a solid foundation for the Company’s high-quality development.

(3) Enhance the level of operational management and mitigate operational risks

As a listed company in the environmental protection field, the Company exercises management and control over production and operation risks in a timely manner through standardized management in accordance with relevant changes in policies. Specifically, our risk control measures include staff training, strengthening the consciousness of laws on environmental protection and improving the management and control levels of technologies; while, at the same time, organising the operating entities to systematically review the legal compliance obligations related to sewage, sludge and odour, formulating a list of specific compliance obligations and strictly fulfilling the management responsibilities according to the list of specific compliance obligations, so as to reduce the risks of operation and management; strengthening the maintenance and protection of facilities for proper preservation of asset value and stable operation; improving the monitoring of quality, promoting control over the whole process to ensure the end products could meet the standards of discharge; developing water environment remedy plans and safe production plans, so as to ensure the prudent operation and the best environmental performance of the Company under force majeure conditions, and, at the same time, to maintain smooth contact and strengthened communication with local governments and regulatory authorities.

Section 4 Corporate Governance, Environment and Society

I. CHANGES IN DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Not applicable

Descriptions of changes in directors and senior management of the Company

Not applicable

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

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

Profit distribution or transfer of capital reserve fund into share capital No

Particulars of proposal for profit distribution or for converting capital reserve into share capital

Not applicable

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

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

For details of the Share Option Incentive Scheme, please refer to the relevant announcements and overseas regulatory announcements published on the website of Stock Exchange on 27 November 2020, 23 December 2020, 21 January 2021, 29 January 2021, 21 December 2021, 25 January 2022, 22 February 2023, 25 May 2023, 29 June 2023, 23 January 2024, 26 January 2024, 14 March 2024, 27 May 2024, 24 June 2024, 2 July 2024, 8 October 2024, 2 January 2025, 14 January 2025, 21 March 2025, 22 August 2025 and 2 December 2025 and the relevant circular published on the website of the Stock Exchange on 8 December 2020.

(I) Purpose of the Share Option Incentive Scheme

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

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

As at the end of the reporting period, there are no more than 150 Participants for the Share Option Incentive Scheme, including the Directors, senior management (excluding the independent non-executive Directors, external Directors and Supervisors), other members of the leadership team and core technology, management, business and skill backbones of the Company.

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

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

Class of Grantees	Outstanding as of 31 December 2025		Validity Period	Exercise Period	Exercise Price (RMB) (Note 3)	Outstanding as of 30 June 2026	Exercised during the period	Cancelled during the period (Note 4)	Lapsed during the period (Note 5)
	2025	Date of Grant							
Employees (in aggregate)	0	21 January 2021	(Note 1)	(Note 2)	6,414	0	0	0	0
	0	21 December 2021			6,354	0	0	0	0

Note 1: Please refer to (8) Validity Period under this section.

Note 2: Please refer to (6) Exercise Period and Exercise Date under this section.

Note 3: Please refer to (7) The Exercise Price and Determination Method under this section.

Note 4: A total of 3,527,584 share options (comprising 3,204,914 options granted in the initial grant and 322,670 options from the reserved portion) are already approved for cancellation by the Board but pending registration for cancellation, the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to cancel the share options that have been approved for cancellation by the Board but are pending registration for cancellation.

Note 5: A total of 3,438,791 share options (comprising 3,196,126 share options granted in the initial grant and 242,665 share options from the reserved portion) are already lapsed but are pending registration for cancellation, the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to cancel share options that have lapsed but are pending registration for cancellation.

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

As of the end of the end of the reporting period, the number of A share options available for grant under the Share Option Incentive Scheme was 0 and the corresponding number of underlying shares was 0 A shares, representing not more than 0% of the Company's total issued share capital of 1,570,418,085 shares as at the end of the reporting period; where 0 share options were Share Options Granted for the First Time, representing 0% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and 0% of the total number of the current share options granted; and 0 share options were Reserved Share Options, representing approximately 0% of the total issued capital of 1,570,418,085 Shares of the Company as at the end of the reporting period, and 0% 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 2025 (i.e. 0 Share) divided by the weighted average number of Shares in issue during the year ended 31 December 2025 (i.e. 1,570,418,085 Shares) is 0%. The total number of shares available for issue under the Share Option Incentive Scheme is 0 Share, which represents 0% of the issued Shares as at the date of this report.

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

On 21 January 2021, the grant conditions under the Share Option Incentive Scheme were fulfilled. The Board approved the grant of an aggregate of 12,170,000 share options (the “**Share Options Granted for the First Time**”) 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 Share Options Granted for the First Time.

On 21 December 2021, the reserved grant conditions under the Share Option Incentive Scheme were fulfilled. The Board approved the grant of an aggregate of 1,348,000 share options (the “**Reserved Share Options**”) 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 Share Options.

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, the Company has applied to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

On 20 January 2024, the First Exercise Period for the Share Options Granted for the First Time ended. The Share Options Granted for the First Time not fully exercised within the First Exercise Period (i.e. 3,334,792) were cancelled by the Company, and the number of Share Options Granted for the First Time was adjusted to 6,669,708. The Company has applied to the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited for registration of matters relating to the cancellation.

On 26 January 2024, 2 original Participants under the A Share Option Incentive Scheme no longer met 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, the Company has applied to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

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 Share Options Granted for the First Time was adjusted from 6,669,708 to 6,401,040 and the total number of share options required to be cancelled by the Company was 268,668, the Company has applied to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

On 20 December 2024, the first exercise period for the Reserved Options expired; the Reserved Options that were not fully exercised during the first exercise period (namely 282,665 options) will be cancelled by the Company. Consequently, the number of Reserved Share Options has been adjusted from 848,000 to 565,335, and the total number of Reserved Share Options to be cancelled by the Company amounts to 282,665, the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

On 14 January 2025, as one of the original participants under the A Share Option Incentive Scheme no longer met the grant conditions due to his/her death, the 40,000 reserved share options that had been granted to but not yet exercised by the said participant will be cancelled by the Company. As a result, the number of the Reserved Share Options granted was adjusted from 565,335 to 525,335, and the total number of Reserved Share Options that were granted but not yet exercised and shall be cancelled by the Company would be 40,000, the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

On 20 January 2025, the Second Exercise Period for the Share Options Granted for the First Time expired. The Share Options Granted for the First Time that were not fully exercised during the Second Exercise Period (i.e. 3,196,126 Options) were lapsed, and the number of Share Options Granted for the First Time was adjusted to 3,204,914. The Company will apply with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited to process the registration procedures for such lapse.

On 21 March 2025, as the exercise conditions for the third exercise period of the A Share Option Incentive Scheme were not met, the 3,204,914 Share Options Granted for the First Time and 262,670 Reserved Share Options granted to the participants during the third exercise period but not exercised, totalling 3,467,584 stock options, will be cancelled by the Company. Consequently, the number of Share Options Granted for the First Time and Reserved Share Options has been adjusted to 0 and 262,665 respectively; the number of Share Options Granted for the First Time and Reserved Share Options to be cancelled by the Company is 3,204,914 and 262,670 respectively, the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

On 22 August 2025, in view of the fact that 1 original Participant under the A Share Option Incentive Scheme no longer work in the Company system due to adjustment of their job position, and therefore no longer met the eligibility criteria, the 20,000 reserved share options granted to this participant but not yet exercised will be canceled by the Company. Consequently, the number of Reserved Share Options has been adjusted from 262,665 to 242,665, and the Company is required to cancel a total of 20,000 Reserved Share Options, and the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

On 2 December 2025, the Second Exercise Period for the Reserved Share Options expired. The Reserved Share Options that were not fully exercised during the Second Exercise Period (i.e. 242,665 Options) were lapsed, and the number of Reserved Share Options was adjusted to 0. The Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such lapse.

(IV) Maximum number granted for each participant

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

(V) Vesting Period

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

(VI) Exercise Period and Exercise Date

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

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

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

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

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

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

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

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

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

On 14 January 2025, the Board announced that the exercise conditions for the second exercise period of the 14 participants holding reserved share options had been met. In accordance with the exercise arrangements under the share option incentive scheme, the number of share options exercisable in the second exercise period represents one-third of the total share options granted. Accordingly, the 14 participants are entitled to exercise a total of 262,665 reserved share options during the second exercise period. The exercise period will commence upon completion of the self-directed exercise approval procedures by the China Securities Depository and Clearing Corporation Limited, Shanghai Branch and will end on 20 December 2025, the closing date of the second exercise period.

On 21 March 2025, the Board announced that the exercise conditions for the third exercise period had not been met. In accordance with the Share Incentive Scheme, a total of 3,467,584 Share Options Granted for the First Time and the Reserved Share Options that remained unexercised as of the third exercise period will be cancelled by the Company, the Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to process the registration procedures for such cancellation.

(VII) The Exercise Price and Determination Method

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

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

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

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

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

In view of the completion of (i) the Company's profit distribution plan for the year 2020, a cash dividend of RMB0.12 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB171,267,411.60, (ii) the Company's profit distribution plan for the year 2021, a cash dividend of RMB0.146 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB208,375,350.78; (iii) the Company's 2022 annual profit distribution plan, which is based on the Company's total share capital of 1,570,418,085 shares, with a cash dividend of RMB0.144 per share (tax inclusive), and a total cash dividend of RMB226,140,204.24; (iv) the Company's 2023 annual profit distribution plan, which is based on the Company's total share capital of 1,570,418,085 shares, with a cash dividend of RMB0.166 per share (tax inclusive), and a total cash dividend of RMB260,689,402.11, and (v) the Company's 2024 annual profit distribution plan, which is based on the Company's total share capital of 1,570,418,085 shares, with a cash dividend of RMB0.170 per share (tax inclusive), and a total cash dividend of RMB266,971,074.45.

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

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

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

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

On 22 August 2025, the Board considered and approved the “Resolution on Adjustment of Exercise Price of Reserved Share Options under the Company’s 2020 Share Option Incentive Scheme”, which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Reserved Share Options after the adjustment was RMB6.354 per share.

No payment is required upon applying for or accepting share options granted under the Share Incentive Scheme. Consequently, the time limit for payment or notification of payment does not apply.

(VIII) Validity Period

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

Of which, the date of grant of the Reserved Share Options was 21 December 2021. Therefore, subject to the early full exercise or full cancellation of the Share Options, as at 30 June 2026, the Share Option Incentive Scheme had a remaining validity period of 5 months and 21 days.

As of the end of the Reporting Period, all share options granted under the Share Option Incentive Scheme have lapsed or been canceled. The Company will apply with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to cancel the share options that have lapsed but have yet to be registered for cancellation.

(IX) Value and Relevant Accounting Policies of Share Options

Value of Share Options

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

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

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

- (i) if the equity-settled share-based payment is exchanged for the Participants to provide services, it shall be measured by the fair value of the equity instruments granted to the Participants;

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

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

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

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

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

IV. ENVIRONMENTAL INFORMATION OF THE LISTED COMPANY AND ITS MAJOR SUBSIDIARIES ON THE LIST OF ENTERPRISES REQUIRED TO DISCLOSE ENVIRONMENTAL INFORMATION IN ACCORDANCE WITH THE LAW

Number of enterprises on the list of enterprises subject to disclosure of environmental information in accordance with the law (Items) 41

No.	Name of enterprise	Enquiry Index for Report on Disclosure of Environmental Information in Accordance with Law
1	Tianjin Capital Environmental Protection Group Company Limited (天津創業環保集團股份有限公司)	https://hjxxpl.sthj.tj.gov.cn:10800/#/gkwz/ndpl/index
2	Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司)	https://hjxxpl.sthj.tj.gov.cn:10800/#/gkwz/ndpl/index
3	Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司)	https://hjxxpl.sthj.tj.gov.cn:10800/#/gkwz/ndpl/qyxq?id=2025-43AABE1106A74C719D87E4BBB2549028
4	Anguo Capital Water Co., Ltd.* (安國創業水務有限公司)	http://121.29.48.71:8080/#/fill/list
5	Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)	http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=1&id=91371081661386940A
6	Xi'an Capital Water Co., Ltd.	http://113.140.66.227:11077/#/noLogin/enterprise-details?qyid=b68ab68b-6fc9-4d7e-8d49-db6b3a029ec3&year=2025 http://113.140.66.227:11077/#/noLogin/enterprise-details?qyid=83cb6462-3f98-4726-821c-601814b87779&year=2025

- | | | |
|----|--|---|
| 7 | Linxia Capital Water Co., Ltd.*
(臨夏市創業水務有限公司) | https://zwfw.sthj.gansu.gov.cn/revealPubVue/#/discloseDetail?name=%E4%B8%B4%E5%A4%8F%E5%B8%82%E5%88%9B%E4%B8%9A%E6%B0%B4%E5%8A%A1%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8%28%E4%B8%B4%E5%A4%8F%E5%B8%82%E6%B1%A1%E6%B0%B4%E5%A4%84%E7%90%86%E5%8E%82%29&pkId&xxplid=XXPL12026010809292291622901MA72FPF58T&plx=1 |
| 8 | Fuyang Capital Water Co., Ltd.*
(阜陽創業水務有限公司) | https://39.145.37.16:8081/zhhb/yfplpub_html/#/home |
| 9 | Anhui Tianchuang Capital Water Co., Ltd. | https://39.145.37.16:8081/zhhb/yfplpub_html/#/searchPage?keyWord=%E5%90%88%E8%82%A5%E5%B8%82%E4%BA%8E%E6%B9%BE%E6%B1%A1%E6%B0%B4%E5%A4%84%E7%90%86%E5%8E%82&hy=%5B%5D |
| 10 | Hefei Capital Water Co., Ltd. | https://39.145.37.16:8081/zhhb/yfplpub_html/#/searchPage?keyWord=%E5%90%88%E8%82%A5%E5%B8%82%E9%99%B6%E5%86%B2%E6%B1%A1%E6%B0%B4%E5%A4%84%E7%90%86%E5%8E%82&hy=%5B%5D |
| 11 | Gaoyou Compro Environmental Resources Co., Ltd.*
(高郵康博環境資源有限公司) | http://221.214.62.226:8090/EnvironmentDisclosure/ |
| 12 | Jiangsu Yonghui Resources Utilisation Co., Ltd.*
(江蘇永輝資源利用有限公司) | http://221.214.62.226:8090/EnvironmentDisclosure/ |
| 13 | Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd. | https://hjxxpl.sthj.tj.gov.cn:10800/#/gkwz/jcym |
| 14 | Guizhou Capital Water Co., Ltd. | https://222.85.128.186:8081/eps/index/enterprise-search |

15	Karamay Tianchuang Capital Water Co., Ltd.	https://xxpl.xjpmic.cn:9015/index
16	Karamay Capital Water Co., Ltd	https://xxpl.xjpmic.cn:9015/index
17	Deqing Capital Water Co., Ltd.	https://mlzj.sthjt.zj.gov.cn/eps/list
18	Huoqiu Capital Water Co., Ltd.	https://39.145.37.16:8081/zhhb/yfplpub_html/#/companyDetails?name=%E9%9C%8D%E9%82%B1%E5%88%9B%E4%B8%9A%E6%B0%B4%E5%8A%A1%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8%28%E9%9C%8D%E9%82%B1%E5%8E%BF%E5%9F%8E%E5%8C%97%E7%AC%AC%E4%BA%8C%E6%B1%A1%E6%B0%B4%E5%A4%84%E7%90%86%E5%8E%82%EF%BC%89&entpId=20251744677019306&type=1
19	Huize Capital Water Co., Ltd.	http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/disclosureList
20	Honghu Tianchuang Environmental Protection Co., Ltd.	http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/index
21	Qijing Capital Water Co., Ltd.	http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/index
22	Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)	https://zwfw.sthj.gansu.gov.cn/revealPubVue/#/header/header_list
23	Honghu Tianchuang Capital Water Co., Ltd.	http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/index
24	Changsha Tianchuang Environmental Protection Co., Ltd	https://yfpl.sthjt.hunan.gov.cn:8181/hnyfpl/frontal/index.html#/home/index
25	Changsha Tianchuang Capital Water Co., Ltd.	https://yfpl.sthjt.hunan.gov.cn:8181/hnyfpl/frontal/index.html#/home/index

26	Hangzhou Tianchuang Capital Water Co., Ltd.	https://mlzj.sthjt.zj.gov.cn/eps/index/enterprise-more?code=913301017853369292&uniqueCode=ae08a86bf5b82b7f&date=2025&type=true&isSearch=true
27	Baoying Capital Water Co., Ltd.* (寶應創業水務有限責任公司)	http://ywxt.sthjt.jiangsu.gov.cn:18181/cas/login?pagePublishTicket=8de04b2a869a41eb81965fd4787bce23
28	Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	https://hbepb.hebei.gov.cn/hbhjt/sjzx/index.html
29	Shandong Capital Environmental Protection Technology Co., Ltd.	http://221.214.62.226:8090/EnvironmentDisclosure/
30	Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	http://221.214.62.226:8090/EnvironmentDisclosure/
31	Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	https://qyxpl.ywzh.lnsthj.cn:8802/home/companiesreport?enterId=682078490935301&publishdataId
32	Chibi Capital Water Co., Ltd.* (赤壁創業水務有限公司)	http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=3d09384c-83d5-4b31-90d4-7c96c1fb62e6&XH=1677751282089009244672&year=2025
33	Hanshan Chuanghuan Water Co., Ltd.	https://39.145.37.16:8081/zhhb/yfplpub_html/#/home?callbackSuccess=true&tokenId=56941441ee374d49994c3d7eb2d2d01a%3A4fbce04ec4314c4b964ebf5fcb1b6ac9
34	Honghu Capital Water Co., Ltd.	http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/index
35	Xianning Capital Water Co., Ltd.	http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/index
36	Shibinggui Capital Water Co. Ltd.* (施秉貴創水務有限公司)	https://222.85.128.186:8081/eps/index/enterprise-more?code=91522623MA6H51ETXM&uniqueCode=afb0ee2590e97b1f&date=2025&type=true&isSearch=true

- | | | |
|----|--|---|
| 37 | Shandong Chuangye Environment Service Co., Ltd.*
(山東創業環境服務有限公司) | http://221.214.62.226:8090/EnvironmentDisclosure/ |
| 38 | Enshi Capital Water Co., Ltd.*
(恩施市創環水務有限公司) | http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/index |
| 39 | Weng'an Capital Water Co., Ltd. | https://222.85.128.186:8081/eps/index/enterprise-more?code=91522725MADBX6X580&uniqueCode=d94a4bdbb0a125f8&date=2025&type=true&isSearch=true |
| 40 | Huoqiu Chuanghuan Water Co., Ltd. | https://39.145.37.16:8081/zhhb/yfplpub_html/#/companyDetails?name=%E9%9C%8D%E9%82%B1%E5%88%9B%E4%B8%9A%E6%B0%B4%E5%8A%A1%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8%28%E9%9C%8D%E9%82%B1%E5%8E%BF%E5%9F%8E%E5%8C%97%E7%AC%AC%E4%BA%8C%E6%B1%A1%E6%B0%B4%E5%A4%84%E7%90%86%E5%8E%82%EF%BC%89&entpId=20251744677019306&type=1 |
| 41 | Huize Chuanghuan Water Co., Ltd. | http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/disclosureList |

Other explanations

1. Inner Mongolia Bayannur Capital Water Co., Ltd., a subsidiary of the Company, was administratively fined RMB1 million by the Bayannur City Bureau of Ecology and Environment on 20 May 2026 for violating the relevant provisions of the Water Pollution Prevention and Control Law of the People's Republic of China. The Company has applied for administrative reconsideration and is currently awaiting the result.

3. Honghu Tianchuang Water Co., Ltd., a subsidiary of the Company, was administratively fined RMB23,600 by the Jingzhou City Bureau of Ecology and Environment on 3 July 2026 for violating the relevant provisions of the Regulations on Ecological Environment Monitoring.

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

Not applicable

Section 5 Major Events

I. PERFORMANCE OF COMMITMENTS

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

Not applicable

II. MISAPPROPRIATION OF THE COMPANY'S FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

Not applicable

III. NON-COMPLIANCE GUARANTEES

Not applicable

IV. AUDIT OF INTERIM REPORT

Not applicable

V. CHANGES AND TREATMENT OF MATTERS RELATED TO NONSTANDARD AUDIT OPINIONS IN THE FINANCIAL REPORT OF THE PREVIOUS YEAR

Not applicable

VI. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not applicable

VII. MATTERS RELATING TO MATERIAL LITIGATION AND ARBITRATION

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

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

Not applicable

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

Not applicable

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily operations

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

1. On 12 February 2026, the Board considered and approved the Company to enter into an Engineering Design Services Contract with Tianjin Municipal Institute (a subsidiary of a 30% controlled company of Tianjin Investment Group, the ultimate holding company of the Company). Pursuant to this contract, the Company commissioned Tianjin Municipal Institute to provide engineering design services for the Phase II Relocation Project of Xianyang Road Sewage Treatment Plant. For details regarding this connected transaction, please refer to the announcement of connected transaction in relation to the engineering design services contract for the Phase II Relocation Project of Xianyang Road Sewage Treatment Plant published on the Stock Exchange website on 12 February 2026.
2. On 12 February 2026, the Board considered and approved Water Recycling Company (a wholly-owned subsidiary of the Company) to enter into (i) the First Tender Section First Batch Agreement with Tianjin Chengtou Architectural Design Co., Ltd.* (天津城投建築設計有限公司) and Expressway Construction (an indirect wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company), and (ii) the Second Tender Section First Batch Agreement with Huamiao Planning (a subsidiary of a 30% controlled company of Tianjin Investment Group, the ultimate holding company of the Company) and Expressway Construction, respectively, concerning the 2025 Reclaimed Water Supporting Facilities Construction EPC Project. Pursuant to these contracts, Water Recycling Company commissioned (i) Tianjin Chengtou Architectural Design Co., Ltd. and Expressway Construction to provide EPC services for the first tender section of the first batch of the project, and (ii) Huamiao Planning and Expressway Construction to provide EPC services for the second tender section of the first batch of the project during their respective service periods, including the design and installation work for all works involved. For details regarding these connected transactions, please refer to the Company's announcement of continuing connected transaction in relation to the first tender section first batch contract and the second tender section first batch contract of the first batch of the 2026 Reclaimed Water Supporting Facilities Construction EPC Project published on the Stock Exchange website on 12 February 2026.

3. On 25 March 2026, the Board considered and approved Water Recycling Company (a wholly-owned subsidiary of the Company) to enter into (i) the Reclaimed Water Pipeline Network Supporting Services Entrustment Agreement, (ii) the Reclaimed Water Meter Agreement (Household Meters), and (iii) the Reclaimed Water Meter Agreement (Ground Meters) with Jinzhong Urban Renewal (an indirect wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company). Pursuant to these agreements, Jinzhong Urban Renewal commissioned Water Recycling Company to construct reclaimed water pipeline network supporting facilities, and install household meters and ground meters for Plot 7 (02-15) (Langxiyuan) of the Urban Renewal Project on the South Side of Jinzhonghe Street, Dongli District, Tianjin. During the preceding 12 months and the reporting period, Tianjin Tianchuang (a wholly-owned subsidiary of the Company) and Jinzhong Urban Renewal (i) entered into a heating engineering construction agreement on 9 January 2026; and (ii) entered into a heat supply and consumption contract on 26 January 2026, pursuant to which Jinzhong Urban Renewal agreed to engage Tianjin Tianchuang to construct heating facilities and provide heat supply services. For details regarding these connected transactions, please refer to the Company's announcement of connected transactions published on the Stock Exchange website on 25 March 2026.
4. On 25 March 2026, the Board considered and approved Tianjin Jiayuanshengchuang (a wholly-owned subsidiary of the Company) and Tianjin Chengzhu (an indirect subsidiary of Tianjin Investment Group, the ultimate holding company of the Company) to enter into the Heat Supply Secondary Network Agreement (Lot C). Pursuant to this agreement, Tianjin Chengzhu commissioned Tianjin Jiayuanshengchuang to organise the design and construction of the secondary heat supply network facilities within the newly developed residential area for Lot C (Phases I and II) of the Houtai Project. During the preceding 12 months and the reporting period, on 17 March 2026, Tianjin Chengzhu and Water Recycling Company (a wholly-owned subsidiary of the Company) entered into (i) the Reclaimed Water Meters Agreement (Ground Meters) (Lot C), pursuant to which Tianjin Chengzhu commissioned Water Recycling Company to handle the purchase, installation, and routine maintenance management of reclaimed water meters (ground meters) within the main building structures for Phases I and II of the Houtai Lot C Project (Yinxi Park); and (ii) the Reclaimed Water Meters Agreement (Household Meters) (Lot C), pursuant to which Tianjin Chengzhu commissioned Water Recycling Company to handle the purchase, installation, and routine maintenance management of reclaimed water meters (household meters) within the main building structures for Phases I and II of the Houtai Lot C Project (Yinxi Park), respectively. For details regarding these connected transactions, please refer to the Company's announcement in relation to connected transactions published on the Stock Exchange website on 25 March 2026.

5. On 25 June 2026, the Board considered and approved Water Recycling Company (a wholly-owned subsidiary of the Company) to enter into the First Batch Agreement, the Second Batch Agreement, the Third Batch Agreement and Phase I Agreement of New Water Meter Installation Project at Haijiao Park, respectively with Expressway Construction, (an indirect wholly-owned subsidiary of Tianjin Infrastructure Construction, the ultimate controlling company of the Company), pursuant to which Water Recycling Company commissioned Expressway Construction to provide EPC services for the first batch, second batch and third batch of the 2026 Reclaimed Water Supporting Facilities Construction Project and the new phase of the Reclaimed Water Meter Project for Universities in the Haihe Education Park, the scope of the contract includes all work covered by the construction drawings. For details regarding these connected transactions, please refer to the Company's announcement in relation to continuing connected transactions published on the Stock Exchange website on 25 June 2026.

2. Events disclosed in the Company's announcements, with subsequent progress or changes to their implementation

1. On 17 June 2026, Asset Management Company (a wholly-owned subsidiary of Tianjin Investment Group, the ultimate holding company of the Company), Tianjin Municipal Institute (a 30%-controlled company indirectly held by Tianjin Infrastructure Construction, the ultimate controlling company of the Company), TORYO International Lighting Design (Beijing) Center Co., Ltd. (an independent third party of the Company), CABR Technology Co., Ltd. (an independent third party of the Company), and Tianchuang Environmental (a wholly-owned subsidiary of the Company) entered into the Settlement Agreement for the Completion Account of the "Tientsin Eye" Ferris Wheel Lighting Upgrade EPC General Contracting Project, so as to reflect the matters in relation to the actual settlement and payment of construction funds following the completion and acceptance of the "Tientsin Eye" construction project. On the same date, Tianjin Municipal Institute (as the lead member of the consortium) and Tianchuang Environmental (as a consortium member) entered into the Settlement Agreement for the Consortium Agreement of the "Tientsin Eye" Ferris Wheel Lighting Upgrade EPC General Contracting Project, so as to confirm the management fees due to Tianjin Municipal Institute and the engineering fees due to Tianchuang Environment from the settlement amounts. For details regarding these connected transactions, please refer to the Company's announcements in relation to the EPC agreement for the "Tientsin Eye" construction project published on the Stock Exchange website on 14 May 2025 and 23 May 2025, and the further supplemental announcement in relation to the EPC agreement for the "Tientsin Eye" construction project published on the Stock Exchange website on 17 June 2026.

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

Not applicable

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

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

Not applicable

2. *Events disclosed in the Company's announcements, with subsequent progress or changes to their implementation*

Not applicable

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

Not applicable

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

Not applicable

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

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

Not applicable

2. *Events disclosed in the Company's announcements, with subsequent progress or changes to their implementation*

Not applicable

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

Not applicable

(IV) Amounts due to or from connected parties

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

Not applicable

2. *Events disclosed in the Company's announcements, with subsequent progress or changes to their implementation*

Not applicable

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

Not applicable

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

Not applicable

Section 5 Major Events

(VI) Other significant connected transactions

Not applicable

(VII) Other matters

Not applicable

XI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(I) Custody, contracting and leasing matters

Not applicable

(II) Significant guarantees performed and those performed but not yet completed during the reporting period

Unit: '0,000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries)

Guarantor	Relationship between the guarantor and the Company	The guaranteed party	Amount of guarantee	Date of guarantee (Date of signing of agreement)	Start date of guarantee	Maturity date of guarantee	Type of guarantee	Status of the principal debt	Collaterals (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Amount of overdue guarantee	Status of the counter guarantee	Whether it is a guarantee for a related party	Related party relationship
None															

Cumulative amount of guarantees provided during the reporting period (excluding those for subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to subsidiaries)	0
Guarantees provided to subsidiaries of the Company	
Total amount of guarantees provided to subsidiaries during the reporting period	43,112.34
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	302,692.44
Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)	
Total amount of guarantees (A+B)	302,692.44
Ratio of total amount of guarantees to net assets of the Company (%)	29.50%
Including:	
Amount of guarantees provided to shareholders, ultimate controllers, and their connected parties (C)	0.00
Amount of guarantees provided directly or indirectly to guaranteed entities with a gearing ratio of over 70% (D)	64,123.38
Total amount of guarantees exceeding 50% of net assets (E)	0.00
Total of the above three classes of guarantees (C+D+E)	64,123.38
Explanation on contingent joint liability for undue guarantees	Not applicable
Explanation of guarantee	None

(III) OTHER MAJOR CONTRACTS

Not applicable

XII. DESCRIPTION OF THE PROGRESS OF THE USE OF PROCEEDS

(I) Overall use of proceeds

Unit: 0'000

Source of proceeds	Time of receipt of proceeds	Total amount of proceeds	Net proceeds (1)	Committed investment amount as stated in the prospectus or offering circular (2)	Amount of surplus proceeds (3) = (1)-(2)	Cumulative amount of proceeds invested as at the end of the reporting period (4)	Including: Cumulative amount of surplus proceeds invested as at the end of the reporting period (5)	Cumulative investment progress of proceeds as at the end of the reporting period (6) = (4)/(1)	Cumulative investment progress of surplus proceeds as at the end of the reporting period (7) = (5)/(3)	Amount invested during the reporting period (8)	Proportion of amount invested during the reporting period (9) = (8)/(1)	Total amount of proceeds with usage changed
Issuance of shares to specified targets	20 September 2022	83,050.00	81,075.66	81,075.66	0.00	69,846.22	N/A	86.15	N/A	2,058.84	2.54	20,900.00
Total	/	83,050.00	81,075.66	81,075.66	0.00	69,846.22	N/A	/	/	2,058.84	/	20,900.00

Other explanations

Not applicable

Section 5 Major Events

(II) Details of Projects Financed by Proceeds

1. Detailed use of proceeds

Unit: 0'000

Source of proceeds	Name of project	Nature of project	Whether it is a committed investment project as stated in the prospectus or offering circular	Whether it involves change in investment direction	Planned investment amount of proceeds (1)	Amount invested during the year	Cumulative amount of proceeds invested as at the end of the reporting period (2)	Cumulative investment progress as at the end of the reporting period (%) (3)=(2)/(1)	Date on which the project reaches its intended usable status	Whether the project is completed	Whether the investment progress is in line with plan	Specific reasons for not meeting planned progress	Benefits realised during the year	Benefits or R&D outcomes achieved by the project	Whether project feasibility has undergone significant changes, if so, please explain	Surplus amount
Issuance of shares to specified targets	Construction Project of the Sewage Treatment Plant at Tianying Science and Technology Park in Jieshou Hi-Tech District, Fuyang, Anhui	Production and construction	Yes	No	14,800.00	0.00	13,957.90	94.31	1 July 2022	No	No	The government party's audit and final account settlement for the project has not yet been completed, and part of the remaining construction payments have not met the payment conditions.	557.87	5,146.80	No	Not applicable
Issuance of shares to specified targets	Honghu Township Sewage Treatment Plant New Construction, Upgrading and Supporting Pipeline Network (Phase II) PPP Project	Production and construction	Yes	Yes, this project has not been cancelled, but the total investment amount of proceeds has been adjusted.	11,150.00	730.39	9,498.74	85.19	1 August 2024	No	No	The project construction settlement has not yet been completed, and certain remaining construction payments have not met the payment conditions.	161.21	672.14	Yes. The Company convened the 14th meeting of the ninth session of the Board on 23 May 2023 to consider and approve the proposal on the adjustment of the investment plan of Honghu Project. The 18th meeting of the ninth session of the Board and the 8th meeting of the ninth session of the Board of Supervisors were held on 7 August 2023, and the 2023 Second Extraordinary General Meeting was held on 21 September 2023, both of which had considered and passed the "Resolution on Changing the Use of Part of the Proceeds," agreeing to the Company's change of use of the proceeds of the Honghu Project of RMB103.00 million for the investment and construction expenditure of the concessionary project of the Karamay Nanjiao Sewage Treatment Plant.	Not applicable

Section 5 Major Events

Source of proceeds	Name of project	Nature of project	Whether it is a committed investment project as stated in the prospectus or offering circular	Whether it involves change in investment direction	Planned investment amount of proceeds (1)	Amount invested during the year	Cumulative amount of proceeds invested as at the end of the reporting period	Cumulative investment progress as at the end of the reporting period	Date on which the project reaches its intended usable status	Whether the project is completed	Whether the investment progress is in line with plan	Specific reasons for not meeting planned progress	Benefits or R&D outcomes			
							(2)	(3)=(2)/(1)					Whether project feasibility has undergone significant changes, if so, please explain	Benefits realised during the year	achieved by the project	Whether project feasibility has undergone significant changes, if so, please explain
Issuance of shares to specified targets	The First Batch of Projects of the Recycled Water Pipeline Network Connection Project in the Main Districts of Tianjin	Production and construction	Yes	Yes, this project has not been cancelled, but the total investment amount of proceeds has been adjusted.	16,600.00	0	12,182.93	73.39	27 March 2024	No	No	The project is currently at the stage of construction settlement; the settlement work has not yet been completed, and certain remaining construction payments have not met the payment conditions.	1,888.27	9,486.02	Yes. Through optimisation of project management, the construction and installation costs of the project were reduced by approximately RMB33.00 million. In addition, the Company received a central budget investment subsidy of RMB20.00 million in 2023, resulting in an estimated saving of approximately RMB53.00 million in proceeds. To improve the efficiency of the use of proceeds and safeguard the long-term interests of the Company and the arrangement of use proceeds, the Company convened the 48th meeting of the ninth session of the Board and the 19th meeting of the ninth session of the Board of Supervisors on 17 December 2024, and the 2025 First Extraordinary General Meeting on 14 January 2025, which considered and approved the "Resolution on Changing the Use of Part of the Proceeds," agreeing that the Company may reallocate RMB53,000,000.00 from the proceeds for the first batch of projects of the recycled water pipeline network connection project in the main districts of Tianjin Municipality to the Chibi City Lushui Industrial Park sewage treatment plant and supporting pipeline project special TOT project.	Not applicable
Issuance of shares to specified targets	Karamay Nanjiao Sewage Treatment Plant Franchising Project	Production and construction	No	Yes, this is a new project	15,600	1,328.45	11,280.99	72.31	30 June 2026	No	No	The project is currently at the stage of construction settlement; the settlement work has not yet been completed, and certain remaining construction payments have not met the payment conditions.	N/A	N/A	No	Not applicable
Issuance of shares to specified targets	Repayment of interest-bearing liabilities and supplement of working capital	Supplementing working capital and repaying loans	No	No	22,925.66	0	22,925.66	100.00	N/A	Yes	Yes	N/A	N/A	N/A	No	0
Total	/	/	/	/	81,075.66	2,058.84	69,846.22	/	/	/	/	/	/	/	/	/

2. *Detailed use of surplus proceeds*

Not applicable

3. *Details of the re-evaluation of proceeds investment projects during the reporting period*

Not applicable

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

Not applicable

(IV) Other use of proceeds during the reporting period

1. *Advance payments and replacement of proceeds investment projects*

Not applicable

2. *Use of idle proceeds to temporarily supplement working capital*

Not applicable

3. *Cash management of idle proceeds and investment in relevant products*

Not applicable

4. *Other matters*

Not applicable

- (V) Explanation of any abnormal situations verified by the intermediary regarding the storage and use of proceeds

Not applicable

- (VI) Follow-up rectification regarding unauthorised changes to the use of proceeds and improper appropriation of proceeds

Not applicable

XIII. EXPLANATIONS OF OTHER MATERIAL MATTERS

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

1. Corporate Governance Code

The Directors are not aware of any information that would reasonably indicate that the Company is not or was not in compliance with the code provisions set out in Part 2 of the Corporate Governance Code as contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) at any time during the reporting period.

2. Audit and Risk Control Committee

The Board established the Audit Committee on 31 July 2001, which is responsible for reviewing and monitoring the Company’s financial reporting procedures and internal controls. The Board approved the renaming of the Audit Committee to the Audit and Risk Control Committee on 2 August 2024, with additional responsibilities including the deliberation of significant risk response strategies and risk solutions. The Audit and Risk Control Committee comprises Mr. Wang Yongwei, a non-executive Director, and Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei, independent non-executive Directors. The Audit and Risk Control Committee and the Company’s management have reviewed the accounting principles and methods adopted by the Group, and have discussed matters relating to internal controls and financial reporting, including the review of the unaudited interim results and the Interim Report. The Audit and Risk Control Committee agreed with the financial accounting principles, standards and methods adopted in the Group’s unaudited interim accounts for the six months ended 30 June 2026.

3. Liquidity and Financial Resources

The Group's borrowing needs are not subject to seasonal fluctuations. As at 30 June 2026, there were no overdue bank borrowings or outstanding interest. Details of the Group's bank borrowings are set out in the notes to the Group's condensed consolidated financial statements for the six months ended 30 June 2026.

Based on the accounting report prepared in accordance with PRC Enterprise Accounting Standards, the Company's gearing ratio was 54.68% as at 30 June 2026.

4. Foreign Exchange Exposure

The operations and customers of the Group and its subsidiaries are located within the PRC, and most of their operating assets and transactions are settled in Renminbi (RMB), and all of the Group's borrowings are denominated in RMB. Accordingly, the Group does not have significant foreign exchange exposure. The Group's only foreign exchange exposure arises from long-term payables, which were incurred as a result of the asset transfer agreement entered into between the Group and Tianjin Sewage Company in connection with the purchase of foreign bank loans, and primarily relates to Japanese Yen (JPY).

As at 30 June 2026, if RMB had appreciated or depreciated by 5% against JPY, with all other variables held constant, the Group's net profit would have increased or decreased by RMB6,331,008.83 (30 June 2025: RMB8,048,992.57).

The Group's interest rate risk primarily arises from interest-bearing liabilities such as long-term bank borrowings, long-term payables and bonds payable. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. As at 30 June 2026, if borrowing interest rates were to increase or decrease by 1% with all other variables held constant, the Group's net profit for the year would decrease or increase by RMB66,509,819.17 (30 June 2025: RMB77,767,421.05). The Group also considers measures such as refinancing, the extension of existing borrowings and other feasible financing options to mitigate its interest rate risk.

5. Employees and Remuneration Policy

As of 30 June 2026, the Group had 2,314 employees. During the reporting period, the total remuneration paid to the Group's employees amounted to approximately RMB277 million. The Group implements a rank-based salary system. The remuneration of annual salary employees is linked to their job rank and the Company's profit performance, while the remuneration of monthly salary employees is linked to their job ranks, length of service, educational qualifications, skills and the Company's profit performance.

Details of the Company's employee remuneration are set out in the notes to the financial statements below.

6. Contingent Liabilities

As at 30 June 2026, the Group did not have any material contingent liabilities.

7. Creditors' Rights

As of 30 June 2026, pursuant to the "Tianjin Capital Concession Agreement for the Jizhuangzi and Three Other Sewage Treatment Plants" entered into by the Group, Tianjin Water Authority Bureau and Tianjin Municipal Housing and Urban-Rural Development Commission (effective 1 January 2014), the total accounts receivable due from the Tianjin Municipal Water Authority amounted to RMB2.53 billion, representing approximately 33.12% of the Group's total market capitalization as of 30 June 2026.

8. Charges on Assets

Details of the Company's charges on assets are set out in the financial report below.

9. Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the reporting period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

10. Public Float

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

11. Plans for Material Investments or Acquisition of Capital Assets

During the reporting period, the Group had no plans for material investments or acquisition of capital assets in the future.

12. Preferred Shares

During the reporting period, the Company did not have any preferred shares.

13. Purchase, Sale or Redemption of the Company's Listed Securities

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

14. Model Code for Securities Transactions by Directors

The Company has adopted a code of practice regarding securities transactions by Directors, which is no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have strictly complied with the required standards set out in the Model Code for Securities Transactions by Directors during the reporting period.

15. Right of First Refusal

There are no provisions regarding the Right of First Refusal under the Company's Articles of Association, and there are no restrictions on such rights under PRC law.

16. Tax Relief

Holders of the Company's listed securities are not entitled to any tax relief by virtue of their holding of such securities.

Pursuant to paragraph 40 of Appendix D2 to the Listing Rules, save as disclosed in this report, the Company confirms that there have been no material changes to the existing corporate information in respect of the matters set out in paragraph 32 of Appendix D2 to the Listing Rules as compared with the relevant information disclosed in the Company's 2025 annual report.

Section 6 Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. *Table of changes in shares*

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

2. *Explanation of changes in shares*

Not applicable

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

Not applicable

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

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

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

(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 non-public issuance of A Shares, 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 non-public issuance of A Shares, 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.

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

Details of the use of proceeds from the Non-public Issuance of A Shares as of 30 June 2026 (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 (Note 1) <i>Approximately RMB0'000</i>	Proceeds utilized for the year <i>Approximately RMB0'000</i>	For the half year ended 30 June 2026 Balance of unutilized proceeds <i>Approximately RMB0'000</i>	Estimated timetable for use of unutilized proceeds
1	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin City	21,900.00	16,600.00	12,182.93	4,417.07	The balance of the proceeds is expected to be used up by 2027 (note 2)
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	13,957.90	842.10	The balance of the proceeds is expected to be used up by 30 June 2027 (note 2)
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	9,498.74	1,651.26	The balance of the proceeds is expected to be used up by 2027 (note 2)
4	Karamay Nanjiao Water Treatment Plant Concession Project	0.00	15,600.00	11,280.99	4,319.01	The balance of the proceeds is expected to be used up by 30 June 2027 (note 2)
5	The repayment of interest-bearing liabilities and supplement the working capital	22,925.66	22,925.66	22,925.66	0	–
Total		81,075.66	81,075.66	69,846.22	11,229.44	

Note 1: The Company held the 14th meeting of the ninth session of the Board of Directors on 23 May 2023 to consider and approve the proposal on the adjustment of the change of the investment plan of Honghu Project, and a supplemental project agreement was entered into between the Honghu project company and Honghu Municipal Bureau of Housing and Urban-Rural Development on 7 August 2023, which stipulated that the scope of the Honghu Project was adjusted to the construction of the Honghu Fengkou East Domestic Sewage Treatment Plant and ancillary pipeline network and the construction of the pipeline network for the villages on the outskirts of the townships of Honghu City. The total scale of recent sewage treatment is 3,000m³/day and the total investment of the Honghu Project is adjusted to RMB148,319,900, of which the capital expenditure is approximately RMB118,253,800. The 18th meeting of the ninth session of the Board of Directors and the 8th meeting of the ninth session of the Board of Supervisors were held on 7 August 2023 and the 2023 Second Extraordinary General Meeting was held on 21 September 2023, both of which had considered and passed a resolution on changing the purpose of part of the proceeds, agreeing to the Company's change of use of the proceeds of the Honghu Project of RMB103.00 million for the investment and construction expenditure of the concessionary project of the Karamay Nanjiao Sewage Treatment Plant. In order to improve the efficiency of the use of the proceeds, safeguard the long-term interests of the Company and arrange the use of the proceeds, the Company intends to use RMB103,000,000 of the remaining proceeds of RMB181,393,100 of the Honghu Project for the construction of the Karamay Nanjiao Project. The remaining proceeds of RMB78,393,100 will continue to be used for the construction of the Honghu Project, thereby promoting the long-term and steady development of the Company's business and protecting the interests of the Company and shareholders. For further details, please refer to the Company's announcement dated 7 August 2023 in relation to the proposed change in the use of part of the proceeds, the circular dated 4 September 2023 in relation to the proposed change in the use of part of the proceeds and the Announcement of Resolution of the 2023 Second Extraordinary General Meeting posted on the Stock Exchange website.

Note 2: The delay in project usage is due to the fact that while such projects have completed the construction acceptance, however, the project is still in the stage of construction settlement and has not yet been completed, and part of the remaining construction payment has not yet fulfilled the conditions of payment.

Save as disclosed above, during the year ended 30 June 2026, 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. The Company expects to utilize all of the proceeds from the Non-public Issuance of A Shares by 31 December 2026, 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, the circular dated 4 September 2023 in relation to the proposed change in the use of part of the proceeds and the 2025 Annual Report of the Company.

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, and the relevant overseas regulatory announcement dated 27 March 2023.

(II) Particulars of changes of restricted shares

Not applicable

II. DETAILS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders at the end of reporting period (persons) 48,885

Note: As of 30 June 2026, the total number of ordinary shareholders of the Company was 48,885, of which 60 were H-share shareholders.

(II) Shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders of non-restricted shares) at of the end of the reporting period

Unit: Share

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

Name of shareholder (Full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Proportion (%)	Number of restricted shares held	Pledged, marked or frozen Status of shares	Number	Nature of shareholder
Tianjin Municipal Investment Co., Ltd.	0	715,565,186	45.57	0	Pledged	126,000,000	State-owned legal person
HKSCC Nominees Limited	98,000	338,046,610	21.52	0	None	Not applicable	Others
Zhongtai Securities Co., Ltd. – Huaxia Guozheng Free Cash Flow Tradable Open-ended Index Securities Investment Fund	9,725,733	9,725,733	0.62	0	None	Not applicable	Others
Zhejiang Jinxin Construction Engineering Co., Ltd.* (浙江錦鑫建設工程有限公司)	641,500	8,941,500	0.57	0	None	Not applicable	Domestic non-state-owned legal person
Wang Caijin* (王財進)	511,300	8,007,938	0.51	0	None	Not applicable	Domestic natural person
Hong Kong Securities Clearing Company Limited	-4,706,142	7,717,823	0.49	0	None	Not applicable	Others
Yan Gang* (嚴罡)	-212,910	6,384,300	0.41	0	None	Not applicable	Domestic natural person
Bohai Bank Co., Ltd. - Sino-European Value Selection Mixed Securities Investment Fund	3,485,600	3,485,600	0.22	0	None	Not applicable	Others
Zhuang Wei* (莊衛)	3,377,700	3,377,700	0.22	0	None	Not applicable	Domestic natural person
China National Gold Group Asset Management Company Limited (中國黃金集團資產管理有限公司)	0	2,980,000	0.19	0	None	Not applicable	State-owned legal person

Section 6 Details of Changes in Shares and Shareholders

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

Name of shareholder	Number of outstanding shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
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	338,046,610	H shares	338,046,610
Zhongtai Securities Co., Ltd. – Huaxia Guozheng Free Cash Flow Tradable Open-ended Index Securities Investment Fund	9,725,733	Ordinary RMB Shares	9,725,733
Zhejiang Jinxin Construction Engineering Co., Ltd.* (浙江錦鑫建設工程有限公司)	8,941,500	Ordinary RMB Shares	8,941,500
Wang Caijin* (王財進)	8,007,938	Ordinary RMB Shares	8,007,938
Hong Kong Securities Clearing Company Limited	7,717,823	Ordinary RMB Shares	7,717,823
Yan Gang* (嚴罡)	6,384,300	Ordinary RMB Shares	6,384,300
Bohai Bank Co., Ltd. - Sino-European Value Selection Mixed Securities Investment Fund	3,485,600	Ordinary RMB Shares	3,485,600
Zhuang Wei* (莊衛)	3,377,700	Ordinary RMB Shares	3,377,700
China National Gold Group Asset Management Company Limited (中國黃金集團資產管理有限公司)	2,980,000	Ordinary RMB Shares	2,980,000
Description of special accounts for repurchasing purposes 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	(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 of the end of the reporting period, Ningbo BSLS Trade Co., Ltd.* (寧波百思樂斯貿易有限公司) and its concert parties Ningbo Ningdian Investment Development Co., Ltd.* (寧波寧電投資發展有限公司) and LVNENG Investment & Development Co., Ltd. (Hong Kong)* (綠能投資發展有限公司 (香港)) held a total of 156,956,000 H shares of the Company, representing 9.99% of the total share capital of the Company, and none of the shares held were pledged. (2) The top ten shareholders are not strategic investors of the Company.		
Holders of preference shares with their voting rights restored and the number of shares held	Not applicable		

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

Not applicable

III. DIRECTORS AND SENIOR MANAGEMENT

- (I) Changes in shareholding structure and remuneration of current Directors and senior management and those departed during the reporting period

Not applicable

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

Not applicable

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

As at 30 June 2026, none of the Directors and chief executives of the Company have interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which were taken as or deemed to have pursuant to the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

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

Not applicable

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

As at 30 June 2026, so far as is known to or can be ascertained after reasonable enquiries by the Directors, Supervisors or chief executive of the Company, the following entities (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of 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%
E Fund Management Co., Ltd. (易方達基金管理有限公司)	Investment manager	20,668,000 H Shares (L)	6.08%	1.32%

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

Save as disclosed above, there is no other person (other than the Directors, Supervisors or chief executive of the Company) so far as is known to the Directors, Supervisors or chief executives of the Company who, as at 30 June 2026, had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Section 7 Details of the Company's Bonds

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

(I) Corporate bonds (including enterprise bonds)

1. Basic information of corporate bonds

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Code	Issue Date	Value Date	Latest Resale	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place	Leading Underwriter	Trustee	Investor Suitability Arrangement	Trading Mechanism	Risk of Delisting
					Date after 31 August 2026										
Tianjin Capital Environmental Protection Group Company Limited 2025 Public Issuance of Green Corporate Bonds for Technological Innovation to Professional Investors (First Tranche) (Tranche I)	GK Jin Chuang 01	243568.SH	2025-09-11	2025-09-15	N/A	2028-09-15	500,000,000.00	2.06	Interest is payable annually, with the last installment paid together with the principal upon maturity	Shanghai Stock Exchange	Ping An Securities Co., Ltd., China Securities Co., Ltd., China International Capital Corporation Limited	Ping An Securities Co., Ltd.	Professional institutional investors	Click-based trading, No inquiry-based trading, auction-based trading, negotiated trading and matching-based trading	No

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

Not applicable

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

Not applicable

3. Adjustments to credit rating results

Not applicable

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

Not applicable

Section 7 Details of the Company's Bonds

(II) Particulars of proceeds of corporate bonds

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

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

1. *The Company is an issuer of exchangeable corporate bonds*

Not applicable

2. *The Company is an issuer of green corporate bonds*

Unit : Yuan Currency: RMB

Bond Code	243568.SH
Bond Abbreviation	GK Jin Chuang 01
Type of special-purpose bond	Green corporate bond
Total amount raised	500,000,000.00
Amount utilised	500,000,000.00
Temporary working capital supplement	0
Unused amount	0
Number of green projects	6

Name of green projects	Gaoyou Compro Solid Waste Disposal Project, Jiangsu Yonghui Solid Waste Disposal Project, Beicang Sewage Treatment Plant Project, Dongjiao Sewage Treatment Plant Project, Xianyang Road Sewage Treatment Plant Project, Jingu Sewage Treatment Plant Project
Whether the use of proceeds is consistent with the committed purpose or the most recently disclosed purpose	Yes
Any changes to the use of proceeds	No
Whether the usage after change are all for green projects	Not applicable
Procedures followed for the change	
Whether the changes are disclosed	Not applicable
Date of disclosure of the announcement for changes	Not applicable
Amount of idle funds during the reporting period	
Plans for the deposit, management and use of idle funds	Prior to the scheduled repayment date of the interest-bearing debt to be repaid with the proceeds of this bond issuance, the issuer may, in accordance with the Company's financial management system and without affecting the debt repayment plan, use idle bond proceeds to temporarily supplement working capital (with each such supplement lasting no longer than 12 months)

Progress of green projects funded by the proceeds, including but not limited to an overview of each project, the relevant categories in the catalogue, the project location, and details regarding investment, construction, current status and operations			Catalog of Green Finance Support Projects (2025 Edition)
	Project Category	Name of project	
	Sewage processing projects	Beicang Sewage Treatment Plant, Dongjiao Sewage Treatment Plant, Jingu Sewage Treatment Plant, Xianyang Road Sewage Treatment Plant	6. Green Upgrading of Infrastructure - 6.4 Environmental Infrastructure - 6.4.7 Construction and Operation of Sewage and Sludge Treatment and Disposal Facilities (4620 Sewage Treatment and Reuse)
	Hazardous waste disposal projects	Gaoyou Compro hazardous waste treatment project, Jiangsu Yonghui hazardous waste treatment project	2. Environmental Protection Industry - 2.5 Other Pollution Control and Comprehensive Environmental Remediation - 2.5.2 Hazardous Waste Treatment and Disposal (7724 Hazardous Waste Management)

(1) Beicang Sewage Treatment Plant

Beicang Sewage Treatment Plant is located on the southwest side of the intersection of Waihuan North Road and Tiedong North Road in Beichen District, Tianjin. Its service area extends eastward from Tiedong Road to the Outer Ring Road, southward to Jinba Highway, Jiaqing Road, the North Canal, Puji River, and Yibai Avenue, westward from the North Canal to the Outer Ring Road, and northward from Yanji Road to the Outer Ring Road, covering a total service area of 5,915 km². Construction of the sewage plant commenced in September 2003, with Phase I designed for a capacity of 100,000 m³/day. In 2009, Phase I underwent upgrades and renovations, and Phase II construction was implemented. In 2017, an expansion and upgrading project was implemented, adding 50,000 m³/day of sewage treatment capacity. The plant employs a treatment process consisting of "pretreatment + modified AO biological process + high-efficiency sedimentation tanks + deep-bed filters + ozone catalytic oxidation + sodium hypochlorite disinfection." The total treatment capacity is 150,000 m³/day with effluent quality meeting the Class A standards specified in the Emission Standards for Pollutants from Urban Sewage Treatment Plants (DB12/599-2015).

(2) Dongjiao Sewage Treatment Plant

The Dongjiao Sewage Treatment Plant is located within the Nandian Suburban Park, west of the adjusted Outer Ring Road and north of the Jin-Jing-Tang Expressway in Dongli District. Its service area extends north to the Puji River, Taixing Road, and Xin Kai River; south to Chenglinzhuang Road and south of Weiguo Road; east to the Outer Ring Road; and west to the Ziya River and Hai River. The plant is designed to treat 600,000 cubic metres of sewage per day. The treatment process employs the “AAO process (using a multi-stage AO configuration) + deep-bed filtration + ozone oxidation + UV disinfection” technology, with effluent quality meeting the Class A standards specified in the Emission Standards for Pollutants from Urban Sewage Treatment Plants (DB12/599-2015).

(3) Jingu Sewage Treatment Plant

The Jingu Sewage Treatment Plant officially started operations in 2014. Located in Dasunzhuang, Jinnan District, Tianjin, the plant serves an area extending west to Beimennei Street, Nankai Sanma Road, Chongming Road, and Jinlai Highway; east to the boundary between Dagang and Jinnan; north to the Hai River; and south to the Duliu Jian River, covering a total service area of 283 km². In 2016, an expansion and upgrading project was implemented to upgrade the original sewage treatment plant's capacity of 550,000 m³/day. This added 100,000 m³/day of treatment capacity, bringing the total treatment capacity to 650,000 m³/day after the upgrade. The treated effluent meets Class A standards of the Emission Standards for Pollutants from Urban Sewage Treatment Plants (DB12/599—2015). Phase III of the project was implemented in 2022 and is currently operational. The construction scope comprises three components: sewage treatment, sludge treatment, and effluent pipeline works. The sewage treatment facility is designed to handle a flow rate of 280,000 m³/day (dry season) to 450,000 m³/day (rainy season). It employs a process comprising “pretreatment + AAO (Bardenpho) + high-efficiency sedimentation tanks + deep-bed filters + ozone-catalyzed advanced oxidation,” with effluent meeting Class A standards of the Urban Sewage Treatment Plant Pollutant Discharge Standards (DB12/599—2015). The sludge treatment project is designed with a treatment capacity of 140 tons of dry solids (DS) per day (equivalent to a sludge treatment capacity of 700 tons per day based on 80% moisture content).

(4) Xianyang Road Sewage Treatment Plant

The service area of the Xianyang Road Sewage Treatment Plant includes the region within the Outer Ring Road, extending north to the North Canal and the Tizigou No. 3 Road residential area, south to Binshui Road, east to Beimennei Street, Nankai Sanma Road, Chongming Road, Jinyan Highway, and west to Huashan South Road, covering an area of 7,310 km² and the catchment area outside the Outer Ring Road, extending north to the Ziya River, east to the Outer Ring Road, south to Jinyan Highway and the Duliu Diversion Channel, and west to the boundary of Xiqing District, covering an area of 14,537 km². In addition, a new area bounded by the Chentaizi Drainage Canal, Duliu Jian River, and Jinali Highway has been added, with a catchment area of 28 km². The Xianyang Road Sewage Treatment Plant currently comprises a new plant and an old plant. Prior to the completion and commissioning of Phase II of the Xianyang Road Sewage Treatment Plant (New Plant), both the new and old plants jointly handle sewage treatment for the Xianyang Road sewage system. Xianyang Road Sewage Treatment Plant (New Plant) In 2017, the Xianyang Road Sewage Treatment Plant (Old Plant) underwent a relocation and upgrading project (Phase I). Following the relocation (i.e., the Xianyang Road Sewage Treatment Plant (New Plant)), the treatment capacity reached 450,000 m³/day with effluent quality meeting Class A standards of the Urban Sewage Treatment Plant Pollutant Discharge Standard (DB12/599-2015). The planned Phase II relocation and upgrading project will add 150,000 m³/day of sewage treatment capacity. The project is currently under construction; upon completion and commissioning, the total capacity of the Xianyang Road Sewage Treatment Plant (New Plant) will reach 600,000 m³/day. Xianyang Road Sewage Treatment Plant (Old Plant) The Xianyang Road Sewage Treatment Plant (Old Plant) is located in Zhongbei Town, Xiqing District, Tianjin. In 2019, a temporary emergency project was implemented to reduce the existing treatment capacity from 450,000 m³/day to 150,000 m³/day and to upgrade the facility. Following the upgrade, the effluent quality meets the Class A standards of the Emission Standards for Pollutants from Urban Sewage Treatment Plants (DB12/599-2015). Xianyang Road Sewage Treatment Plant (Old Plant) will continue to operate until the Phase II relocation project of the Xianyang Road Sewage Treatment Plant is completed and put into operation.

(5) Gaoyou Compro and Jiangsu Yonghui Hazardous Waste Disposal Merger Project

On 8 January 2021, the Company signed a Share Transfer Agreement with the former shareholders of Gaoyou Compro and Jiangsu Yonghui, and completed the business registration changes for Gaoyou Compro and Jiangsu Yonghui on 26 January 2021. The business scope of Gaoyou Compro and Jiangsu Yonghui includes the incineration and disposal of industrial solid waste, as well as the recycling and comprehensive utilisation of general waste. They hold Hazardous Waste Operating Licenses issued by the Jiangsu Provincial Department of Ecology and Environment, valid from November 2020 to October 2025; both companies have a hazardous waste disposal capacity of 30,000 tons per year, for a combined total of 60,000 tons per year. The permitted disposal scope covers 16 major categories listed in the National Hazardous Waste Catalog, including pharmaceutical waste (HW02) and waste organic solvents (HW06), and the specific operational projects are the Gaoyou Compro Hazardous Waste Disposal Project and the Jiangsu Yonghui Hazardous Waste Disposal Project. The Gaoyou Compro Hazardous Waste Disposal Project (filed name: Centralized Disposal Construction Project for Industrial Solid Waste) is located in Xingnan Village, Longqiu Town, Gaoyou City. It has a designed treatment capacity of 30,000 tons per year, and the disposal scope includes medical waste (HW02), waste drugs and pharmaceuticals (HW03), pesticide waste (HW04), wood preservative waste (HW05), waste organic solvents and waste containing organic solvents (HW06), waste mineral oils and waste containing

mineral oils (HW08), oil/water, hydrocarbon/water mixtures, or waste emulsions (HW09), distillation residues (HW11), dye and paint wastes (HW12), organic resin wastes (HW13), photochemical wastes (HW16), organophosphorus compound wastes (HW37), phenol-containing wastes (HW39), ether-containing wastes (HW40), organic halogen-containing wastes (HW45), and other wastes (HW49, limited to 900-041-49, 900-046-49, 900-039-49, 900-047-49, 900-999-49). The construction scope includes a rotary kiln incineration system, a thermal energy recovery system, a flue gas purification system and a residue treatment system, with a total investment of RMB200 million. The project is currently in operation. The Jiangsu Yonghui Hazardous Waste Disposal Project (filed name: Centralised Disposal Project for Industrial Solid Waste) is located in the Longqiu Environmental Protection Industrial Park in Gaoyou City, Jiangsu Province. It covers an area of 63,365 m² with a total investment of RMB200 million. The facility is designed to incinerate and dispose of 30,000 tons of industrial hazardous waste annually. The scope of disposal includes pharmaceutical waste (HW02), waste pharmaceuticals (HW03), pesticide waste (HW04), wood preservative waste (HW05), waste organic solvents and waste containing organic solvents (HW06), waste mineral oils and waste containing mineral oils (HW08), oil/water, hydrocarbon/water mixtures, or emulsions (HW09), distillation residues (HW11), dye and paint wastes (HW12), organic resin wastes (HW13), photochemical wastes (HW16), organophosphorus compound wastes (HW37), phenol-containing wastes (HW39), ether-containing wastes (HW40), organic halogen-containing wastes (HW45), other wastes (HW49, limited to 900-039-49, 900-040-49, 900-041-49, 900-042-49, 900-046-49, 900-047-49, 900-999-49). The construction scope includes storage and conveyance systems, pre-treatment systems, feeding systems, incineration systems, waste heat recovery systems, flue gas purification systems, and remnant ash handling systems. The project is currently in operation.

Information on major pollution liability incidents, administrative penalties due to environmental issues, and other environmental violations occurring in the green projects funded by the proceeds during the reporting period, and whether these matters may have a significant impact on debt repayment (if any)	Not involved
---	--------------

The environmental benefits of the green projects funded by the proceeds, and the standards, methods, basis and key assumptions used to calculate the environmental benefits of the selected green projects

The projects funded by this green corporate bond issuance consist of sewage treatment projects and hazardous waste treatment projects. The environmental benefits of the funded projects were calculated in accordance with the guidelines for measuring energy conservation and emission reduction of green credit projects set forth in the Green Financing Statistical System (2020 Edition) issued by the former China Banking and Insurance Regulatory Commission. The environmental benefits were adjusted based on the proportion of proceeds used for each project relative to the total project investment, combined with the bond's full-year maturity period. In 2025, the proceeds from this green corporate bond issuance achieved a reduction of 1,923.73 tons of COD, 253.78 tons of TN, 205.91 tons of NH₃-N, and 31.43 tons of TP, as well as the safe disposal of 0.33 million tons of hazardous waste.

The expected and/or actual environmental benefits of the green projects funded by the proceeds (specific environmental benefits should, in principle, be disclosed in accordance with the relevant requirements of the Guidelines for Information Disclosure During the Life Cycle of Green Bonds; an explanation should be provided for any environmental benefit indicators that cannot be disclosed)

In accordance with the disclosure standards of the Green Bond Environmental Benefit Information Disclosure Indicator System (JR/T0322-2024), the mandatory indicators to be disclosed for the funded projects include Chemical Oxygen Demand (COD), Ammonia Nitrogen (NH₃-N), and Total Phosphorus (TP) under water pollutant reduction benefits, as well as the volume of hazardous waste treated and disposed of under other core indicators. The optional indicator is Total Nitrogen (TN) under pollutant reduction benefits. The proceeds investment project has disclosed the mandatory indicators, namely reduction in COD, ammonia nitrogen, and total phosphorus, as well as the volume of hazardous waste treated or disposed of, and the optional indicator, namely reduction in total nitrogen, is also disclosed. This complies with the relevant requirements for environmental benefit disclosure.

For quantitative environmental benefits, if there is a significant change (exceeding 15%) in the environmental benefits during the life of the bond compared to those disclosed at the time of registration and issuance, the reasons must be disclosed

Due to changes in the market environment of the hazardous waste industry, there is a shortage of high-quality disposal feedstock, resulting in a decrease in hazardous waste treatment volume.

The method of managing the proceeds and specific arrangements	To ensure that the use of proceeds aligns with the purposes stated in the prospectus, mitigate market risks and safeguard the legitimate rights of bondholders, the Company has established a dedicated account for proceeds at a custodian bank. The bond proceeds deposited in this dedicated account must be used exclusively for the purposes disclosed in the Prospectus, and the account is supervised by the custodian bank. The Company will enter into a special account supervision agreement with the custodian bank, stipulating that the custodian bank shall oversee the deposit, use, and withdrawal of funds for debt repayment. Proceeds may only be used for the purposes disclosed in the Prospectus and shall not be used for any other purposes. The trustee for the current tranche of bond will also inspect the use of funds in the special account in accordance with the provisions of the Bond Trustee Management Agreement.
The deposit and utilisation of the proceeds	The Company has established a special account for proceeds to hold the proceeds, and the actual implementation is consistent with the disclosures in the prospectus.
Details regarding the engagement of assessment and certification bodies (if applicable), including but not limited to the basic details of the assessment and certification bodies, the scope of the assessment and certification, and the assessment conclusions	The Company engaged Lianhe Equator Environmental Impact Assessment Co., Ltd. to conduct an assessment and certification of the current bond issue. The certification conclusion states that this green bond complies with certification requirements, with all proceeds allocated to green industry projects, and the green rating is G1. Based on the proportion of proceeds allocated to the sewage treatment project within the investment projects of this green corporate bond relative to the project's total cumulative investment, the proceeds are projected to achieve annual reductions of 7,314.62 tons of COD, 959.86 tons of TN, 779.90 tons of NH3-N, and 119.07 tons of TP. Based on the proportion of the proposed proceeds for the hazardous waste treatment project within the investment projects of this green corporate bond relative to the total project investment, the corresponding proceeds are expected to facilitate the safe disposal of 29,300 tons of hazardous waste annually.
Corporate governance information in relation to green development and transformation and upgrading (if any)	Not applicable
Other matters	Not applicable

3. *The Company is an issuer of renewable corporate bonds*

Not applicable

4. *The Company is an issuer of poverty alleviation corporate bonds*

Not applicable

5. *The Company is an issuer of rural revitalization corporate bonds*

Not applicable

6. *The Company is an issuer of Belt and Road corporate bonds*

Not applicable

7. *The Company is an issuer of science and technology innovation corporate bonds or innovation and entrepreneurship corporate bonds*

Unit: Yuan Currency: RMB

Category of issuer applicable to these bonds	Science and Technology Innovation Enterprise
Bond Code	243568.SH
Bond Abbreviation	GK Jin Chuang 01
Balance of Bond	500,000,000.00
Progress regarding the allocation of proceeds by science and technology innovation projects or financial institutions to the science and technology innovation sector	The issuer is a science and technology innovation entity. The proceeds from the issuance have been used to repay debt and support the development of the Company's science and technology innovation business. The proceeds from the current bond issuance are not allocated to any specific science and technology innovation project.
Impact on the promotion of scientific and technological innovation	Not applicable
Operation of fund products (if any)	Not applicable
Other matters	None

8. *The Company is an issuer of low-carbon transition (linked) corporate bonds*

Not applicable

9. *The Company is an issuer of relief corporate bonds*

Not applicable

10. *The Company is an issuer of SME support bonds*

Not applicable

11. *Matters relating to other specific types of corporate bonds*

Not applicable

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

Not applicable

Section 7 Details of the Company's Bonds

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

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

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Code	Issue Date	Value Date	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place	Investor Suitability Arrangement (if any)	Trading Mechanism	Risk of Delisting
Tianjin Capital Environmental Protection Group Company Limited 2024 Second Tranche Green Medium-Term Notes (Rural Revitalisation) (Series 1)	24 Jinchuanghuanbao MTN002A (Rural Revitalisation)* (24津創環保 MTN002A (鄉村振興))	102483682. IB	2024/8/21	2024/8/23	2027/8/23	300,000,000.00	2.50	Interest is payable annually, with the last installment paid together with the principal	Interbank Bond Markets	None	Matching-based trading, click-based trading, inquiry-based trading, auction-based trading and negotiated trading	No
Tianjin Capital Environmental Protection Group Company Limited 2024 Second Tranche Green Medium-Term Notes (Rural Revitalisation) (Series 2)	24 Jinchuanghuanbao MTN002B (Rural Revitalisation)* (24津創環保 MTN002B (鄉村振興))	102483683. IB	2024/8/21	2024/8/23	2029/8/23	200,000,000.00	3.05	Interest is payable annually, with the last installment paid together with the principal	Interbank Bond Markets	None	Matching-based trading, click-based trading, inquiry-based trading, auction-based trading and negotiated trading	No
2025 First Tranche Green Mediumterm Notes of Tianjin Capital Environmental Protection Group Company Limited	25 Jin Chuang Huan Bao MTN001 (Green)	102582803. IB	2025/7/9	2025/7/11	2028/7/11	500,000,000.00	2.10	Interest is payable annually, with the last installment paid together with the principal	Interbank Bond Markets	None	Matching-based trading, click-based trading, inquiry-based trading, auction-based trading and negotiated trading	No

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

Not applicable

Overdue bonds

Not applicable

Description of overdue debts

Not applicable

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

Not applicable

3. *Adjustments to credit rating results*

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

(VII) *Violations of requirements and agreements*

Violations of laws, regulations, self-regulatory rules, the Company's Articles of Association, the management system on information disclosure affairs, or the agreements or undertakings set out in the bond prospectus during the reporting period, and the impact of such matters on bond investors' rights and interests

Not applicable

Section 7 Details of the Company's Bonds

(VIII) Principal accounting items and financial indicators

Unit: Yuan Currency: RMB

Major indicators	As at the end of this reporting period	As at the end of the previous year	Increase/decrease at the end of this reporting period as compared to the end of last year (%)	Reasons for changes
Current ratio	2.34	2.64	-11.36	The increase in short-term borrowings and dividends payable to shareholders led to an increase in current liabilities, resulting in a decrease in the current ratio.
Quick ratio	2.33	2.63	-11.41	The increase in short-term borrowings and dividends payable to shareholders led to an increase in current liabilities, resulting in a decrease in the quick ratio.
Gearing ratio (%)	54.68	56.10	-2.53	No significant change
	Current reporting period (From January to June)	Corresponding period of last year	Increase/decrease for this reporting period as compared to the same period last year (%)	Reasons for changes
Net profit after deduction of non-recurring gain or loss	451,198,635.50	396,393,562.39	13.83	The decrease in interest expenses and costs during the current period led to an increase in net profit after deduction of non-recurring gain or loss
Debt to EBITDA ratio	0.12	0.11	9.09	No significant change
Interest coverage multiple	5.72	4.54	25.99	The decrease in total borrowings during the current period and the reduction in interest expenses, coupled with an increase in net profit, led to an increase in the interest coverage multiple
Cash interest coverage multiple	10.77	3.24	232.41	The increase in cash received from sales of goods during the current period compared to the same period last year, coupled with a decrease in interest expenses, resulted in an increase in the cash interest coverage multiple
EBITDA interest cover multiple	8.59	6.81	26.14	The decrease in total borrowings during the current period and the reduction in interest expenses, coupled with an increase in net profit, led to an increase in the EBITDA interest coverage multiple
Debt service ratio (%)	100.00	100.00	0.00	No change
Interest coverage rate (%)	100.00	100.00	0.00	No change

II. PARTICULARS OF CONVERTIBLE CORPORATE BONDS

Not applicable

Section 8 Financial Reports

Consolidated Balance Sheet

30 June 2026

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

Items	Notes	30 June 2026	31 December 2025
Current Assets:			
Cash and cash equivalents	V (I)	4,300,503,007.43	4,717,706,916.89
Clearing settlement fund			
Placements with banks			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	V (II)	8,669,604.74	31,343,964.58
Trade receivables	V (III)	4,045,234,296.74	3,918,949,753.84
Receivables financing	V (IV)	3,000,000.00	11,277,067.24
Prepayments	V (V)	51,138,770.33	47,101,791.53
Premium receivable			
Reinsurance accounts receivable			
Reinsurer's share of insurance contract reserves			
Other receivables	V (VI)	712,549,602.85	730,865,249.95
Including: Interest receivable		0.00	0.00
Dividend receivable		0.00	0.00
Financial assets held under resale			
Inventories	V (VII)	48,674,378.59	42,626,289.72
Including: Data resources		0.00	0.00
Contractual assets			
Assets held for sale			
Non-current assets due within one year	V (VIII)	190,007,269.13	196,809,828.02
Other current assets	V (IX)	177,421,072.10	183,583,679.86
Total current assets		9,537,198,001.91	9,880,264,541.63
Non-current assets:			
Release of loans and advances			
Debt investments			
Other debt investments			
Long-term receivables	V (X)	3,543,548,849.60	3,552,746,772.71
Long-term equity investments	V (XI)	211,866,236.74	211,866,236.74
Investments in other equity instruments	V (XII)	2,000,000.00	2,000,000.00
Other non-current financial assets			
Investment properties	V (XIII)	13,620,554.30	13,907,696.27
Fixed assets	V (XIV)	1,588,099,020.94	1,668,141,164.51
Construction in progress	V (XV)	260,000,253.59	262,626,335.81
Productive biological assets			
Oil-and-gas assets			
Right-of-use assets	V (XVI)	40,445,610.33	43,133,177.00
Intangible assets	V (XVII)	9,863,518,604.98	10,036,161,493.55
Including: Data resources		906,870.21	1,094,498.55
Development expenditures		3,321,400.42	1,652,761.39
Including: Data resources		0.00	0.00
Goodwill	V (XVIII)		
Long-term unamortized expenses	V (XIX)	4,273,289.01	14,121,813.77
Deferred income tax assets	V (XX)	118,010,162.74	109,864,336.97
Other non-current assets	V (XXI)	387,509,089.52	168,385,925.90
Total non-current assets		16,036,213,072.17	16,084,607,714.62
Total assets		25,573,411,074.08	25,964,872,256.25

Section 8 Financial Reports

Consolidated Balance Sheet

30 June 2026

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

Items	Notes	30 June 2026	31 December 2025
Current liabilities:			
Short-term borrowings	V (XXIII)	154,507,078.35	95,663,213.80
Borrowings from central bank			
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Trade payables	V (XXIV)	961,742,670.05	1,083,882,507.33
Advance receipts	V (XXV)	423,085.84	736,667.61
Contract liabilities	V (XXVI)	375,132,883.85	330,998,019.83
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee benefits payable	V (XXVII)	46,023,148.38	112,792,860.91
Taxes payable	V (XXVIII)	75,116,927.82	68,267,444.31
Other payables	V (XXIX)	965,469,793.43	763,541,710.44
Including: Interest payable		0.00	0.00
Dividend payable		179,663,375.19	3,258,719.29
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within a year	V (XXX)	1,487,284,152.33	1,270,951,424.30
Other current liabilities	V (XXXI)	6,688,325.89	12,984,465.19
Total current liabilities		4,072,388,065.94	3,739,818,313.72
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	V (XXXII)	6,515,063,501.29	7,413,911,544.68
Debentures payable	V (XXXIII)	1,500,000,000.00	1,500,000,000.00
Including: Preference shares		0.00	0.00
Perpetual bonds		0.00	0.00
Lease liabilities	V (XXXIV)	3,312,893.02	3,253,882.12
Long-term payables	V (XXXV)	90,100,568.72	94,240,236.55
Long-term employee compensations payable			
Accrued liabilities	V (XXXVI)	83,755,515.22	78,248,108.64
Deferred revenue	V (XXXVII)	1,596,520,481.02	1,599,979,448.85
Deferred income tax liabilities	V (XX)	96,442,107.30	110,383,734.94
Other non-current liabilities	V (XXXVIII)	26,320,000.00	25,990,000.00
Total non-current liabilities		9,911,515,066.57	10,826,006,955.78
Total liabilities		13,983,903,132.51	14,565,825,269.50

Consolidated Balance Sheet

30 June 2026

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

Items	Notes	30 June 2026	31 December 2025
Total owners' (or shareholders') equity:			
Paid-up capital (or share capital)	V (XXXIX)	1,570,418,085.00	1,570,418,085.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital surplus	V (XXXX)	1,110,030,404.40	1,110,030,404.40
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserves	V (XXXIX)	938,668,079.24	938,668,079.24
General risk provision			
Undistributed profits	V (XLII)	<u>6,800,411,251.59</u>	<u>6,640,201,715.97</u>
Total equity attributable to owners of the Company (or shareholders' equity)		10,419,527,820.23	10,259,318,284.61
Minority interests		<u>1,169,980,121.34</u>	<u>1,139,728,702.14</u>
Total owners' (or shareholders') equity		<u>11,589,507,941.57</u>	<u>11,399,046,986.75</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>25,573,411,074.08</u>	<u>25,964,872,256.25</u>

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Section 8 Financial Reports

Balance Sheet of the Company

30 June 2026

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

Items	Notes	30 June 2026	31 December 2025
Current Assets:			
Monetary funds		2,899,984,834.75	3,461,904,059.65
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Trade receivables	XVII (I)	955,964,456.78	1,071,780,921.67
Receivables financing		3,000,000.00	3,000,000.00
Prepayments		9,989,539.93	8,487,280.17
Other receivables	XVII (II)	107,812,804.83	127,591,195.84
Including: Interest receivable		0.00	0.00
Dividend receivable		18,127,471.57	36,782,471.57
Inventories		11,716,810.86	19,687,607.08
Including: Data resources		0.00	0.00
Contractual assets			
Assets held for sale			
Non-current assets due within one year		120,497,310.45	41,593,407.83
Other current assets		566,087,174.36	566,652,494.73
Total current assets		4,675,052,931.96	5,300,696,966.97
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		1,644,681,759.25	1,659,496,118.22
Long-term equity investments	XVII (III)	5,758,712,347.02	5,707,739,347.02
Investments in other equity instruments		2,000,000.00	2,000,000.00
Other non-current financial assets			
Investment properties			
Fixed assets		361,873,800.20	396,479,309.74
Construction in progress		19,231,671.80	17,957,470.11
Productive biological assets			
Oil-and-gas assets			
Right-of-use assets		207,432.67	961,975.98
Intangible assets		2,915,015,191.43	2,993,238,131.27
Including: Data resources		906,870.21	1,094,498.55
Development expenditures		0.00	0.00
Including: Data resources		0.00	0.00
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		63,187,365.76	54,379,798.18
Other non-current assets		1,335,502,974.38	1,317,645,411.44
Total non-current assets		12,100,412,542.51	12,149,897,561.96
Total assets		16,775,465,474.47	17,450,594,528.93

Balance Sheet of the Company

30 June 2026

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

Items	Notes	30 June 2026	31 December 2025
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Trade payables		156,339,604.58	194,694,485.64
Advance receipts			
Contract liabilities		47,383,878.40	73,878.40
Employee benefits payable		21,116,215.47	49,361,801.10
Taxes payable		13,137,778.66	724,548.74
Other payables		1,046,944,158.25	842,707,902.13
Including: Interest payable		0.00	0.00
Dividend payable		178,664,255.90	0.00
Liabilities held for sale			
Non-current liabilities due within a year		1,487,768,804.39	916,950,994.72
Other current liabilities			
Total current liabilities		2,772,690,439.75	2,004,513,610.73
Non-current liabilities:			
Long-term borrowings		2,759,625,708.74	3,786,235,201.05
Debentures payable		1,500,000,000.00	1,500,000,000.00
Including: Preference shares		0.00	0.00
Perpetual bonds		0.00	0.00
Lease liabilities		0.00	0.00
Long-term payables		90,100,568.72	94,240,236.55
Long-term employee compensations payable			
Accrued liabilities		37,344,700.00	37,344,700.00
Deferred revenue		1,154,858,382.34	1,188,079,118.96
Deferred income tax liabilities			
Other non-current liabilities		80,000,000.00	470,000,000.00
Total non-current liabilities		5,621,929,359.80	7,075,899,256.56
Total liabilities		8,394,619,799.55	9,080,412,867.29

Section 8 Financial Reports

Balance Sheet of the Company

30 June 2026

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

Items	Notes	30 June 2026	31 December 2025
Total owners' (or shareholders') equity:			
Paid-up capital (or share capital)		1,570,418,085.00	1,570,418,085.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital surplus		1,060,381,500.22	1,060,381,500.22
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserves		938,668,079.24	938,668,079.24
Undistributed profits		<u>4,811,378,010.46</u>	<u>4,800,713,997.18</u>
Total owners' (or shareholders') equity		<u>8,380,845,674.92</u>	<u>8,370,181,661.64</u>
Total liabilities and owners' equity (or shareholders' equity)		<u>16,775,465,474.47</u>	<u>17,450,594,528.93</u>

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Condensed Consolidated Statement of Comprehensive Income

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
I. Total revenue from operations		2,249,367,192.71	2,177,915,496.72
Including: Operating revenue	V (XLIII)	2,249,367,192.71	2,177,915,496.72
Interest income			
Earned premium			
Handling charges and commissions income			
II. Total operating cost		1,619,367,480.88	1,655,268,179.29
Including: Operating costs	V (XLIII)	1,350,258,944.70	1,361,599,524.47
Interest expenses			
Handling charges and commissions expenses			
Surrenders			
Net claim expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Tax expenses and surcharge	V (XLIV)	31,854,923.87	35,690,376.21
Selling expenses	V (XLV)	7,802,897.87	3,853,033.52
Administrative expenses	V (XLVI)	96,435,058.94	91,448,154.98
Research and development expenses	V (XLVII)	14,711,095.43	16,303,446.24
Finance expenses	V (XLVIII)	118,304,560.07	146,373,643.87
Including: Interest expenses		131,655,653.92	162,323,446.95
Interest income		8,796,145.61	13,480,060.49
Add: Other income	V (XLIX)	40,650,918.70	40,163,815.78
Gain from investment (loss is represented by “—” sign)	V (L)	0.00	829,978.35
Including: Investment revenue in associates and joint ventures		0.00	0.00
Financial assets measured at amortized cost are derecognized earnings (loss is represented by “-” sign)			
Exchange gains (loss is represented by “-” sign)			
Frequent exposure to hedge gains (loss is represented by “-” sign)			
Gain on fair value changes (loss is represented by “-” sign)			
Impairment loss of credit (loss is represented by “—” sign)	V (LI)	-47,948,527.83	25,286,554.13
Impairment loss of assets (loss is represented by “-” sign)			
Disposal gain on asset (loss is represented by “—” sign)	V (LII)	0.00	-3,553,929.71
III. Profit from operations (loss is represented by “-” sign)		622,702,102.70	585,373,735.98
Add: Non-operating income	V (LIII)	138,801.24	286,355.32
Less: Non-operating expenses	V (LIV)	847,623.38	69,581.34
IV. Total profit (total loss is represented by “—” sign)		621,993,280.56	585,590,509.96
Less: Income tax expenses	V (LV)	108,730,945.97	94,687,758.39
V. Net profit (net loss is represented by “—” sign)		513,262,334.59	490,902,751.57
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss is represented by “—” sign)		513,262,334.59	490,902,751.57
2. Net profit from discontinued operations (net loss is represented by “—” sign)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the Company (net loss is represented by “-” sign)		488,426,915.39	472,920,534.82
2. Profit or loss attributable to minority shareholders (net loss is represented by “—” sign)		24,835,419.20	17,982,216.75

Condensed Consolidated Statement of Comprehensive Income

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to shareholders of the Company, net of tax			
1. Other comprehensive income not subject to reclassification to profit or loss			
(1) Remeasure the change in the set benefit plan			
(2) Other comprehensive income under the equity method that cannot be converted into profit or loss in future			
(3) Change in fair value of other equity instrument investments			
(4) Changes in the fair value of the enterprise's own credit risk			
2. Other comprehensive income to be reclassified into profit or loss in future			
(1) Other comprehensive income of convertible profit or loss under the equity method			
(2) Changes in the fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedging reserve			
(6) Conversion difference of foreign currency statement			
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		513,262,334.59	490,902,751.57
(I) Total comprehensive income attributable to shareholders of the Company		488,426,915.39	472,920,534.82
(II) Total comprehensive income attributable to minority shareholders		24,835,419.20	17,982,216.75
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		0.31	0.30
(II) Diluted earnings per share (Yuan/per share)		0.31	0.30

For business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0.00, and the net profit recognized by the merged party in the previous period was: RMB0.00

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Comprehensive Income Statement of the Company

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
I. Operating income	XVII (IV)	800,787,511.41	819,766,589.74
Less: Operating costs	XVII (IV)	361,078,295.92	434,172,533.02
Tax expenses and surcharge		14,590,572.86	16,843,095.09
Selling expenses			
Administrative expenses		43,138,345.92	42,412,266.24
Research and development expenses		8,860,909.22	8,979,059.81
Finance expenses		70,209,404.36	95,042,368.03
Including: Interest expenses		81,811,259.99	104,757,245.71
Interest income		6,451,915.80	6,886,153.28
Add: Other income		33,454,075.29	33,313,236.62
Gain from investment (loss is represented by “-” sign)	XVII (V)	63,743,782.04	33,814,790.71
Including: Investment revenue in associates and joint ventures		0.00	0.00
Financial assets measured at amortized cost are derecognized earnings (loss is represented by “-” sign)			
Frequent exposure to hedge gains (loss is represented by “-” sign)			
Gain on fair value changes (loss is represented by “-” sign)			
Impairment loss of credit (loss is represented by “-” sign)		-7,307,216.48	51,439,313.30
Impairment loss of assets (loss is represented by “-” sign)			
Disposal gain on asset (loss is represented by “-” sign)			
II. Profit from operations (loss is represented by “-” sign)		392,800,623.98	340,884,608.18
Add: Non-operating income			
Less: Non-operating expenses		0.00	90.00
III. Total profit (total loss is represented by “-” sign)		392,800,623.98	340,884,518.18
Less: Income tax expenses		53,919,230.93	70,663,344.27
IV. Net profit (net loss is represented by “-” sign)		338,881,393.05	270,221,173.92
(I) Net profit from continuing operations (net losses are stated by “-” sign)		338,881,393.05	270,221,173.92
(II) Net profit from discontinued operations (net loss is represented by “-” sign)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income not subject to reclassification to profit or loss			
1. Remeasure the change in the set benefit plan			
2. Other comprehensive income under the equity method that cannot be converted into profit or loss in future			
3. Change in fair value of other equity instrument investments			
4. Changes in the fair value of the enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss in future			
1. Other comprehensive income of convertible profit or loss under the equity method			
2. Changes in the fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provisions			
5. Cash flow hedging reserve			
6. Conversion difference of foreign currency statement			
7. Others			
VI. Total comprehensive income		338,881,393.05	270,221,173.92
VII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Section 8 Financial Reports

Consolidated Cash Flow Statement

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		2,112,894,880.67	1,767,847,896.88
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fee and commission			
Net increase in placements			
Net increase in capital from repurchase business			
Net cash from brokerage for trading securities			
Refund of taxes and levies		1,880,033.40	6,192,420.17
Other cash received relating to operating activities	V (LVI)	<u>50,480,873.42</u>	<u>97,034,380.05</u>
Subtotal of cash inflows from operating activities		<u>2,165,255,787.49</u>	<u>1,871,074,697.10</u>
Cash paid for goods purchased and services received		670,063,278.92	741,349,430.29
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation payments under original insurance contracts			
Net increase in placements with banks and other financial institutions			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividends			
Cash paid to or on behalf of employees		276,569,144.35	252,469,914.01
Taxes and levies paid		176,458,688.25	216,257,442.70
Other cash paid relating to operating activities	V (LVI)	<u>126,084,586.39</u>	<u>143,133,385.60</u>
Subtotal of cash outflows from operating activities		<u>1,249,175,697.91</u>	<u>1,353,210,172.60</u>
Net cash flows from operating activities		<u>916,080,089.58</u>	<u>517,864,524.50</u>
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash from investment income			
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	V (LVI)	15,000,000.00	
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		<u>15,000,000.00</u>	
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	V (LVI)	445,577,843.00	570,129,869.50
Cash paid for investments			
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities	V (LVI)	<u>19,627,033.20</u>	<u>93,932,572.79</u>
Subtotal of cash outflows from investing activities		<u>465,204,876.20</u>	<u>664,062,442.29</u>
Net cash flows from investing activities		<u>-450,204,876.20</u>	<u>-664,062,442.29</u>

Consolidated Cash Flow Statement

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
III. Cash flows from financing activities:			
Cash received from capital injection		5,416,000.00	19,758,000.00
Including: Cash received from capital injection of minority shareholders in subsidiaries		5,416,000.00	19,758,000.00
Cash received from acquisition of loans		534,128,704.20	1,129,419,168.02
Cash received relating to other financing activities		330,000.00	
Subtotal of cash inflows from financing activities	V (LVI)	539,874,704.20	1,149,177,168.02
Cash paid for repayment of borrowings		1,169,090,034.55	1,082,321,573.80
Cash paid for distribution of dividends, profits or payment of interest expenses		246,683,880.42	254,910,571.13
Including: Dividends and profits paid to minority shareholders by subsidiaries		2,259,600.00	2,139,555.24
Cash paid relating to other financing activities		26,806,945.27	22,473,366.67
Subtotal of cash outflows from financing activities	V (LVI)	1,442,580,860.24	1,359,705,511.60
Net cash flows from financing activities		-902,706,156.04	-210,528,343.58
IV. Effect on cash and cash equivalent from change of exchange rate			
V. Net increase in cash and cash equivalents	V (LVII)	-436,830,942.66	-356,726,261.37
Add: Balance of cash and cash equivalents as at the beginning of the period		4,643,174,425.03	2,665,499,259.40
VI. Balance of cash and cash equivalents as at the end of the Period		4,206,343,482.37	2,308,772,998.03

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Cash Flow Statement of the Company

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		976,540,995.73	663,719,229.78
Refund of taxes and levies			
Other cash received relating to operating activities		<u>4,316,638,468.65</u>	<u>1,127,329,753.89</u>
Subtotal of cash inflows from operating activities		<u>5,293,179,464.38</u>	<u>1,791,048,983.67</u>
Cash paid for goods purchased and services received		244,935,806.84	255,443,095.31
Cash paid to or on behalf of employees		94,147,036.97	79,823,422.91
Taxes and levies paid		65,639,119.98	110,011,788.52
Other cash paid relating to operating activities		<u>4,285,258,255.26</u>	<u>1,353,583,535.35</u>
Subtotal of cash outflows from operating activities		<u>4,689,980,219.05</u>	<u>1,798,861,842.09</u>
Net cash flows from operating activities		<u>603,199,245.33</u>	<u>-7,812,858.42</u>
II. Cash flows from investing activities:			
Cash received from disposal of investments			8,402,400.00
Cash from investment income		74,454,702.58	37,468,443.13
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		<u>79,032,600.00</u>	
Subtotal of cash inflows from investing activities		<u>153,487,302.58</u>	<u>45,870,843.13</u>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		31,985,288.02	59,905,193.32
Cash paid for investments		50,973,000.00	29,482,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities		<u>159,470,000.00</u>	
Subtotal of cash outflows from investing activities		<u>242,428,288.02</u>	<u>89,387,193.32</u>
Net cash flows from investing activities		<u>-88,940,985.44</u>	<u>-43,516,350.19</u>
III. Cash flows from financing activities:			
Cash received from capital injection			
Cash received from acquisition of loans		23,990,000.00	829,081,216.00
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities		<u>23,990,000.00</u>	<u>829,081,216.00</u>
Cash paid for repayment of borrowings		881,093,295.05	885,029,830.77
Cash paid for distribution of dividends, profits or payment of interest expenses		211,267,244.47	197,936,392.36
Cash paid relating to other financing activities		<u>7,806,945.27</u>	<u>18,020,743.26</u>
Subtotal of cash outflows from financing activities		<u>1,100,167,484.79</u>	<u>1,100,986,966.39</u>
Net cash flows from financing activities		<u>-1,076,177,484.79</u>	<u>-271,905,750.39</u>

Cash Flow Statement of the Company

From January to June 2026

Unit: Yuan Currency: RMB

Items	Notes	Half year of 2026	Half year of 2025
IV. Effect on cash and cash equivalent from change of exchange rate			
V. Net increase in cash and cash equivalents		-561,919,224.90	-323,234,959.00
Add: Balance of cash and cash equivalents as at the beginning of the period		<u>3,461,904,059.65</u>	<u>1,414,579,828.11</u>
VI. Balance of cash and cash equivalents as at the end of the Period		<u>2,899,984,834.75</u>	<u>1,091,344,869.11</u>

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Consolidated Statement of Changes in Shareholders' Equity

From January to June 2026

Unit: Yuan Currency: RMB

Half year of 2026															
Items	Attributable to owners of the Company														
	Paid-up capital (or share capital)	Other equity instruments			Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority interests	Total shareholders' equity
		Preference shares	Perpetual bonds	Others											
I. Balance as at the end of the corresponding period of last year	1,570,418,085.00				1,110,030,404.40				938,668,079.24		6,640,201,715.97		10,259,318,284.61	1,139,728,702.14	11,399,046,986.75
Add: Changes in accounting policies															
Correction of prior period errors															
Others															
II. Opening balance for the year	1,570,418,085.00				1,110,030,404.40				938,668,079.24		6,640,201,715.97		10,259,318,284.61	1,139,728,702.14	11,399,046,986.75
III. Changes during the period (decreases are recorded as "-")															
(I) Total comprehensive income											160,209,535.62		160,209,535.62	30,251,419.20	190,460,954.82
(II) Owners' inputs and capital reduction											488,426,915.39		488,426,915.39	24,835,419.20	513,262,334.59
1. Ordinary shares invested by owners														19,981,000.00	19,981,000.00
2. Capital contributions from holders of other equity instruments														19,981,000.00	19,981,000.00
3. Amount of share-based payments credited to owners' equity															
4. Others															
(III) Profit distribution											-328,217,379.77		-328,217,379.77	-14,565,000.00	-342,782,379.77
1. Appropriation to surplus reserve															
2. Appropriation to general risk provision															
3. Distribution to owners (or shareholders)											-328,217,379.77		-328,217,379.77	-14,565,000.00	-342,782,379.77
4. Others															
(IV) Internal transfer of owners' equity															
1. Capitalization of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Make up losses by surplus reserves															
4. Carry forward of retained earnings in respect of changes in defined benefit plans															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawals during the period															
2. Utilization during the period															
(VI) Others															
IV. Balance as at the end of the Period	1,570,418,085.00				1,110,030,404.40				938,668,079.24		6,800,411,251.59		10,419,527,820.23	1,169,980,121.34	11,589,507,941.57

Consolidated Statement of Changes in Shareholders' Equity

From January to June 2026

Unit: Yuan Currency: RMB

Half year of 2025															
Items	Attributable to owners of the Company														
	Paid-up capital (or share capital)	Other equity instruments			Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Others	Sub-total	Minority interests	Total shareholders' equity
		Preference shares	Perpetual bonds	Others											
I. Balance as at the end of the corresponding period of last year	1,570,418,085.00				1,114,966,012.00				850,018,726.34		6,133,464,906.76		9,668,867,730.10	1,128,426,816.16	10,797,294,546.26
Add: Changes in accounting policies															
Correction of prior period errors															
Others															
II. Opening balance for the year	1,570,418,085.00				1,114,966,012.00				850,018,726.34		6,133,464,906.76		9,668,867,730.10	1,128,426,816.16	10,797,294,546.26
II. Changes during the period (decreases are recorded as "-")					-4,935,607.60						205,949,460.37		201,013,852.77	36,162,144.26	237,175,997.03
(I) Total comprehensive income											472,920,534.82		472,920,534.82	17,982,216.75	490,902,751.57
(II) Owners' inputs and capital reduction					-4,935,607.60								-4,935,607.60	19,371,639.78	14,436,032.18
1. Ordinary shares invested by owners														19,758,000.00	19,758,000.00
2. Capital contributions from holders of other equity instruments															
3. Amount of share-based payments credited to owners' equity					-4,935,607.60								-4,935,607.60	-386,360.22	-5,321,967.82
4. Others															
(III) Profit distribution											-266,971,074.45		-266,971,074.45	-1,191,712.27	-268,162,786.72
1. Appropriation to surplus reserve															
2. Appropriation to general risk provision															
3. Distribution to owners (or shareholders)											-266,971,074.45		-266,971,074.45	-1,191,712.27	-268,162,786.72
4. Others															
(IV) Internal transfer of owners' equity															
1. Capitalization of capital reserves into capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Make up losses by surplus reserves															
4. Carry forward of retained earnings in respect of changes in defined benefit plans															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawals during the period															
2. Utilization during the period															
(VI) Others															
IV. Balance as at the end of the Period	1,570,418,085.00				1,110,030,404.40				850,018,726.34		6,339,414,367.13		9,869,881,582.87	1,164,588,960.42	11,034,470,543.29

Officer in charge of the Company:

Tang Fusheng

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Statement of Changes in Owners' Equity of the Company

From January to June 2026

Unit: Yuan Currency: RMB

Half year of 2026											
Items	Paid-up capital (or share capital)	Other equity instruments			Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
		Preference shares	Perpetual bonds	Others							
I. Balance as at the end of the corresponding period of last year	1,570,418,085.00				1,060,381,500.22				938,668,079.24	4,800,713,997.18	8,370,181,661.64
Add: Changes in accounting policies											
Correction of prior period errors											
Others											
II. Opening balance for the year	1,570,418,085.00				1,060,381,500.22				938,668,079.24	4,800,713,997.18	8,370,181,661.64
III. Changes during the period (decreases are recorded as "-")											
(I) Total comprehensive income										10,664,013.28	10,664,013.28
(II) Owners' inputs and capital reduction										338,881,393.05	338,881,393.05
1. Ordinary shares invested by owners											
2. Capital contributions from holders of other equity instruments											
3. Amount of share-based payments credited to owners' equity											
4. Others											
(III) Profit distribution										-328,217,379.77	-328,217,379.77
1. Appropriation to surplus reserve											
2. Distribution to owners (or shareholders)										-328,217,379.77	-328,217,379.77
3. Others											
(IV) Internal transfer of owners' equity											
1. Capitalization of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves to capital (or share capital)											
3. Make up losses by surplus reserves											
4. Carry forward of retained earnings in respect of changes in defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawals during the period											
2. Utilization during the period											
(VI) Others											
IV. Balance as at the end of the Period	1,570,418,085.00				1,060,381,500.22				938,668,079.24	4,811,378,010.46	8,380,845,674.92

Statement of Changes in Owners' Equity of the Company

From January to June 2026

Unit: Yuan Currency: RMB

	Half year of 2025										
	Paid-up capital (or share capital)	Other equity instruments			Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Items		Preference shares	Perpetual bonds	Others							
I. Balance as at the end of the corresponding period of last year	1,570,418,085.00				1,065,703,468.04				850,018,726.34	4,269,840,895.53	7,755,981,174.91
Add: Changes in accounting policies											
Correction of prior period errors											
Others											
II. Opening balance for the year	1,570,418,085.00				1,065,703,468.04				850,018,726.34	4,269,840,895.53	7,755,981,174.91
III. Changes during the period (decreases are recorded as "-")					-5,321,967.82					3,250,099.47	-2,071,868.35
(I) Total comprehensive income										270,221,173.92	270,221,173.92
(II) Owners' inputs and capital reduction					-5,321,967.82						-5,321,967.82
1. Ordinary shares invested by owners											
2. Capital contributions from holders of other equity instruments											
3. Amount of share-based payments credited to owners' equity					-5,321,967.82						-5,321,967.82
4. Others											
(III) Profit distribution										-266,971,074.45	-266,971,074.45
1. Appropriation to surplus reserve											
2. Distribution to owners (or shareholders)										-266,971,074.45	-266,971,074.45
3. Others											
(IV) Internal transfer of owners' equity											
1. Capitalization of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves to capital (or share capital)											
3. Make up losses by surplus reserves											
4. Carry forward of retained earnings in respect of changes in defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawals during the period											
2. Utilization during the period											
(VI) Others											
IV. Balance as at the end of the Period	1,570,418,085.00				1,060,381,500.22				850,018,726.34	4,273,090,995.00	7,753,909,306.56

Notes to the Financial Statements

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

I. BASIC INFORMATION REGARDING THE COMPANY**(I) Overview of the Company**

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 30 June 2026, the total share capital of the Group was RMB1.57 billion with a par value of RMB1 per share.

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

(II) Principal business activities actually carried out by the Company

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.

1. Sewage water processing service

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

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 Construction Bureau
Honghu, Hubei	29 December 2005	Honghu Construction Bureau

Notes to the Financial Statements

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

I. BASIC INFORMATION REGARDING THE COMPANY (Continued)**(II) Principal business activities actually carried out by the Company (Continued)****1. Sewage water processing service (Continued)**

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

Location	Agreement date	Authorised by
Hangzhou, Zhejiang	20 November 2006	Hangzhou Municipal Facilities Supervision Center
Jinghai, Tianjin	12 September 2007	Management Committee of Tianjin Tianyu Science Technology Park
Wendeng, Weihai, Shandong	19 December 2007	Wendeng Construction Bureau
Xi'an, Shaanxi	18 March 2008	Xi'an Infrastructure Investment Group
Anguo, Hebei	28 September 2008	The People's Government of Anguo City
Xianning, Hubei	16 October 2008	Xianning Construction Committee
Yingdong District, Fuyang, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Ninghe, Tianjin	21 September 2010	Management Committee of Modern Industrial Zone of Ninghe
Qujing, Yunnan	16 August 2011	Qujing Housing and Urban 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
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

Notes to the Financial Statements

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

I. BASIC INFORMATION REGARDING THE COMPANY (Continued)**(II) Principal business activities actually carried out by the Company (Continued)****1. Sewage water processing service (Continued)**

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

Location	Agreement date	Authorised by
Jiuquan, Gansu	22 June 2019	Jiuquan Suzhou District People’s Government
Yingdong District, Fuyang, Anhui	26 August 2019	Fuyang Urban-Rural Construction Bureau
Huoqiu County, Lu’an, Anhui	2 January 2020	Lu’an Huoqiu Housing and Urban-Rural Construction Bureau
Huize County, Qujing, Yunnan	24 February 2020	Qujing Huize Housing and Urban-Rural Construction Bureau
Honghu, Hubei	18 March 2021	Honghu Housing and Urban-Rural Construction Bureau
Xiqing District, Tianjin	12 May 2021	Tianjin Xiqing District Water Affairs Center
Karamay, Xinjiang	24 March 2023	Karamay Housing and Urban-Rural Construction Bureau
Enshi, Hubei	9 June 2023	Enshi Housing and Urban-Rural Construction Bureau
Ma’anshan, Anhui	22 September 2023	Ma’anshan Hanshan Housing and Urban-Rural Construction Bureau
Weng’an County, Qiannan Prefecture, Guizhou Province	17 January 2024	Weng’an County Bureau of Water Affairs
Huize County, Qujing, Yunnan	8 November 2024	Huize Housing and Urban-Rural Construction Bureau
Huoqiu County, Lu’an, Anhui	8 November 2024	Huoqiu Housing and Urban-Rural Construction Bureau
Wuhu, Anhui	31 December 2024	Wuhu Housing and Urban-Rural Construction Bureau

2. Tap water supply business

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

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	12 December 2017	Changde Hanshou Water Bureau
Qujing, Yunnan	25 December 2005	Qujing Sewage Company

Notes to the Financial Statements

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

I. BASIC INFORMATION REGARDING THE COMPANY (Continued)**(II) Principal business activities actually carried out by the Company (Continued)****3. Water recycling services**

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

4. Heating and cooling supply services

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

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

5. Hazardous waste treatment services

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

(III) Authorisation of Financial Statements and Approval Date

The financial statements of Tianjin Capital Environmental Protection Group Company Limited were approved for issue at its 13th meeting of the 10th session of the Board on 25 August 2026.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation

The Group's financial statements have been prepared on a going concern basis in accordance with actual transactions and events in compliance with the Accounting Standards for Business Enterprises – Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively referred to as “ASBE”) applying the significant accounting policies and estimates established by the Group.

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

(II) Continuing operations

The Company has the ability to continue as a going concern for at least twelve months from the end of the reporting period, with no significant matters identified that may cast doubt on this ability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements prepared by the Group comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflected the financial position as at 30 June 2026, as well as the results of operations and cash flows for the period from January to June 2026 and other relevant information.

The accounting policies adopted by the Group are consistent with those used in the consolidated financial statements for the year ended 31 December 2025 as set out in the annual consolidated financial statements for that year.

(II) Accounting year

The Group's accounting year starts on 1 January and ends on 31 December. This set of financial statements covers the period from 1 January 2026 to 30 June 2026.

(III) Business cycle

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

(IV) Recording currency

The Company's recording currency is Renminbi (RMB).

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(V) Methodology for determining materiality criteria and basis for selection****1. Materiality of Financial Statement Items**

The Group determines the materiality of financial statement items based on whether they may influence the economic decisions of financial statement users, considering both qualitative and quantitative factors. Quantitative materiality is assessed by reference to an item's proportion of total assets, total liabilities, total equity, operating revenue, or net profit. Qualitative materiality is evaluated based on factors such as whether the item relates to ordinary business activities, causes a change between profit and loss or affects regulatory compliance indicators, thereby significantly impacting financial position or operating results.

2. Materiality of Disaggregated Disclosures in Notes

The Group assesses the materiality of disaggregated note disclosures by applying a proportion threshold relative to the parent financial statement line item; or combining quantitative and qualitative considerations, including the nature of specific items. Certain items may not be material to the financial statements but remain material for note disclosure purposes and are therefore disclosed separately. The materiality criteria for note disclosures are as follows:

Item	Materiality criteria
Significant individual provision for bad debts on receivables	Individual accounts receivable exceeding 5% of the total consolidated accounts receivable balance.
Significant construction-in-progress projects	Budgeted investment exceeding 5% of the latest audited equity attributable to the Company's owners.
Subsidiaries with significant minority interests	Comprehensive consideration of whether the subsidiary is a listed company and whether its minority interests exceed 1% of the Group's consolidated equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(VI) Business Combinations****1. Business Combinations Under Common Control**

For long-term equity investments formed through business combinations under common control, if the combining party pays cash, transfers non-cash assets, or assumes liabilities as the consideration for the combination, the initial investment cost of the long-term equity investment is the share of the carrying amount of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party on the combination date. If the combining party issues equity instruments as the consideration for the combination, the total par value of the shares issued is recognised as share capital. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration (or the total par value of the shares issued) is adjusted against capital reserve; if the capital reserve is insufficient to offset the difference, the balance is adjusted against retained earnings.

2. Business Combinations Not Under Common Control

For business combinations not under common control, the cost of the combination is the sum of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to obtain control of the acquiree on the acquisition date. The identifiable assets, liabilities, and contingent liabilities acquired in a business combination not under common control that meet the recognition criteria are measured at fair value on the acquisition date. The excess of the cost of the combination over the acquirer's interest in the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of the combination is less than the acquirer's interest in the fair value of the identifiable net assets acquired, the difference is recognised as non-operating income in the current period after reassessment confirms that the cost remains less than the fair value of the identifiable net assets acquired.

(VII) Criteria for judgment of control and preparation of consolidated financial statements**1. Criteria for Control**

The consolidation scope of the consolidated financial statements is determined based on control. An investee is considered to be controlled if the following three elements are present: power over the investee, exposure to variable returns from involvement with the investee, and the ability to use power over the investee to affect the amount of returns.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. *Methods for Preparing Consolidated Financial Statements*

- (1) Uniform accounting policies and uniform balance sheet date and accounting periods for the Company and subsidiaries.

If a subsidiary adopts accounting policies or accounting periods inconsistent with those of the Group, necessary adjustments are made to the subsidiary's financial statements in accordance with the Group's accounting policies or accounting periods when preparing the consolidated financial statements.

- (2) Elimination of intercompany transactions in consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and subsidiaries, with internal transactions between the Company and subsidiaries or among subsidiaries eliminated. The portion of the subsidiary's owners' equity not attributable to the Group is presented as minority interests under equity in the consolidated balance sheet. Long-term equity investments held by a subsidiary in the Company are treated as treasury shares of the Company and presented as a credit to equity under the "Less: Treasury Shares" item in the consolidated balance sheet.

- (3) Accounting treatment for subsidiaries acquired through business combinations

For subsidiaries acquired through business combinations under common control, the combination is deemed to have occurred when the ultimate controlling party began to exercise control, and the subsidiary's assets, liabilities, operating results, and cash flows are included in the consolidated financial statements from the beginning of the period in which the combination occurred. For subsidiaries acquired through business combinations not under common control, adjustments are made to the subsidiary's individual financial statements based on the fair value of identifiable net assets on the acquisition date when preparing the consolidated financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(VII) Criteria for judgment of control and preparation of consolidated financial statements (Continued)****2. Methods for Preparing Consolidated Financial Statements (Continued)****(4) Accounting treatment for disposal of subsidiaries**

For partial disposals of long-term equity investments in subsidiaries without loss of control, the difference between the disposal proceeds and the share of the subsidiary's net assets continuously calculated from the acquisition or combination date corresponding to the disposed long-term equity investment is adjusted against capital reserve in the consolidated financial statements; if the capital reserve is insufficient to offset the difference, the balance is adjusted against retained earnings. If control over the investee is lost due to partial disposal of equity investments, the remaining equity is remeasured at fair value on the date control is lost when preparing the consolidated financial statements. The sum of the consideration received from the disposal and the fair value of the remaining equity, less the share of the original subsidiary's net assets continuously calculated from the acquisition or combination date based on the original shareholding ratio, is recognised as investment income in the period control is lost, with any goodwill written off. Other comprehensive income related to the original subsidiary's equity investment is reclassified to investment income for the current period when control is lost.

(VIII) Classification of Joint Arrangements and Accounting Treatment for Joint Operations**1. Classification of Joint Arrangements**

Joint arrangements are classified as either joint operations or joint ventures. A joint arrangement that is not structured through a separate entity is classified as a joint operation. A separate entity is an entity with a separately identifiable financial structure, including separate legal entities and entities that are not legal entities but are legally recognised. A joint arrangement structured through a separate entity is usually classified as a joint venture. If changes in relevant facts and circumstances cause a change in the rights and obligations of the joint venturers in the joint arrangement, the joint venturers shall reassess the classification of the joint arrangement.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VIII) Classification of Joint Arrangements and Accounting Treatment for Joint Operations (Continued)

2. *Accounting Treatment for Joint Operations*

As a participant in a joint operation, the Group recognizes the following items related to its interest in the joint operation and accounts for them in accordance with the relevant Accounting Standards for Business Enterprises: recognizes the assets or liabilities it holds individually, and recognizes its share of the jointly held assets or liabilities; recognizes the revenue generated from the sale of its share of the output of the joint operation; recognizes its share of the revenue generated by the joint operation from the sale of its output; recognizes the expenses it incurs individually, and recognizes its share of the expenses incurred by the joint operation.

If the Company is a participant in a joint operation but does not have joint control, and if it has rights to the assets and obligations for the liabilities relating to the joint operation, it shall account for them in accordance with the provisions for participants in a joint operation; otherwise, it shall account for them in accordance with the relevant Accounting Standards for Business Enterprises.

3. *Accounting Treatment for Joint Ventures*

Where the Group is a joint venture party, investments in joint ventures are accounted for in accordance with Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments. Where the Group is not a joint venture party, accounting treatment is based on the degree of influence over the joint venture.

(IX) Determination criteria for cash and cash equivalents

For the purpose of preparing the cash flow statement, cash comprises cash on hand and deposits that can be withdrawn on demand. Cash equivalents determined when preparing the cash flow statement are short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(X) Foreign currency business and translation of foreign currency financial statements****1. Translation of Foreign Currency Transactions**

Foreign currency transactions are translated into the functional currency at the spot exchange rate on the transaction date. Monetary items denominated in foreign currencies are translated at the spot exchange rate on the balance sheet date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at initial recognition or the previous balance sheet date are recognised in profit or loss for the period, except for exchange differences on foreign currency borrowings that qualify for capitalisation, which are capitalised as part of the cost of the related asset during the capitalisation period. Non-monetary items measured at historical cost continue to be translated at the spot exchange rate on the transaction date and are not restated. Non-monetary items measured at fair value are translated at the spot exchange rate on the date the fair value is determined, with the difference between the translated amount and the original functional currency amount treated as a fair value change (including exchange rate changes) and recognised in profit or loss or other comprehensive income.

2. Translation of foreign currency financial statements

For subsidiaries, joint ventures, or associates that use a functional currency different from the Group's, their foreign currency financial statements are translated before accounting and consolidation. Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date, while equity items, except for "retained earnings," are translated at the spot exchange rate on the date of the transaction. Income and expenses in the income statement are translated at the spot exchange rate on the transaction date. Translation differences arising from the translation of foreign currency financial statements are presented under other comprehensive income in equity of the balance sheet. Foreign currency cash flows are translated at the spot exchange rate on the date the cash flows occur. The effect of exchange rate changes on cash is presented separately in the cash flow statement. Upon disposal of a foreign operation, the cumulative translation differences related to that operation are reclassified to profit or loss for the period in full or proportionally to the disposal.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments

1. Classification, Recognition, and Measurement of Financial Instruments

(1) Financial assets

Based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets, the Group classifies financial assets into the following three categories:

- ① Financial assets measured at amortised cost. The business model for managing such financial assets is to collect contractual cash flows, and the contractual cash flows of such financial assets represent solely payments of principal and interest on the principal amount outstanding. Such financial assets are subsequently measured using the effective interest method to recognise interest income.
- ② Financial assets measured at fair value through other comprehensive income. The business model for managing such financial assets is both to collect contractual cash flows and to sell the financial assets, and the contractual cash flows of such financial assets represent solely payments of principal and interest on the principal amount outstanding. Such financial assets are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income, except for interest income calculated using the effective interest method, impairment losses or gains, and exchange differences, which are recognised in profit or loss.
- ③ Financial assets measured at fair value through profit or loss. Financial assets not classified as measured at amortised cost or at fair value through other comprehensive income are measured at fair value, with gains or losses (including interest and dividend income) recognised in profit or loss. At initial recognition, if doing so eliminates or significantly reduces an accounting mismatch, a financial asset may be irrevocably designated as measured at fair value through profit or loss. Once designated, this classification cannot be revoked.

For non-trading equity instrument investments, the Group may irrevocably designate them as measured at fair value through other comprehensive income at initial recognition. Such designation is made on an individual investment basis, and the investment must meet the definition of an equity instrument from the issuer's perspective. Such financial assets are subsequently measured at fair value, with dividends (excluding those representing a return of capital) recognised in profit or loss and other related gains and losses recognised in other comprehensive income, with no subsequent reclassification to profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XI) Financial instruments****1. *Classification, Recognition, and Measurement of Financial Instruments* (Continued)****(2) Financial Liabilities**

Financial liabilities are classified at initial recognition as financial liabilities measured at amortised cost. Such financial liabilities are subsequently measured at amortised cost using the effective interest method. These primarily include accounts payable, other payables, short-term borrowings, long-term borrowings (including those due within one year), long-term payables, and bonds 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. Those due within one year (inclusive) are presented as current liabilities; those due beyond one year but within one year (inclusive) from the balance sheet date are presented as non-current liabilities due within one year; the remainder are presented as non-current liabilities.

2. *Methods for Determining the Fair Value of Financial Instruments*

For financial instruments with active markets, their fair value is determined based on quoted prices in active markets. In limited circumstances, if recent information to determine fair value is insufficient, or if the possible estimated amounts of fair value are widely distributed, and the cost represents the best estimate of fair value within that range, then that cost may represent an appropriate estimate of fair value within that range. The Group uses all information available after the initial recognition date regarding the performance and operations of the investee to determine whether the cost can represent the fair value.

3. *Derecognition of Financial Instruments*

A financial asset is derecognised when one of the following criteria is met: (1) the contractual rights to the cash flows from the financial asset expire; (2) the financial asset has been transferred and meets the conditions for derecognition.

When the present obligation of a financial liability is wholly or partially discharged, the discharged portion is derecognised. If an existing liability is replaced by another financial liability from the same creditor with substantially different terms, or if the terms of an existing liability are substantially modified, the existing financial liability is derecognised, and a new financial liability is recognised. Financial assets bought or sold in the ordinary course of business are recognised and derecognised using trade date accounting.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Methods for Determining Expected Credit Losses and Accounting Treatment

1. *Scope of Expected Credit Losses*

The Company, on the basis of expected credit losses, performs impairment accounting and recognizes a provision for bad debts for financial assets measured at amortised cost (including receivables, such as notes receivable and accounts receivable), receivables financing, other receivables, long-term receivables (including expiration within one year).

2. *Methods for Determining Expected Credit Losses*

The general method for expected credit losses means that the Group assesses on each balance sheet date whether the credit risk of the relevant financial instrument has increased significantly since initial recognition, dividing the process of credit impairment of financial instruments into three stages, and applying different accounting treatments for impairment of financial instruments at different stages: (1) Stage 1, if the credit risk of the financial instrument has not increased significantly since initial recognition, the Group measures the loss provision at an amount equal to the 12-month expected credit losses of the financial instrument, and calculates interest income based on its gross carrying amount (i.e., without deducting the impairment provision) and the effective interest rate; (2) Stage 2, if the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Group measures the loss provision at an amount equal to the lifetime expected credit losses of the financial instrument, and calculates interest income based on its gross carrying amount and the effective interest rate; (3) Stage 3, if credit impairment has occurred after initial recognition, the Group measures the loss provision at an amount equal to the lifetime expected credit losses of the financial instrument, and calculates interest income based on its amortised cost (gross carrying amount less the impairment provision already made) and the effective interest rate.

The simplified method for expected credit losses is to always measure the loss provision at an amount equal to the lifetime expected credit losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XII) Methods for Determining Expected Credit Losses and Accounting Treatment (Continued)****3. Accounting Method for Expected Credit Losses**

To reflect changes in the credit risk of financial instruments since initial recognition, the Group remeasures the expected credit losses on each balance sheet date. The resulting increase or reversal of the loss provision shall be recognised as an impairment loss or gain in profit or loss for the current period and, depending on the type of financial instrument, shall reduce the carrying amount of the financial asset presented in the balance sheet or be recognised as a provision (for loan commitments or financial guarantee contracts).

4. Method for Measuring Loss Provision for Receivables and Lease Receivables

For receivables arising from transactions governed by “Accounting Standards for Business Enterprises No. 14 - Revenue” that do not contain a significant financing component, the Group adopts a simplified method, which is to always measure the loss provision at an amount equal to the lifetime expected credit losses.

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 Category	Basis for determination
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

For accounts receivable, notes receivable, and long-term receivables arising from daily operating activities such as product sales and service provision that are classified into groups, the expected credit losses are calculated by reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, using the exposure at default and the lifetime expected credit loss rate.

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.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XII) Methods for Determining Expected Credit Losses and Accounting Treatment** (Continued)**5. Method for Measuring Loss Provision for Other Financial Assets**

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.

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 categorises the receivables (other than those notes receivable and accounts receivable as mentioned before) 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 Category	Basis for determination
Group 5: Project deposits	Project deposits receivables
Group 6: Others	Other receivables other than VAT refund receivable and project deposits
Group 7: Government grants	VAT refunds, and other government grants

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XIII) Inventories****1. Classification of inventories**

Inventories are materials and supplies held by the Group in the ordinary course of business for sale as finished goods or merchandise, work in progress in the production process, or materials and supplies consumed in the production process or provision of services. These primarily include raw materials, circulating materials (packaging materials, low-value consumables, etc.) and finished goods (inventory goods), etc.

2. Costing of inventories

When inventories are issued, the weighted average method is used to determine their actual cost.

3. Inventory system

The perpetual inventory system is used.

4. Amortisation Method for Low-Value Consumables and Packaging Materials

Low-value consumables and packaging materials are amortised using the one-time write-off method.

5. Recognition Criteria and Provision Method for Inventory Write-Downs

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. When the net realisable value is lower than the cost, a provision for inventory write-down is made, and the provision is calculated for individual inventory items. However, for inventories that are numerous and low in unit price, the provision is calculated by inventory category, for inventory that is related to a product series produced and sold in the same region, has the same or similar end use or purpose, and is difficult to measure separately from other items, the inventory impairment provision can be made on a combined basis. If the factors causing the previous write-down have reversed, the provision for inventory write-down is reversed within the originally provided amount.

When determining the net realisable value of inventories, reliable evidence is obtained, and the purpose of holding the inventories and events after the balance sheet date are considered.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Contract Assets and Contract Liabilities

1. *Contract Assets*

The Group presents as contract assets the right to receive consideration in exchange for goods or services transferred to the customer, where the right is conditional on factors other than the passage of time. The impairment provision for contract assets is determined with reference to the methods for determining expected credit losses.

2. *Contract Liabilities*

The Group presents as contract liabilities its obligation to transfer goods or provide services to the customer for consideration received or receivable. Contract assets and contract liabilities under the same contract are presented on a net basis.

(XV) Long-term equity investments

1. *Criteria for Joint Control and Significant Influence*

Joint control refers to the unanimous consent of the parties sharing control over decisions on activities that significantly affect the returns of an arrangement, including the sale and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities, and financing activities. Significant influence is presumed when the Group holds between 20% and 50% of the voting rights of the investee, or less than 20% but meets one of the following conditions: representation on the Board or similar governing body of the investee; participation in the policy-making process of the investee; interchange of managerial personnel; dependence of the investee on the Group's technology or technical information; or significant transactions between the Group and the investee.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XV) Long-term equity investments (Continued)****2. *Determination of Initial Investment Cost***

For long-term equity investments acquired through business combinations, if the combination is under common control, the initial investment cost is the share of the carrying amount of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party on the combination date. If the combination is not under common control, the initial investment cost is the cost of the combination determined on the acquisition date. For long-term equity investments acquired by paying cash, the initial investment cost is the actual purchase price paid. For long-term equity investments acquired by issuing equity instruments, the initial investment cost is the fair value of the equity instruments issued. For long-term equity investments acquired through debt restructuring, the initial investment cost is determined in accordance with the relevant provisions of the debt restructuring standards. For long-term equity investments acquired through non-monetary asset exchanges, the initial investment cost is determined in accordance with the relevant provisions of the non-monetary asset exchange standards.

3. *Subsequent measurement and recognition of related profit and loss*

Long-term equity investments over which the Group has control are accounted for using the cost method. Long-term equity investments in associates and joint ventures are accounted for using the equity method. For equity investments in associates, if part of the investment is held indirectly through venture capital institutions, mutual funds, trust companies, or similar entities (including linked insurance funds), regardless of whether such entities have significant influence over that part of the investment, the relevant provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments are applied, and the equity method is used for the remaining portion.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XVI) Investment properties**

The Group's investment properties include leased buildings. Investment properties are initially measured at cost and subsequently measured using the cost model.

Depreciation of buildings held for rental is calculated using the straight-line method, with specific accounting policies as follows:

Asset Category	Depreciation Method	Depreciation (year)	Residual values (%)	Annual depreciation rates (%)
Houses and buildings	Straight-line method	20-45 years	4-5	2.11-4.80

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

Fixed assets are tangible assets held for the production of goods, provision of services, rental, or administrative purposes, with a useful life of more than one accounting year. Fixed assets are recognised when the following conditions are met: it is probable that the economic benefits associated with the fixed asset will flow to the entity, and the cost of the fixed asset can be reliably measured.

2. Depreciation methods of fixed assets

The Group's fixed assets are primarily classified into buildings and structures, machinery and equipment, transportation equipment, and others. Depreciation is calculated using the straight-line method. The useful lives and estimated residual values of each category of fixed assets are determined based on the nature and usage of the fixed assets. At the end of each year, the useful lives, estimated residual values, and depreciation methods are reviewed, and adjustments are made if there are differences from previous estimates. All fixed assets are depreciated, except for those fully depreciated but still in use and land accounted for separately.

Asset Category	Depreciation Method	Depreciation (year)	Residual values (%)	Annual depreciation rates (%)
Houses and buildings	Straight-line method	10-50 years	0-5	1.9-10
Machinery and equipment	Straight-line method	10-20 years	0-5	4.8-10
Transportation equipment and others	Straight-line method	5-10 years	0-5	9.5-20

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XVIII) Construction in progress**

The Company's construction in progress is primarily divided into projects under construction by the proprietor and projects under construction by the contractor. Construction in progress is transferred to fixed assets when the construction is completed and the conditions for intended use are reached. Reaching the conditions for intended use shall be any of the following circumstances: the substantial construction (including installation) has been finished completely or substantially; the result of trial production or operation shows that the asset can run normally or produce quality products stably or that the asset can function or operate normally; the fixed asset under construction incurs very little or essentially no further capital expenditure; the fixed asset purchased or built has reached or basically reached the designed or contractual requirements.

(XIX) Borrowing costs**1. Principles for capitalised of borrowing costs**

Borrowing costs incurred by the Group, which are directly attributable to the purchase, construction or production of qualifying assets, are capitalized into the cost of relevant assets; other borrowing costs are expensed when incurred. Qualifying refer to fixed assets, investment properties, inventories and other assets that require purchase, construction or production activities over a very long period to reach the conditions for intended use.

2. Calculation of capitalised amount

Capitalization period refers to the period from the time point when borrowing costs start capitalization to the time point when capitalization stops, excluding the period during which capitalization of borrowing costs is suspended. The capitalization of borrowing costs are suspended if purchase, construction or production activities are interrupted abnormally for more than 3 consecutive months.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XIX) Borrowing costs** (Continued)**2. Calculation of capitalised amount** (Continued)

Interest on specific-purpose borrowings is determined based on actual interest expenses incurred for the specific-purpose loan for the current period, minus interest income from depositing the unused portion with the bank or gain on temporary investment. If any general purpose borrowing is used, interest is determined by multiplying the weighted average excess of accumulated asset expenditures over the amount of specific purpose borrowings by the capitalization rate of utilized general-purpose borrowings. The capitalization rate is the weighted average interest rate of general-purpose borrowings. In case of discount or premium on the borrowing, the discount or premium is amortised during each financial period using the effective interest rate method and the interest amount for each amount is adjusted accordingly.

The effective interest rate method is a method to calculate the amortized discount or premium or interest expense at the effective interest rate of the loan. The effective interest rate is the rate that is used to discount expected future cash flows of the loan over its life to current book value of the loan.

(XX) Intangible assets**1. Measurement of intangible assets**

Intangible assets are initially measured at cost. For purchased intangible assets, the actual cost is the actually paid price and related expenses. For intangible assets injected by investors, the actual cost is determined at the value agreed in the investment contract or agreement, or if the value agreed in the contract or agreement is unfair, at the fair value. The cost of intangible assets developed by the Company is the total expenditure incurred before reaching the conditions for intended use.

2. Useful life and its determination basis, estimation circumstances, amortisation method or review procedures

Intangible assets with a finite useful life are amortised as shown in the table below. At the end of the year, the useful life and amortisation method of the intangible assets are reviewed, and if there are differences from the original estimates, corresponding adjustments are made. The Company does not amortise intangible assets with an indefinite service life, but reviews the service life at the end of each year, and estimates its service life if there is conclusive evidence that the service life is limited.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

2. *Useful life and its determination basis, estimation circumstances, amortisation method or review procedures* (Continued)

The useful life, its determination basis, and amortisation method for intangible assets with a finite useful life are as follows:

(1) Concession rights

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

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

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Intangible assets (Continued)

2. *Useful life and its determination basis, estimation circumstances, amortisation method or review procedures*

(Continued)

(2) Land use rights

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

(3) Technical know-how and software

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

If the period over which an intangible asset will bring economic benefits to the Company is not foreseeable, or the service life is indefinite for an intangible asset, the Company determines that the intangible asset has an indefinite service life. Basis for determining an indefinite service life: the intangible asset comes from contractual rights or other legitimate rights, but there is no definite service life stipulated in the contract or the law; It is still impossible to determine the time period over which the intangible assets can bring economic benefits to the Company based on peer conditions or relevant expert opinions.

At the end of each year, the service life of intangible assets with an indefinite service life is reviewed mainly on a bottom-up basis, with the department using the intangible asset to perform basic review for any change in the basis for determining its indefinite service life.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XX) Intangible assets (Continued)****3. Scope of R&D expenditure aggregation and related accounting treatment methods**

The scope of the Group's research and development expenditures is primarily determined based on the Group's research and development projects, including materials consumed in research and development activities, employee compensation for the research and development department, depreciation and amortisation of equipment and software used in research and development, research and development testing, research and development technical service fees, and licensing fees.

Expenditures during the research phase of internal research and development projects are recognised as expenses when incurred. Expenditures during the development phase that meet the criteria for recognition as intangible assets are capitalised as intangible assets. 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.

Criteria for distinguishing between the research phase and the development phase of internal research and development projects: capitalisation is permitted when the following conditions are simultaneously met:

- (1) The development of the environmental protection equipment production process has been fully demonstrated by the technical team;
- (2) Management has approved the budget for environmental protection equipment production process development;
- (3) Research and analysis of previous market survey indicate that the products produced by the environmental protection equipment production process have marketing capabilities;
- (4) Adequate technical and financial support for the development of the environmental protection equipment production process and subsequent mass production; and
- (5) Expenditure on environmental protection equipment production process development can be reliably collected.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Impairment of long-term assets

Long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets, productive biological assets measured using the cost model, oil and gas assets, intangible assets, and other long-term assets are tested for impairment on the balance sheet date if there are indications of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an impairment provision is made for the difference and is recognised as an impairment loss. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount 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 an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXII) Long-term unamortized expenses**

The Group's long-term deferred expenses refer to various expenses that have been incurred but have a benefit period of more than one year (excluding one year). Long-term deferred expenses are amortised over the benefit period of the expense item. If a long-term deferred expense item can no longer benefit future accounting periods, the unamortised balance of that item is fully charged to profit or loss for the current period.

(XXIII) Employee benefits

Employee benefits are all forms of consideration or compensation given by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits primarily include short-term employee benefits, post-employment benefits, retirement benefits and other long-term employee benefits.

1. Accounting treatment of short-term employee benefits

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 to the Group, with a corresponding charge to the profit or loss for the current period, except where accounting standards require or permit inclusion in the cost of assets. Employee benefits incurred by the Group are recognised in profit or loss or the cost of related assets based on the actual amount incurred. If employee benefits are non-monetary, they are measured at fair value. Medical insurance, work-related injury insurance, maternity insurance, and other social insurance and housing provident fund contributions paid by the Group for employees, as well as trade union and employee education funds calculated in accordance with regulations, are determined based on the prescribed calculation basis and proportion during the accounting period in which the employees provide services, and the corresponding liabilities are recognised and included in profit or loss or the cost of related assets.

2. Accounting treatment of post-employment benefits

During the accounting period in which employees provide services, the Group recognises liabilities for the amounts payable to defined contribution plans and includes them in profit or loss or the cost of related assets. For defined benefit plans, the benefit obligations are attributed to the periods in which employees provide services using the projected unit credit method and included in profit or loss or the cost of related assets. 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.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)(XXIII) **Employee benefits** (Continued)**2. Accounting treatment of post-employment benefits** (Continued)

Retirement Benefits Plan

In accordance with relevant PRC laws and regulations, the Group's employees are members of government-managed retirement benefit plans. Accordingly, the Group is required to contribute to the plan at a certain percentage of the employees' basic salaries to fund the retirement benefits. The local municipal government has committed to assuming responsibility for the retirement benefits of all current and future retired employees of the Group. The Group's sole responsibility with respect to the plan is to continue making the necessary contributions in accordance with the scheme. For the period from January to June 2026, the total expenses recognized in the consolidated statement of profit or loss and other comprehensive income were approximately RMB29,919,483.19 (for the period from January to June 2025: RMB30,568,729.48).

3. Accounting Treatment for Termination Benefits

When the Group provides termination benefits to employees, it recognises the employee benefit liability arising from termination benefits on the earlier of the following dates: when the Group can no longer unilaterally withdraw the termination benefits offered under the redundancy plan or redundancy proposal; or when the Group recognises costs or expenses related to the restructuring involving the payment of termination benefits.

(XXIV) **Accrued liabilities**

An obligation related to a contingent matter is recognised as a provision when it is a present obligation of the company, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably measured. The Group initially measures the provision at the best estimate of the expenditure required to settle the relevant present obligation. If the required expenditure falls within a continuous range and all outcomes within that range are equally likely, the best estimate is determined by the midpoint of that range; if multiple items are involved, the best estimate is determined by weighting all possible outcomes by their related probabilities.

On the balance sheet date, the carrying amount of the provision shall be reviewed. If there is conclusive evidence that the carrying amount does not truly reflect the current best estimate, the carrying amount shall be adjusted to the current best estimate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXV) Revenue**

The Group recognizes revenue when it has fulfilled its performance obligations in the contract, i.e., when the customer obtains control of the relevant goods or services, at the transaction price allocated to that performance obligation. Obtaining control of the relevant goods means being able to direct the use of the goods and obtain substantially all of their economic benefits. A performance obligation is a promise in a contract for the Group to transfer a distinct good or service to a customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties and amounts the Company expects to refund to the customer.

Whether a performance obligation is satisfied over time or at a point in time depends on the terms of the contract and relevant laws and regulations. If a performance obligation is satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, the Group recognizes revenue at a point in time when the customer obtains control of the relevant asset.

The Group determines whether it is acting as a principal or an agent in a transaction based on whether it has control over the goods or services before they are transferred to the customer. If the Group has control over the goods or services before they are transferred to the customer, the Group is the principal and recognizes revenue at the gross amount of consideration received or receivable; otherwise, the Group is an agent and recognizes revenue at the amount of commission or fee it expects to be entitled to, which is determined either by the net amount of consideration received or receivable after deducting the price payable to other relevant parties, or by a predetermined commission amount or percentage.

The Group's specific principles and measurement methods for revenue recognition by business type:

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

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

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXV) Revenue** (Continued)**2. 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.

3. Revenue from supply of tap water and recycled water

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

4. Revenue from provision of pipeline connection services for recycled water

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

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

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

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

5. Revenue from provision of environmental protection equipment customisation services

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

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXV) Revenue** (Continued)**6. Revenue from hazardous waste treatment**

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

7. Revenue from contract operation

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

8. Technical service income

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

(XXVI) Contract Costs

Contract costs include incremental costs incurred to obtain a contract and costs to fulfil a contract. Incremental costs incurred to obtain a contract (“**contract acquisition costs**”) are costs that would not have been incurred if the contract had not been obtained. If such costs are expected to be recovered, the Group recognises them as contract acquisition costs and as an asset.

Costs incurred to fulfil a contract that are not within the scope of other accounting standards (such as inventories) and meet the following conditions are recognised as contract fulfilment costs: the costs relate directly to a current or anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar costs), costs explicitly chargeable to the customer, and other costs incurred solely because of the contract; the costs generate or enhance resources that will be used to fulfil performance obligations in the future; and the costs are expected to be recovered.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXVI) Contract Costs (Continued)**

Contract fulfilment costs recognised as assets with an amortisation period not exceeding one year or a normal operating cycle at initial recognition are included in “inventories” in the balance sheet. Contract fulfilment costs recognised as assets with an amortisation period exceeding one year or a normal operating cycle at initial recognition are included in “other non-current assets” in the balance sheet.

Contract acquisition costs recognised as assets with an amortisation period not exceeding one year or a normal operating cycle at initial recognition are included in “other current assets” in the balance sheet. Contract acquisition costs recognised as assets with an amortisation period exceeding one year or a normal operating cycle at initial recognition are included in “other non-current assets” in the balance sheet.

The Group amortises contract acquisition costs and contract fulfilment costs recognised as assets on the same basis as the recognition of revenue from the goods related to the assets, with the amortisation included in profit or loss. If the amortisation period of incremental costs incurred to obtain a contract does not exceed one year, the costs are expensed when incurred.

When the carrying amount of an asset related to contract costs exceeds the difference between the following two amounts, the Group recognises a provision for impairment for the excess amount as an asset impairment loss: the remaining consideration expected to be received for transferring the related goods; and the estimated costs to be incurred to transfer the related goods.

If factors causing previous impairment subsequently change, resulting in the difference between the two amounts exceeding the carrying amount of the asset, the previously recognised impairment loss is reversed, and the reversal is included in profit or loss, provided that the carrying amount after reversal does not exceed the carrying amount that would have been determined had no impairment been recognised.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Government grants

1. *Types and accounting treatment of government grants*

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, excluding capital invested by the government as the owner. 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 daily activities are included in other gains based on the economic substance of the transaction. Government grants unrelated to daily activities are included in non-operating income.

Government grants explicitly stipulated in government documents for the purchase or construction of long-term assets or for other purposes are recognised as asset-related government grants. For government grants where the subsidy object is not explicitly stipulated in government documents, the portion corresponding to the value of long-term assets that can be formed is treated as asset-related government grants, and the remaining portion is treated as income-related government grants. If it is difficult to distinguish, the entire government grant is treated as income-related government grants. Asset-related government grants are recognised as deferred income. The amount recognised as deferred income is amortised into profit or loss over the useful life of the related asset using a reasonable and systematic method.

Government grants other than asset-related government grants are recognised as income-related government grants. Income-related government grants used to compensate the Group for future related expenses or losses are recognised as deferred income and included in profit or loss when the related expenses are recognised. Income-related government grants used to compensate the Group for related expenses or losses incurred are directly included in profit or loss.

If the Group obtains policy-based preferential loan interest subsidies, and the finance department disburses the subsidy funds to the lending bank, which then provides loans to the Group at the preferential interest rate, the actual amount of the loan received is used as the carrying value of the loan, and the related borrowing costs are calculated based on the loan principal and the preferential interest rate. If the finance department disburses the subsidy funds directly to the Group, the Group offsets the corresponding interest subsidies against the related borrowing costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXVII) Government grants (Continued)****2. Timing of Recognition of Government Grants**

Government grants are recognised when the conditions attached to the grants are met and the grants are receivable. Government grants measured at the receivable amount are recognised at the end of the period when there is conclusive evidence that the relevant conditions of the financial support policy are met and the financial support funds are expected to be received. Other government grants, except those measured at the receivable amount, are recognised when the subsidy funds are actually received.

(XXVIII) Deferred tax assets and deferred tax liabilities**1. Recognition of Deferred Tax**

Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amount and the tax base of assets or liabilities (for items not recognised as assets or liabilities, if it can be determined under tax laws, such tax base is determined as the difference), using the applicable tax rate for the period in which the asset is expected to be recovered or the liability settled.

2. Measurement of Deferred Tax

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable profit will be available in future periods to utilise deductible temporary differences, deferred tax assets not recognised in previous accounting periods are recognised. If it is probable that sufficient taxable profit will not be available in future periods to utilise deferred tax assets, the carrying amount of deferred tax assets is written down.

Deferred tax liabilities are recognised for taxable 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 deductible 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 deductible temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

3. Basis for netting of deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are presented on a net basis when the following conditions are met at the same time: the Group has a legally enforceable right to set off current tax assets and current tax liabilities; and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities involved intend to settle current tax assets and current tax liabilities on a net basis or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax assets or deferred tax liabilities are expected to be recovered.

(XXIX) Leases

At the commencement date of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if one party to the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

1. Lessee Accounting

At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability for leases other than short-term leases and leases of low-value assets, and recognises depreciation expense and interest expense over the lease term.

(1) Right-of-use assets

At the commencement date of the lease, the right-of-use asset is initially measured at cost. The cost includes the initial measurement amount of the lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs, and other costs.

If it is reasonably certain that the Group will obtain ownership of the leased asset at the end of the lease term, the right-of-use asset is depreciated over the remaining useful life of the leased asset. If it is not reasonably certain that the Group will obtain ownership of the leased asset, the right-of-use asset is depreciated over the shorter of the lease term and the remaining useful life of the leased asset. When the recoverable amount is lower than the carrying amount of the right-of-use asset, the carrying amount is written down to the recoverable amount.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXIX) Leases (Continued)****1. Lessee Accounting (Continued)****(2) Lease liability**

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date of the lease. Lease payments include fixed payments, amounts payable upon exercise of a purchase option or termination option if it is reasonably certain that the option will be exercised, and other payments. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss when incurred.

The Group uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used as the discount rate. Interest expense on the lease liability is calculated for each period during the lease term using the periodic interest rate (i.e., the discount rate or revised discount rate adopted by the Group) and included in finance costs.

2. Basis of determination and accounting method for the simplified treatment of short-term leases and low-value asset leases by the lessee

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.

3. The Group's lease classification standards and accounting treatment methods as lessor

A lease is recognized as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset at the lease commencement date. An operating lease is a lease other than a finance lease.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXIX) Leases** (Continued)**3. The Group's lease classification standards and accounting treatment methods as lessor** (Continued)**(1) Operating leases**

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs are capitalised and amortised to profit or loss for the current period over the lease term on the same basis as rental income recognition. Variable lease payments not included in the lease receivable are recognised as rental income when they are actually incurred.

(2) Accounting Treatment for Finance Leases

At the commencement of the lease, the difference between the sum of the finance lease receivable and the unguaranteed residual value, and their present value, is recognised as unearned finance income. This is subsequently recognised as lease income over the periods in which rental payments are received. The finance lease asset is derecognised at this point. Initial direct costs are included in the initial carrying amount of the finance lease receivable.

(XXX) Other critical accounting estimates and judgements**1. Critical judgements in applying the accounting policies****(1) Recognition of non-monetary assets exchanges that lack commercial substance**

An exchange transaction has commercial substance: (a) 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; (b) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXX) Other critical accounting estimates and judgements (Continued)****1. Critical judgements in applying the accounting policies (Continued)****(1) Recognition of non-monetary assets exchanges that lack commercial substance (Continued)**

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.

2. Critical accounting estimates and key assumptions

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

(1) Measurement of ECL

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

(2) Income taxes and deferred income taxes

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

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXX) Other critical accounting estimates and judgements** (Continued)**2. Critical accounting estimates and key assumptions** (Continued)**(2) Income taxes and deferred income taxes** (Continued)

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 periods in future periods. 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 results and the estimates, an adjustment may be made to the carrying amount of deferred tax assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(XXX) Other critical accounting estimates and judgements (Continued)****2. Critical accounting estimates and key assumptions (Continued)****(3) Impairment of long-term assets**

The Group assesses at each balance sheet date whether there is any indication that assets may be impaired. When 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 physically 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.

(XXXI) Significant changes in accounting policies and changes in accounting estimates**1. Significant Changes in Accounting Policies**

There were no significant changes in accounting policies of the Group during the reporting period.

2. Significant Changes in Accounting Estimates

There were no significant changes in accounting estimates of the Group during the reporting period.

Notes to the Financial Statements

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

IV. TAXATION

(I) The main categories and rates of taxes

Category	Tax base	Tax rate
Corporate income tax	Taxable income	15%, 20%, 25%
Value-added tax ("VAT")	The output tax amount calculated based on sales and applicable tax rates, net of deductible input tax	3%-13%
City maintenance and construction tax	Payment amount of VAT	5%, 7%
Educational surcharge	Payment amount of VAT	3%
Local educational surcharge	Payment amount of VAT	2%

Name of taxpayer	Income tax rate (%)
Tianjin Capital Environmental Protection Group Company Limited	15.00
Tianjin Caring Technology Development Co., Ltd.	15.00
Hangzhou Tianchuang Capital Water Co., Ltd.	15.00
Karamay Tianchuang Capital Water Co., Ltd.	15.00
Inner Mongolia Bayannur Capital Water Co., Ltd.	15.00
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	15.00
Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)	15.00
Hefei Capital Water Co., Ltd.	15.00
Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司)	15.00
Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)	15.00
Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)	15.00
Guizhou Capital Water Co., Ltd.	15.00
Xi'an Capital Water Co., Ltd.	15.00

IV. TAXATION (Continued)**(II) Important tax incentives and approvals**

1. According to the Enterprise Income Tax Law, income from investment and operation of public infrastructure projects that are key national support, and income from engaging in qualified environmental protection, energy conservation and water conservation projects, are exempt from corporate income tax from the first to the third tax year, and are subject to a half-rate corporate income tax from the fourth to the sixth tax year, starting from the tax year in which the project obtains its first production and operation income. As of 31 December 2025, the following subsidiaries of the Group meet the above requirements and enjoy the preferential corporate income tax policy:

The following subsidiaries of the Group are in the third year of enjoying the above-mentioned preferential income tax policy and are therefore exempt from corporate income tax: Tianjin Tianchuang Green Energy New Energy Technology Co., Ltd., Honghu Tianchuang Environmental Protection Co., Ltd., Weng'an Capital Water Co., Ltd., Yingshang Capital Water Company Limited Phase II entrusted operation project, Jieshou Capital Water Co., Ltd.'s Ruiqi entrusted operation project and Zhongsen entrusted operation project;

The following subsidiaries of the Group are in the fourth year of enjoying the above-mentioned preferential income tax policy and are subject to a 50% reduction in corporate income tax: Shandong Chuangye Environment Service Co., Ltd., Karamay Tianchuang Water Co., Ltd., Enshi Capital Water Co., Ltd., the standard enhancement project of Hanshan Chuanghuan Water Co., Ltd.;

The following subsidiaries of the Group are in the fifth year of enjoying the above-mentioned preferential income tax policy and are subject to a 50% reduction in corporate income tax: Huoqiu Capital Water Co., Ltd., Shibinggui Capital Water Co., Ltd., Jieshou Capital Water Co., Ltd. Yingnan sewage processing and Tianying sewage processing project;

The following subsidiaries of the Group are in the sixth year of enjoying the above-mentioned preferential income tax policy and are subject to a 50% reduction in corporate income tax: Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd., Xi'an Capital Water Co., Ltd. sewage business upgrading and renovation projects;

Notes to the Financial Statements

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

IV. TAXATION (Continued)

(II) Important tax incentives and approvals (Continued)

2. Tianjin Caring Technology Development Co., Ltd., a subsidiary of the Group, has obtained the High-tech Enterprise Certificate (Certificate No. GR202412000519) 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, so the corporate income tax rate applicable to this year is 15%.
3. According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 24 August 2023, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (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. The Group's subsidiaries, including Tianjin Capital Environmental Protection Group Company Limited, Hangzhou Tianchuang Capital Water Co., Ltd, Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd., Hefei Capital Water Co., Ltd., Wendeng Capital Water Co., Ltd., and Fuyang Capital Water Co., Ltd., comply with relevant requirements and are subject to a corporate income tax rate of 15% for this year.
4. According to the Announcement on the Extension of the Enterprise Income Tax Policy for the Western Development (Announcement No. 23 of 2020 of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission), from 1 January 2021 to 31 December 2030, enterprises in encouraged industries located in the western region will be subject to a reduced corporate income tax rate of 15%. The Group's subsidiaries, including Karamay Tianchuang Capital Water Co., Ltd, Inner Mongolia Bayannur Capital Water Co., Ltd., Jiuquan Capital Water Co., Ltd., Guizhou Capital Water Co., Ltd., Xi'an Capital Water Co., Ltd., and Linxia Capital Water Co., Ltd. have complied with relevant requirements for their other businesses except for the sewage upgrading and reconstruction project, and the applicable corporate income tax rate for this year is 15%.

Notes to the Financial Statements

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

IV. TAXATION (Continued)

(II) Important tax incentives and approvals (Continued)

5. According to Article 3 of the Announcement on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Businesses (Announcement of the Ministry of Finance and the State Taxation Administration No. 12 of 2023), the policy of calculating taxable income at a reduced rate of 25% and paying corporate income tax at a rate of 20% for small and micro enterprises will continue to be implemented until 31 December 2027. The Group's subsidiaries, including Tianjin Capital New Materials Co., Ltd., Hanshan Capital Water Co., Ltd., Xi'an Chuangye Intelligent Environment Testing Co., Ltd., Huize Chuanghuan Water Co., Ltd., Ningguo Jingkai Chuanghuan Water Co., Ltd., and Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd. meet the criteria for small and micro enterprises, and are eligible for this tax incentive policy.

6. According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Improving the Value-Added Tax Policy for Comprehensive Utilization of Resources (Announcement of the Ministry of Finance and the State Administration of Taxation No. 40 of 2021) 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. According to the above documents, the Group's subsidiaries, including Tianjin Capital Environmental Protection Group Company Limited, Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd., Hebei Guojin Tianchuang Sewage Treatment Co., Ltd., Hefei Capital Water Co., Ltd., Anhui Tianchuang Capital Water Co., Ltd., Hangzhou Tianchuang Capital Water Co., Ltd., Deqing Capital Water Co., Ltd., Qujing Capital Water Co., Ltd., Guizhou Capital Water Co., Ltd., Inner Mongolia Bayannur Capital Water Co., Ltd., Karamay Capital Water Co., Ltd., Huoqiu Capital Water Co., Ltd., Huoqiu Chuanghuan Water Co., Ltd., Hanshan Capital Water Co., Ltd., Hanshan Chuanghuan Water Co., Ltd., Huize Weng'an Capital Water Co., Ltd., Huize Capital Water Co., Ltd. and Huize Chuanghuan Water Co., Ltd. are subject to value-added tax exemption. The value-added tax paid by other subsidiaries is levied and refunded at a rate of 70%.

Notes to the Financial Statements

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

IV. TAXATION (Continued)

(II) Important tax incentives and approvals (Continued)

7. According to the relevant provisions of the “Announcement of the Ministry of Finance and the State Administration of Taxation on the Continuation of the Implementation of Tax Preferential Policies for Rural Drinking Water Safety Projects” (Announcement No. 58 of 2023 of the Ministry of Finance and the State Administration of Taxation), the tap water sales revenue obtained by the drinking water project operation and management units for providing domestic water to rural residents is exempt from value-added tax. This tax preferential policy will be implemented until 31 December 2027. The above tax preferential policies apply to the tap water sales revenue obtained by Hanshou Tianchuang Capital Water Co., Ltd., a subsidiary of the Group, from providing domestic water to rural residents in its tap water supply business.
8. 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. The taxable income of subsidiaries of the Group, Tianjin Water Recycling Co., Ltd. (revenue from the reclaimed water business) and Inner Mongolia Bayannur Capital Water Co., Ltd. (revenue from the reclaimed water business), is calculated at a 90% reduction on their recycled water business income.
9. According to Announcement No. 56 of 2023 of the Ministry of Finance and the State Administration of Taxation on the Continuation of the Implementation of Relevant Tax Policies for Heating Enterprises, the heating fee income collected from residents is exempt from value-added tax according to the policy, and the public building part is subject to value-added tax at a rate of 9%. The above tax preferential policies are applicable to the Junliangcheng Branch of Tianjin Tianchuang Shengcheng New Energy Co., Ltd., Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd. and Tianjin Tianchuang Shengcheng New Energy Co., Ltd., subsidiaries of the Group.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash and cash equivalents

Items	Closing balance	Opening balance
Cash at bank	4,206,343,482.37	4,643,174,425.03
Other cash balances	94,159,525.06	74,532,491.86
Total	<u>4,300,503,007.43</u>	<u>4,717,706,916.89</u>

Cash presented in the cash flow statement includes:

Items	Closing balance	Opening balance
Monetary funds	4,300,503,007.43	4,717,706,916.89
Less: Restricted cash at bank	94,159,525.06	74,532,491.86
Cash in the cash flow statement	<u>4,206,343,482.37</u>	<u>4,643,174,425.03</u>

Note: Restricted bank deposits are security deposits in respect of applications for unconditional and irrevocable letters of guarantee

(II) Notes receivable

1. Classification of notes receivable

Items	Closing balance	Opening balance
Bank acceptance notes	7,773,654.90	30,743,964.58
Commercial acceptance notes	895,949.84	600,000.00
Sub-total	8,669,604.74	31,343,964.58
Less: Provision for bad debts		
Total	<u>8,669,604.74</u>	<u>31,343,964.58</u>

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

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance notes	4,217,309.14	7,133,535.79
Commercial acceptance notes		
Total	<u>4,217,309.14</u>	<u>7,133,535.79</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables

1. Disclosure by age

Ageing	Closing balance	Opening balance
Up to and including 1 year	2,147,905,321.26	2,654,231,039.87
1 to 2 years	1,049,182,958.67	1,080,435,935.19
2 to 3 years	892,547,536.31	272,823,256.05
3 to 4 years	138,571,565.83	213,766,061.52
4 to 5 years	189,414,833.69	94,165,099.46
Over 5 years	114,282,925.49	42,329,509.19
Sub-total	4,531,905,141.25	4,357,750,901.28
Less: Provision	486,670,844.51	438,801,147.44
Total	4,045,234,296.74	3,918,949,753.84

2. Categorized and disclosed by methods of bad debt accrual

Category	Book balance		Closing balance		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable for which provisions for bad debts is made on an individual basis	1,561,596,249.75	34.46	206,014,836.46	13.19	1,355,581,413.29
Including: Accounts receivable for which provision for bad debts is made on a portfolio basis	2,970,308,891.50	65.54	280,656,008.05	9.45	2,689,652,883.45
Including: Group 3: Government clients	2,369,939,696.92	52.29	229,330,268.70	9.68	2,140,609,428.22
Group 4: Other clients	600,369,194.58	13.25	51,325,739.35	8.55	549,043,455.23
Total	4,531,905,141.25	100.00	486,670,844.51	10.74	4,045,234,296.74

Category	Carrying amount		Opening balance		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Accounts receivable for which provisions for bad debts is made on an individual basis	1,657,473,398.03	38.04	208,014,836.46	12.55	1,449,458,561.57
Including: Accounts receivable for which provision for bad debts is made on a portfolio basis	2,700,277,503.25	61.96	230,786,310.98	8.55	2,469,491,192.27
Including: Group 3: Government clients	2,179,137,627.13	50.01	196,127,965.83	9.00	1,983,009,661.30
Group 4: Other clients	521,139,876.12	11.95	34,658,345.15	6.65	486,481,530.97
Total	4,357,750,901.28	100.00	438,801,147.44	10.07	3,918,949,753.84

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Significant individual assessed provision for bad debts on receivables

Name of entities	Book balance	Closing balance		Notes
		Provision for bad debts	Provision ratio (%)	
Tianjin Water Authority Bureau	865,248,757.03	1,772,748.16	0.21	Note 1
Xi'an Water Authority Bureau	232,571,992.52	455,908.11	0.20	Note 1
Guiyang Water Authority Bureau	44,564,821.50	251,280.53	0.56	Note 1
Hangzhou City Water Facilities and River Protection Management Center	53,365,138.41	12,230.36	0.02	Note 1
Qijing Sewage Company	236,687,125.37	105,215,812.29	44.45	Note 2
Management Committee of Jinghai Economic and Technological Development Zone, Tianjin Municipality	67,739,567.84	43,569,088.47	64.32	Note 3
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	18,479,819.98	11,798,741.44	63.85	Note 4
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	14,246,967.98	14,246,967.98	100.00	Note 5
Tianjin Shuangkou Municipal Solid Waste Landfill	4,510,390.57	4,510,390.57	100.00	Note 5
Urad Front Banner Finance Bureau	10,927,820.80	10,927,820.80	100.00	Note 6
Urad Rear Banner Finance Bureau	10,391,803.00	10,391,803.00	100.00	Note 6
Bayannur Zijin Nonferrous Metals Co., Ltd.	1,314,448.75	1,314,448.75	100.00	Note 7
Tianjin Goldin International Club Co. Ltd.	1,547,596.00	1,547,596.00	100.00	Note 8
Total	1,561,596,249.75	206,014,836.46	13.19	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. *Categorized and disclosed by methods of bad debt accrual* (Continued)

(1) Significant individual assessed provision for bad debts on receivables (Continued)

Other explanations:

Note 1: As these clients are provincial and municipal governments, 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 Water Authority Bureau, Guiyang Water Authority Bureau and Hangzhou Municipal Facilities Supervision Center have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Group estimates that the lifetime ECL rate is from 0.02% to 0.56%.

Note 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 general government clients, indicating high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 44.45%.

Note 3: Receivables of Tianjin Jinghai Capital Water Co., Ltd, a subsidiary of the Group, from Tianjin Jinghai Development Area Management Committee comprise sewage treatment fees, whose repayment period is much 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 64.32%.

Note 4: Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 63.85%.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. *Categorized and disclosed by methods of bad debt accrual* (Continued)

(1) Significant individual assessed provision for bad debts on receivables (Continued)

Note 5: Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. and Tianjin Shuangkou Municipal Solid Waste Landfill (“Shuangkou Solid Waste”) comprise contract operation fees and technical services fees, respectively. The client had no transactions with the Group during the year. The receivables from them are under high credit risk. Considering factors such as the debtor’s actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.

Note 6: Receivables from Urad Front Banner Finance Bureau and Urad Rear Banner Finance Bureau comprise sewage treatment fees, whose repayment period is much 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%.

Note 7: Receivables of Bayannur Zijin Nonferrous Metals 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%.

Note 8: 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., a subsidiary of the Group, 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%.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Significant individual assessed provision for bad debts on receivables (Continued)

Name of entities	Opening balance		Provision ratio (%)	Notes
	Carrying amount	Provision for bad debts		
Tianjin Water Authority Bureau	984,860,090.20	1,772,748.16	0.18	Note 1
Xi'an Water Authority Bureau	253,282,284.73	455,908.11	0.18	Note 1
Guiyang Water Authority Bureau	37,504,556.30	251,280.53	0.67	Note 1
Hangzhou City Water Facilities and River Protection Management Center	30,575,919.21	12,230.36	0.04	Note 1
Qijing Sewage Company	236,873,232.67	105,215,812.29	44.42	Note 2
Management Committee of Jinghai Economic and Technological Development Zone, Tianjin Municipality	50,898,467.84	43,569,088.47	85.60	Note 3
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	18,539,819.98	11,798,741.44	63.64	Note 4
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,246,967.98	16,246,967.98	100.00	Note 5
Tianjin Shuangkou Municipal Solid Waste Landfill	4,510,390.57	4,510,390.57	100.00	Note 5
Urad Front Banner Finance Bureau	10,927,820.80	10,927,820.80	100.00	Note 6
Urad Rear Banner Finance Bureau	10,391,803.00	10,391,803.00	100.00	Note 6
Bayannur Zijin Nonferrous Metals Co., Ltd.	1,314,448.75	1,314,448.75	100.00	Note 7
Tianjin Goldin International Club Co. Ltd.	1,547,596.00	1,547,596.00	100.00	Note 8
Total	1,657,473,398.03	208,014,836.46	12.55	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. *Categorized and disclosed by methods of bad debt accrual* (Continued)

(1) Significant individual assessed provision for bad debts on receivables (Continued)

Other explanations:

Note 1: As these clients are provincial and municipal governments, 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 Water Authority Bureau, Guiyang Water Authority Bureau and Hangzhou Municipal Facilities Supervision Center have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Group estimates that the lifetime ECL rate is from 0.04% to 0.67%.

Note 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 general government clients, indicating high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 44.42%.

Note 3: Receivables of Tianjin Jinghai Capital Water Co., Ltd, a subsidiary of the Group, from Tianjin Jinghai Development Area Management Committee comprise sewage treatment fees, whose repayment period is much 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%.

Note 4: Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from them are under high credit risk. 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%.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. *Categorized and disclosed by methods of bad debt accrual* (Continued)

(1) Significant individual assessed provision for bad debts on receivables (Continued)

Note 5: Receivables of the Group from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. and Tianjin Shuangkou Municipal Solid Waste Landfill ("Shuangkou Solid Waste") comprise contract operation fees and technical services fees, respectively. The client had no transactions with the Group during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.

Note 6: Receivables from Urad Front Banner Finance Bureau and Urad Rear Banner Finance Bureau comprise sewage treatment fees, whose repayment period is much 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%.

Note 7: Receivables of Bayannur Zijin Nonferrous Metals 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%.

Note 8: 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., a subsidiary of the Group, 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%.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

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

① Group 3: Receivables from government clients

Ageing	Closing balance		Provision Percentage (%)	Opening balance		Provision Percentage (%)
	Carrying amount	Provision		Book balance	Provision	
Within 1 year	717,456,492.05	5,891,477.37	0.82	1,029,412,011.60	16,434,736.23	1.60
1 to 2 years	796,964,795.74	28,478,482.16	3.57	819,856,157.55	66,423,767.03	8.10
2 to 3 years	688,650,116.72	73,593,495.24	10.69	200,548,005.10	41,176,811.41	20.53
3 to 4 years	71,390,338.42	25,888,859.94	36.26	104,167,218.04	46,938,416.32	45.06
4 to 5 years	77,650,825.31	77,650,825.31	100.00	19,026,184.84	19,026,184.84	100.00
Over 5 years	17,827,128.68	17,827,128.68	100.00	6,128,050.00	6,128,050.00	100.00
Total	2,369,939,696.92	229,330,268.70	9.68	2,179,137,627.13	196,127,965.83	9.00

② Group 4: Receivables from other clients

Ageing	Closing balance		Provision Percentage (%)	Opening balance		Provision Percentage (%)
	Carrying amount	Provision		Book balance	Provision	
Within 1 year	246,923,224.54	3,310,463.72	1.34	304,887,941.73	4,628,110.77	1.52
1 to 2 years	143,702,012.40	8,261,791.09	5.75	122,598,917.18	8,052,659.00	6.57
2 to 3 years	121,184,963.97	8,297,575.66	6.85	54,883,582.59	5,561,338.26	10.13
3 to 4 years	49,789,559.05	5,808,638.33	11.67	16,994,845.35	3,399,894.76	20.01
4 to 5 years	16,994,845.35	3,872,681.28	22.79	16,092,256.74	7,334,009.83	45.57
Over 5 years	21,774,589.27	21,774,589.27	100.00	5,682,332.53	5,682,332.53	100.00
Total	600,369,194.58	51,325,739.35	8.55	521,139,876.12	34,658,345.15	6.65

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

3. Information on provision for bad debts

Category	Opening balance	Provision	Amount of changes in the current period		Other changes	Closing balance
			Collected or reversed	Write-off		
Provision for bad debts on an individual basis	208,014,836.46		2,000,000.00			206,014,836.46
Accounts receivables with provision for bad debts by group	230,786,310.98	49,869,697.07				280,656,008.05
Total	438,801,147.44	49,869,697.07	2,000,000.00			486,670,844.51

Significant reversals or recoveries of accounts receivable provisions occurred during the current period

Name of entities	Amount	Reason for reversal	Recovered	The basis for determining the original bad debt provision ratio and its rationality
Tianjin Ziya Economic Development Group Co., Ltd.	2,000,000.00	Recovered amount	Cash	Receivables of the Group from Tianjin Ziya Economic Development Group Co., Ltd. comprise contract operation fees. As the company had no transactions with the Group within one year, the credit risk is relevantly high. Considering factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rate is 100%.
Total	2,000,000.00	-	-	-

4. Actual Write-offs of Accounts Receivable

The amount of accounts receivable actually written off during the period was RMB0.00.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Trade receivables (Continued)

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

Name	Trade receivables Closing balance	Closing balance of contract assets	Accounts receivable and contract assets end of period Amount	% of accounts receivable and contract assets end of period balance Proportion of total (%)	Closing balance of bad debt provision
Tianjin Water Authority Bureau	865,248,757.03		865,248,757.03	19.09	1,772,748.16
Jieshou City Drainage Management Center	402,208,505.05		402,208,505.05	8.88	30,090,270.26
Jiuquan Suzhou District People's Government	271,629,024.51		271,629,024.51	5.99	21,201,822.34
Qujing Sewage Company	236,687,125.37		236,687,125.37	5.22	105,215,812.29
Xi'an Water Authority Bureau	232,571,992.52		232,571,992.52	5.13	455,908.11
Total	2,008,345,404.48		2,008,345,404.48	44.31	158,736,561.16

(IV) Receivables financing

1. Classification of Receivables financing

Items	Closing balance	Opening balance
Bank acceptance notes	3,000,000.00	11,277,067.24
Total	3,000,000.00	11,277,067.24

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(V) Prepayments

1. *Prepayments presented on ageing*

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	42,078,203.73	82.29	45,361,196.04	96.31
1 to 2 years	8,094,919.88	15.83	840,333.94	1.78
2 to 3 years	513,143.90	1.00	244,301.34	0.52
Over 3 years	452,502.82	0.88	655,960.21	1.39
Total	51,138,770.33	100.00	47,101,791.53	100.00

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

Name	Closing balance	Proportion of total closing balance of prepayments (%)
Suzhou Mercury Environmental Protection Industrial System Co., Ltd.	4,614,000.00	9.02
Shandong Sansheng Huaneng Environmental Protection Technology Co., Ltd.	2,849,934.81	5.57
Zhejiang Zhu'an Construction Group Co., Ltd.	2,774,575.22	5.43
SUMEC Complete Equipment & Engineering Co., Ltd.	2,426,548.66	4.75
Shandong Ziyue New Energy Technology Co., Ltd.	2,383,364.90	4.66
Total	15,048,423.59	29.43

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(VI) Other receivables

Items	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	712,549,602.85	730,865,249.95
Total	<u>712,549,602.85</u>	<u>730,865,249.95</u>

1. Other receivables

(1) Disclosure by age

Ageing	Closing balance	Opening balance
Up to and including 1 year	608,150,878.37	661,523,942.98
1 to 2 years	36,548,622.57	76,691,183.32
2 to 3 years	76,681,883.20	1,392,895.64
Over 3 years	2,909,824.47	2,998,833.77
Sub-total	<u>724,291,208.61</u>	<u>742,606,855.71</u>
Less: Provision for bad debts	<u>11,741,605.76</u>	<u>11,741,605.76</u>
Total	<u>712,549,602.85</u>	<u>730,865,249.95</u>

(2) Disclosure by nature of payment

Nature of payment	Closing balance	Opening balance
Accounts receivable from PPP projects recovery amounts	605,912,496.81	620,912,496.81
Project deposits	75,401,370.42	74,975,727.59
Land recovery receivables	22,015,800.00	22,015,800.00
Refund of VAT	167,347.06	5,000.00
Others	20,794,194.32	24,697,831.31
Sub-total	<u>724,291,208.61</u>	<u>742,606,855.71</u>
Less: Provision for bad debts	<u>11,741,605.76</u>	<u>11,741,605.76</u>
Total	<u>712,549,602.85</u>	<u>730,865,249.95</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(VI) Other receivables (Continued)

1. Other receivables (Continued)

(3) Categorized and disclosed by methods of bad debt accrual

Category	Book balance		Closing balance		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other accounts receivable for which provision for bad debts is made on a portfolio basis	724,291,208.61	100.00	11,741,605.76	1.62	712,549,602.85
Including: Group 3: Government clients	605,912,496.81	83.66	9,934,599.95	1.64	595,977,896.86
Group 5: Deposits	75,401,370.42	10.41	1,237,099.51	1.64	74,164,270.91
Group 6: Others	42,809,994.32	5.91	569,906.30	1.33	42,240,088.02
Group 7: Government grants	167,347.06	0.02			167,347.06
Total	724,291,208.61	100.00	11,741,605.76	1.62	712,549,602.85

Category	Carrying amount		Opening balance		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other accounts receivable for which provision for bad debts is made on a portfolio basis	742,606,855.71	100.00	11,741,605.76	1.58	730,865,249.95
Including: Group 3: Government clients	620,912,496.81	83.61	9,934,599.95	1.60	610,977,896.86
Group 5: Deposits	74,975,727.59	10.10	1,237,099.51	1.65	73,738,628.08
Group 6: Others	46,713,631.31	6.29	569,906.30	1.22	46,143,725.01
Group 7: Government grants	5,000.00	<0.01			5,000.00
Total	742,606,855.71	100.00	11,741,605.76	1.58	730,865,249.95

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(VI) Other receivables (Continued)

1. Other receivables (Continued)

(3) Categorized and disclosed by methods of bad debt accrual (Continued)

① Significant individual assessed provision for bad debts on other receivables

Amount of individual provision for bad debts on other receivables for the current period is RMB0.00.

② Other accounts receivable for which provision for bad debts is made on a portfolio basis

Name	Book balance	Closing balance	Provision Percentage (%)
		Provision	
Group 3: Government clients	605,912,496.81	9,934,599.95	1.64
Group 5: Deposits	75,401,370.42	1,237,099.51	1.64
Group 6: Others	42,809,994.32	569,906.30	1.33
Group 7: Government grants	167,347.06		
Total	724,291,208.61	11,741,605.76	1.62

Name	Carrying amount	Opening balance	Provision Percentage (%)
		Provision	
Group 3: Government clients	620,912,496.81	9,934,599.95	1.60
Group 5: Deposits	74,975,727.59	1,237,099.51	1.65
Group 6: Others	46,713,631.31	569,906.30	1.22
Group 7: Government grants	5,000.00		
Total	742,606,855.71	11,741,605.76	1.58

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(VI) Other receivables (Continued)

1. Other receivables (Continued)

(4) Other accounts receivable for which provision for bad debts is made on the general model of ECL

Provision	Stage 1 Next 12 months ECL	Stage 2 ECL throughout the lifetime (no credit impairment has occurred)	Stage 3 ECL throughout the lifetime (credit impairment has occurred)	Total
Balance as of 1 January 2026	11,741,605.76			11,741,605.76
Balance as of 1 January 2026				
Current period	11,741,605.76			11,741,605.76
– Transfers from stage 2				
– Transfers from stage 3				
– Reversal to stage 2				
– Reversal to stage 1				
Provision for this period				
Transferred in this period				
Resale in this period				
Write-off in this period				
Other changes				
Balance as of 31 December 2026	11,741,605.76			11,741,605.76

(5) Information on the provision for bad debts

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Collected or reversed	Resale or Write-off	Other changes	
Other accounts receivable for which provision for bad debts is made on a portfolio basis	11,741,605.76					11,741,605.76
Total	11,741,605.76					11,741,605.76

Note: The VAT refunds receivable from local tax authorities represent government grants and are not subject to bad debt provisions.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(VI) Other receivables (Continued)

1. Other receivables (Continued)

(6) Actual Write-offs of Other Accounts Receivable for the Period

The amount of other accounts receivable actually written off during the period was RMB0.00.

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

Name of entities	Nature of payment	Closing balance	Ageing	Proportion of total closing balance of other accounts receivable (%)	Closing balance of bad debt provision
Enshi Housing and Urban-Rural Construction Bureau	PPP projects recovery amounts	605,912,496.81	Within 1 year	83.66	9,934,599.95
Tianjin Dongli District Heating and Gas Management Center	Security deposits; others	50,083,000.00	2-3 years	6.91	826,012.60
Tancheng County Natural Resources and Planning Bureau	Land recovery receivables	22,015,800.00	1-2 years	3.04	268,592.76
Wuhu Public Resources Trading Center	Security deposits	20,000,000.00	2-3 years	2.76	330,000.00
Chibi City and Urban-Rural Construction Bureau	Others	3,166,923.48	1-2 years	0.44	47,361.66
Total		701,178,220.29		96.81	11,406,566.97

(VII) Inventories

1. Classification of inventories

Items	Carrying amount	Closing balance Provision for decline/provision for impairment of contract fulfilment costs	Carrying amount	Carrying amount	Opening balance Provision for decline /provision for impairment of contract fulfilment costs	Carrying amount
Raw materials	38,637,279.04		38,637,279.04	29,030,902.59		29,030,902.59
Goods in stock	9,651,104.20		9,651,104.20	13,377,997.78		13,377,997.78
Spare parts and low value consumables	385,995.35		385,995.35	217,389.35		217,389.35
Total	48,674,378.59		48,674,378.59	42,626,289.72		42,626,289.72

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(VIII) Non-current assets due within one year

Items	Closing balance	Opening balance
Long-term receivables to be settled within one year	190,007,269.13	196,809,828.02
Total	190,007,269.13	196,809,828.02

(IX) Other current assets

Items	Closing balance	Opening balance
Uncredited input VAT	152,828,544.42	148,954,068.90
Unverified input VAT	21,036,827.85	20,482,362.70
Prepaid income tax	3,555,699.83	14,147,248.26
Anguo sewage project assets	33,065,000.00	33,065,000.00
Sub-total	210,486,072.10	216,648,679.86
Less: Other current assets asset impairment provision	33,065,000.00	33,065,000.00
Total	177,421,072.10	183,583,679.86

(X) Long-term receivables

1. Information on long-term receivables

Items	Closing balance		Opening balance			
	Carrying amount	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Receivables from Tianjin Water Authority Bureau	1,582,242,955.61	2,882,852.43	1,579,360,103.18	1,582,242,955.61	2,882,852.43	1,579,360,103.18
Receivables from concession rights	1,869,856,710.76	29,889,955.13	1,839,966,755.63	1,870,925,904.05	29,889,955.13	1,841,035,948.92
Receivables from Bayannur Finance Bureau	207,788,152.99	11,459,362.07	196,328,790.92	207,788,152.99	11,459,362.07	196,328,790.92
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	98,188,013.35	159,046.83	98,028,966.52	111,246,202.92	159,046.83	111,087,156.09
Instalment sales of goods	19,963,259.02	91,756.54	19,871,502.48	21,757,527.40	12,925.78	21,744,601.62
Sub-total	3,778,039,091.73	44,482,973.00	3,733,556,118.73	3,793,960,742.97	44,404,142.24	3,749,556,600.73
Less: Long-term receivables to be settled within one year	190,007,269.13		190,007,269.13	196,809,828.02		196,809,828.02
Total	3,588,031,822.60	44,482,973.00	3,543,548,849.60	3,597,150,914.95	44,404,142.24	3,552,746,772.71

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(X) Long-term receivables (Continued)

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

Category	Book balance		Closing balance		Accrual ratio (%)	Book value
	Amount	Percentage (%)	Amount	Provision		
Long-term accounts receivable for which provision for bad debts is made on an individual basis	1,680,430,968.96	44.48	3,041,899.26		0.18	1,677,389,069.70
Including: Receivables from Tianjin Water Authority Bureau	1,582,242,955.61	41.88	2,882,852.43		0.18	1,579,360,103.18
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	98,188,013.35	2.60	159,046.83		0.16	98,028,966.52
Accounts receivable for which provision for bad debts is made on a portfolio basis	2,097,608,122.77	55.52	41,441,073.74		1.98	2,056,167,049.03
Including: Receivables from concession rights	1,869,856,710.76	49.49	29,889,955.13		1.6	1,839,966,755.63
Receivables from Bayannur Finance Bureau	207,788,152.99	5.50	11,459,362.07		5.51	196,328,790.92
Instalment sales of goods	19,963,259.02	0.53	91,756.54		0.46	19,871,502.48
Total	3,778,039,091.73	100.00	44,482,973.00		1.18	3,733,556,118.73

Category	Carrying amount		Opening balance		Accrual ratio (%)	Book value
	Amount	Percentage (%)	Amount	Provision		
Long-term accounts receivable for which provision for bad debts is made on an individual basis	1,693,489,158.53	44.63	3,041,899.26		0.18	1,690,447,259.27
Including: Receivables from Tianjin Water Authority Bureau	1,582,242,955.61	41.70	2,882,852.43		0.18	1,579,360,103.18
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	111,246,202.92	2.93	159,046.83		0.14	111,087,156.09
Accounts receivable for which provision for bad debts is made on a portfolio basis	2,100,471,584.44	55.37	41,362,242.98		1.97	2,059,109,341.46
Including: Receivables from concession rights	1,870,925,904.05	49.31	29,889,955.13		1.60	1,841,035,948.92
Receivables from Bayannur Finance Bureau	207,788,152.99	5.48	11,459,362.07		5.51	196,328,790.92
Instalment sales of goods	21,757,527.40	0.58	12,925.78		0.06	21,744,601.62
Total	3,793,960,742.97	100.00	44,404,142.24		1.17	3,749,556,600.73

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(X) Long-term receivables (Continued)

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

(1) Significant individual provision for bad debts on long-term receivables

Name	Book balance	Provision for bad debts	Closing balance Provision ratio (%)	Notes
Receivables from Tianjin Water Authority Bureau	1,582,242,955.61	2,882,852.43	0.18	Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as "long-term receivables". The ECL rate for the aforesaid long-term receivables during the lifetime is 0.18%, and the balance of loss provision is RMB2,882,852.43.
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	98,188,013.35	159,046.83	0.16	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 Group can collect the receivables within the agreed period. Therefore, the Group estimates that the ECL rate of this receivable item is 0.16%. The balance of loss provision is RMB159,046.83.
Total	<u>1,680,430,968.96</u>	<u>3,041,899.26</u>	<u>0.18</u>	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(X) Long-term receivables (Continued)

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

(1) Significant individual provision for bad debts on long-term receivables (Continued)

Name	Carrying amount	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Receivables from Tianjin Water Authority Bureau	1,582,242,955.61	2,882,852.43	0.18	Based on the historical collection experience and the expectation of future payment scheme, the Group has reclassified the present value of accounts receivable of which collection is expected to be exceeding 12 months as “long-term receivables”. The ECL rate for the aforesaid long-term receivables during the lifetime is 0.18%, and the balance of loss provision is RMB2,882,852.43.
Receivables from the Tianjin Vehicle Toll Collection Office for Roads Constructed Using Loans	111,246,202.92	159,046.83	0.14	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 Group can collect the receivables within the agreed period. Therefore, the Group estimates that the ECL rate of this receivable item is 0.14%. The balance of loss provision is RMB159,046.83.
Total	1,693,489,158.53	3,041,899.26	0.18	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(X) Long-term receivables (Continued)

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

(2) Long-term accounts receivable with provision for bad debts by group based on credit risk characteristics

Name	Closing balance		Provision Percentage (%)	Opening balance		Provision Percentage (%)
	Carrying amount	Provision		Book balance	Provision	
Receivables from concession rights	1,869,856,710.76	29,889,955.13	1.60	1,870,925,904.05	29,889,955.13	1.60
Receivables from Bayannur Finance Bureau	207,788,152.99	11,459,362.07	5.51	207,788,152.99	11,459,362.07	5.51
Instalment sales of goods	19,963,259.02	91,756.54	0.46	21,757,527.40	12,925.78	0.06
Total	2,097,608,122.77	41,441,073.74	1.98	2,100,471,584.44	41,362,242.98	1.97

Other explanations:

- (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 1.6% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients. The balance of loss provision is about RMB29,889,955.13.
- (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 5.51% during the lifetime, which is consistent with ECL rate as applied for the remaining accounts receivable with government clients. The balance of loss provision is RMB11,459,362.07.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(X) Long-term receivables (Continued)

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

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Collected or reversed	Resale or Write-off	Other changes	
Long-term accounts receivable for which bad debt provision is made on an individual basis	3,041,899.26					3,041,899.26
Long-term accounts receivable with provision for bad debts by group based on credit risk characteristics	41,362,242.98	78,830.76				41,441,073.74
Total	44,404,142.24	78,830.76				44,482,973.00

4. Long-term receivables written off during the period

The amount of long-term accounts receivable actually written off during the period was RMB0.00.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XI) Long-term equity investments

1. Information on long-term equity investments

Investee units	Opening balance (Carrying amount)	Further increase of investments	Reduction of investments	Changes during the period					Others	Closing balance (Carrying amount)	Closing balance of impairment provision
				Investment gains and losses recognized under the equity method	Other comprehensive income adjustments	Other changes in equity	Declaration of cash dividends or profits	Accrual of provision for impairment			
I. Joint ventures											
Tianjin International Machinery Co., Ltd.										211,866,236.74	22,356,908.58
Tianjin Bihai Sponge City Co., Ltd.	211,866,236.74									211,866,236.74	
Total	211,866,236.74									211,866,236.74	22,356,908.58

Other explanations:

Note 1: Tianjin International Machinery Co., Ltd. is a limited company 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 30 June 2026, the carrying amount of the investment had been reduced to zero.

Note 2: Tianjin Bihai Sponge City Co., Ltd. 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 Group, 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 Group invested RMB195,000,000.00 and holds 30% equity interest. As at 30 June 2026, the entity company is in the stage of commercial operation.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XII) Investments in other equity instruments

1. Information on investments in other equity instruments

Items	Opening balance	Further increase of investments	Reduction of investments	Changes during the period		Others	Closing balance
				Gains included in other comprehensive income for the current period	Losses included in other comprehensive income for the current period		
Tianjin Beifang Rencaigang Company Ltd.	2,000,000.00						2,000,000.00
Total	2,000,000.00						2,000,000.00

Items	Dividend income recognized in the period	Gains included in other comprehensive income on an accumulated basis	Losses included in other comprehensive income on an accumulated basis	Reason for designation at fair value through other comprehensive income
Tianjin Beifang Rencaigang Company Ltd.				
Total				

Note: 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.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XIII) Investment properties

1. Investment properties measured at cost

Items	Houses and vbuildings	Total
I. Original book value		
1. Opening balance	21,429,260.22	21,429,260.22
2. Additions in the current period		
3. Disposals in the current period		
4. Closing balance	21,429,260.22	21,429,260.22
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	7,521,563.95	7,521,563.95
2. Additions in the current period	287,141.97	287,141.97
(1) Provision or amortisation	287,141.97	287,141.97
3. Disposals in the current period		
4. Closing balance	7,808,705.92	7,808,705.92
III. Provision for impairment		
1. Opening balance		
2. Additions in the current period		
3. Disposals in the current period		
4. Closing balance		
IV. Carrying amount		
1. Closing book value	13,620,554.30	13,620,554.30
2. Opening book value	13,907,696.27	13,907,696.27

(XIV) Fixed assets

Items	Closing balance	Opening balance
Fixed assets	1,586,761,592.28	1,666,871,987.41
Clean up of fixed assets	1,337,428.66	1,269,177.10
Total	1,588,099,020.94	1,668,141,164.51

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XIV) Fixed assets (Continued)

1. Fixed assets

(1) Information on fixed assets

Items	Houses and buildings	Machinery and equipment	Motor vehicles and others	Total
I. Original book value				
1. Opening balance	1,248,200,816.85	1,281,999,328.71	147,907,063.78	2,678,107,209.34
2. Additions in the current period	5,420,304.11	10,776,101.60	524,212.96	16,720,618.67
(1) Addition	2,266,440.63	1,832,707.97	524,212.96	4,623,361.56
(2) Transfer from construction in progress	3,153,863.48	8,943,393.63		12,097,257.11
3. Disposals in the current period	8,066,296.29	3,600.00	77,399.48	8,147,295.77
(1) Disposal or Scrapping		3,600.00	77,399.48	80,999.48
(2) Others	8,066,296.29			8,066,296.29
4. Closing balance	1,245,554,824.67	1,292,771,830.31	148,353,877.26	2,686,680,532.24
II. Accumulated depreciation				
1. Opening balance	312,465,394.13	604,445,401.85	94,324,425.95	1,011,235,221.93
2. Additions in the current period	31,601,849.39	51,822,787.12	5,336,031.02	88,760,667.53
(1) Provision	31,601,849.39	51,822,787.12	5,336,031.02	88,760,667.53
3. Disposals in the current period		3,420.00	73,529.50	76,949.50
(1) Disposal or Scrapping		3,420.00	73,529.50	76,949.50
4. Closing balance	344,067,243.52	656,264,768.97	99,586,927.47	1,099,918,939.96
III. Provision for impairment				
1. Opening balance				
2. Additions in the current period				
3. Disposals in the current period				
4. Closing balance				
IV. Carrying amount				
1. Closing book value	901,487,581.15	636,507,061.34	48,766,949.79	1,586,761,592.28
2. Opening book value	935,735,422.72	677,553,926.86	53,582,637.83	1,666,871,987.41

2. Clean up of fixed assets

Items	Closing balance	Opening balance
Clean up of fixed assets	1,337,428.66	1,269,177.10
Total	1,337,428.66	1,269,177.10

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XV) Construction in progress

Items	Closing balance	Opening balance
Construction in progress	260,000,253.59	262,626,335.81
Total	260,000,253.59	262,626,335.81

1. Construction in progress

(1) Basic information on construction projects in progress

Items	Carrying amount	Closing balance Provision for impairment	Carrying amount	Carrying amount	Opening balance Provision for impairment	Carrying amount
Recycled Water Pipe Network Connection Project for the Main Urban Area of Tianjin Municipality (including First and Second Batch)	249,374,679.74		249,374,679.74	242,611,422.87		242,611,422.87
Outtown sewage treatment plant energy storage project	3,475,185.71		3,475,185.71	9,474,378.95		9,474,378.95
Other projects	7,150,388.14		7,150,388.14	10,540,533.99		10,540,533.99
Total	260,000,253.59		260,000,253.59	262,626,335.81		262,626,335.81

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XV) Construction in progress (Continued)

1. Construction in progress (Continued)

(2) Changes on material construction projects in progress

Name of project	Budget amount	Opening balance	Additions in the current period	Transferred in the current period Fixed assets	Other decreases in the current period	Closing balance
Recycled Water Pipe Network Connection Project for the Main Urban Area of Tianjin Municipality (including First and Second Batch)	641,000,000.00	242,611,422.87	6,763,256.87			249,374,679.74
Total	641,000,000.00	242,611,422.87	6,763,256.87			249,374,679.74

Name of project	Cumulative investment in the project as a percentage of budget (%)	Progress of the project (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation for the current period	Interest capitalisation rate for the current period (%)	Source of funds
Recycled Water Pipe Network Connection Project for the Main Urban Area of Tianjin Municipality (including First and Second Batch)	72.44	72.44	12,055,226.22	2,146,861.79	2.20	Proceeds and self-owned funds
Total	—	—	12,055,226.22	2,146,861.79	—	—

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XVI) Right-of-use assets

1. Information on right-of-use assets

Items	Land use rights	Houses and buildings	Machinery and equipment	Total
I. Original book value				
1. Opening balance	34,710,747.80	11,724,964.54	15,475,994.53	61,911,706.87
2. Additions in the current period				
3. Disposals in the current period		3,137,396.47	7,043,477.53	10,180,874.00
(1) Disposal		3,137,396.47	7,043,477.53	10,180,874.00
4. Closing balance	34,710,747.80	8,587,568.07	8,432,517.00	51,730,832.87
II. Accumulated depreciation				
1. Opening balance	206,611.60	4,057,899.72	14,514,018.55	18,778,529.87
2. Additions in the current period	619,834.80	583,608.49	754,543.30	1,957,986.59
(1) Provision	619,834.80	583,608.49	754,543.30	1,957,986.59
3. Disposals in the current period		2,407,816.39	7,043,477.53	9,451,293.92
(1) Disposal		2,407,816.39	7,043,477.53	9,451,293.92
4. Closing balance	826,446.40	2,233,691.82	8,225,084.32	11,285,222.54
III. Provision for impairment				
1. Opening balance				
2. Additions in the current period				
3. Disposals in the current period				
4. Closing balance				
IV. Carrying amount				
1. Closing book value	33,884,301.40	6,353,876.25	207,432.68	40,445,610.33
2. Opening book value	34,504,136.20	7,667,064.82	961,975.98	43,133,177.00

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XVII) Intangible assets

1. Information on intangible assets

Items	Concession rights	Land use rights	Patents technology and software	Total
I. Original book value				
1. Opening balance	15,714,772,222.51	136,535,136.52	42,204,469.06	15,893,511,828.09
2. Additions in the current period	115,734,258.18			115,734,258.18
(1) Addition	115,734,258.18			115,734,258.18
3. Disposals in the current period				
4. Closing balance	15,830,506,480.69	136,535,136.52	42,204,469.06	16,009,246,086.27
II. Accumulated amortisation				
1. Opening balance	5,626,320,699.43	61,388,073.47	17,941,278.26	5,705,650,051.16
2. Additions in the current period	285,194,509.52	1,521,094.26	1,661,542.97	288,377,146.75
(1) Provision	285,194,509.52	1,521,094.26	1,661,542.97	288,377,146.75
3. Disposals in the current period				
4. Closing balance	5,911,515,208.95	62,909,167.73	19,602,821.23	5,994,027,197.91
III. Provision for impairment				
1. Opening balance	151,700,283.38			151,700,283.38
2. Additions in the current period				
3. Disposals in the current period				
4. Closing balance	151,700,283.38			151,700,283.38
IV. Carrying amount				
1. Closing book value	9,767,290,988.36	73,625,968.79	22,601,647.83	9,863,518,604.98
2. Opening book value	9,936,751,239.70	75,147,063.05	24,263,190.80	10,036,161,493.55

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XVII) Intangible assets (Continued)

1. Information on intangible assets (Continued)

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

Items	Opening balance	Increase during the year	Closing balance	Accumulated amount of borrowing costs capitalized as at the beginning of the period	Increase in interest capitalization for the year	Accumulated amount of borrowing costs capitalized as at the end of the period
No. 1 energy station concession project in Tianjin Houtai Park	219,224,548.06	14,059,342.79	233,283,890.85	7,948,227.24	1,673,959.28	9,622,186.52
Tianying sewage treatment plant project	157,581,322.41	7,613,273.41	165,194,595.82			
Karamay Nanjiao Sewage Treatment Plant Franchising Project	147,702,806.09	4,978,274.72	152,681,080.81	1,127,729.79	261,400.34	1,389,130.13
Phase II BOT Concession Project of the Wuhu Binjiang Sewage Water Treatment Plant.	101,549,656.86	43,650,781.71	145,200,438.57		307,080.10	307,080.10
Baoying Xianhe sewage water processing plant upgrading project	57,474,391.17	13,094,456.25	70,568,847.42	341,668.69	119,740.67	461,409.36
Huize County sewage treatment phase III project	48,904,776.96	1,351,936.40	50,256,713.36	3,174.59	58,729.17	61,903.76
Phase II of upgrading and renovation project for sewage treatment plant in Wendeng	10,698,109.98	18,303,439.34	29,001,549.32		824,307.92	824,307.92
Phase II of Xianyang Road relocation project		3,832,355.36	3,832,355.36			
Total	743,135,611.53	106,883,859.98	850,019,471.51	9,420,800.31	3,245,217.48	12,666,017.79

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XVII) Intangible assets (Continued)

2. Data resources recognized as intangible assets

Items	Self-developed intangible assets of data resources
I. Original book value	
1. Opening balance	1,125,769.94
2. Additions in the current period	
3. Disposals in the current period	
4. Closing balance	1,125,769.94
II. Accumulated amortisation	
1. Opening balance	31,271.39
2. Additions in the current period	187,628.34
Including: Provision	187,628.34
3. Disposals in the current period	
4. Closing balance	218,899.73
III. Provision for impairment	
1. Opening balance	
2. Additions in the current period	
3. Disposals in the current period	
4. Closing balance	
IV. Carrying amount	
1. Closing book value	906,870.21
2. Opening book value	1,094,498.55

(XVIII) Goodwill

1. Original book value of goodwill

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Jiangsu Yonghui	270,395,723.07			270,395,723.07
Gaoyou Compro	234,724,653.02			234,724,653.02
Total	505,120,376.09			505,120,376.09

2. Provision for impairment of goodwill

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Jiangsu Yonghui	270,395,723.07			270,395,723.07
Gaoyou Compro	234,724,653.02			234,724,653.02
Total	505,120,376.09			505,120,376.09

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XVIII) Goodwill (Continued)

3. Information on the Cash-Generating Units or Groups of Cash-Generating Units Containing Goodwill

Name	The asset portfolio or the composition and basis of the portfolio	Business segment and basis	Whether it is consistent with previous years
Jiangsu Yonghui	It mainly consists of buildings, land use rights, and hazardous waste treatment-related machinery and equipment, and the cash inflows generated are largely independent of the cash inflows generated by other assets or asset groups	For internal management purposes, this asset group belongs to the hazardous waste disposal business segment	Yes
Gaoyou Compro	It mainly consists of buildings, land use rights, and hazardous waste treatment-related machinery and equipment, and the cash inflows generated are largely independent of the cash inflows generated by other assets or asset groups	For internal management purposes, this asset group belongs to the hazardous waste disposal business segment	Yes
Total	—	—	—

(XIX) Long-term unamortized expenses

Category	Opening balance	Increase in the current period	Amortization amount for the current period	Other decrease	Closing balance
Property renovation fees	10,311,708.87	863,791.05	10,207,188.07		968,311.85
Fixed asset improvement expenses	3,264,192.87		452,297.56		2,811,895.31
Others	545,912.03		52,830.18		493,081.85
Total	14,121,813.77	863,791.05	10,712,315.81		4,273,289.01

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XX) Deferred tax assets, deferred tax liabilities

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

Items	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences
Deferred income tax assets:	166,720,510.52	955,839,224.29	141,782,513.52	811,019,824.88
Asset impairment provision	50,779,962.01	367,249,299.36	51,876,053.11	392,728,604.41
Provision of sewage services by installment payments	21,907,156.87	146,047,712.46	21,924,137.30	119,059,445.52
Accruals	30,234,778.70	148,165,696.36	18,176,606.38	84,226,489.51
Deductible losses	916,188.75	6,107,925.03	602,806.66	4,018,711.07
Recognition of revenue from concessions accounted for under the financial asset model	19,130,823.36	113,243,549.90	10,661,994.16	56,784,688.59
Lease liabilities	9,444,078.22	37,794,950.74	10,263,074.56	41,090,520.37
Deferred revenue	29,062,067.59	116,248,270.37	28,277,841.35	113,111,365.41
Amortisation of intangible assets	5,245,455.02	20,981,820.07		
Sub-total	166,720,510.52	955,839,224.29	141,782,513.52	811,019,824.88
Deferred tax liabilities:	145,152,455.08	678,453,312.46	142,301,911.49	597,684,971.33
Amortisation of intangible assets	58,399,988.59	281,671,216.09	60,919,907.00	239,168,326.63
Recognition of revenue from concessions accounted for under the financial asset model	55,098,099.24	256,080,634.19	49,229,549.72	229,906,825.56
Asset valuation appreciation of merger of enterprises not under common control	21,571,941.59	100,371,759.54	21,935,747.68	87,742,990.76
Right-of-use assets	10,082,425.66	40,329,702.64	10,216,707.09	40,866,828.38
Sub-total	145,152,455.08	678,453,312.46	142,301,911.49	597,684,971.33

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

Items	Closing balance		Opening balance	
	The amount of offset of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	The amount of offset of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	48,710,347.78	118,010,162.74	31,918,176.55	109,864,336.97
Deferred income tax liabilities	48,710,347.78	96,442,107.30	31,918,176.55	110,383,734.94

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

3. Details of deferred income tax assets not recognized

Items	Closing balance	Opening balance
Deductible temporary differences	854,823,691.96	778,231,384.11
Deductible losses	187,069,506.30	158,354,155.45
Total	1,041,893,198.26	936,585,539.56

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

Year	Closing balance	Opening balance
2026	6,596,779.93	21,004,767.86
2027	2,618,942.56	2,618,942.56
2028	13,053,286.14	13,053,286.14
2029	61,965,531.73	61,965,531.73
2030	59,711,627.16	59,711,627.16
2031	43,123,338.78	
Total	187,069,506.30	158,354,155.45

(XXI) Other non-current assets

Items	Closing balance		Opening balance	
	Carrying amount	Provision for impairment	Carrying amount	Provision for impairment
Input VAT to be deducted	63,820,460.78		63,820,460.78	
Contractual assets	59,624,767.49		59,624,767.49	
Prepaid project payment	54,199,126.55		54,199,126.55	
Prepaid equipment payment	11,229,536.84		11,229,536.84	
Energy management project assets	409,572.86		409,572.86	
Prepayment for purchase of water rights	198,225,625.00		198,225,625.00	
Total	387,509,089.52		387,509,089.52	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXII) Assets with restricted ownership or use rights

Items	Situation as at the end of the period			Situation of restriction	Situation as at the beginning of the period			Situation of restriction
	Book balance	Book value	Type of restriction		Book balance	Book value	Type of restriction	
Monetary funds	94,159,525.06	94,159,525.06	Security deposits	Restricted	74,532,491.86	74,532,491.86	Security deposits	Restricted
Long-term receivables (Including expiration within one year)	613,029,953.78	602,168,629.34	Pledged	Restricted	614,361,169.46	603,499,845.03	Pledged	Restricted
Fixed assets					152,014,733.75	127,382,276.93	Mortgaged	Restricted
Intangible assets	15,562,217.36	12,669,144.83	Mortgaged	Restricted				
Intangible assets	6,998,079,273.17	4,734,979,153.70	Pledged	Restricted	7,202,519,099.72	4,945,788,787.87	Pledged	Restricted
Total	<u>7,720,830,969.37</u>	<u>5,443,976,452.93</u>	-	-	<u>8,043,427,494.79</u>	<u>5,751,203,401.69</u>	-	-

(XXIII) Short-term borrowings

1. Classification of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Mortgaged		10,008,555.58
Guaranteed	138,739,983.56	65,590,783.15
Credit borrowings	<u>15,767,094.79</u>	<u>20,063,875.07</u>
Total	<u>154,507,078.35</u>	<u>95,663,213.80</u>

2. Status of overdue short-term borrowings not repaid

As at 30 June 2026, the Group had no overdue short-term borrowings that are not paid.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXIV) Trade payables

1. Classification by age

Items	Closing balance	Opening balance
Up to and including 1 year	443,109,396.91	864,515,799.48
1-2 years	371,338,068.47	109,231,947.43
2-3 years	47,179,098.41	67,557,835.03
Over 3 years	100,116,106.26	42,576,925.39
Total	961,742,670.05	1,083,882,507.33

2. Significant accounts payable aged over one year or overdue

Name of creditor unit	Closing balance	Reasons for non-repayment or non-carryover
Qijing City Water Conservancy and Hydroelectricity Development and Investment Co., Ltd.	86,582,706.43	Qijing Capital Water Co., Ltd. usually arranges payments in accordance with the instructions of Qijing City Water Conservancy and Hydroelectricity Development and Investment Co., Ltd.
Tianjin Fushuiyuan Environmental Protection Technology Co., Ltd.	20,217,865.70	The settlement date stipulated in the contract has not been reached.
China Construction Third Bureau Group Co., Ltd.	12,800,758.11	The settlement date stipulated in the contract has not been reached.
Tianjin Qingcheng Water Works Engineering Co., Ltd.	10,757,388.95	The settlement date stipulated in the contract has not been reached.
Zhonghuan Lechuang (Tianjin) Environmental Protection Technology Co., Ltd.	10,317,547.28	The settlement date stipulated in the contract has not been reached.
Beijing Municipal Construction Group Co., Ltd.	9,668,558.89	The settlement date stipulated in the contract has not been reached.
Total	150,344,825.36	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXV) Advance receipts

1. Classification by age

Items	Closing balance	Opening balance
Up to and including 1 year		313,582.21
Over 1 years	423,085.84	423,085.40
Total	423,085.84	736,667.61

(XXVI) Contract liabilities

1. Classification of contract liabilities

Items	Closing balance	Opening balance
Advances from pipeline connection service	191,811,076.96	179,252,183.06
Prepayment of fees for cooling and heating supply projects	86,689,553.17	86,872,441.87
Pre-collection of road tolls	47,310,000.00	
Prepayment of fees for cooling and heating services	17,871,672.99	46,803,818.12
Advances from hazardous waste disposal service	13,007,261.85	8,278,194.43
Prepayment of EPC contract	4,824,338.73	1,382,150.45
Others	13,618,980.15	8,409,231.90
Total	375,132,883.85	330,998,019.83

(XXVII) Employee benefits payable

1. Classification presentation of employee compensations payable

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term employee benefits	112,252,624.23	174,311,066.23	240,958,868.75	45,604,821.71
Post-employment benefits – defined contribution plans	540,236.68	30,694,856.99	30,816,767.00	418,326.67
Termination benefits		188,566.00	188,566.00	
Total	112,792,860.91	205,194,489.22	271,964,201.75	46,023,148.38

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXVII) Employee benefits payable (Continued)

2. Information on short-term employee compensation

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages and salaries, bonus, allowances and subsidies	98,175,975.10	116,417,114.57	181,132,054.83	33,461,034.84
Staff welfare	157,996.69	10,809,720.90	10,810,527.90	157,189.69
Social security contributions	312,339.61	14,452,333.75	14,436,945.71	327,727.65
Including: Medical insurance	289,674.04	13,233,256.66	13,226,116.50	296,814.20
Work injury insurance	3,620.57	678,073.13	669,923.59	11,770.11
Maternity insurance	19,045.00	541,003.96	540,905.62	19,143.34
Housing funds	40,160.00	29,734,896.65	29,597,379.15	177,677.50
Labour union funds and employee education funds	13,566,152.83	2,897,000.36	4,981,961.16	11,481,192.03
Total	112,252,624.23	174,311,066.23	240,958,868.75	45,604,821.71

3. Defined contribution plans

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic pensions	477,215.18	25,034,117.25	25,168,598.02	342,734.41
Unemployment insurance	10,494.70	775,373.80	775,821.04	10,047.46
Enterprise annuity payment	52,526.80	4,885,365.94	4,872,347.94	65,544.80
Total	540,236.68	30,694,856.99	30,816,767.00	418,326.67

Note: The Group and relevant subsidiaries pay 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.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXVIII) Taxes payable

Items	Closing balance	Opening balance
Corporate income tax	41,101,839.28	40,903,261.34
Value-added tax ("VAT")	28,699,649.45	18,229,992.55
Land use tax	3,283,390.92	5,284,487.60
Property tax	1,290,736.92	1,759,308.65
City maintenance and construction tax	214,235.17	193,460.74
Educational surcharge	159,122.63	144,826.88
Individual income tax	28,695.77	754,326.28
Other taxes	339,257.68	997,780.27
Total	<u>75,116,927.82</u>	<u>68,267,444.31</u>

(XXIX) Other payables

Items	Closing balance	Opening balance
Interest payable		
Dividend payable	179,663,375.19	3,258,719.29
Other payables	<u>785,806,418.24</u>	<u>760,282,991.15</u>
Total	<u>965,469,793.43</u>	<u>763,541,710.44</u>

1. Dividend payable

Items	Closing balance	Opening balance
Ordinary share dividends	178,664,255.90	
Dividends payable to non-controlling shareholders	<u>999,119.29</u>	<u>3,258,719.29</u>
Total	<u>179,663,375.19</u>	<u>3,258,719.29</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXIX) Other payables (Continued)

2. Other payable

(1) Classification by nature of payment

Items	Closing balance	Opening balance
Construction costs payable	613,608,517.36	545,535,869.34
Payable for the old Dongjiao sewage plant's assets transfer (Note)	42,137,848.49	43,447,848.49
Guarantee deposits payable	36,592,417.91	35,681,630.07
Payable for purchases of fixed assets and intangible assets	14,786,852.53	16,394,007.66
Others	78,680,781.95	119,223,635.59
Total	785,806,418.24	760,282,991.15

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

(2) Significant accounts payable aged over one year or overdue

Name	Closing balance	Reasons for non-repayment or non-carryover
Beijing Municipal Construction Group Co., Ltd.	18,763,647.60	The project has not yet been settled
Shibing County Water Affairs Investment & Development Co., Ltd.	14,853,645.40	The project has not yet been settled
Tianjin Second Municipal Highway Engineering Co., Ltd.	13,272,366.51	The project is still under construction, and payments are being made in installments
CCCC Tianjin Dredging Co., Ltd.	13,256,264.83	The project has not yet been settled
Municipal Engineering Branch of China Tiesiju Civil Engineering Group Co., Ltd.	10,032,515.65	The project has not yet been settled
Total	70,178,439.99	—

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXX) Non-current liabilities due within a year

Items	Closing balance	Opening balance
Long-term borrowings to be settled within one year	1,446,480,221.80	1,227,245,577.58
Interest payable for the debentures to be settled within one year	30,247,123.29	13,047,123.29
Long-term payables to be settled within one year	10,251,992.25	11,295,690.57
Lease liabilities to be settled within one year	254,027.31	19,262,987.66
Borrowings from minority shareholders due within one year	50,787.68	100,045.20
Total	<u>1,487,284,152.33</u>	<u>1,270,951,424.30</u>

(XXXI) Other current liabilities

Items	Closing balance	Opening balance
Deferred output VAT	6,687,325.89	8,239,685.00
Discount of notes receivable not derecognised		4,743,780.19
Others	<u>1,000.00</u>	<u>1,000.00</u>
Total	<u>6,688,325.89</u>	<u>12,984,465.19</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXII) Long-term borrowings

Items	Closing balance	Opening balance
Pledged	3,289,233,929.96	3,320,244,423.80
Mortgaged	12,448,000.00	22,201,824.57
Guaranteed	2,184,977,726.94	2,156,607,837.71
Credit borrowings	2,474,884,066.19	3,142,103,036.18
Sub-total	7,961,543,723.09	8,641,157,122.26
Less: Long-term borrowings to be settled within one year	1,446,480,221.80	1,227,245,577.58
Total	6,515,063,501.29	7,413,911,544.68

Note 1: As at 30 June 2026, the guaranteed borrowings of RMB1,943,633,828.00 were guaranteed by the Group. The guaranteed borrowings of RMB222,843,898.94 were guaranteed by the Group and Karamay City Urban Construction Investment and Development Co., Ltd. The guaranteed borrowings of RMB18,500,000.00 was guaranteed by Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司). The interests of guaranteed borrowings are paid monthly or quarterly; and the principal will be due for repayment in the years of 2026 to 2045.

Note 2: As at 30 June 2026, pledged borrowings of RMB3,289,233,929.96 were pledged by the Group's receivables from wastewater treatment charging rights and PPP project receivables. The interests of pledged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2026 to 2050.

Note 3: As at 30 June 2026, the long-term borrowings of RMB12,448,000.00 were mortgaged by certain state-owned land use rights of the Group. The interests of mortgaged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2026 to 2030.

Note 4: As at 30 June 2026, the Group had no overdue long-term borrowings, and these long-term borrowings bore interest rates between 2.00% and 4.50%.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXIII) Debentures payable

Items	Closing balance	Opening balance
Par value	1,500,000,000.00	1,500,000,000.00
Accrued interest	30,247,123.29	13,047,123.29
Sub-total	1,530,247,123.29	1,513,047,123.29
Less: Debentures payable to be settled within one year	30,247,123.29	13,047,123.29
Less: Accrued interest due within one year		
Total	1,500,000,000.00	1,500,000,000.00

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

Name of bond	Par value	Coupon rate (%)	Issuance date	Period	Issuance amount
Medium-term notes	100.00	2.50	23 August 2024	3 years	300,000,000.00
Medium-term notes	100.00	3.05	23 August 2024	5 years	200,000,000.00
Medium-term notes	100.00	2.10	11 July 2025	3 years	500,000,000.00
Corporate debts	100.00	2.06	11 September 2025	3 years	500,000,000.00
Total	—	—	—	—	1,500,000,000.00

Name of bond	Opening balance	Issued during the period	Interest provision at par value	Amortization of premiums and discounts	Repaid during the period	Closing balance	Whether in default or not
Medium-term notes	302,691,780.82		3,750,000.00			306,441,780.82	No
Medium-term notes	202,189,315.07		3,050,000.00			205,239,315.07	No
Medium-term notes	505,005,479.45		5,250,000.00			510,255,479.45	No
Corporate debts	503,160,547.95		5,150,000.00			508,310,547.95	No
Total	1,513,047,123.29		17,200,000.00			1,530,247,123.29	—

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXIV) Lease liabilities

Items	Closing balance	Opening balance
Lease payment	4,019,841.64	23,092,751.83
Less: Unrecognised financial charges	452,921.31	575,882.05
Less: Lease liabilities to be settled within one year	254,027.31	19,262,987.66
Total	3,312,893.02	3,253,882.12

The lease liabilities are analyzed based on the maturity of the unrealized remaining contractual obligations as follows:

Items	Closing balance	Opening balance
Within 1 year	255,555.64	19,328,465.83
1 to 2 years		
2 to 3 years	2,823,214.50	2,823,214.50
3 to 4 years		
Over 5 years	941,071.50	941,071.50
Total	4,019,841.64	23,092,751.83

(XXXV) Long-term payables

Items	Closing balance	Opening balance
Long-term payables	90,100,568.72	94,240,236.55
Specialized accounts payable		
Total	90,100,568.72	94,240,236.55

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXV) Long-term payables (Continued)

1. Classification of long-term payables

Items	Closing balance	Opening balance
Payable for assets acquisition	148,964,913.65	164,877,927.16
Including: Unrecognised financial charges	48,612,352.68	59,342,000.04
Sub-total	100,352,560.97	105,535,927.12
Less: Long-term payables to be settled within one year	10,251,992.25	11,295,690.57
Total	90,100,568.72	94,240,236.55

Relevant information on long-term payables is as follows:

Creditor	Maturity Date	Effective interest rate	Long-term payables Closing balance	Less: Within 1 year Amount due	Long-term payables Closing balance
Tianjin Drainage Company	20 March 2041	5.94%	100,352,560.97	10,251,992.25	90,100,568.72

Note 1: The amount payable to Tianjin Drainage Company (“**Drainage Company**”) is for the Group’s acquisition of its wastewater treatment assets. As of 30 June 2026, the unpaid amount, less unrecognized financing costs, is recognized as long-term payables. 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 Group certain sewage processing assets. The down payment was RMB261,578,056.76, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining 15 years. The fair value of the initial recognition of the payable balance was RMB430,314,460.59, which was calculated based on discounted future cash payments and discount rate of 5.94%.

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

Currency	Closing balance	Opening balance
JPY	100,352,560.97	105,535,927.12
Total	100,352,560.97	105,535,927.12

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXV) Long-term payables (Continued)

1. Classification of long-term payables (Continued)

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

Currency	Closing balance	Opening balance
JPY	148,964,913.65	164,877,927.16
Total	148,964,913.65	164,877,927.16

The balance denominated in JPY bears fixed interest rates at 1% and 1.55% per annum respectively.

Note 4: The long-term payables mature as follows. As at 30 June 2026, long-term payables to be settled within one year amounted to RMB10,251,992.25 (31 December 2025: RMB11,295,690.57), and were classified as current liabilities.

Currency	Closing balance	Opening balance
Within 1 year	10,251,992.25	11,295,690.57
1 to 2 years	9,586,136.39	10,562,517.24
2 to 5 years	25,174,494.21	27,741,091.18
Over 5 years	55,339,938.12	55,936,628.13
Total	100,352,560.97	105,535,927.12

(XXXVI) Accrued liabilities

Items	Closing balance	Opening balance	Reason for the formation thereof
Subsequent expenditures for PPP projects (Note)	83,755,515.22	78,248,108.64	Subsequent expenditures for PPP projects
Total	83,755,515.22	78,248,108.64	

Note: Subsequent expenditures for PPP projects represent the expenditures that the Group anticipates would incur in order to maintain a certain level of service capability for the PPP project contract assets it operates during the operation period or to maintain a certain level of usability before being transferred to the party who granted the contract.

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXVII) Deferred revenue

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason for the formation thereof
Asset related government grants	1,596,275,223.45	34,535,439.39	38,003,254.31	1,592,807,408.53	Asset related government grants
Income related government grants	3,704,225.40	92,500.00	83,652.91	3,713,072.49	Income related government grants
Total	<u>1,599,979,448.85</u>	<u>34,627,939.39</u>	<u>38,086,907.22</u>	<u>1,596,520,481.02</u>	

Details of deferred income are as follow:

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Asset related government grants	1,596,275,223.45	34,535,439.39	38,003,254.31	1,592,807,408.53
– Sewage processing project	1,254,784,579.01	34,535,439.39	34,691,293.12	1,254,628,725.28
Tianjin Jingu sewage water processing plant	899,549,758.77		25,642,569.74	873,907,189.03
Tianjin Jingu sewage water processing plant upgrading project	117,360,000.00		3,260,000.00	114,100,000.00
Tianjin Beichen sewage water processing plant upgrading project	64,800,000.00		1,800,000.00	63,000,000.00
Tianjin Xianyang Road-upgrading project	42,536,500.00		1,181,562.50	41,354,937.50
Tianjin Dongjiao sewage water processing plant upgrading project	29,847,591.09		829,104.38	29,018,486.71
Shijiazhuang Gaocheng project	28,006,253.75		518,634.36	27,487,619.39
Ningxiang upgrading project	18,682,645.23		465,517.26	18,217,127.97
Linxia reconstruction and extension project	7,466,606.36		160,000.02	7,306,606.34
Beishiqiao upgrading project	5,325,187.42		359,271.00	4,965,916.42
Chibi upgrading project	6,160,256.57		149,038.44	6,011,218.13
Baoying County Xianhe sewage water processing plant upgrading project	12,114,000.00	16,462,044.90	325,595.42	28,250,449.48
Phase II BOT Concession Project of the Wuhu Binjiang Sewage Water Treatment Plant.	22,935,779.82	18,073,394.49		41,009,174.31
– Water recycling project	226,775,859.55		3,311,961.19	223,463,898.36
Tianjin Jingu Water Recycling Plant	166,193,370.00		2,711,961.19	163,481,408.81
Tianjin Dongjiao water recycling project	16,356,000.00		337,500.00	16,018,500.00
Beichen water recycling project	14,437,000.00		262,500.00	14,174,500.00
Xianyanglu Water recycling project	9,789,489.55			9,789,489.55
Recycled water pipeline connection project in Tianjin City	20,000,000.00			20,000,000.00
– Cooling and heating supply project	114,714,784.89			114,714,784.89
Income related government grants	<u>3,704,225.40</u>	<u>92,500.00</u>	<u>83,652.91</u>	<u>3,713,072.49</u>
Total	<u>1,599,979,448.85</u>	<u>34,627,939.39</u>	<u>38,086,907.22</u>	<u>1,596,520,481.02</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XXXVIII) Other non-current liabilities

Items	Closing balance	Opening balance
Compensation for Tianjin Cultural Center Energy Station Project	24,000,000.00	24,000,000.00
Borrowings payable to shareholders by subsidiaries	2,320,000.00	1,990,000.00
Total	26,320,000.00	25,990,000.00

(XXXIX) Share capital

Items	Opening balance	Issue of new shares	Share grant	Increase/decrease (+/-) in the current period			Sub-total	Closing balance
				Conversion of provident funds to shares	Others			
Total number of shares	1,570,418,085.00							1,570,418,085.00

(XL) Capital surplus

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Equity premium	1,110,030,404.40			1,110,030,404.40
Total	1,110,030,404.40			1,110,030,404.40

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XLI) Surplus reserves

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	938,668,079.24			938,668,079.24
Total	938,668,079.24			938,668,079.24

Note: In accordance with the Group Law of the People's Republic of China and the Group'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.

(XLII) Undistributed profits

Items	Amount for the current period	Amount for the previous period
Undistributed profit at the end of the previous period before adjustment	6,640,201,715.97	6,133,464,906.76
Adjusted undistributed profit at the beginning of the period	6,640,201,715.97	6,133,464,906.76
Add: Net profit attributable to shareholders of the Company for the period	488,426,915.39	472,920,534.82
Less: Ordinary share dividends payable	328,217,379.77	266,971,074.45
Undistributed profits as at the end of the period	6,800,411,251.59	6,339,414,367.13

(XLIII) Revenue and cost of sales**1. Information on revenue and cost of sales**

Items	Incurred during the period		Incurred during the previous period	
	Revenue	Cost	Revenue	Cost
Main operations	2,138,739,138.29	1,268,268,063.57	1,976,989,755.78	1,203,323,930.62
Other operations	110,628,054.42	81,990,881.13	200,925,740.94	158,275,593.85
Total	2,249,367,192.71	1,350,258,944.70	2,177,915,496.72	1,361,599,524.47

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XLIII) Revenue and cost of sales (Continued)

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

(1) Analysis by the type of revenue

Items	Incurred during the period		Incurred during the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Main operations	2,138,739,138.29	1,268,268,063.57	1,976,989,755.78	1,203,323,930.62
Sewage treatment and water plant facilities construction	1,646,415,565.89	948,773,740.58	1,560,639,480.55	939,266,782.43
Heating and cooling supply and related facilities construction	105,232,601.94	90,427,666.48	104,048,291.25	84,568,916.02
Tap water and water plant facilities construction	36,603,795.95	22,049,390.70	40,971,169.45	21,615,549.23
Income from PPP projects	72,614,738.05		70,079,650.64	
Recycled water and auxiliary projects	126,540,406.36	78,225,953.50	117,624,909.79	68,506,676.36
Hazardous waste treatment	43,277,570.74	56,468,062.85	47,187,530.43	71,251,467.07
Environmental protection equipment customisation	10,530,724.80	8,295,045.12		
Others	97,523,734.56	64,028,204.34	36,438,723.67	18,114,539.51
Other operations	110,628,054.42	81,990,881.13	200,925,740.94	158,275,593.85
Contract operation	74,179,251.43	62,527,372.13	80,141,850.79	70,607,791.38
Technical service	19,961,922.36	6,554,134.06	89,811,101.12	67,081,592.11
Sales of equipment	6,389,473.20	5,241,226.84	2,072,005.76	2,477,746.89
Others	10,097,407.43	7,668,148.10	28,900,783.27	18,108,463.47
Total	<u>2,249,367,192.71</u>	<u>1,350,258,944.70</u>	<u>2,177,915,496.72</u>	<u>1,361,599,524.47</u>

(2) Analysis by region

Items	Incurred during the period		Incurred during the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Tianjin	1,179,177,815.70	658,062,234.50	1,131,894,645.32	623,473,328.91
Hangzhou	144,992,776.68	74,394,437.53	129,389,184.04	67,007,466.72
Xi'an	108,495,512.91	67,099,192.84	103,905,310.57	68,828,223.11
Fuyang	59,505,642.18	31,347,337.04	61,321,993.29	30,081,762.91
Others	757,195,445.24	519,355,742.79	751,404,363.50	572,208,742.82
Total	<u>2,249,367,192.71</u>	<u>1,350,258,944.70</u>	<u>2,177,915,496.72</u>	<u>1,361,599,524.47</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XLIII) Revenue and cost of sales (Continued)

2. Information on the breakdown of operating revenues and operating costs (Continued)

(3) Analysis by time of transfer of goods

Items	Recognised over a period of time		Recognised at a point in time	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Sewage water processing and water plant facilities construction and interest income from PPP projects	1,719,030,303.94	948,773,740.58		
Heating and cooling supply and related facilities construction	105,232,601.94	90,427,666.48		
Tap water and water plant facilities construction	36,603,795.95	22,049,390.70		
Recycled water and auxiliary projects	126,540,406.36	78,225,953.50		
Hazardous waste treatment	43,277,570.74	56,468,062.85		
Environmental protection equipment customisation			10,530,724.80	8,295,045.12
Others	194,462,503.64	131,516,992.32	13,689,285.34	14,502,093.15
Total	2,225,147,182.57	1,327,461,806.43	24,220,010.14	22,797,138.27

3. Explanation of satisfaction of performance obligations

Items	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods/services to be transferred	Principal/ Agent classification	Expected amounts refundable to customers	Type of warranty and related obligations
Sewage water processing and water plant facilities construction and interest income from PPP projects	Over time as construction and services are provided	Contract consideration typically settled based on treatment volume	Wastewater treatment and water treatment plant facilities construction	Yes	N/A	Assurance-type
Recycled water and auxiliary projects	Over time as construction and services are provided	Recycled water treatment contracts typically settled based on treatment volume; ancillary works revenue recognised based on completion progress	Recycled water treatment and ancillary pipeline network construction	Yes	N/A	Assurance-type
Heating and cooling supply and related facilities construction	Over time as construction and services are provided	Contract consideration typically settled based on usage volume	Heating and cooling supply and related facilities construction	Yes	N/A	Assurance-type
Hazardous waste treatment	Over time as services are provided	Contract consideration typically settled based on treatment volume	Solid waste treatment; air pollution prevention services; air pollution control; wastewater treatment and recycling; water pollution control; water environment protection services	Yes	N/A	None
Tap water and water plant facilities construction	Over time as construction and services are provided	Contract consideration typically settled based on treatment volume	Tap water supply and water treatment plant facilities construction	Yes	N/A	Assurance-type
Environmental protection equipment customisation	Over time as manufacturing and installation services are provided	Contract consideration typically paid as contractually agreed	Customisation and sale of environmental protection equipment	Yes	N/A	Assurance-type

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XLIV) Tax expenses and surcharge

Items	Incurred during the period	Incurred during the previous period
Property tax	16,161,068.58	19,663,855.30
Land use tax	11,279,027.01	11,373,701.28
City maintenance and construction tax	1,405,140.92	1,781,110.33
Stamp duty	767,328.74	761,931.50
Educational surcharge	615,149.73	781,186.36
Local educational surcharge	410,099.91	497,727.04
Tax on resource	179,322.63	295,943.40
Vehicle and vessel tax	41,678.80	39,772.13
Others	996,107.55	495,148.87
Total	<u>31,854,923.87</u>	<u>35,690,376.21</u>

(XLV) Selling expenses

Items	Incurred during the period	Incurred during the previous period
Employee benefits	2,720,718.47	2,934,610.92
Service fees	4,613,512.00	463,272.32
Travelling, meeting and business entertainment expenses	203,737.03	148,546.09
Depreciation of fixed assets	122,422.24	126,821.19
General office expenses	27,992.74	30,554.11
Others	114,515.39	149,228.89
Total	<u>7,802,897.87</u>	<u>3,853,033.52</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XLVI) Administrative expenses

Items	Incurring during the period	Incurring during the previous period
Employee benefits	74,326,237.73	68,916,426.10
Consulting service fees	5,045,886.80	5,795,462.34
Depreciation of fixed assets	4,631,458.06	4,159,608.82
Repair and maintenance expenses	3,015,109.25	3,221,094.51
General office expenses	2,317,344.71	1,826,252.14
Travelling, meeting and business entertainment expenses	1,993,548.25	1,532,135.01
Audit fees	1,457,547.18	1,437,113.20
Amortisation of intangible assets	1,007,874.20	1,039,824.55
Utilities	797,896.66	623,016.40
Expenses of the board of directors	3,011.36	51,117.78
Others	1,839,144.74	2,846,104.13
Total	<u>96,435,058.94</u>	<u>91,448,154.98</u>

(XLVII) Research and development expenses

Items	Incurring during the period	Incurring during the previous period
Employee benefits	8,360,213.92	12,823,553.70
Technology development expenses	2,661,326.15	802,796.05
Depreciation and amortization	2,277,210.97	1,251,828.52
Raw materials consumption	144,760.16	119,207.16
Repair and maintenance expenses		42,415.53
Travelling, meeting and business entertainment expenses	73,694.32	23,493.33
Others	1,193,889.91	1,240,151.95
Total	<u>14,711,095.43</u>	<u>16,303,446.24</u>

(XLVIII) Finance expenses

Items	Incurring during the period	Incurring during the previous period
Interest expenses	131,655,653.92	162,323,446.95
Less: Interest income	8,796,145.61	13,480,060.49
Less: Exchange gains	5,118,249.54	2,884,282.28
Other expenses	563,301.30	414,539.69
Total	<u>118,304,560.07</u>	<u>146,373,643.87</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(XLIX) Other income

Items	Incurred during the period	Incurred during the previous period	Related to assets/ related to income
Government grants	38,437,190.46	38,025,791.26	Related to Asset/Income
Refund of VAT	2,042,380.46	2,006,313.52	Related to income
Withholding tax rebate	171,347.78	131,711.00	
Total	40,650,918.70	40,163,815.78	

Details of government grants are as follows:

Items	Incurred during the period	Incurred during the previous period	Related to assets/ related to income
Sewage processing project			
Jingu sewage water processing plant	25,642,569.74	25,642,569.74	Related to assets
Jingu sewage water processing plant upgrading project	3,260,000.00	3,260,000.00	Related to assets
Beichen sewage water processing plant upgrading project	1,800,000.00	1,800,000.00	Related to assets
Xianyang Road-upgrading project	1,181,562.50	1,181,562.50	Related to assets
Dongjiao sewage water processing plant upgrading project	829,104.38	829,104.38	Related to assets
Others	1,978,056.50	1,652,461.04	Related to assets
Water recycling project			
Jingu Water Recycling Plant	2,711,961.19	2,772,442.66	Related to assets
Others	600,000.00	600,000.00	Related to assets
Cooling and heating supply project			
Others	83,652.91		Related to assets
Sub-total	38,086,907.22	37,738,140.32	
Government grants – One-off			
Tax subsidy			Related to income
Others	350,283.24	287,650.94	Related to income
Sub-total	350,283.24	287,650.94	
Total	38,437,190.46	38,025,791.26	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(L) Gain from investments

Items	Incurring during the period	Incurring during the previous period
Investment income from disposal of long-term equity investments		829,978.35
Total		829,978.35

(LI) Credit impairment losses

Items	Incurring during the period	Incurring during the previous period
Credit impairment losses for accounts receivable	-47,869,697.07	25,403,109.05
Other receivables credit impairment losses		-103,800.00
Long-term receivables credit impairment losses	-78,830.76	-12,754.92
Total	-47,948,527.83	25,286,554.13

(LII) Gains on disposals of assets

Items	Incurring during the period	Incurring during the previous period
Gain or loss on disposal of non-current assets		
Including: Gain or loss on disposal of fixed assets		-3,912,711.08
Gain or loss on disposal of intangible assets		358,781.37
Total		-3,553,929.71

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LIII) Non-operating income

Items	Incurred during the period	Incurred during the previous period	Amount included in non-recurring profit or loss for the period
Government grants unrelated to ordinary activities	105,450.19	10,000.00	105,450.19
Receiving of compensation		83,945.52	
Others	33,351.05	192,409.80	33,351.05
Total	138,801.24	286,355.32	138,801.24

(LIV) Non-operating expenses

Items	Incurred during the period	Incurred during the previous period	Amount included in non-recurring profit or loss for the period
Loss on disposal of non-current assets	180.00	3,722.22	180.00
Expenses of late payment fees	790,551.36		790,551.36
Others	56,892.02	65,859.12	56,892.02
Total	847,623.38	69,581.34	847,623.38

(IV) Income tax expenses

1. Breakdown of income tax expenses

Items	Incurred during the period	Incurred during the previous period
Current income tax expenses	130,818,399.38	107,163,453.52
Deferred income tax expenses	-22,087,453.41	-12,475,695.13
Total	108,730,945.97	94,687,758.39

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LV) Income tax expenses (Continued)

2. Adjustment process of accounting profits and income tax expenses

Items	Amount
Total profit	621,993,280.56
Income tax expense calculated at statutory tax rates	155,498,320.14
Impact of varying tax rates applicable to subsidiaries	-64,005,371.34
Effect of adjustments to income tax of prior periods	-162,265.32
Effect of non-taxable income	-2,120,506.21
Impact of non-deductible costs, expenses and losses	3,207,616.61
Effect of utilising previously unrecognised deferred tax assets from deductible losses	-3,601,996.98
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	19,915,149.07
Income tax expenses	<u>108,730,945.97</u>

(LVI) Cash flow statement

1. Cash relating to operating activities

(1) Other cash received relating to operating activities

Items	Incurred during the period	Incurred during the previous period
Interest income from cash at bank	6,643,130.27	12,128,098.53
Government grants received	521,631.02	13,480,060.49
Deposit on project bids received	37,297,567.22	42,731,547.78
Others	<u>6,018,544.91</u>	<u>28,694,673.25</u>
Total	<u>50,480,873.42</u>	<u>97,034,380.05</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LVI) Cash flow statement (Continued)

1. Cash relating to operating activities (Continued)

(2) Cash paid relating to other operating activities

Items	Incurred during the period	Incurred during the previous period
Repair and maintenance expenses	70,227,597.44	70,287,032.28
Consulting service fees	12,864,587.51	24,929,885.23
Deposit on project bids paid	36,386,779.38	41,926,999.18
Travelling, meeting and business entertainment expenses	1,229,978.59	1,128,858.47
Payable for the old Dongjiao sewage plant's assets transfer	1,310,000.00	
Expenses of the board of directors		231,117.78
Others	4,065,643.47	4,629,492.66
Total	<u>126,084,586.39</u>	<u>143,133,385.60</u>

2. Cash paid relating to investing activities

(1) Cash received in connection with significant investing activities

Items	Incurred during the period	Incurred during the previous period
Net cash proceeds from disposal of fixed assets, intangible assets and other long-term assets	<u>15,000,000.00</u>	
Total	<u>15,000,000.00</u>	

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LVI) Cash flow statement (Continued)

2. Cash paid relating to investing activities (Continued)

(2) Cash paid in connection with significant investing activities

Items	Incurring during the period	Incurring during the previous period
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	445,577,843.00	570,129,869.50
Cash paid relating to other investing activities	19,627,033.20	93,932,572.79
Total	465,204,876.20	664,062,442.29

(3) Cash paid in connection with other investing activities

Items	Incurring during the period	Incurring during the previous period
Net cash received from disposal of subsidiaries and other business units		281,849.85
Payment of restricted security deposits	19,627,033.20	93,650,722.94
Total	19,627,033.20	93,932,572.79

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LVI) Cash flow statement (Continued)

3. Cash paid relating to financing activities

(1) Cash received relating to other financing activities

Items	Incurring during the period	Incurring during the previous period
Receipt of borrowings from minority shareholders	330,000.00	
Total	330,000.00	

(2) Cash paid relating to other investing activities

Items	Incurring during the period	Incurring during the previous period
Payment of assets acquisition	6,030,402.19	17,974,418.46
Payment of lease liabilities	20,776,543.08	4,498,948.21
Total	26,806,945.27	22,473,366.67

(3) Changes in liabilities arising from financing activities

Items	Opening balance	Increase in the current period		Decrease in the current period		Non-cash movement
		Closing balance	Cash movement	Non-cash movement	Cash movement	
Borrowing from banks (Including expiration within one year)	8,736,820,336.06	534,128,704.20	108,962,907.08	1,263,861,145.90		8,116,050,801.44
Debt payable (Including expiration within one year)	1,513,047,123.29		17,200,000.00			1,530,247,123.29
Lease liabilities (Including expiration within one year)	22,516,869.78		1,826,593.63	20,776,543.08		3,566,920.33
Long-term payables (Including expiration within one year)	105,535,927.12		5,965,285.58	6,030,402.19	5,118,249.54	100,352,560.97
Borrowings from minority shareholders (including those due within one year)	2,090,045.20	330,000.00	50,787.68	100,045.20		2,370,787.68
Other payables (Dividend payable)	3,258,719.29		342,782,379.77	151,812,723.87	14,565,000.00	179,663,375.19
Minority interests	1,139,728,702.14	5,416,000.00	24,835,419.20			1,169,980,121.34
Total	11,522,997,722.88	539,874,704.20	501,623,372.94	1,442,580,860.24	19,683,249.54	11,102,231,690.24

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LVII) Supplement of cash flow statement

1. Supplement of cash flow statement

Items	Incurred during the period	Incurred during the previous period
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	513,262,334.59	490,902,751.57
Add: Credit impairment losses	47,948,527.83	-25,286,554.13
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	88,760,667.53	37,707,426.45
Depreciation of investment properties	287,141.97	336,184.08
Depreciation of right-of-use assets	1,957,986.59	1,867,237.53
Amortisation of intangible assets	288,377,146.75	299,293,517.13
Amortization of long-term unamortized expenses	10,712,315.81	
Loss on disposal of fixed assets, intangible assets and other long-term assets (gains marked with a "-")		3,553,929.71
Loss on retirement of fixed assets (gains marked with a "-")	180.00	3,722.22
Financial expenses (gains marked with a "-")	125,593,558.41	159,439,164.67
Investment losses (gains marked with a "-")		-829,978.35
Reduction of deferred income tax assets (increase marked with a "-")	-8,145,825.78	-20,510,499.99
Increase in deferred income tax liabilities (decrease marked with a "-")	-13,941,627.64	8,162,413.77
Decrease in inventories (increase marked with a "-")	-6,048,088.87	2,820,493.22
Decrease in operating receivables (increase marked with a "-")	-121,839,885.59	-298,279,867.14
Increase in operating payables (decrease is shown with a "-")	-10,844,342.02	-135,993,448.42
Others		-5,321,967.82
Net cash flows from operating activities	916,080,089.58	517,864,524.50
2. Net change in cash and cash equivalents		
Closing balance of cash	4,206,343,482.37	2,308,772,998.03
Less: Opening balance of cash	4,643,174,425.03	2,665,499,259.40
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-436,830,942.66	-356,726,261.37

2. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	4,206,343,482.37	4,643,174,425.03
Including: Cash at bank that can be readily drawn on demand	4,206,343,482.37	4,643,174,425.03
Other monetary funds that can be readily drawn on demand		
II. Cash equivalents		
III. Balance of cash and cash equivalents as at the end of the Period	4,206,343,482.37	4,643,174,425.03
Including: Use of restricted cash and cash equivalents by the Company or intra-group subsidiaries		

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LVII) Supplement of cash flow statement (Continued)

3. Monetary funds other than cash and cash equivalents

Items	Closing balance	Opening balance	Reasons
Restricted monetary funds	94,159,525.06	74,532,491.86	Restricted monetary funds are security deposits in respect of applications for unconditional and irrevocable letters of guarantee
Total	<u>94,159,525.06</u>	<u>74,532,491.86</u>	—

(LVIII) Monetary items denominated in foreign currencies

1. Monetary items denominated in foreign currencies

Items	Balance of foreign currencies as at the end of the period	Exchange rate for translation	Translated Renminbi balance as at the end of the period
Long-term payables (Including expiration within one year) Including: JPY	<u>2,386,789,415.39</u>	<u>0.042045</u>	<u>100,352,560.97</u>

Notes to the Financial Statements

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

V. NOTES ON SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(LIX) Leases

1. As lessee

Items	Amount
Variable lease payments capitalised into asset costs or recognised in current profit or loss but not included in lease liabilities	
Including: Part of the sale-leaseback transaction	
Short-term lease expenses capitalised into asset costs or recognised in current profit or loss under the simplified approach	5,303,926.72
Simplified treatment of low-value asset lease expenses (excluding short-term lease expenses of low-value assets) included in the cost of the relevant asset or in current profit or loss	314,463.78
Total cash outflows relating to leases	<u>26,394,933.58</u>

2. As lessor

(1) Operating leases

Items	Leases revenue	Including: Variable lease payments related income not included in lease receivables
Houses and buildings	<u>495,248.16</u>	
Total	<u>495,248.16</u>	

(LX) Data resources

See Note VI, Research and development expenses, (II) Expenditures meeting capitalization criteria.

(LXI) Interim dividend

The board of directors of the Company did not recommend the payment of an interim dividend for the six-month period ended 30 June 2026 (30 June 2025: Nil).

Notes to the Financial Statements

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

VI. RESEARCH AND DEVELOPMENT EXPENSES

(I) Breakdown by nature of costs

Items	Incurred during the period	Incurred during the previous period
Employee benefits	8,360,213.92	12,823,553.70
Technology development expenses	2,595,288.41	802,796.05
Depreciation and amortization	2,277,210.97	1,251,828.52
Raw materials consumption	1,879,436.93	119,207.16
Travelling, meeting and business entertainment expenses	73,694.32	23,493.33
Repair and maintenance expenses		42,415.53
Others	1,193,889.91	1,241,051.95
Total	16,379,734.46	16,304,346.24
Including: Expensed research and development expenses	14,645,057.69	16,303,446.24
Capitalised research and development expenses	1,734,676.77	900.00

(II) Expenditures for research and development items meeting capitalization criteria

Items	Beginning of the period Amount	Additions in the current period		Decrease in the current period		End of the period
		Internal Development expenditures	Others	Recognized as Intangible assets	Transfer to current profit or loss	
Intelligent energy integrated management platform	1,652,761.39	1,734,676.77			66,037.74	3,321,400.42
Total	1,652,761.39	1,734,676.77			66,037.74	3,321,400.42

VII. CHANGES IN SCOPE OF CONSOLIDATION

(I) Other reasons for changes in the scope of consolidation

Company name	Method of increase	Date
Jingmen Chuanghuan Water Co., Ltd.	Newly established	28 February 2026
Xiaochang Chuanghuan Water Co., Ltd.* (孝昌創環水務有限公司)	Newly established	30 June 2026

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Composition of the enterprise group

Name of subsidiaries	Subsidiary Type	Legal entity type	Principal place of business	Place of registration	Nature of business	Registered capital	Shareholding (%)		Acquisition method
							Direct	Indirect	
Qijing Capital Water Co., Ltd.	Controlled	Limited liability company	Qijing	Qijing	Sewage water processing and tap water supply	RMB178,983,082	87.00	0.00	Capital contribution
Guizhou Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Guizhou	Guizhou	Sewage water processing	RMB120,000,000	100.00	0.00	Capital contribution
Baoying Capital Water Co., Ltd.	Controlled	Limited liability company	Baoying	Baoying	Sewage water processing	RMB83,000,000	70.00	0.00	Capital contribution
Hangzhou Tianchuang Capital Water Co., Ltd.	Controlled	Limited liability company	Hangzhou	Hangzhou	Sewage water processing	RMB377,445,000	70.00	0.00	Capital contribution
Tianjin Capital New Materials Co., Ltd.	Controlled	Limited liability company	Tianjin	Tianjin	Manufacturing and sales of new building materials	RMB37,500,000	71.00	0.00	Capital contribution
Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)	Wholly-owned	Limited liability company	Fuyang	Fuyang	Sewage water processing	RMB455,688,700	100.00	0.00	Capital contribution
Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)	Wholly-owned	Limited liability company	Wendeng	Wendeng	Sewage water processing	RMB68,527,400	100.00	0.00	Capital contribution
Tianjin Jinghai Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Tianjin	Tianjin	Sewage water processing	RMB37,553,000	100.00	0.00	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	RMB100,000,000	100.00	0.00	Capital contribution
Xi'an Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Xi'an	Xi'an	Sewage water processing	RMB476,170,000	100.00	0.00	Capital contribution
Tianjin Caring Technology Development Co., Ltd.	Controlled	Joint stock limited company	Tianjin	Tianjin	Environmental engineering management and technical consulting, etc.	RMB33,333,333	48.00	12.00	Capital contribution
Anguo Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Anguo	Anguo	Sewage water processing	RMB41,000,000	100.00	0.00	Capital contribution
Wuhan Tianchuang Environmental Protection Co., Ltd.* (武漢天創環保有限公司)	Wholly-owned	Limited liability company	Wuhan	Wuhan	Sewage water processing and tap water supply	RMB201,968,900	100.00	0.00	Capital contribution
Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司)	Wholly-owned	Limited liability company	Tianjin	Tianjin	Sewage water processing	RMB22,560,000	100.00	0.00	Capital contribution
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	Wholly-owned	Limited liability company	Tianjin	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	RMB212,950,520	100.00	0.00	Capital contribution
Yingshang Capital Water Co., Ltd.* (潁上創業水務有限公司)	Wholly-owned	Limited liability company	Yingshang	Yingshang	Sewage water processing	RMB53,000,000	100.00	0.00	Capital contribution
Shandong Capital Environmental Protection Technology Co., Ltd.	Controlled	Limited liability company	Shandong	Shandong	Collection, storage and transportation of hazardous wastes	RMB82,000,000	55.00	0.00	Capital contribution
Changsha Tianchuang Environmental Protection Co., Ltd.	Controlled	Limited liability company	Changsha	Changsha	Sewage water processing	RMB46,015,400	81.00	0.00	Capital contribution
Karamay Tianchuang Capital Water Co., Ltd.	Controlled	Limited liability company	Karamay	Karamay	Sewage water processing	RMB120,000,000	90.00	0.00	Capital contribution

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

VIII. EQUITY IN OTHER ENTITIES (Continued)

(I) Equity in subsidiaries (Continued)

1. Composition of the enterprise group (Continued)

Name of subsidiaries	Subsidiary Type	Legal entity type	Principal place of business	Place of registration	Nature of business	Registered capital	Shareholding (%)		Acquisition method
							Direct	Indirect	
Anhui Tianchuang Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Hefei	Hefei	Sewage water processing	RMB63,670,000	100.00	0.00	Capital contribution
Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司)	Wholly-owned	Limited liability company	Linxia	Linxia	Sewage water processing	RMB65,910,000	100.00	0.00	Capital contribution
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	Controlled	Limited liability company	Dalian	Dalian	Sewage water processing	RMB94,079,340	64.00	0.00	Capital contribution
Changsha Tianchuang Capital Water Co., Ltd.	Controlled	Limited liability company	Changsha	Changsha	Sewage water processing	RMB21,252,200	80.00	0.00	Capital contribution
Inner Mongolia Bayannur Capital Water Co., Ltd.	Controlled	Limited liability company	Bayannur	Bayannur	Sewage water processing, producing and sales of recycled water and supply of tap water	RMB1,067,577,900	70.00	0.00	Business combinations involving entities not under common control
Honghu Tianchuang Capital Water Co., Ltd.	Controlled	Limited liability company	Honghu	Honghu	Sewage water processing	RMB131,330,800	85.00	0.00	Capital contribution
Hefei Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Hefei	Hefei	Sewage water processing	RMB205,956,800	100.00	0.00	Capital contribution
Deqing Capital Water Co., Ltd.	Controlled	Limited liability company	Deqing	Deqing	Sewage water processing	RMB60,000,000	90.00	0.00	Capital contribution
Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	Controlled	Limited liability company	Gaocheng	Gaocheng	Sewage water processing, producing and sales of recycled water	RMB217,496,900	59.00	0.00	Capital contribution
Hanshou Tianchuang Capital Water Co., Ltd.* (漢壽天創水務有限公司)	Controlled	Limited liability company	Hanshou	Hanshou	Supply of tap water	RMB45,000,000	75.00	0.00	Capital contribution
Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)	Controlled	Limited liability company	Jiuquan	Jiuquan	Sewage water processing	RMB178,237,900	89.00	0.00	Capital contribution
Huize Capital Water Co., Ltd.	Controlled	Limited liability company	Huize	Huize	Centralised tap water supply and sewage water processing	RMB41,236,800	79.00	0.00	Capital contribution
Huoqiu Capital Water Co., Ltd.	Controlled	Limited liability company	Huoqiu	Huoqiu	Sewage water processing	RMB41,283,000	90.00	0.00	Capital contribution
Dongying Tianchi Environmental Technology Co., Ltd.	Controlled	Limited liability company	Dongying	Dongying	Solid waste treatment	RMB136,300,000	51.00	0.00	Capital contribution
Honghu Tianchuang Environmental Protection Co., Ltd.	Controlled	Limited liability company	Honghu	Honghu	Sewage water processing	RMB60,000,000	89.00	0.00	Capital contribution
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	Wholly-owned	Limited liability company	Tianjin	Tianjin	Sewage water processing	RMB62,106,000	100.00	0.00	Capital contribution
Jiangsu Yonghui Resources Utilisation Co., Ltd.	Wholly-owned	Limited liability company	Gaoyou	Gaoyou	Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation	RMB50,000,000	100.00	0.00	Business combinations involving entities not under common control

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

VIII. EQUITY IN OTHER ENTITIES (Continued)

(I) Equity in subsidiaries (Continued)

1. Composition of the enterprise group (Continued)

Name of subsidiaries	Subsidiary Type	Legal entity type	Principal place of business	Place of registration	Nature of business	Registered capital	Shareholding (%)		Acquisition method
							Direct	Indirect	
Gaoyou Compro Environmental Resources Co., Ltd.	Wholly-owned	Limited liability company	Gaoyou	Gaoyou	Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation Industrial solid waste incineration and disposal, general waste recycling, comprehensive utilisation	RMB100,000,000	100.00	0.00	Business combinations involving entities not under common control
Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.	Controlled	Limited liability company	Tancheng	Tancheng	Hazardous waste treatment and disposal	RMB110,000,000	55.00	0.00	Division of existing subsidiary
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd.	Wholly-owned	Limited liability company	Tianjin	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	RMB80,000,000	100.00	0.00	Capital contribution
Tianjin Tianchuang Green Energy New Energy Technology Co., Ltd.* (天津天創綠能新源科技有限公司)	Wholly-owned	Limited liability company	Tianjin	Tianjin	Investment management; power generation business, transmission business, and power supply (distribution) business; heating services.	RMB84,590,000	100.00	0.00	Capital contribution
Karamay Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Karamay	Karamay	Sewage water processing	RMB113,873,200	100.00	0.00	Capital contribution
Enshi Capital Water Co., Ltd.* (恩施市創環水務有限公司)	Controlled	Limited liability company	Enshi	Enshi	Sewage water processing	RMB170,860,900	95.00	0.00	Capital contribution
Tianjin Tianchuang Environmental Technology Co., Ltd.	Wholly-owned	Limited liability company	Tianjin	Tianjin	Technical services and development, consulting and transfer services, promotion services	RMB45,000,000	100.00	0.00	Capital contribution
Hanshan Chuanghuan Water Co., Ltd.	Controlled	Limited liability company	Ma'anshan	Ma'anshan	Sewage water processing	RMB91,224,400	51.00	0.00	Capital contribution
Hanshan Capital Water Co., Ltd.	Wholly-owned	Limited liability company	Ma'anshan	Ma'anshan	Sewage water processing	RMB14,880,000	100.00	0.00	Capital contribution
Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司)	Controlled	Limited liability company	Jieshou	Jieshou	Sewage water processing	RMB345,928,000	87.00	0.00	Capital contribution
Weng'an Capital Water Co., Ltd.	Controlled	Limited liability company	Weng'an	Weng'an	Sewage water processing	RMB33,595,000	97.00	0.00	Capital contribution
Chibi Chuanghuan Water Co., Ltd.* (赤壁創環水務有限公司)	Wholly-owned	Limited liability company	Chibi	Chibi	Sewage water processing	RMB60,200,000	100.00	0.00	Capital contribution
Wuhu Chuanghuan Water Co., Ltd.	Controlled	Limited liability company	Wuhu	Wuhu	Sewage water processing	RMB55,400,000	55.00	0.00	Capital contribution
Huize Chuanghuan Water Co., Ltd.	Controlled	Limited liability company	Huize	Huize	Sewage water processing	RMB20,096,900	97.00	0.00	Capital contribution
Huoqiu Chuanghuan Water Co., Ltd.	Wholly-owned	Limited liability company	Huoqiu	Huoqiu	Sewage water processing	RMB10,200,000	100.00	0.00	Capital contribution
Ningguo Jingkai Chuanghuan Water Co., Ltd.	Controlled	Limited liability company	Xuancheng	Xuancheng	Sewage water processing	RMB20,000,000	60.00	0.00	Capital contribution
Jingmen Chuanghuan Water Co., Ltd.	Wholly-owned	Limited liability company	Jingmen	Jingmen	Sewage water processing	RMB32,192,500	100.00	0.00	Capital contribution
Xiaochang Chuanghuan Water Co., Ltd.* (孝昌創環水務有限公司)	Controlled	Limited liability company	Xiaogan	Xiaogan	Sewage water processing	RMB10,000,000	58.00	0.00	Capital contribution

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

VIII. EQUITY IN OTHER ENTITIES (Continued)

(I) Equity in subsidiaries (Continued)

2. Information on significant non-wholly owned subsidiaries

No.	Company name	Percentage of shareholding of minority shareholders	Profit or loss for the period attributable to minority shareholders	Dividends declared to minority shareholders during the period	Accumulated minority interests at the end of the period
1	Inner Mongolia Bayannur Capital Water Co., Ltd.	30%	188,454.98	-14,565,000.00	341,774,578.09
2	Hangzhou Tianchuang Capital Water Co., Ltd.	30%	15,579,104.84		203,910,915.70
3	Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	41%	3,029,737.40		119,763,071.04
4	Shandong Capital Environmental Protection Technology Co., Ltd.	45%	-3,561,658.47		47,912,024.38
5	Tianjin Caring Technology Development Co., Ltd.	40%	3,541,960.79		56,736,547.36

3. Important key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Closing balance		Opening balance									
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Inner Mongolia Bayannur Capital Water Co., Ltd.	159,272,018.56	1,216,214,486.83	1,375,486,505.39	21,846,830.40	218,039,985.17	239,886,815.57	123,873,337.35	1,044,698,314.19	1,168,571,651.54	22,277,980.66	10,590,015.11	32,867,995.77
Hangzhou Tianchuang Capital Water Co., Ltd.	381,895,209.30	287,405,898.44	669,301,107.74	21,477,077.61	12,474,872.32	33,951,949.93	312,198,880.38	313,558,058.05	625,756,938.43	32,167,919.52	13,189,179.68	45,357,099.20
Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	237,709,383.51	280,555,819.11	518,265,202.62	126,010,248.96	100,107,544.84	226,117,793.80	218,199,113.14	285,089,322.66	503,288,435.80	128,016,652.28	90,513,978.12	218,530,630.40
Shandong Capital Environmental Protection Technology Co., Ltd.	124,179,394.59	204,869,255.16	329,048,649.75	47,549,156.30	175,520,000.00	223,069,156.30	127,413,175.77	207,798,287.14	335,211,462.91	32,619,963.33	188,490,000.00	221,109,963.33
Tianjin Caring Technology Development Co., Ltd.	174,370,515.91	28,384,475.42	202,754,991.33	60,806,641.10	52,881.00	60,859,522.10	199,031,399.29	28,365,633.27	227,397,032.56	94,303,584.31	52,881.00	94,356,465.31

Name of subsidiaries	Incurred during the period				Incurred during the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Inner Mongolia Bayannur Capital Water Co., Ltd.	43,261,022.38	-103,965.95	-103,965.95	-3,646,899.22	44,903,931.22	6,183,267.66	6,183,267.66	-1,213,531.08
Hangzhou Tianchuang Capital Water Co., Ltd.	144,992,833.13	51,930,349.46	51,930,349.46	55,337,890.52	129,389,184.04	47,708,052.83	47,708,052.83	73,607,572.11
Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	35,331,921.84	7,389,603.42	7,389,603.42	-9,230,049.82	35,721,924.31	9,226,181.06	9,226,181.06	-12,718,585.64
Shandong Capital Environmental Protection Technology Co., Ltd.	17,984,851.71	-8,122,006.13	-8,122,006.13	2,864,849.33	14,141,862.60	-12,813,004.98	-12,813,004.98	223,033.76
Tianjin Caring Technology Development Co., Ltd.	82,866,637.68	8,854,901.98	8,854,901.98	-6,197,443.39	76,826,501.90	1,904,732.29	1,904,732.29	-20,402,373.90

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

VIII. EQUITY IN OTHER ENTITIES (Continued)

(II) Interests in associates

1. Combined financial information of insignificant associates

Items	Balance as at the end of the period/Incurred during the period	Opening balance/Incurred during the previous period
I. Joint ventures		
Total carrying amount of investment	211,866,236.74	211,866,236.74
The total of the following items by percentage of shareholding:		
Net profit		
Other comprehensive income		
Total comprehensive income		

IX. GOVERNMENT GRANTS

(I) Government grants recognised based on the amount receivable

Items	Closing balance of receivables	Reasons for nonreceipt of expected government grants by scheduled date
VAT refund (refund upon payment)	167,347.06	See Note 5 (6) for details
Total	167,347.06	—

(II) Liabilities involving government grants

Financial Statement Item	Opening balance	Government Grants Added in Current Period	Amount recorded as non-operating income in the current period	Transferred to Other Income in Current Period	Other Changes in Current Period	Closing balance	Related to Asset/Income
Deferred revenue	1,596,275,223.45	34,535,439.39		38,003,254.31		1,592,807,408.53	Related to assets
Deferred revenue	3,704,225.40	92,500.00		83,652.91		3,713,072.49	Related to income
Total	1,599,979,448.85	34,627,939.39		38,086,907.22		1,596,520,481.02	—

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

IX. GOVERNMENT GRANTS (Continued)**(III) Government grants recognized in profit or loss for the period**

Type	Incurred during the period	Incurred during the previous period
Related to assets	38,003,254.31	37,738,140.32
Related to income	2,476,316.61	2,293,964.46
Total	<u>40,479,570.92</u>	<u>40,032,104.78</u>

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS**(i) Risks of financial instruments**

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

The Board of Directors is responsible for the planning and establishment of the risk management framework of the Group, the formulation of the risk management policies and related guidelines of the Group, and the supervision of the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group, which clearly define specific risks and cover many aspects such as 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.

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)**(i) Risks of financial instruments (Continued)****1. Market risks****(1) 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 Group and the sewage company for the purchase of foreign bank loans, mainly involving JPY.

As at 30 June 2026, 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 RMB6,331,008.83 (30 June 2025: RMB8,048,992.57) higher/lower.

(2) Interest rate risk

The Group's interest rate risk arises mainly from long-term bank borrowings, long-term payables and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. As at 30 June 2026, 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 January to June 2026 and January to June 2025, the Group did not enter into any interest rate swap agreements.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)**(i) Risks of financial instruments (Continued)****1. Market risks (Continued)****(2) Interest rate risk (Continued)**

The Group'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.

As of: 30 June 2026

Items	Fixed interest rate	Floating interest rate	Total
Short-term borrowings	121,037,078.35	33,470,000.00	154,507,078.35
Current portion of non-current liabilities:	69,424,318.73	1,417,859,833.60	1,487,284,152.33
Long-term borrowings to be settled within one year	28,620,388.20	1,417,859,833.60	1,446,480,221.80
Long-term payables to be settled within one year	10,251,992.25		10,251,992.25
Debentures payable and interest to be settled within one year	30,247,123.29		30,247,123.29
Interests of borrowings from minority shareholders due within one year	50,787.68		50,787.68
Lease liabilities to be settled within one year	254,027.31		254,027.31
Long-term borrowings	740,381,216.58	5,774,682,284.71	6,515,063,501.29
Long-term payables	90,100,568.72		90,100,568.72
Debentures payable	1,500,000,000.00		1,500,000,000.00
Lease liabilities	3,312,893.02		3,312,893.02
Other non-current liabilities	2,320,000.00		2,320,000.00
Total	<u>2,526,576,075.40</u>	<u>7,226,012,118.31</u>	<u>9,752,588,193.71</u>

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)**(i) Risks of financial instruments (Continued)****1. Market risks (Continued)****(2) Interest rate risk (Continued)**

As of: 31 December 2025

Items	Fixed interest rate	Floating interest rate	Total
Short-term borrowings	81,654,658.22	14,008,555.58	95,663,213.80
Current portion of non-current liabilities:	60,074,025.82	1,210,877,398.48	1,270,951,424.30
Long-term borrowings to be settled within one year	16,368,179.10	1,210,877,398.48	1,227,245,577.58
Long-term payables to be settled within one year	11,295,690.57		11,295,690.57
Debentures payable and interest to be settled within one year	13,047,123.29		13,047,123.29
Interests of borrowings from minority shareholders due within one year	100,045.20		100,045.20
Lease liabilities to be settled within one year	19,262,987.66		19,262,987.66
Long-term borrowings	613,795,100.00	6,800,116,444.68	7,413,911,544.68
Long-term payables	94,240,236.55		94,240,236.55
Debentures payable	1,500,000,000.00		1,500,000,000.00
Lease liabilities	3,253,882.12		3,253,882.12
Other non-current liabilities	1,990,000.00		1,990,000.00
Total	<u>2,355,007,902.71</u>	<u>8,025,002,398.74</u>	<u>10,380,010,301.45</u>

As at 30 June 2026, 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 RMB66,509,819.17 (At 30 December 2025: RMB77,767,421.05) lower/higher.

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

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)

(i) Risks of financial instruments (Continued)

2. Credit risk

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

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

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

As at 30 June 2026, the Group had no significant collateral or other credit enhancements held as securities from debtors (31 December 2025: Nil).

3. Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecasts. 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.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)**(i) Risks of financial instruments (Continued)****3. Liquidity risk (Continued)****(1) 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:

As of: 30 June 2026

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Short-term borrowings	156,591,141.47				156,591,141.47	154,507,078.35
Long-term borrowings	682,542,048.35	3,546,238,475.88	2,337,856,186.30	2,249,214,456.32	8,815,851,166.85	7,961,543,723.09
Long-term payables	11,487,192.65	11,379,130.28	33,489,016.57	92,609,574.15	148,964,913.65	100,352,560.97
Trade payables	961,742,670.05				961,742,670.05	961,742,670.05
Other payables	965,469,793.43				965,469,793.43	965,469,793.43
Debentures payable	34,400,000.00	328,009,589.04	1,209,395,616.44		1,571,805,205.48	1,530,247,123.29
Lease liabilities	255,555.64		2,823,214.50	941,071.50	4,019,841.64	3,566,920.33
Other non-current liabilities	166,787.68	116,000.00	2,378,000.00		2,660,787.68	2,370,787.68
Total	2,812,655,189.27	3,885,743,195.20	3,585,942,033.81	2,342,765,101.97	12,627,105,520.25	11,679,800,657.19

As of: 31 December 2025

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Short-term borrowings	96,969,747.16				96,969,747.16	95,663,213.80
Long-term borrowings	1,457,419,281.20	2,021,913,258.65	3,447,139,019.95	2,925,163,018.01	9,851,634,577.81	8,641,157,122.25
Long-term payables	12,296,639.42	12,181,503.96	35,853,699.15	104,546,084.63	164,877,927.16	105,535,927.12
Trade payables	1,083,882,507.33				1,083,882,507.33	1,083,882,507.33
Other payables	763,541,710.44				763,541,710.44	763,541,710.44
Debentures payable	34,400,000.00	331,728,767.12	1,222,792,054.79		1,588,920,821.91	1,513,047,123.29
Lease liabilities	19,328,465.83		2,823,215.50	941,071.50	23,092,752.83	22,516,869.78
Other non-current liabilities	99,500.00	99,500.00	2,089,500.00		2,288,500.00	2,090,045.20
Total	3,467,937,851.38	2,365,923,029.73	4,710,697,489.39	3,030,650,174.14	13,575,208,544.64	12,227,434,519.21

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

X. RISKS RELEVANT TO FINANCIAL INSTRUMENTS (Continued)(i) **Risks of financial instruments** (Continued)3. **Liquidity risk** (Continued)

(2) Repayment periods for bank borrowings and other borrowings

Repayment period	30 June 2026		31 December 2025	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	611,240,355.85	40,549,903.22	1,322,908,791.37	24,442,859.06
1 to 2 years	3,376,393,353.83	309,586,136.39	1,830,751,930.17	310,562,517.24
2 to 5 years	2,066,729,605.79	1,227,494,494.21	3,090,814,701.65	1,229,731,091.18
Over 5 years	2,061,687,485.97	55,339,938.12	2,492,344,912.86	55,936,628.13
Total	<u>8,116,050,801.44</u>	<u>1,632,970,471.94</u>	<u>8,736,820,336.05</u>	<u>1,620,673,095.61</u>

XI. FAIR VALUE

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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 models. 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.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XI. FAIR VALUE (Continued)**(I) Analysis of assets and liabilities measured at fair value by the level of fair value**

Items	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	Total
I. Continuous fair value measurement				
(I) Other debt investments			3,000,000.00	3,000,000.00
(II) Investments in other equity instruments			2,000,000.00	2,000,000.00
Including: Unlisted equity instrument investments of Tianjin Beifang Rencaigang Co., Ltd.			2,000,000.00	2,000,000.00
Total liabilities measured at fair value on a recurring basis			5,000,000.00	5,000,000.00

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

Financial assets and liabilities measured at amortised cost mainly include notes receivable, receivables, other receivables, long-term receivables (including those due within one year), payables, short-term borrowings, long-term borrowings (including those due within one year), debentures payable (including those due within one year) and long-term payables (including those due within one year). The carrying amounts of the other financial assets and liabilities not measured at fair value are reasonably approximate to their fair values.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XII. 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:

Items	30 June 2026	31 December 2025
Total borrowings	9,749,021,273.38	10,362,237,211.86
Including: Short-term borrowings	154,507,078.35	95,663,213.80
Other current liabilities		4,743,780.19
Long-term borrowings	7,961,543,723.09	8,641,157,122.26
Debentures payable	1,530,247,123.29	1,513,047,123.29
Long-term payables	100,352,560.97	105,535,927.12
Other non-current liabilities	2,370,787.68	2,090,045.20
Less: Cash and cash equivalents	4,206,343,482.37	4,643,174,425.03
Net debt	5,542,677,791.01	5,719,062,786.83
Total Equity	11,589,507,941.57	11,399,046,986.75
Total capital	21,501,023,008.14	22,256,972,119.09
Gearing ratio	26%	26%

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(I) Parent company of the Group**

Name of the parent company	Place of registration	Nature of business	Registered capital	The percentages of shareholding in the Group held by the parent company (%)	The percentages of voting rights in the Group held by the parent company (%)
TMICL	Tianjin, the PRC	Development and operation of municipal infrastructures	RMB1,820 million	45.57	45.57

The Group's ultimate controlling party is Tianjin Infrastructure Investment Group.

(II) Information on subsidiaries of the Group

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

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

For significant joint ventures or associates, please refer to note "VIII. Equity in other entities". The details of other joint ventures or associates that had related party transactions with the Group during the current period, or whose related-party transactions with the Group in previous periods resulted in outstanding balances are as follows:

Name of joint venture or associate	Relationship with the Group
Tianjin International Machinery Co., Ltd.	Joint ventures
Bihai Sponge City Co., Ltd.	Joint ventures

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(IV) Other related parties**

Name of other related parties	Relationship with the Group
Tianjin Haihe Construction Development and Investment Co., Ltd.* (天津市海河建設發展投資有限公司)	Under common control by the same ultimate controlling party
Tianjin Environmental Construction Investment Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Eco-city Environmental Protection Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Chengchan Development Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Expressway Construction Engineering Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Environmental Investment Green Engineering Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Eco-city Environmental Testing Center Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Finance City Property Management Company Limited	Under common control by the same ultimate controlling party
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Chengze Real Estate Development Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Jinzhong Urban Renewal Construction and Development Company Limited	Under common control by the same ultimate controlling party
Tianjin Liulin Street and District Urban Renewal Industry Operation Company Limited	Under common control by the same ultimate controlling party
Beijing E20 Environment Co., Ltd.	Company in which a Director holds position
Tianjin Lecheng Properties Co., Ltd.	Associate of the ultimate controlling party
Tianjin Rail Transit Group Co., Ltd.	Associate of the ultimate controlling party

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Other related parties (Continued)

Name of other related parties	Relationship with the Group
Tianjin United Investment Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Metro Resources Investment Co., Ltd.	Associate of the ultimate controlling party
Tianjin Beicheng Construction Development Co. Ltd.	Associate of the ultimate controlling party
Tianjin Jinnuo Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Tianfangxinhe Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Jinju Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Tianfang Lisishan Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Xinyi Real Estate Investment Co., Ltd.	Associate of the ultimate controlling party
Tianjin Urban Planning and Design Research Institute Co., Ltd.	Associate of the ultimate controlling party
Tianjin Institute of Surveying and Mapping Co., Ltd.	Associate of the ultimate controlling party
Tianjin International Engineering Consulting Group Co., Ltd.	Associate of the ultimate controlling party
China Great Wall (Tianjin) Quality Assurance Centre Co., Ltd.	Associate of the ultimate controlling party
Tianjin Zhengdong Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Municipal Engineering Design & Research Institute Co., Ltd.	Associate of the ultimate controlling party
Tianjin Saiying Engineering Construction Consulting & Management Co., Ltd.	Associate of the ultimate controlling party
Tianjin Water Works (Group) Company Ltd.	Associate of the ultimate controlling party
Tianjin Pipeline Engineering Group Co., Ltd.	Associate of the ultimate controlling party
Tianjin Huashui Water Supply Construction Co., Ltd.	Associate of the ultimate controlling party
Tianjin Pipeline Water Works Engineering Co., Ltd.	Associate of the ultimate controlling party
Tianjin Huadi Public Utility Engineering Construction Supervision Co., Ltd.	Associate of the ultimate controlling party
Tianjin Huamiao Planning, Surveying and Design Institute Co., Ltd.	Associate of the ultimate controlling party
Tianjin Middle Ring System Engineering Co., Ltd.	Associate of the ultimate controlling party
Tianjin Electronic Computer Institute	Associate of the ultimate controlling party
Tianjin Chentang Thermal Power Co. Ltd.	Associate of the ultimate controlling party
Tianjin Cheng'an Thermal Power Co. Ltd.	Associate of the ultimate controlling party
Tianjin Changlu Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Haijing Chenyang Real Estate Co., Ltd.	Associate of the ultimate controlling party
Tianjin Research Institute of Building Materials Science Co., Ltd.	Associate of the ultimate controlling party
Tianjin Zhonglong Fengtai Real Estate Co., Ltd.	Associate of the ultimate controlling party
Tianjin Xianxing Multimedia Network Technology Co., Ltd.	Associate of the ultimate controlling party
Tianjin Jinyu Jinchun Real Estate Development Co., Ltd.	Associate of the ultimate controlling party
Tianjin Eco-city Investment & Development Co., Ltd.	Under common control by the same ultimate controlling party
Tianjin Eco-city Energy Investment & Development Co., Ltd.	Under common control by the same ultimate controlling party
Jinran China Resources Gas Co., Ltd.	Associate of the ultimate controlling party
Hangzhou Sewage Company	Subsidiary controlled by minority shareholders of the subsidiary
Hangzhou Water Environment Development Co., Ltd.	Subsidiary controlled by minority shareholders of the subsidiary
Hangzhou Water Group Co., Ltd.	Minority shareholders of subsidiaries
Dongying Runli Municipal Garden Co., Ltd.	Minority shareholders of subsidiaries
Tianjin City Metro Group Company Limited	Associate of the ultimate controlling party
Tianjin Rail Transit Group Co., Ltd.	Associate of the ultimate controlling party

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions

1. Related party transactions in relation to the purchase and sales of goods, provision and receipt of services

(1) Purchases of goods/receipt of services

Name of related parties	Nature of transaction	Incurred during the period	Approved quota for transaction (where applicable)	Whether the transaction quota is exceeded (where applicable)	Incurred during the previous period
Tianjin Infrastructure Investment Group	Properties management fees, service fees	2,217,295.23	2,217,295.23	No	21,352,835.54
Tianjin Water Works (Group) Company Ltd.	Water charges	294,508.36	294,508.36	No	
Beijing E20 Environment Co., Ltd.	Service fees	283,018.87	283,018.87	No	
Tianjin Huashui Water Supply Construction Co., Ltd.	Engineering construction	158,219.60	158,219.60	No	
Hangzhou Water Group Co., Ltd.	Water charges	97,547.00	97,547.00	No	
Tianjin Institute of Surveying and Mapping Co., Ltd.	Service fees	70,471.70	70,471.70	No	
China Great Wall (Tianjin) Quality Assurance Centre Co., Ltd.	Service fees	16,509.43	16,509.43	No	
Tianjin Municipal Engineering Design & Research Institute Co., Ltd.	Interest expenses	181.36	181.36	No	
Tianjin Haihe Infrastructure Construction Co., Ltd.	Interest expenses	32.05	32.05	No	

Note: The Group purchases goods/receives services from related parties at market prices and in accordance with the terms and agreements signed between the Group and its related parties.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(V) Related party transactions (Continued)****1. Related party transactions in relation to the purchase and sales of goods, provision and receipt of services**

(Continued)

(2) Information on sales of goods/provision of services

Name of related parties	Nature of transaction	Incurred during the period	Incurred during the previous period
Tianjin Jinzhong Urban Renewal Construction and Development Company Limited	Revenue from heating and cooling supply, revenue from auxiliary recycled water projects	11,428,702.14	3,703,817.47
Tianjin Lecheng Properties Co., Ltd.	Heating and cooling supply income	10,867,680.05	
Tianjin Chentang Thermal Power Co. Ltd.	Revenue of sales of reclaimed water	4,642,342.92	811,544.25
Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	Revenue from heating and cooling supply, revenue from engineering projects, revenue from auxiliary recycled water projects	2,479,707.14	1,840,255.21
Tianjin City Metro Group Company Limited	Revenue from heating and cooling supply, revenue from auxiliary recycled water projects	1,517,575.31	1,518,562.22
Tianjin Municipal Engineering Design & Research Institute Co., Ltd.	Revenue of engineering construction	1,173,968.69	12,018,374.43
Tianjin United Investment Real Estate Development Co., Ltd.	Revenue from auxiliary recycled water projects	1,008,645.96	
Tianjin Liulin Street and District Urban Renewal Industry Operation Company Limited	Revenue from auxiliary recycled water projects	979,637.29	
Tianjin Pipeline Engineering Group Co., Ltd.	Revenue from auxiliary recycled water projects	697,247.71	
Tianjin Jinyu Jincheng Real Estate Development Co., Ltd.	Revenue from auxiliary recycled water projects		2,485,228.92
Tianjin International Engineering Consulting Group Co., Ltd.	Heating and cooling supply income	309,359.81	309,359.81
Tianjin Jinnuo Real Estate Development Co., Ltd.	Revenue from auxiliary recycled water projects	238,018.34	
Tianjin Chengze Real Estate Development Co., Ltd.	Revenue from auxiliary recycled water projects	179,794.06	655,559.63
Tianjin Rail Transit Group Co., Ltd.	Revenue from heating and cooling supply, revenue from auxiliary recycled water projects	121,974.94	121,974.94
Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	Revenue of sales of reclaimed water, revenue of technical services	64,952.69	
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Revenue from tap water	4,028.68	
Tianjin Zhengdong Real Estate Development Co., Ltd.	Revenue from auxiliary recycled water projects	1,582.57	
Tianjin Tianfangxinhe Real Estate Development Co., Ltd.	Revenue from auxiliary recycled water projects		28,246.41

Note: The Group sells goods/provides services to related parties at market prices and in accordance with the terms and agreements entered into between the Group and the related parties.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(V) Related party transactions** (Continued)**2. Information on related leasing****(1) The Group as lessor**

Name of lessee	Type of leased assets	Rental income recognized in the period	Rental income recognized in the previous period
Tianjin Expressway Construction Engineering Co., Ltd.	Rental income	263,032.69	315,639.28
Tianjin Environmental Investment Green Engineering Co., Ltd.	Rental income	18,570.08	18,570.07

Note: The Group leases properties to related parties at market prices and in accordance with the terms and agreements entered into between the Group and the related parties.

3. Remuneration of key management

Items	Incurred during the period	Incurred during the previous period
Remuneration of key management	3,880,311.80	3,275,279.50

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Related party transactions (Continued)

4. Directors' remuneration

The remuneration of directors from January to June 2026 is as follows:

Items	Remuneration	Wages and subsidies	Pension plan contributions	Bonus	Other allowances and benefits	Share-based incentive payment	Total	Number of equity incentive
Chairman								
Tang Fusheng								
Executive Director								
Fu Xinghai		104,895.00	45,416.64	135,898.70	70,937.22		357,147.56	
Nie Yanhong		104,895.00	50,703.48	257,220.00	70,937.22		483,755.70	
Independent Director								
Liu Fei	50,400.00						50,400.00	
Xue Tao	50,400.00						50,400.00	
Wang Shanggan	50,400.00						50,400.00	
Total	151,200.00	209,790.00	96,120.12	393,118.70	141,874.44		992,103.26	

The remuneration of directors from January to June 2025 is as follows:

Items	Remuneration	Wages and subsidies	Pension plan contributions	Bonus	Other allowances and benefits	Share-based incentive payment	Total	Number of equity incentive
Chairman								
Tang Fusheng								
Executive Director								
Fu Xinghai		109,620.00	44,538.24	7,100.00	70,443.69		231,701.93	
Nie Yanhong		162,678.00	52,588.80	85,000.00	70,443.69		370,710.49	
Independent Director								
Liu Fei	50,400.00						50,400.00	
Xue Tao	50,400.00						50,400.00	
Wang Shanggan	50,400.00						50,400.00	
Total	151,200.00	272,298.00	97,127.04	92,100.00	140,887.38		753,612.42	

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(V) Related party transactions** (Continued)**5. The top five highest remuneration**

The top five persons with the highest remuneration (excluding share-based payments) of the Group from January to June 2026 include one director (January to June 2025: one director), whose remuneration has been reflected in Note XIII(V). The total remuneration of the other four directors (January to June 2025: four directors) is set out as follows:

Items	From January to June 2026	From January to June 2025
Basic salary, housing allowance and other subsidies	445,149.00	656,106.00
Bonus	914,552.20	497,718.87
Social security costs	283,748.88	281,774.76
Pension cost – defined contribution plans	175,861.50	186,867.84
Total	<u>1,819,311.58</u>	<u>1,622,467.47</u>
Person	From January to June 2026	From January to June 2025
Range:		
RMB100,000.00-500,000.00	3	4
RMB500,000.00-1,000,000.00	<u>1</u>	<u></u>

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(VI) Information on unsettled items such as receivables from and payables to related parties, etc.

1. Project receivables

Name of project	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision
Waste disposal fees receivable	Tianjin Eco-city Environmental Protection Co., Ltd.	7,528,240.00	515,175.73	7,728,240.00	506,432.37
Cooling and heating fee receivable, auxiliary project fee receivable	Tianjin City Metro Group Company Limited	7,414,358.72	389,508.02	5,760,201.64	87,555.06
Contract operation fee receivable	Tianjin Eco-city Investment & Development Co., Ltd.	4,469,823.55	918,599.43	5,718,895.30	797,490.43
Cooling and heating fee receivable	Tianjin Lecheng Properties Co., Ltd.	2,964,743.81	39,747.89	5,640,652.56	85,737.92
Construction receivables	Tianjin Municipal Engineering Design & Research Institute Co., Ltd.	2,028,320.97	27,193.40	748,695.10	11,380.17
Recycled water project revenue receivables	Tianjin Chentang Thermal Power Co. Ltd.	1,011,515.00	13,561.23	923,372.50	14,035.26
Technical service fee receivable	Tianjin Taihuan Renewable Resources Utilization Co., Ltd.	819,877.70	10,991.98	656,529.88	43,134.01
Cooling and heating fee receivable	Tianjin International Engineering Consulting Group Co., Ltd.	486,736.63	13,117.93	149,534.43	2,272.92
Cooling and heating fee receivable	Tianjin Jinzhong Urban Renewal Construction and Development Company Limited	228,995.25	7,531.71	101,202.95	1,538.28
Cooling and heating fee receivable	Tianjin Rail Transit Group Co., Ltd.	132,952.68	1,782.48		
Auxiliary project fee receivable	Tianjin Liulin Street and District Urban Renewal Industry Operation Company Limited	108,945.03	1,460.61		
Rents receivable	Tianjin Environmental Investment Green Engineering Co., Ltd.	930.20	12.47		
Cooling and heating fee receivable	Tianjin Taihuan Renewable Resources Utilization Co., Ltd.			155,150.36	2,358.29
Receivables financing	Tianjin Pipeline Engineering Group Co., Ltd.			900,000.00	
Other receivables	Tianjin Water Works (Group) Company Ltd.	58,839.20	717.84	58,839.20	717.84
Other receivables	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)	58,816.00	717.56	58,816.00	717.56
Other receivables	Hangzhou Water Group Co., Ltd.	5,793.11	2.48	150.00	2.48
Other receivables	Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	1,000.00	16.50	1,000.00	16.50
Total		<u>27,319,887.85</u>	<u>1,940,137.26</u>	<u>28,601,279.92</u>	<u>1,553,389.09</u>

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(VI) Information on unsettled items such as receivables from and payables to related parties, etc. (Continued)****2. Project payables**

Name of project	Related parties	Closing balance	Opening balance
Trade payables	Tianjin Infrastructure Investment Group	75,290,023.09	100,200,439.28
Trade payables	Tianjin Huadi Public Utility Engineering Construction Supervision Co., Ltd.	4,973,189.55	5,015,656.84
Trade payables	Tianjin Pipeline Water Works Engineering Co., Ltd.	3,021,483.59	3,021,483.59
Trade payables	Tianjin Pipeline Engineering Group Co., Ltd.	1,065,671.57	1,063,238.57
Trade payables	Tianjin Huashui Water Supply Construction Co., Ltd.	1,060,322.67	902,103.07
Trade payables	Tianjin Water Works (Group) Company Ltd.	756,047.90	1,418,703.24
Trade payables	Tianjin Huamiao Planning, Surveying and Design Institute Co., Ltd.	413,857.02	127,879.07
Trade payables	Tianjin Saiying Engineering Construction Consulting & Management Co., Ltd.	361,582.00	361,582.00
Trade payables	Tianjin Middle Ring System Engineering Co., Ltd.	209,586.60	209,586.60
Trade payables	Tianjin Xianxing Multimedia Network Technology Co., Ltd.	94,850.00	94,850.00
Trade payables	Tianjin Urban Planning and Design Research Institute Co., Ltd.	31,000.00	248,000.00
Trade payables	Hangzhou Water Group Co., Ltd.	30,000.00	50,000.00
Trade payables	Tianjin Electronic Computer Institute	28,000.00	28,000.00
Trade payables	Tianjin Cheng'an Thermal Power Co. Ltd.		981,000.00
Trade payables	Tianjin Eco-city Energy Investment & Development Co., Ltd.		26,880.55
Other payables	Tianjin City Infrastructure Construction and Investment Group Co., Ltd.* (天津城市基礎設施建設投資集團有限公司)	1,675,402.84	1,675,386.32
Other payables	Tianjin Institute of Surveying and Mapping Co., Ltd.	291,967.81	291,967.81
Other payables	Tianjin International Machinery Co., Ltd.	175,133.80	175,133.80
Other payables	Tianjin Finance City Property Management Company Limited	138,781.10	138,781.10
Other payables	Tianjin Environmental Investment Green Engineering Co., Ltd.	93,634.47	93,634.47
Other payables	Tianjin Eco-city Environmental Testing Center Co., Ltd.	23,000.00	
Other payables	Tianjin Municipal Engineering Design & Research Institute Co., Ltd.	7,250.00	23,250.00
Other payables	Tianjin Haihe Construction Development and Investment Co., Ltd.* (天津市海河建設發展投資有限公司)		213,698.00
Other payables	Tianjin Chengchan Development Co., Ltd.		160,870.62
Other payables	Tianjin Environmental Construction Investment Co., Ltd.		158,273.60
Other payables	Hangzhou Water Environment Development Co., Ltd.		110,000.00
Other payables	Tianjin Jinzhong Urban Renewal Construction and Development Company Limited		18,370.80
Other payables	Tianjin Middle Ring System Engineering Co., Ltd.		7,000.00
Other payables	Tianjin Taihuan Renewable Resources Utilization Co., Ltd.		2,170.96

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(VI) Information on unsettled items such as receivables from and payables to related parties, etc. (Continued)****3. Other projects**

Name of project	Related parties	Closing balance	Opening balance
Contract liabilities	Tianjin Infrastructure Investment Group	34,140,929.98	37,772,660.82
Contract liabilities	Tianjin United Investment Real Estate Development Co., Ltd.	2,959,434.95	
Contract liabilities	Tianjin Jinyu Jincheng Real Estate Development Co., Ltd.		2,654,394.12
Contract liabilities	Tianjin Pipeline Engineering Group Co., Ltd.	1,559,499.09	1,660,416.52
Contract liabilities	Tianjin City Metro Group Company Limited	1,116,679.80	1,116,679.80
Contract liabilities	Tianjin Beicheng Construction Development Co. Ltd.	877,475.74	3,509,902.97
Contract liabilities	Tianjin Rail Transit Group Co., Ltd.	877,112.84	877,112.84
Contract liabilities	Tianjin Eco-city Investment & Development Co., Ltd.	700,312.40	700,878.55
Contract liabilities	Tianjin Bihai Sponge City Co., Ltd.	694,445.87	
Contract liabilities	Tianjin Zhengdong Real Estate Development Co., Ltd.	151,406.00	152,988.57
Contract liabilities	Tianjin Pipeline Water Works Engineering Co., Ltd.	99,103.67	99,103.67
Contract liabilities	Tianjin Changlu Real Estate Development Co., Ltd.	79,825.69	79,825.69
Contract liabilities	Tianjin Zhonglong Fengtai Real Estate Co., Ltd.	69,872.47	69,872.47
Contract liabilities	Tianjin Jinju Real Estate Development Co., Ltd.	68,306.30	68,306.30
Contract liabilities	Tianjin Tianfang Lisishan Real Estate Development Co., Ltd.	65,124.25	65,124.25
Contract liabilities	Tianjin Research Institute of Building Materials Science Co., Ltd.	62,990.64	62,990.64
Contract liabilities	Tianjin Jinnuo Real Estate Development Co., Ltd.	59,504.60	297,522.94
Contract liabilities	Tianjin Tianfangxinhe Real Estate Development Co., Ltd.	53,196.69	53,196.69
Contract liabilities	Tianjin Haijing Chenyang Real Estate Co., Ltd.	6,747.57	6,747.57
Contract liabilities	Tianjin Metro Resources Investment Co., Ltd.	5,067.96	5,067.96
Contract liabilities	Tianjin Water Works (Group) Company Ltd.	4,909.09	4,909.09
Contract liabilities	Tianjin Xinyi Real Estate Investment Co., Ltd.	2,438.35	2,438.35
Advances	Hangzhou Sewage Company	423,085.40	423,085.40
Advances	Tianjin Environmental Investment Green Engineering Co., Ltd.		263,032.74
Advances	Tianjin Environmental Investment Green Engineering Co., Ltd.		18,570.08
Non-current liabilities due within a year	Dongying Runli Municipal Garden Co., Ltd.	50,787.68	100,045.20
Other non-current liabilities	Dongying Runli Municipal Garden Co., Ltd.	2,320,000.00	1,990,000.00

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(VI) Information on unsettled items such as receivables from and payables to related parties, etc. (Continued)****3. Other projects** (Continued)

Name of project	Related parties	Closing balance	Opening balance
Prepayments	Tianjin Municipal Engineering Design & Research Institute Co., Ltd.	301,360.00	301,360.00
Prepayments	Tianjin Pipeline Water Works Engineering Co., Ltd.	289,472.70	289,472.70
Prepayments	Tianjin Middle Ring System Engineering Co., Ltd.	185,850.00	185,850.00
Prepayments	Tianjin Pipeline Engineering Group Co., Ltd.	117,380.70	117,380.70
Prepayments	Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	68,773.58	2,000.00
Prepayments	Tianjin Huadi Public Utility Engineering Construction Supervision Co., Ltd.	41,354.73	41,354.73
Prepayments	Tianjin Water Works (Group) Company Ltd.	75,547.70	
Prepayments	Jinran China Resources Gas Co., Ltd.	10,000.00	
Other non-current assets	Tianjin Jinzhong Urban Renewal Construction and Development Company Limited	59,624,767.49	59,624,767.49
Other non-current assets	Tianjin Expressway Construction Engineering Co., Ltd.	3,215,720.67	3,215,720.67
Other non-current assets	Tianjin Environmental Investment Green Engineering Co., Ltd.	2,624,119.66	2,624,119.66

(VII) 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 Group 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 period, the majority of the Group’s cash and cash equivalents and borrowings were saved at or obtained from state-owned banks.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XIV. COMMITMENTS AND CONTINGENCIES**(I) Contingencies**

The Group's capital commitments at 30 June 2026 are as follows: (Unit: RMB)

Items	Contracted but not provided for		Authorized but not contracted for	
	Closing balance	Opening balance	Closing balance	Opening balance
Intangible assets – Concession	269,565,185.94	443,455,530.00		
Sewage processing project	257,198,460.11	349,811,287.00		
Heating and cooling supply service project	12,366,725.83	93,644,243.00		
Fixed assets project	153,083,214.86	174,594,767.94		
Total	422,648,400.80	618,050,297.94		

XV. EVENTS AFTER THE BALANCE SHEET DATE

As at 30 June 2026, the Group has no significant events after the balance sheet date.

XVI. OTHER MAJOR EVENTS**(I) Segment reporting****1. Basis of determination and accounting policies for segment reporting**

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies and the Group therefore separately manages the production and operation activities of each reportable segment and evaluates their respective operating results for resources allocation and performance assessment. The Group considers its operations from the perspective of providing services and regions. As the perspective of providing services, management assesses the performance sewage treatment, recycled water, pipeline connection, heating and cooling supply services, sales of tap water and sales of environmental protection equipment. Sewage treatment is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). The environmental protection equipment sold by the Group is mainly the result of the scientific research and transformation of environmental protection patent technology. Other services, including contract operation services, rental income and technical services, are not separately presented within the reportable operating segments, but are included in the 'all other segments' column. The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to the segments are allocated based on the proportion of each segment's revenue.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVI. OTHER MAJOR EVENTS(Continued)

(I) Segment reporting (Continued)

2. Financial information for segment reporting

Items	Sewage water processing and sewage treatment plant construction – Tianjin	Sewage water processing – Hangzhou	Sewage water processing and sewage treatment plant construction – Others	Recycled water and auxiliary projects	Heating and cooling supply services	Tap water and water plant facilities construction	Sales of environmental protection equipment	All other segments	Total
Revenue from external customers	804,624,669.16	143,771,537.72	770,634,097.06	126,540,406.36	105,232,601.94	36,603,795.95	10,530,724.80	251,429,359.72	2,249,367,192.71
Operating costs	374,264,828.18	73,195,378.94	501,313,533.46	78,225,953.50	90,427,666.48	22,049,390.70	8,295,045.12	202,487,148.32	1,350,258,944.70
Interest income	6,068,844.21	482,170.69	625,696.30	488,867.51	117,425.55	14,321.58	79,190.58	919,629.19	8,796,145.61
Interest expenses	69,326,626.95	23,474.64	44,594,148.03	-92,187.71	3,351,371.70	72,867.91	0.38	14,379,352.02	131,655,653.92
Results before share of profits of an associate	252,769,559.65	63,016,696.78	210,310,104.19	37,471,890.01	13,244,862.32	8,336,829.03	1,907,918.88	34,935,419.70	621,993,280.56
Segment total profit/(loss)	252,769,559.65	63,016,696.78	210,310,104.19	37,471,890.01	13,244,862.32	8,336,829.03	1,907,918.88	34,935,419.70	621,993,280.56
Income tax expenses	29,776,318.00	6,359,367.83	44,720,461.75	11,119,550.37	5,218,193.31	1,946,179.76	-11,823.87	9,602,698.82	108,730,945.97
Segment net profit/(loss)	222,993,241.65	56,657,328.95	165,589,642.44	26,352,339.64	8,026,669.01	6,390,649.27	1,919,742.75	25,332,720.88	513,262,334.59
Net profit	222,993,241.65	56,657,328.95	165,589,642.44	26,352,339.64	8,026,669.01	6,390,649.27	1,919,742.75	25,332,720.88	513,262,334.59
Depreciation expenses	2,133,561.75	117,281.18	29,254,677.20	246,232.19	35,076,827.97	22,399.19	12,517.48	24,142,299.13	91,005,796.09
Amortisation	87,001,636.79	29,094,505.21	132,369,916.84	6,505,488.28	15,859,918.62	8,247,885.42	1,337,770.10	18,672,341.30	299,089,462.56
Segment assets	8,912,255,626.87	623,099,074.97	9,483,525,811.58	1,474,169,087.14	1,263,198,730.88	616,798,605.87	43,957,282.13	2,944,540,617.90	25,361,544,837.34
Long-term equity investments in associate									211,866,236.74
Total assets									25,573,411,074.08
Total liabilities	6,770,273,881.76	22,381,118.68	3,717,832,406.76	1,027,403,676.94	712,195,641.98	89,348,768.53	13,194,344.39	1,631,273,293.47	13,983,903,132.51
Addition of non-current assets	4,380,259.43	3,039,915.62	90,573,778.78	8,855,087.32	17,697,542.88	124,604.43	30,419.54	6,861,863.39	131,563,471.39

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY

(I) Trade receivables

1. Disclosure by age

Ageing	Closing balance	Opening balance
Up to and including 1 year	898,111,298.63	1,025,192,754.30
1 to 2 years	33,997,031.91	76,798,470.51
2 to 3 years	56,373,645.86	2,699,527.25
3 to 4 years	2,699,527.25	7,739,270.32
4 to 5 years	7,739,270.32	411,300.30
Over 5 years	1,069,000.30	657,700.00
Sub-total	999,989,774.27	1,113,499,022.68
Less: Provision	44,025,317.49	41,718,101.01
Total	955,964,456.78	1,071,780,921.67

2. Categorized and disclosed by methods of bad debt accrual

Category	Closing balance		Provision for bad debts	
	Book balance Amount	Percentage (%)	Amount	Accrual ratio (%)
Accounts receivable assessed for bad debts provisions individually	902,485,935.56	90.25	32,328,848.15	3.58
Accounts receivable for which provision for bad debts is made on a portfolio basis	97,503,838.71	9.75	11,696,469.34	12.00
Including: Group 1: Related parties within the consolidation scope	1,576,660.88	0.16		—
Group 3: Receivables from government clients	11,307,974.32	1.13	6,831,519.78	60.41
Group 4: Receivables from other clients	84,619,203.51	8.46	4,864,949.56	5.75
Total	999,989,774.27	100.00	44,025,317.49	4.40

Category	Opening balance		Provision for bad debts	
	Carrying amount Amount	Percentage (%)	Amount	Accrual ratio (%)
Accounts receivable assessed for bad debts provisions individually	1,024,157,268.73	91.98	34,328,848.15	3.35
Accounts receivable for which provision for bad debts is made on a portfolio basis	89,341,753.95	8.02	7,389,252.86	8.27
Including: Group 1: Related parties within the consolidation scope				
Group 3: Receivables from government clients	11,295,974.32	1.01	3,318,086.66	29.37
Group 4: Receivables from other clients	78,045,779.63	7.01	4,071,166.20	5.22
Total	1,113,499,022.68	100.00	41,718,101.01	3.75

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(I) Trade receivables (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Significant individual assessed provision for bad debts on receivables

Name of entities	Book balance	Provision for bad debts	Closing balance Provision ratio (%)	Notes
Tianjin Water Authority Bureau	865,248,757.03	1,772,748.16	0.21	As these clients are municipal governments, 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 Company from Tianjin Water Authority Bureau have a lower credit risk. Based on the historical experience, the Company maintains continuous receiving and there was no actual bad debt loss. Therefore, the Company estimates that the lifetime ECL rate of the receivables is 0.21%.
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	18,479,819.98	11,798,741.44	63.85	Receivables of the Company from Tianjin City Appearance Sanitation Construction Development Co. Ltd. comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from them are under high credit risk. The Company considering factors such as the debtor's actual performance ability, historical repayment experience and ageing, estimates that the lifetime ECL rate is 63.85%.
Tianjin Shuangkou Municipal Solid Waste Landfill	4,510,390.57	4,510,390.57	100.00	Receivables of the Company from Tianjin Shuangkou Municipal Solid Waste Landfill comprise technical services fees. The client had no transactions with the Company during the year. The Company considering factors such as the debtor's actual performance ability, historical repayment experience and ageing, estimates that the lifetime ECL rate is 100%.
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	14,246,967.98	14,246,967.98	100.00	Receivables of the Company 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 ability, historical repayment experience, and ageing, the Company estimates that the lifetime ECL rate is 100%.
Total	902,485,935.56	32,328,848.15	3.58	

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(I) Trade receivables (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

(1) Significant individual assessed provision for bad debts on receivables (Continued)

Name of entities	Carrying amount	Provision for bad debts	Opening balance Provision ratio (%)	Notes
Tianjin Water Authority Bureau	984,860,090.20	1,772,748.16	0.18	As these clients are municipal governments, 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 Company from Tianjin Water Authority Bureau have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Group estimates that the lifetime ECL rate is 0.18%.
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	18,539,819.98	11,798,741.44	63.64	Receivables of the Company from Tianjin City Appearance Sanitation Construction Development Co. Ltd. comprise technical services fees. The repayment period is longer than that of general government clients. The receivables from them are under high credit risk. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 63.64%.
Tianjin Shuangkou Municipal Solid Waste Landfill	4,510,390.57	4,510,390.57	100.00	Receivables of the Company from Tianjin Shuangkou Municipal Solid Waste Landfill comprise technical services fees. The client had no transactions with the Group during the year. The receivables from them are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates are 100%.
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,246,967.98	16,246,967.98	100.00	Receivables of the Company from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The client had no transactions with the Group during the year. 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%.
Total	1,024,157,268.73	34,328,848.15	3.35	

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(I) Trade receivables (Continued)

2. Categorized and disclosed by methods of bad debt accrual (Continued)

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

① Group 1: Related parties within the consolidation scope

Ageing	Closing balance			Opening balance		
	Carrying amount	Provision	Provision Percentage (%)	Book balance	Provision	Provision Percentage (%)
Within 1 year	1,576,660.88					
Total	1,576,660.88					

② Group 3: Receivables from government clients

Ageing	Closing balance			Opening balance		
	Carrying amount	Provision	Provision Percentage (%)	Book balance	Provision	Provision Percentage (%)
Within 1 year	12,000.00	98.54	0.82	4,630,000.00	73,918.73	1.60
1 to 2 years	4,630,000.00	165,446.92	3.57			
2 to 3 years				6,228,333.32	2,806,526.93	45.06
3 to 4 years				151,941.00	151,941.00	100.00
4 to 5 years	6,228,333.32	6,228,333.32	100.00	285,700.00	285,700.00	100.00
Over 5 years	437,641.00	437,641.00	100.00			
Total	11,307,974.32	6,831,519.78	60.41	11,295,974.32	3,318,086.66	29.37

③ Group 4: Receivables from other clients

Ageing	Closing balance			Opening balance		
	Carrying amount	Provision	Provision Percentage (%)	Book balance	Provision	Provision Percentage (%)
Within 1 year	31,273,880.72	419,284.36	1.34	35,702,664.10	541,956.11	1.52
1 to 2 years	15,120,063.93	869,290.61	5.75	37,501,291.98	2,463,195.62	6.57
2 to 3 years	33,383,435.31	2,285,775.16	6.85	2,699,527.25	273,542.35	10.13
3 to 4 years	2,699,527.25	314,937.06	11.67	1,510,937.00	302,269.70	20.01
4 to 5 years	1,510,937.00	344,303.07	22.79	259,359.30	118,202.42	45.57
Over 5 years	631,359.30	631,359.30	100.00	372,000.00	372,000.00	100.00
Total	84,619,203.51	4,864,949.56	5.75	78,045,779.63	4,071,166.20	5.22

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(I) Trade receivables (Continued)

3. Information on provision for bad debts

Category	Opening balance	Provision	Amount of changes in the current period			Closing balance
			Collected or reversed	Write-off	Other changes	
Provision for bad debts on an individual basis	34,328,848.15		2,000,000.00			32,328,848.15
Accounts receivables with provision for bad debts by group	7,389,252.86	4,307,216.48				11,696,469.34
Total	41,718,101.01	4,307,216.48	2,000,000.00			44,025,317.49

Significant reversals or recoveries of accounts receivable provisions occurred during the current period.

Name of entities	Amount	Reason for reversal	Recovered	The basis for determining the original bad debt provision ratio and its rationality
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	2,000,000.00	Recovered amount	Cash	Receivables of the Company from Tianjin Ziya Economic Development Group Co., Ltd. and Tianjin Shuangkou Municipal Solid Waste Landfill comprise contract operation fees and technical services fees, respectively. The above-mentioned companies had no transactions with the Company during the year. The receivables from them are under high credit risk. The Company considering factors such as the debtor's actual performance ability, historical repayment experience and ageing, estimates that the lifetime ECL rate is 100%.
Total	2,000,000.00	—	—	—

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)**(I) Trade receivables** (Continued)**4. Actual Write-offs of Accounts Receivable**

The amount of accounts receivable actually written off during the period was RMB0.00.

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

Name	Trade receivables Closing balance	Closing balance of contract assets	Accounts receivable and contract assets end of period Amount	Percentage of total closing balance of accounts receivable and contract assets (%)	Closing balance of bad debt provision
Tianjin Water Authority Bureau	865,248,757.03		865,248,757.03	86.53	1,772,748.16
Tianjin Hanbin Investment Group Co., Ltd	21,733,989.32		21,733,989.32	2.17	1,488,133.63
Tianjin Binhai New Area Huanbin Sewage Treatment Co., Ltd.	19,841,685.86		19,841,685.86	1.98	1,064,238.68
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	18,479,819.98		18,479,819.98	1.85	11,798,741.44
Tianjin Ziya Economic Development Group Co., Ltd.	14,246,967.98		14,246,967.98	1.42	14,246,967.98
Total	<u>939,551,220.17</u>		<u>939,551,220.17</u>	<u>93.95</u>	<u>30,370,829.89</u>

(II) Other receivables

Items	Closing balance	Opening balance
Interest receivable		
Dividend receivable	18,127,471.57	36,782,471.57
Other receivables	<u>89,685,333.26</u>	<u>90,808,724.27</u>
Total	<u>107,812,804.83</u>	<u>127,591,195.84</u>

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(II) Other receivables (Continued)

1. Dividend receivable

(1) Classification of dividend receivable

Investee units	Closing balance	Opening balance
Wuhan Tianchuang Environmental Protection Co., Ltd.* (武漢天創環保有限公司)	9,038,639.00	19,038,639.00
Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)	4,000,000.00	4,000,000.00
Honghu Tianchuang Capital Water Co., Ltd.	3,128,889.79	3,128,889.79
Changsha Tianchuang Environmental Protection Co., Ltd	1,959,942.78	1,959,942.78
Qujing Capital Water Co., Ltd.		8,655,000.00
Total	<u>18,127,471.57</u>	<u>36,782,471.57</u>

2. Other receivables

(1) Disclosure by age

Ageing	Closing balance	Opening balance
Up to and including 1 year	2,000.00	1,789,962.93
1 to 2 years	9,500,069.92	80,606,133.34
2 to 3 years	71,770,635.34	1,338.24
Over 3 years	<u>9,597,137.81</u>	<u>9,595,799.57</u>
Sub-total	<u>90,869,843.07</u>	<u>91,993,234.08</u>
Less: Provision	<u>1,184,509.81</u>	<u>1,184,509.81</u>
Total	<u>89,685,333.26</u>	<u>90,808,724.27</u>

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(2) Disclosure by nature of payment

Nature of payment	Closing balance	Opening balance
Due from subsidiaries	20,033,081.52	19,601,294.05
Project deposits	70,065,680.00	70,076,313.00
Others	771,081.55	2,315,627.03
Sub-total	90,869,843.07	91,993,234.08
Less: Provision for bad debts	1,184,509.81	1,184,509.81
Total	89,685,333.26	90,808,724.27

(3) Categorized and disclosed by methods of bad debt accrual

Category	Book balance		Closing balance Provision		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other accounts receivable for which provision for bad debts is made on a portfolio basis	90,869,843.07	100.00	1,184,509.81	1.30	89,685,333.26
Including: Group 1: Related parties within the consolidation scope	20,033,081.52	22.05			20,033,081.52
Group 5: Deposits	70,065,680.00	77.10	1,156,259.16	1.65	68,909,420.84
Group 6: Others	771,081.55	0.85	28,250.65	3.66	742,830.90
Total	90,869,843.07	100.00	1,184,509.81	1.30	89,685,333.26

Category	Carrying amount		Opening balance Provision		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other accounts receivable for which provision for bad debts is made on a portfolio basis	91,993,234.08	100.00	1,184,509.81	1.29	90,808,724.27
Including: Group 1: Related parties within the consolidation scope	19,601,294.05	21.31			19,601,294.05
Group 5: Deposits	70,076,313.00	76.18	1,156,259.16	1.65	68,920,053.84
Group 6: Others	2,315,627.03	2.51	28,250.65	1.22	2,287,376.38
Total	91,993,234.08	100.00	1,184,509.81	1.29	90,808,724.27

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(3) Categorized and disclosed by methods of bad debt accrual (Continued)

① Significant individual assessed provision for bad debts on other receivables

Amount of individual provision for bad debts on other receivables for the current period is RMB0.00.

② Other accounts receivable for which provision for bad debts is made on a portfolio basis

Name	Book balance	Closing balance	
		Provision	Provision Percentage (%)
Group 1: Related parties within the consolidation scope	20,033,081.52		
Group 5: Deposits	70,065,680.00	1,156,259.16	1.65
Group 6: Others	771,081.55	28,250.65	3.66
Total	90,869,843.07	1,184,509.81	1.30

Ageing	Carrying amount	Opening balance	
		Provision	Provision Percentage (%)
Group 1: Related parties within the consolidation scope	19,601,294.05		
Group 5: Deposits	70,076,313.00	1,156,259.16	1.65
Group 6: Others	2,315,627.03	28,250.65	1.22
Total	91,993,234.08	1,184,509.81	1.29

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)**(II) Other receivables** (Continued)**2. Other receivables** (Continued)**(4) Other accounts receivable for which provision for bad debts made on a the general model of ECL**

Provision	Stage 1 Next 12 months ECL	Stage 2 ECL throughout the lifetime (no credit impairment has occurred)	Stage 3 ECL throughout the lifetime (credit impairment has occurred)	Total
Balance as of 1 January 2026	1,184,509.81			1,184,509.81
Balance as of 1 January 2026 in this period	1,184,509.81			1,184,509.81
– Transfers from stage 2				
– Transfers from stage 3				
– Reversal to stage 2				
– Reversal to stage 1				
Provision for this period				
Transferred in this period				
Resale in this period				
Write-off in this period				
Other changes				
30 June 2026 Amount	1,184,509.81			1,184,509.81

(5) Information on the provision for bad debts

Category	Opening balance	Provision	Amount of changes in the current period			Closing balance
			Collected or reversed	Write-off or Resale	Other changes	
Other accounts receivable for which provision for bad debts is made on a portfolio basis	1,184,509.81					1,184,509.81
Total	1,184,509.81					1,184,509.81

The amount of bad debt provision reversal or recovery for other material receivables in this period was RMB0.00.

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(6) Actual Write-offs of Other Accounts Receivable for the Period

The amount of other accounts receivable actually written off during the period was RMB0.00.

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

Name of entities	Nature of payment	Closing balance	Ageing	Proportion of total closing balance of other accounts receivable (%)	Closing balance of bad debt provision
Wuhu Public Resources Trading Center	Security deposits	20,000,000.00	2-3 years	22.01	330,000.00
Tianjin Dongli District Heating and Gas Management Center	Security deposits	50,000,000.00	2-3 years	55.02	825,000.00
Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)	Internal transfers	17,511,072.00	1 to 2 years, RMB8,830,528; over 5 years, RMB8,680,544	19.27	
Tianjin Capital New Materials Co., Ltd.	Internal transfers	1,743,937.84	2-3 years	1.92	
Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司)	Internal transfers	779,391.63	Over 5 years	0.86	
Total		90,034,401.47	—	99.08	1,155,000.00

(III) Long-term equity investments

Items	Carrying amount	Closing balance Provision for impairment	Carrying amount	Carrying amount	Opening balance Provision for impairment	Carrying amount
Investments in subsidiaries	6,235,689,108.37	688,842,998.09	5,546,846,110.28	6,184,716,108.37	688,842,998.09	5,495,873,110.28
Investments in associates and joint ventures	234,223,145.32	22,356,908.58	211,866,236.74	234,223,145.32	22,356,908.58	211,866,236.74
Total	6,469,912,253.69	711,199,906.67	5,758,712,347.02	6,418,939,253.69	711,199,906.67	5,707,739,347.02

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(III) Long-term equity investments (Continued)

1. Information on long-term equity investments

(1) Investments in subsidiaries

Investee units	Opening balance (Carrying amount)	Opening balance of impairment provision	Further increase of investments	Changes during the period		Others	Closing balance (Carrying amount)	Closing balance of impairment provision
				Reduction of investments	Accrual of provision for impairment			
Karamay Capital Water Co., Ltd	113,873,200.00						113,873,200.00	
Tianjin Tianchuang Green Energy New Energy Technology Co., Ltd.* (天津 天創綠能新能源科技有限公司)	92,340,000.00						92,340,000.00	
Enshi Capital Water Co., Ltd.* (恩施市創環水務有限公司)	162,317,855.00						162,317,855.00	
Hanshan Chuanghuan Water Co., Ltd.	34,278,615.00						34,278,615.00	
Tianjin Capital New Materials Co., Ltd.	58,144.34	26,499,622.00					58,144.34	26,499,622.00
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	212,987,628.74						212,987,628.74	
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd.	80,000,000.00						80,000,000.00	
Tianjin Caring Technology Development Co., Ltd.	16,412,065.44						16,412,065.44	
Shandong Capital Environmental Protection Technology Co., Ltd.	45,206,417.75						45,206,417.75	
Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.	60,500,000.00						60,500,000.00	
Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源 有限公司)	148,683,675.31	234,724,653.02					148,683,675.31	234,724,653.02
Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用 有限公司)	79,283,584.86	270,395,723.07					79,283,584.86	270,395,723.07
Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)	134,982,723.19						134,982,723.19	
Karamay Tianchuang Capital Water Co., Ltd.	108,135,670.06						108,135,670.06	
Inner Mongolia Boyannur Capital Water Co., Ltd.	777,034,125.75		33,985,000.00				811,019,125.75	
Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)	158,315,425.75						158,315,425.75	
Xi'an Capital Water Co., Ltd.	476,407,632.50						476,407,632.50	

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(III) Long-term equity investments (Continued)

1. Information on long-term equity investments (Continued)

(1) Investments in subsidiaries (Continued)

Investee units	Opening balance (Carrying amount)	Opening balance of impairment provision	Further increase of investments	Changes during the period		Others	Closing balance (Carrying amount)	Closing balance of impairment provision
				Reduction of investments	Accrual of provision for impairment			
Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司)	65,968,144.31						65,968,144.31	
Hangzhou Tianchuang Capital Water Co., Ltd.	264,299,136.27						264,299,136.27	
Deqing Capital Water Co., Ltd.	54,193,814.37						54,193,814.37	
Hefei Capital Water Co., Ltd.	206,106,735.91						206,106,735.91	
Anhui Tianchuang Capital Water Co., Ltd.	0.00	63,670,000.00						63,670,000.00
Baoying Capital Water Co., Ltd.* (寶應創業水務有限責任公司)	69,435,670.06						69,435,670.06	
Huoqiu Capital Water Co., Ltd.	37,290,370.06						37,290,370.06	
Yingshang Capital Water Co., Ltd.* (潁上創業水務有限公司)	53,135,670.06						53,135,670.06	
Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)	456,252,011.72						456,252,011.72	
Hanshan Capital Water Co., Ltd.	17,781,940.88						17,781,940.88	
Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司)	308,566,386.74						308,566,386.74	
Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.	128,613,921.55						128,613,921.55	
Anguo Capital Water Co., Ltd.* (安國創業水務有限公司)	0.00	41,000,000.00						41,000,000.00
Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司)	7,560,000.00	15,000,000.00					7,560,000.00	15,000,000.00
Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司)	0.00	37,553,000.00						37,553,000.00
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	62,106,000.00						62,106,000.00	
Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)	81,170,214.37						81,170,214.37	
Dalian Oriental Chunliube Water Quality Purification Co., Ltd.	48,213,447.24						48,213,447.24	
Wuhan Tianchuang Environmental Protection Co., Ltd.* (武漢天創環保有限公司)	197,374,680.58						197,374,680.58	
Honghu Tianchuang Capital Water Co., Ltd.	111,810,688.19						111,810,688.19	
Honghu Tianchuang Environmental Protection Co., Ltd.	26,700,000.00						26,700,000.00	

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(III) Long-term equity investments (Continued)

1. Information on long-term equity investments (Continued)

(1) Investments in subsidiaries (Continued)

Investee units	Opening balance (Carrying amount)	Opening balance of impairment provision	Further increase of investments	Changes during the period			Others	Closing balance (Carrying amount)	Closing balance of impairment provision
				Reduction of investments	Accrual of provision for impairment				
Changsha Tianchuang Environmental Protection Co., Ltd.	37,664,089.37							37,664,089.37	
Changsha Tianchuang Capital Water Co., Ltd.	17,001,780.00							17,001,780.00	
Hanshou Tianchuang Capital Water Co., Ltd.* (漢壽天創水務有限公司)	33,948,869.63							33,948,869.63	
Guizhou Capital Water Co., Ltd.	123,262,194.64							123,262,194.64	
Huize Capital Water Co., Ltd.	32,775,788.63							32,775,788.63	
Qijing Capital Water Co., Ltd.	155,111,649.01							155,111,649.01	
Dongying Tianchi Environmental Technology Co., Ltd.	2,550,000.00							2,550,000.00	
Tianjin Tianchuang Environmental Technology Co., Ltd.* (天津天創環境技術有限公司)	45,000,000.00							45,000,000.00	
Weng'an Capital Water Co., Ltd.	51,987,150.00							51,987,150.00	
Huoqiu Chuanghuan Water Co., Ltd.	10,200,000.00							10,200,000.00	
Wuhu Chuanghuan Water Co., Ltd.	18,282,000.00		12,188,000.00					30,470,000.00	
Huize Chuanghuan Water Co., Ltd.	19,493,993.00							19,493,993.00	
Chibi Chuanghuan Water Co., Ltd.* (赤壁創環水務有限公司)	51,200,000.00							51,200,000.00	
Ningguo Jingkai Chuanghuan Water Co., Ltd.			4,800,000.00					4,800,000.00	
Total	5,495,873,110.28	688,842,998.09	50,973,000.00					5,546,846,110.28	688,842,998.09

(2) Investments in associates and joint ventures

Investee units	Opening balance (Carrying amount)	Further increase of investments	Reduction of investments	Investment gains and losses recognized under the equity method	Changes during the period				Closing balance (Carrying amount)	Provision for impairment Closing balance
					Investment comprehensive income adjustments	Other changes in equity	Declaration of cash dividends or profits	Accrual of provision for impairment		
I. Joint ventures										
Tianjin International Machinery Co., Ltd.										22,356,908.58
Tianjin Binhai Sponge City Co., Ltd.	211,866,236.74								211,866,236.74	
Total	211,866,236.74								211,866,236.74	22,356,908.58

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(IV) Revenue and cost of sales

1. Information on revenue and cost of sales

Items	Incurred during the period		Incurred during the previous period	
	Revenue	Cost	Revenue	Cost
Main operations	782,094,735.61	358,202,998.62	729,103,213.31	368,410,084.76
Other operations	18,692,775.80	2,875,297.30	90,663,376.43	65,762,448.26
Total	800,787,511.41	361,078,295.92	819,766,589.74	434,172,533.02

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

(1) Analysis by the type of revenue

Items	Incurred during the period		Incurred during the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Main operations	782,094,735.61	358,202,998.62	729,103,213.31	368,410,084.76
Including: Revenue of sewage water processing	751,003,733.43	354,642,998.62	696,772,687.32	364,856,786.64
Revenue of road tolls	31,091,002.18	3,560,000.00	32,330,525.99	3,553,298.12
Other operations	18,692,775.80	2,875,297.30	90,663,376.43	65,762,448.26
Including: Revenue from contract operation	4,415,625.18	2,875,297.30	3,341,935.62	1,705,582.94
Technical service income	13,752,482.83		83,386,253.74	63,545,297.46
Other income	524,667.79		3,935,187.07	511,567.86
Total	800,787,511.41	361,078,295.92	819,766,589.74	434,172,533.02

(2) Analysis by region

Items	Incurred during the period		Incurred during the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Tianjin	800,787,511.41	361,078,295.92	819,766,589.74	434,172,533.02
Total	800,787,511.41	361,078,295.92	819,766,589.74	434,172,533.02

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVII. NOTES ON SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)**(IV) Revenue and cost of sales** (Continued)**2. Information on the breakdown of operating revenues and operating costs** (Continued)**(3) Analysis by time of transfer of goods**

Items	Recognised over a period of time		Recognised at a point in time	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Main operations	782,094,735.61	358,202,998.62		
Including: Revenue of sewage water processing	751,003,733.43	354,642,998.62		
Revenue of road tolls	31,091,002.18	3,560,000.00		
Other operations	18,692,775.80	2,875,297.30		
Including: Revenue from contract operation	4,415,625.18	2,875,297.30		
Technical service income	13,752,482.83			
Other income	524,667.79			
Total	<u>800,787,511.41</u>	<u>361,078,295.92</u>		

3. Explanation of satisfaction of performance obligations

Items	Timing of satisfaction of performance obligations	Significant payment terms	Nature of goods/ services to be transferred	Principal/Agent classification	Expected amounts refundable to customers	Type of warranty and related obligations
Sewage water processing and water plant facilities construction and interest income from PPP projects	Over time as construction and services are provided	Contract consideration typically settled based on treatment volume	Wastewater treatment and water treatment plant facilities construction	Yes	Nil	Assurance-type

(V) Gain from investments

Items	Incurred during the period	Incurred during the previous period
Gain from long-term equity investments accounted for under the cost method	33,985,000.00	3,128,889.79
Investment income from disposal of long-term equity investments		-4,303,451.00
Interest income from debt investments held	<u>29,758,782.04</u>	<u>34,989,351.92</u>
Total	<u>63,743,782.04</u>	<u>33,814,790.71</u>

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVIII. SUPPLEMENTARY INFORMATION

(I) Statement of Non-recurring profit or loss

Items	Amount for the current period	Amount for the previous period
1. Gain or loss on disposal of non-current assets (including the part of provision for asset impairment being written off)	-180.00	-2,727,673.58
2. Government grants recognized in current profit and loss, except for those closely related to normal business operation, in compliance with requirements of national policies, and settled in certain amount which are constantly granted by government	38,437,190.46	38,025,791.26
3. Except for effective hedging activities related to the normal business operations of the Company, gains or losses arising from changes in the fair value of financial assets and financial liabilities held by non-financial enterprises, as well as gains or losses arising from the disposal of financial assets and financial liabilities		
4. Funds occupation fees charged to non-financial enterprises and included in current profit or loss		
5. Gains or losses from entrusting others to invest or manage assets		
6. Gains and losses from external entrusted loans		
6. Losses of assets due to force majeure, such as natural disasters		
7. Reversal of impairment provision for accounts receivable subject to separate impairment test	2,000,000.00	53,953,772.88
9. The gain arising from the acquisition of a subsidiary, associate, or joint venture when the investment cost is less than the fair value of the identifiable net assets of the investee at the date of acquisition		
10. Current net profit or loss of subsidiaries resulting from business combination under common control from the beginning of the period to the date of the merger		
11. Gains and losses on non-monetary asset exchanges		
12. Gains and losses on debt restructuring		
13. One-time expenses incurred by the enterprise due to the discontinuation of relevant business activities, such as expenses for employee resettlement, etc.		
14. One-off impact on current profit and loss due to adjustments in tax, accounting and other laws and regulations		
15. One-time recognized share-based payment expenses due to cancellation or modification of equity incentive plans		
16. For cash-settled share-based payments, gains and losses arising from changes in the fair value of employee salaries payable after the date on which the rights are exercisable		
17. Gains and losses from changes in fair value of investment properties that are subsequently measured using the fair value model		
18. Gains arising from transactions at prices that are manifestly unfair		
19. Gains or losses arising from contingent items unrelated to the Company normal business operations		
20. Trusteeship fee income from entrusted operation		
21. Other non-operating income and expenditure except for those mentioned above	-537,294.36	352,207.20
22. Other profit and loss items that meet the definition of extraordinary profit and loss		
Less: Impact on income tax	2,240,457.58	12,812,616.20
Effect of minority interests (after tax)	430,978.63	264,509.13
Total	37,228,279.89	76,526,972.43

Notes to the Financial Statements

(All amounts in RMB thousand unless otherwise stated)

XVIII. SUPPLEMENTARY INFORMATION (Continued)

(II) Return on equity and earnings per share

Profit during the reporting period	Weighted average return ratio on net assets (%)		Earnings per share			
	Current period	Previous period	Basic earnings per share		Diluted earnings per share	
			Current period	Previous period	Current period	Previous period
Net profit attributable to ordinary shareholders of the Company	4.65	4.80	0.31	0.30	0.31	0.30
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	4.30	4.02	0.29	0.25	0.29	0.25

Section 9 List of Documents Available for Inspection

1. The financial statements signed and sealed by the officer in charge of the Company, the officer in charge of accounting operations and the officer in charge of the accounting department (the accounting management officer).
2. Original copies of all documents and announcements of the Company publicly disclosed during the reporting period.
3. The interim report published on other securities markets.

Chairman: Mr. Tang Fusheng
Tianjin Capital Environmental Protection Group Company Limited