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

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

§ 1 IMPORTANT

1.1 The board of directors (the “**Board**”), supervisory committee (the “**Supervisory Committee**”), directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) confirm that the information in this report does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of its contents.

This results announcement is the summary of the 2023 annual report of the Company and its subsidiaries (the “**Group**”). For detailed information, please read the 2023 annual report of the Group carefully.

1.2 PricewaterhouseCoopers Zhong Tian LLP audited the 2023 financial reports of the Group and have issued unqualified audit reports.

1.3 Mr. Tang Fusheng, the Company’s chairman, Ms. Nie Yanhong, the officer in charge of the accounting function, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have declared that they are responsible for the truthfulness, accuracy and completeness of the financial reports contained in the 2023 annual report.

§ 2 COMPANY PROFILE

2.1 Basic information

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

2.2 Contact person and method

	Company Secretary to the Board	Company Secretary in Hong Kong	Securities Affairs Representative
Name	Niu Bo	Mona Y.Y. Cho	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
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§ 3 ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major accounting data

Unit: 0'000 Currency: RMB

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

3.2 Major financial indicators

Currency: RMB

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

3.3 Extraordinary Profit and Loss Items

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Item	Amount in 2023	Amount in 2022	Amount in 2021
Gain or loss on disposal of non-current assets (including those provision for asset impairment write-off)	(0.10)	(256.50)	(70.80)
Government grants recognized in current profit and loss, except for those closely related to normal business operation, in compliance with requirements of national policies, and settled in certain amount which are constantly granted by government	9,501.00	9,700.00	9,183.90
Reversal of provision for impairment loss of account receivables subject to separate impairment testing	234.00	1,022.70	346.00
Other non-operating income and expenses other than the foregoing items	357.50	(65.60)	(26.40)
Less: Effect of income tax	1,666.30	1,707.60	1,578.10
Effect of minority interests (after tax)	(220.40)	(66.20)	(104.50)
Total	<u>8,646.50</u>	<u>8,759.20</u>	<u>7,959.10</u>

§ 4 DIRECTORS' REPORT

(I) OPERATION DISCUSSION AND ANALYSIS

In 2023, the Company focused on improving economic benefits and development quality, taking the consolidation of the strength of operation, development and construction as the basis and taking revitalising the current stock, cultivating increment and improving the quality as the main method, strengthened the operation and management, increased the efforts in management improvement, risk prevention and control, cost control and optimisation of science and technology innovation system, clarified the development ideas, and promoted the realisation of the annual operation plan and business strategy formulated by the Board.

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

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

2. Actively expanding increment and consolidating the new pattern of business development

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

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

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

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

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

5. Optimise the technology management system and strengthen technology empowerment

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

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

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

(II) INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

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

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

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

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

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

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

(III) BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

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

During the reporting period, the capacity of the Company’s newly added equity-type sewage treatment business amounted to 270,000 m³ per day, newly added recycled water pipeline network for break point connection purpose amounted to 26.1 km, with no significant change in other water utilities business scale as compared with the beginning of the Reporting Period. As of the end of the Reporting Period, the total capacity of the Company’s water business was 6,175,350 m³ per day, the total capacity of the equity-type water utilities business of the Company amounted to 5,798,750 m³ per day, among which the sewage treatment capacity amounted to 5,063,750 m³ per day, water supply capacity (including tap water and industrial water supply capacity) amounted to 315,000 m³ per day; and recycled water capacity amounted to 420,000 m³ per day, the above projects are distributed in 15 provinces, municipalities and autonomous regions; the sewage treatment capacity under the entrusted operation model was 316,600 m³ per day, and the scale of recycled water was 60,000 m³ per day.

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

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

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

(IV) ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

- (1) Continuously consolidating and enhance operational advantages. We prepared and approved the production cost quota of the whole business and the statistical report of the new version of the operation plan, compiled and completed the construction plan of “six improvements” of the large operation system, refined management and carried out strictly control, so as to realise the optimal allocation of resources, improved efficiency and reduced energy consumption; strengthened the scheduling of operation and production, established the operation quality evaluation system of sewage treatment plants, organized, analysed and evaluated the operation of projects, and linked with the statistics of the annual operation plan to diagnose the breakthrough point of cost reduction of each project; continued to promote the digital transformation of the Company, completed the access to the Internet of Things platform of all five regional companies for sewage treatment plants, concentrated on gathering data resources of various operating units, and promoted the digital and intelligent transformation of business and management.
- (2) Continuously consolidating and enhancing technological advantages. In 2023, the Company completed 1 national project acceptance, carried out 18 national, industrial, local and group-level standard preparation works, and won 8 scientific and technological awards such as advanced collectives for collaborative development and scientific and technological innovation and Tianjin Innovation Method Competition. For the first time, the Company won the Zhan Tianyou Civil Engineering Science and Technology Award, and released 11 new environmentally friendly products in a centralised manner. During the year, the Company obtained 47 authorised patents, including 9 invention patents, 38 utility model patents and 10 computer software copyright, further strengthening the leading support of scientific and technological innovation.
- (3) Continuous optimization of employee incentive mechanism and talent management. In 2023, the Company reshaped the performance-based remuneration system, gave full play to the incentive role of performance-based remuneration in accordance with the idea of position-based salary, strengthened the correlation between employee remuneration and the Company’s performance, and stimulated employee motivation; At the same time, the Company introduces excellent professional talents through marketization, and helps the Company’s value creation and corporate development through the differentiated management of talents.
- (4) Continuous forge of brand influence. In 2023, the Company was awarded the “Top Ten Influential Enterprises in China’s Water Industry” for the eighteenth consecutive year; was selected as one of the “Top Fifty Environmental Enterprises in China” for six consecutive years; Jingu and Xianyang Road sewage treatment plants of the Company were awarded the title of “Top Ten Environmental Protection Facilities Opening Units in Tianjin in 2023” by the Tianjin Municipal Bureau of Ecology and Environment; Jiayuan Company’s “Regional Comprehensive Energy Station” was awarded the “Low Carbon (Zero Carbon) Application Scenario in Tianjin” by Tianjin Municipal Development and Reform Commission and Tianjin Municipal Bureau of Ecology and Environment; Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)(“**Fuyang Company**”) won the “Group First Prize” of the first Urban Sewage Treatment Industry Vocational Skills Competition in Fuyang Municipality; Qujing Capital Water Co., Ltd.* (曲靖創業水務有限公司)(“**Qujing Company**”) was awarded the title of “Advanced Unit of Information Work in Yunnan Water Supply Industry in 2022”, each business unit has practised its corporate mission in their respective fields and established a good corporate image and brand reputation.

V OPERATION SITUATION OF PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

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

(1) ANALYSIS OF THE PRINCIPAL BUSINESSES

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

Unit: 0'000 Currency: RMB

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

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

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

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

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

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

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

Reasons for the change in net cash flows from operating activities: mainly due to higher operational funds collection and lower operational funds payments in the current period as compared with the corresponding period of the previous year.

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

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

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

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

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

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

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

2. Analysis of revenue and cost

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

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

Unit: 0'000 Currency: RMB

Principal business by industry

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

Principal business by region

Product	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Beijing-Tianjin-Hebei Region (Note 4)	242,719.00	134,078.00	44.76	2.77	(8.54)	Increase 6.83%
Southwest Region (Note 5)	17,539.00	12,245.00	30.18	(15.65)	(17.24)	Increase 1.34%
Northwest Region (Note 6)	54,641.00	37,251.00	31.83	16.37	7.01	Increase 5.97%
Central China Region (Note 7)	68,818.90	41,349.00	39.92	18.81	(1.24)	Increase 12.20%
Eastern China Region (Note 8)	42,847.00	29,639.00	30.83	(9.42)	(5.43)	Decrease 2.91%
Northeast Region (Note 9)	14,506.00	10,965.00	24.41	(28.58)	(5.38)	Decrease 18.53%

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

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

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

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

Note 4: The Tianjin-Beijing-Hebei region comprises the four sewage treatment plants in the eastern suburbs of downtown Tianjin, Xianyang Road, Jinggu and Beicang, as well as Anguo Capital Water Co., Ltd.* (安國創業水務有限公司), Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司), Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司), Tianjin Water Recycling Co., Ltd.* (天津中水有限公司) (“**Water Recycling Company**”), Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司) (“**Caring Company**”), Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.* (天津佳源興創新能源科技有限公司) (“**Jiayuanxing**”), Jiayuankaichuang, Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司) (“**Tianchuang Green Energy**”), Tianjin Capital New Materials Co., Ltd.* (天津創業建材有限公司), HB GJTC, Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.* (天津西青天創環保有限公司) and Tianjin Tianchuang Environmental Technology Co., Ltd.* (天津天創環境技術有限公司) (“**Tianchuang Environmental**”). The increase in gross profit margin was mainly due to stringent cost control during the period.

Note 5: The Southwest region comprises Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司) (“**Guizhou Company**”), Qujing Company and Huize Capital Water Co., Ltd.* (會澤創業水務有限公司), the improvement in gross profit margin was mainly due to stringent cost control during the period and a decrease in the share of construction business, which has a lower gross profit margin.

Note 6: The Northwest region comprises Xi'an Capital Water Co., Ltd.* (西安創業水務有限公司), Karamay Tianchuang Capital Water Co., Ltd.* (克拉瑪依天創水務有限公司) (“**Karamay Tianchuang Company**”), Karamay Capital Water Co., Ltd.* (克拉瑪依創環水務有限公司) (“**Karamay Capital Company**”), Inner Mongolia Bayannur Capital Water Co., Ltd.* (內蒙古巴彥淖爾創業水務有限責任公司), Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司) and Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司), the improvement in gross profit margin was mainly due to stringent cost control during the period and a decrease in the share of construction business, which has a lower gross profit margin.

Note 7: The Central China region comprises Fuyang Company, Wuhan Tianchuang Capital Environmental Protection Co., Ltd.* (武漢天創環保有限公司), Yingshang Capital Water Co., Ltd.* (潁上創業水務有限公司), Changsha Tianchuang Water Co., Ltd.* (長沙天創水務有限公司), Changsha Tianchuang Environmental Protection Co., Ltd.* (長沙天創環保有限公司), Anhui Tianchuang Water Co., Ltd.* (安徽天創水務有限公司), Honghu Tianchuang Water Co., Ltd.* (洪湖市天創水務有限公司), Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司), Hanshou Tianchuang Water Co., Ltd.* (漢壽天創水務有限公司), Honghu Tianchuang Environmental Protection Co., Ltd.* (洪湖市天創環保有限公司) (“**Honghu Tianchuang Environmental Protection**”), Huoqiu Capital Water Co., Ltd.* (霍邱創業水務有限公司), Enshi Capital Water Co., Ltd.* (恩施市創環水務有限公司) (“**Enshi Company**”), Hanshan Capital Water Co., Ltd.* (含山創業水務有限公司) (“**Hanshan Capital Company**”) and Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司), the improvement in gross profit margin was mainly due to stringent cost control during the period and a decrease in the share of construction business, which has a lower gross profit margin.

Note 8: The East China region comprises Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創水務有限公司) (“**Hangzhou Company**”), Baoying Capital Water Co., Ltd.* (寶應創業水務有限責任公司) (“**Baoying Company**”), Deqing Capital Water Co., Ltd.* (德清創業水務有限公司), Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用有限公司) and Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司), the reason for the decrease in gross profit margin is the decrease in gross profit margin of hazardous waste projects in the current period.

Note 9: The Northeast region includes Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.* (大連東方春柳河水質淨化有限公司), Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司), Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司) (“**Shandong Company**”), Dongying Tianchi Environmental Technology Co., Ltd.* (東營天馳環保科技發展有限公司) and Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.* (山東鄒創環保科技發展有限公司), the reason for the decrease in gross profit margin is the decrease in gross profit margin of hazardous waste projects in the current period.

(2). Analysis of production and sales volume

Not applicable

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

Not applicable

(4). Cost analysis*Unit: 0'000 Currency: RMB*

Industry	Cost items	By industry				Percentage change in the amount for the current period as compared to the same period last year (%)		Explanation
		Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)			
Sewage treatment and construction of water plants	Labor cost	17,682	6.66	17,147	6.1	3.12	Nil	
	Energy consumption (electricity)	36,390	13.7	35,391	12.59	2.82	Nil	
	Material consumption	19,531	7.36	31,231	11.11	-37.46	Reduce pharmaceutical inputs by optimising the process and deepening cost quotas	
	Depreciation and amortisation	52,951	19.94	48,876	17.39	8.34	Nil	
	Other manufacturing expenses	44,069	16.6	43,915	15.63	0.35	Nil	
	Infrastructure Construction costs on Sewage water plant	22,464	8.46	30,623	10.9	-26.64	With the decrease of construction business revenue, costs decreased accordingly	
	Subtotal	193,087	72.72	207,183	73.73	-6.8	Nil	
Tap water supply and construction water plants business	Labor cost	1,528	0.58	1,450	0.52	5.38	Nil	
	Energy consumption (electricity)	1,017	0.38	997	0.35	2.01	Nil	
	Material consumption	675	0.25	3,540	1.26	-80.93	Reduce raw water bill costs	
	Depreciation and amortisation	1,653	0.62	1,662	0.59	-0.54	Nil	
	Other manufacturing expenses	997	0.38	736	0.26	35.46	Increase in costs of routine repair, maintenance and inspection	
	Subtotal	5,870	2.21	8,385	2.98	-29.99	Nil	
Water recycling Treatment and recycled water supporting projects	Labor cost	2,259	0.85	2,479	0.88	-8.87	Nil	
	Energy consumption (electricity)	1,335	0.5	1,320	0.47	1.14	Nil	
	Material consumption	929	0.35	1,020	0.36	-8.92	Nil	
	Depreciation and amortisation	2,510	0.95	2,005	0.71	25.19	Nil	
	Other manufacturing expenses	8,055	3.03	7,788	2.77	3.43	Nil	
	Project construction cost	10,416	3.92	9,838	3.5	5.88	Nil	
Subtotal	25,504	9.61	24,450	8.7	4.31	Nil		
Cooling and heating and related facilities construction business	Labor cost	1,607	0.61	1,226	0.44	31.08	Increase in headcount	
	Energy consumption (electricity)	1,949	0.73	1,360	0.48	43.31	Increase in expenses as a result of rising electricity prices and increased energy supply demands from users	
	Depreciation and amortisation	2,751	1.04	2,679	0.95	2.69	Nil	
	Other manufacturing expenses	501	0.19	577	0.21	-13.17	Nil	

Industry	Cost items	By industry				Percentage change in the amount for the current period as compared to the same period last year (%)		Explanation
		Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)			
	Supporting engineering	14,670	5.52	13,749	4.89	6.7		
	Subtotal	21,478	8.09	19,591	6.97	9.63	Nil	
Road toll business	Toll road and management fee	712.00	0.27	712.00	0.25	0	Nil	
	Subtotal	712.00	0.27	712.00	0.25	0	Nil	
Transformation of achievements in technology research	Material cost, equipment cost	2,173	0.82	3,756	1.34	-42.15	Decrease in income and costs settled during the year	
	Other manufacturing expenses	10	0	185	0.07	-94.59		
	Subtotal	2,183	0.82	3,941	1.4	-44.61		
Hazardous waste business	Labor cost	2,233	0.84	2,673	0.95	-16.46	Nil	
	Energy consumption (electricity)	2,056	0.77	2,223	0.79	-7.51	Nil	
	Material consumption	948	0.36	1,045	0.37	-9.28	Nil	
	Depreciation and amortisation	3,098	1.17	3,258	1.16	-4.91	Nil	
	Other manufacturing expenses	7,422	2.8	7,030	2.5	5.58	Nil	
	Subtotal	15,757	5.93	16,229	5.78	-2.91	Nil	
Other	Product sales, etc.	936	0.35	507	0.18	84.62	Increase of revenue and costs	
	Subtotal	936	0.35	507	0.18	84.62		
	Total	265,527	100	280,998	100	-5.51	Nil	

Other explanation of cost analysis

Nil

(5). Major customers and major suppliers

A. Major customers of the Company

Sales to the top five customers amounted to RMB2315.5312 million, accounting for 49.64% of the total sales for the year; among which, sales to related parties was RMBNil, accounting for 0% of the total sales for the year.

B. Major suppliers of the Company

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

Other explanations

Nil

3. Expenses

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

4. Research and development investment

(1). Research and development investment

Unit: 0'000 Currency: RMB

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

(2). Research and development personnel

Number of research and development personnel in the Company	365
Percentage of the number of research and development personnel over the total number of personnel of the Company (%)	16.22

Education of research and development personnel	Academic Category	Number of Personnel
Doctoral Degree		3
Master Degree		61
Undergraduate Degree		273
Vocational education		27
High school education and below		1

Age Structure of research and development personnel	Age Category	Number of Personnel
Age under 30 (exclude age 30)		44
Age 30 to 40 (include age 30, exclude age 40)		173
Age 40 to 50 (include age 40, exclude age 50)		112
Age 50 to 60 (include age 50, exclude age 60)		35
Age 60 or above		1

(3). Explanation

Not applicable

5. Cash flow

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

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

Not applicable

(III) ANALYSIS OF ASSETS AND LIABILITIES

Assets and liabilities

Unit: 0'000 Currency: RMB

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

(IV) ANALYSIS OF INDUSTRIAL OPERATIONAL INFORMATION

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

(V) ANALYSIS OF INVESTMENT STATUS

Overall analysis of external equity investments

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

- (1) On 24 April 2023, the Board approved the establishment of Karamay Capital Water Co., Ltd., which is responsible for the implementation of the franchise project of Karamay Company. The registered capital is RMB113.8732 million, which is 100% contributed by the Company. The equity injection has been completed during the Reporting Period.
- (2) On 23 May 2023, the Board approved the establishment of Enshi Company, which is responsible for the implementation of the concession projects of Enshi Dasha Dam Phase I and Phase II (Tanjia Dam) sewage treatment plants and supporting pipeline projects. The registered capital is RMB170.8609 million, of which the Company contributed RMB162.3179 million, accounting for 95%; Wuhan Municipal Construction Group Co., Ltd. contributed RMB8.5430 million, accounting for 5%. The equity injection has been completed during the Reporting Period.
- (3) On 14 June 2023, the Board approved the establishment of Tianchuang Environmental to carry out asset-light business, with a registered capital of RMB20 million, which is 100% contributed by the Company. The equity injection has been completed during the Reporting Period.

- (4) On 22 September 2023, the Board approved the establishment of Hanshan Capital Water Co., Ltd.* (含山創環水務有限公司) (“**Hanshan Capital Company**”), which is responsible for the implementation of the concession project of Hanshan County Sewage Treatment Plant Phase II and for comprehensive improvement of water environment. The registered capital is RMB91.2244 million, of which RMB46.5244 million is contributed by the Company, accounting for 51%; and RMB44.7 million is contributed by the government on behalf of Hanshan Urban Construction Investment Co., Ltd., accounting for 49%. The capital injection was not completed during the Reporting Period.
- (5) On 24 November 2023, the Board approved Tianchuang Green Energy to establish Tianjin Tianchuang Shengcheng New Energy Co., Ltd., which is responsible for the implementation of the urban renewal energy station project in the southern area of Jinzhonghe Street in Tianjin. The registered capital is RMB32.24 million, which shall be 100% contributed by Tianchuang Green Energy. The capital injection was not completed during the Reporting Period.
- (6) On 25 December 2023, the Board approved the Company’s non-public acquisition by way of an agreement of 5% equity interest in Guizhou Company held by Tianjin Municipal Investment Co., Ltd.* (天津市政投資有限公司) (“**TMICL**”) at a price of RMB8.8939 million, resulting in the change of Guizhou Company to a wholly-owned subsidiary of the Company. During the Reporting Period, the equity transfer price was not paid and the change of industrial and commercial registration was not completed yet.
- (7) On 16 January 2024, the Board approved the establishment of Weng’ an Capital Water Co., Ltd., which is responsible for the implementation of the transfer of the concession rights of the sewage treatment plants in the second and third phases of Weng’ an County. The registered capital is RMB53.595 million, of which the Company contributed RMB51.98715 million, accounting for 97%; Beijing Municipal Construction Group Co., Ltd. contributed RMB1.60785 million, accounting for 3%.
- (8) In December 2020, a consortium formed by the Company together with CCCC Tianjin Dredging Co., Ltd. won the bid for the PPP project of new construction and upgrading and supporting pipe network (phase II) of Honghu township sewage treatment plant, and established Honghu Tianchuang Environmental Protection. On 23 May 2023, the Board agreed that Honghu Tianchuang Environmental Protection will make changes and adjustments to the project implementation scope and investment plan in accordance with the relevant requirements of the Honghu Municipal Government side and the Municipal Housing and Urban-Rural Development Bureau. After the adjustment, the total investment of the project is estimated to be RMB148.3199 million, and the registered capital of Honghu Tianchuang Environmental Protection will be reduced from RMB60 million before the adjustment to RMB30 million. During the Reporting Period, the project has completed the adjustment of investment plan, and the capital reduction is not yet completed.

- (9) The distributed photovoltaic power generation projects implemented in 2020 by Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd.* (天津佳源鑫創新能源科技有限公司)(“**Jiayuanxin**”), a controlling subsidiary of Jiayuanxing, a subsidiary of the Company, included three sub-projects, which were implemented in the regions of Jin’gu Reclaimed Water Plant of the Company, Dalian Chunliuhe Sewage Treatment Plant of the Company and Tedahang (Tianjin) Cold Chain Logistics Co., Ltd., with a total investment of RMB13.2856 million. On 10 July 2023, the Board approved Jiayuanxin to adjust the investment plan for the distributed photovoltaic power generation project and cancel the implementation of the distributed photovoltaic project of Teda Cold Chain Logistics. During the Reporting Period, the adjustment of investment plan change for such project has completed.
- (10) The distributed photovoltaic power generation projects in other cities owned by Jiayuanxin, a holding subsidiary of Jiayuanxing, a subsidiary of the Company, include two sub-projects, which are implemented in the Company’s two projects in Shandong, namely Yishui Hazardous Waste Treatment Plant and Wendeng Sewage Treatment Plant, with a total investment of RMB18.82 million. On 10 July 2023, the Board approved the termination of the external distributed photovoltaic power generation project by Jiayuanxin. During the Reporting Period, such project has been terminated.

1. *Major equity investment*

Not applicable

2. *Major non-equity investment*

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

3. *Financial assets measured by fair value*

Not applicable

4. *Specific progress of the reorganisation and integration of material assets during the reporting period*

Not applicable

(VI) DISPOSAL OF MAJOR ASSETS AND EQUITY INTEREST

Not applicable

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

Unit: 0'000 Currency: RMB

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Shareholding of the Company	Asset Size	Net Assets	Net Profits
Water Recycling Company	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; and manufacturing, installation, debugging, and operation of water recycling facilities etc	10,000	Limited company	100%	144,184.81	43,921.47	12,358.67
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance for facilities for sewage treatment and recycled water usage, and supporting services such as its technical services and technical training	37,744.50	Limited company	70%	81,011.29	70,076.29	6,746.47
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	21,295.052	Limited company	100%	76,004.77	40,160.65	2,694.92
Caring Company	Tianjin	Environmental engineering management and technical advice etc	3,333.3333	Stock Limited Company	60%	23,273.52	14,010.19	1,441.81
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	32,927.08	12,944.03	-1,026.24
Karamay Capital Company	Karamay, Xinjiang	Sewage treatment and its recycling and utilisation; water pollution control; water environment pollution prevention and control services; environmental protection consultancy services, etc.	11,387.32	Limited company	100%	42,199.73	12,273.71	886.39
Enshi Company	Enshi, Hubei	Sewage treatment and its recycling and utilisation; water pollution control; water environment pollution prevention and control services; environmental protection consultancy services, etc.	17,086.09	Limited company	95%	63,975.81	17,464.64	378.55
Tianchuang Environmental	Tianjin	Technical services, technology development, technology consulting, technology exchange, technology transfer and technology promotion; water environment pollution prevention and control services; environmental protection consultancy services; engineering technology services, etc.	2,000	Limited company	100%	2,796.43	2,030.87	30.87
Hanshan Capital Company	Hanshan, Anhui	Sewage treatment and its recycling and utilisation; municipal facilities management; solid waste treatment; air pollution prevention and control services; ecological restoration and ecological protection services; engineering project management services, etc.	9,122.44	Limited company	51%	10,095.29	3,101.37	1.37

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

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

(VIII) STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Not applicable

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

(I) STATUS AND TRENDS OF THE INDUSTRY

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

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

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

(II) DEVELOPMENT STRATEGY OF THE COMPANY

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

(III) OPERATING PLANS

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

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

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

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

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

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

(IV) POSSIBLE RISKS

1. *Possible risks*

(1) Risk of government credit

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

(2) Risk of change in policy

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

(3) *Risk of operation and management*

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

(4) *Legal risks*

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

2. Risk control measures

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

Strengthen the concept of corporate governance in accordance with the laws by making full use of general counsel system to protect lawful interests of the Company. Meanwhile, the Company calls for and supports the further assurance of equality of the contracting parties under the licensed operation and PPP projects, tighten up the performance assessment and profit distribution mechanisms, and provide for the government obligations to pay according to contracts and the rights for investors to get reasonable returns under the laws, so as to reduce the risk related to government credibility and the financial risk of the investors. In view of the risk of default on payment by the government and other first parties, we will, in light of the actual situation, consider the use of litigation management tools to "promote negotiation by initiating legal actions" to push forward the repayment, and continue to implement the concept of "strong case management to promote risk mitigation", and to make use of legal and technological means to protect the legitimate interests of the enterprise, while at the same time, focusing on assisting in the management enhancement and value creation of the enterprise.

(2) *Enhance overall risk management*

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

(3) *Continue to raise the standards of operational management*

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

(V) OTHERS

Not applicable

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

Not applicable

VIII. THE PROPOSAL ON THE PROFIT APPROPRIATION OR TRANSFER OF CAPITAL RESERVE FUND TO SHARE CAPITAL FOR THE REPORTING PERIOD AS REVIEWED BY THE BOARD

As audited by PricewaterhouseCoopers Zhong Tian LLP, the actual profit available for distribution to shareholders in this year was RMB5,650,377,740.31, which was calculated based on the net profit of RMB865,207,128.31 attributable to the Company in 2023, less the statutory surplus reserve of RMB64,195,627.55 drawn in accordance with the Company Law of the People's Republic of China and the related provisions in the Articles of Association of the Company, plus the retained earnings of RMB5,075,506,443.79 at the beginning of the year, and less the cash dividend of RMB226,140,204.24 for 2022 already declared in 2023.

According to the profit distribution policy of the Company, considering that the Company is still in the development stage and that priority shall be given to the capital expenditure arrangement for the development of external projects in 2024, the Company plans to pay a cash dividend of RMB1.66 (tax inclusive) for every 10 shares to all shareholders in 2023, totaling RMB260,689,402.11, with the cash dividend amount accounting for 30.13% of the distributable profits of the Company realized in 2023. In 2023, there was no conversion of capital surplus to the share capital.

This distribution plan is subject to the approval of the annual general meeting for 2023. Upon approval by shareholders of the Company, it is expected that the dividend will be paid on 5 July 2024.

§ 5 FINANCIAL ACCOUNTING REPORT

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

(All amounts in Rmb thousand unless otherwise stated)

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents		2,612,622	3,252,060
Notes receivable		27,711	7,535
Trade receivables	10	3,261,907	2,745,022
Prepayments		19,809	35,223
Other receivables		20,766	16,212
Inventories		35,685	31,144
Current portion of non-current assets		228,394	197,367
Other current assets		28,760	64,321
Total current assets		6,235,654	6,348,884
Non-current assets			
Long-term receivables		4,828,821	4,475,777
Long-term equity investments		188,650	193,108
Other equity instruments investment		2,000	2,000
Property, plant and equipment		1,286,923	911,347
Construction in progress		421,446	151,957
Right-of-use assets		6,671	8,247
Intangible assets		10,894,759	10,130,264
Goodwill		150,051	319,813
Deferred income tax assets		32,081	7,398
Other non-current assets		413,598	420,879
Total non-current assets		18,225,000	16,620,790
Total assets		24,460,654	22,969,674
LIABILITIES			
Current liabilities			
Short-term borrowings		1,992	1,001
Trade payables	11	668,888	511,159
Contract liabilities	3	411,780	513,471
Employee benefits payable		106,268	93,046
Taxes payable		69,113	54,064
Other payables		1,036,474	897,121
Current portion of non-current liabilities		2,010,926	1,276,471
Other current liabilities		1,490	490
Total current liabilities		4,306,931	3,346,823

CONSOLIDATED BALANCE SHEET*AS AT 31 DECEMBER 2023**(All amounts in Rmb thousand unless otherwise stated)*

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Long-term borrowings		7,257,625	7,097,305
Debentures payable		629,633	878,373
Lease liabilities		3,176	4,443
Long-term payables		140,960	168,703
Provisions		—	—
Deferred revenue		1,791,279	1,855,645
Deferred income tax liabilities		87,289	86,089
Other non-current liabilities		28,000	30,000
		<hr/>	<hr/>
Total non-current liabilities		9,937,962	10,120,558
		<hr/>	
Total liabilities		14,244,893	13,467,381
		<hr/>	
EQUITY			
Share capital		1,570,418	1,570,418
Capital surplus		1,114,793	1,111,156
Surplus reserve		786,585	722,389
Undistributed profits		5,650,381	5,075,510
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		9,122,177	8,479,473
Minority interests		1,093,584	1,022,820
		<hr/>	<hr/>
Total equity		10,215,761	9,502,293
		<hr/>	
Total liabilities and equity		24,460,654	22,969,674
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB thousand unless otherwise stated)

	Notes	2023 RMB'000	2022 RMB'000
Revenue	2	4,665,083	4,522,167
Less: Cost of sales	5	(2,844,517)	(2,986,038)
Tax expenses and surcharge		(47,359)	(45,545)
Selling expenses	5	(11,471)	(14,545)
Administrative expenses	5	(240,127)	(220,937)
Research and development expenses	5	(53,062)	(43,539)
Financial expenses-net	6	(213,142)	(180,450)
Including: Interest expenses		(390,843)	(403,067)
Interest income		168,984	211,941
Add: Other income	4	96,824	105,471
Investment losses		(4,258)	(3,601)
Including: Investment income from associates		(4,458)	(1,892)
Provision of credit impairment		(75,582)	(54,010)
Assets impairment losses		(169,753)	(106,454)
Gains/(Losses) on disposals of assets		24	(2,558)
Operating profit		1,102,660	969,961
Add: Non-operating income		6,133	1,657
Less: Non-operating expenses		(2,583)	(2,320)
Total profit		1,106,210	969,298
Less: Income tax expense	7	(202,767)	(156,693)
Net profit		903,443	812,605
Classified by continuity of operations			
Net profit from continuing operations		903,443	812,605
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Minority interests		38,236	61,351
Attributable to shareholders of the Company		865,207	751,254
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		903,443	812,605
Attributable to shareholders of the Company		865,207	751,254
Attributable to minority interests		38,236	61,351
Earnings per share			
Basic earnings per share (RMB Yuan)	8	0.55	0.51
Diluted earnings per share (RMB Yuan)	8	0.55	0.51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in RMB thousand unless otherwise stated)

1 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements have been prepared on a going concern basis.

2 SEGMENT INFORMATION

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

The Group considers its operations from the perspective of providing services and regions. As the perspective of providing services, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and cooling service, sales of tap water and sale of environmental protection equipment. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plants 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 etc., 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 segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments in proportion to the revenue.

(i) *Segment information as at 31 December 2023 and for the year then ended is as follows:*

	Sewage treatment and water plant facilities construction			Recycled water and pipeline connection '000	Heating and related facilities construction cooling supply '000	Tap water and water plant facilities construction '000	Sale of Environ- mental protection equipment '000	Other segments (iv) '000	Group '000
	Tianjin plants '000	Hangzhou plants '000	Other plants '000						
Revenue from external customers	1,620,237	275,743	1,482,346	432,584	247,625	96,870	23,878	485,800	4,665,083
Cost for operations	(792,557)	(166,338)	(971,974)	(255,035)	(214,779)	(58,704)	(21,827)	(363,303)	(2,844,517)
Interest income	150,195	3,818	3,096	2,491	1,953	4,570	848	2,013	168,984
Interest expenses	(255,665)	(2,021)	(95,815)	(23)	(2,040)	(4,474)	-	(30,805)	(390,843)
Results before share of profits of an associate	593,418	97,393	282,509	183,253	33,963	25,903	91	(105,862)	1,110,668
Total of segment profit/(loss)	593,418	97,393	282,509	183,253	33,963	25,903	91	(110,320)	1,106,210
Income tax expenses	(69,606)	(30,360)	(39,430)	(39,021)	(8,948)	(4,708)	(65)	(10,629)	(202,767)
Segment net profit/(loss)	523,812	67,033	243,079	144,232	25,015	21,195	26	(120,949)	903,443
Net profit/(loss)									<u>903,443</u>
Depreciation expenses	(57,362)	-	(5,317)	(15,317)	(2,470)	(235)	(138)	(30,825)	(111,664)
Amortization	(162,166)	(58,693)	(245,971)	(9,786)	(25,036)	(16,296)	-	(30,196)	(548,144)
Segment assets	10,122,650	810,113	9,044,724	929,004	942,288	529,137	8,998	1,885,090	24,272,004
Long-term equity investment in associate									<u>188,650</u>
Total assets									<u>24,460,654</u>
Total liabilities	<u>(7,430,900)</u>	<u>(109,350)</u>	<u>(4,652,276)</u>	<u>(903,982)</u>	<u>(466,368)</u>	<u>(103,450)</u>	<u>(18,659)</u>	<u>(559,908)</u>	<u>14,244,893</u>
Non-current assets addition (iii)	<u>466,275</u>	<u>-</u>	<u>1,157,792</u>	<u>162,545</u>	<u>150,725</u>	<u>250</u>	<u>-</u>	<u>130,893</u>	<u>2,068,480</u>

(ii) Segment information as at 31 December 2022 and for the year then ended is as follows:

	Sewage treatment and water plant facilities construction			Recycled water and pipeline connection	Heating and related facilities construction cooling supply	Tap water and water plant facilities construction	Sale of Environ- mental protection equipment	Other segments (iv)	Group
	Tianjin plants '000	Hangzhou plants '000	Other plants '000						
Revenue from external customers	1,559,622	316,994	1,316,172	389,775	242,050	118,195	46,501	532,858	4,522,167
Cost for operations	(916,528)	(189,773)	(965,526)	(244,502)	(195,907)	(83,851)	(39,413)	(350,538)	(2,986,038)
Interest income	57,294	478	132,231	4,130	1,970	6,061	1,090	8,687	211,941
Interest expenses	(242,028)	(2,484)	(128,891)	(33)	(2,335)	(3,722)	-	(23,574)	(403,067)
Results before share of profits of an associate	382,269	112,428	293,456	179,381	56,188	37,294	1,243	(91,069)	971,190
Total of segment profit/(loss)	382,269	112,428	293,456	179,381	56,188	37,294	1,243	(92,961)	969,298
Income tax expenses	(35,934)	(9,809)	(33,937)	(44,420)	(13,681)	(7,065)	(107)	(11,740)	(156,693)
Segment net profit/(loss)	346,335	102,619	259,519	134,961	42,507	30,229	1,136	(104,701)	812,605
Net profit/(loss)									<u>812,605</u>
Depreciation expenses	(9,281)	-	(22,371)	(14,151)	(2,002)	(171)	(157)	(23,339)	(71,472)
Amortization	(167,072)	(59,305)	(230,734)	(5,894)	(24,785)	(16,446)	-	(22,527)	(526,763)
Segment assets	10,339,004	827,680	7,974,808	715,849	753,055	604,876	45,410	1,515,884	22,776,566
Long-term equity investment in associate									<u>193,108</u>
Total assets									<u>22,969,674</u>
Total liabilities	<u>(7,429,346)</u>	<u>(106,739)</u>	<u>(3,734,705)</u>	<u>(887,661)</u>	<u>(310,480)</u>	<u>(88,630)</u>	<u>(18,077)</u>	<u>(891,743)</u>	<u>(13,467,381)</u>
Non-current assets addition (iii)	<u>8,434</u>	<u>25,828</u>	<u>177,088</u>	<u>116,904</u>	<u>141,665</u>	<u>1,636</u>	<u>43</u>	<u>11,510</u>	<u>483,108</u>

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

The Group's revenues from external customers come from the PRC.

The Group's non-current assets are all located in the PRC.

The revenue of approximately RMB1,547 million from the sewage treatment segment was derived from a single customer, accounting for 33% of the Group's total revenue (2022: approximately RMB1,454 million, 32%).

(iv) The loss of Other segment included the impairment losses of goodwill amounting to approximately RMB170 million (2022: approximately RMB86 million).

3 Contract liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
Advances from pipeline connection service	388,655	487,613
Advances from hazardous waste disposal service	11,362	15,686
Others	11,763	10,172
	411,780	513,471

In 2023, the amount of approximately RMB265 million (2022: approximately RMB268 million) which is included in the opening balance of contract liabilities was recognised to the revenue. The Group expects that contract liabilities will be carried forward to recognize revenue through normal operating processes, and therefore are recognized as current liabilities.

4 Other income

	2023 RMB'000	2022 RMB'000
Government grants	95,010	97,000
Value added tax refund	1,755	8,431
Individual income tax withholding subsidy	59	40
	96,824	105,471

5 Expenses by nature

Expenses included in the cost of sales, distribution costs and administrative expenses are analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Intangible assets amortisation	548,144	526,763
Employee benefits	458,685	461,946
Less: Cost in franchise assets	(2,748)	(2,426)
Utilities	413,352	465,962
Sewage mud processing fee	329,982	285,802
Construction costs for concession projects	300,725	445,874
Raw materials consumed	250,635	376,625
Repair and maintenance expenses	241,645	208,275
Depreciation charges for property, plant and equipment	106,893	67,534
Cost of recycling water pipeline connection	97,172	98,376
Factory environment, detection and fire prevention expenses	72,301	58,655
Expenses for environmental protection items	69,605	54,546
Pipeline maintenance costs	57,611	49,625
Consulting service expenses	45,412	44,493
Travel, meeting and business entertainment expenses	27,440	26,786
Office expenses	11,525	12,332
Toll road management expenses	7,120	7,120
Depreciation charges for right-of-use assets	4,771	3,938
Expenses of secretary of the board	4,112	3,748
Share-based payment expenses	3,923	6,055
Auditors' remuneration expenses	3,700	3,700
Other taxes and surcharges	2,744	2,619
Others	94,428	56,711
	3,149,177	3,265,059

6 Finance costs – net

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on borrowings	394,958	406,441
Add: Interests on lease liabilities	381	366
Less: Capitalised interests	(4,496)	(3,740)
Finance costs	390,843	403,067
Less: Interest income	(168,984)	(211,941)
Including: Long-term receivables interests	(138,186)	(192,988)
Bank deposits interests	(30,798)	(18,953)
Exchange gains(a)	(9,571)	(12,089)
Others	854	1,413
	213,142	180,450

- (a) For the year ended 31 December 2023, the Group had the exchange gains of approximately RMB10 million (2022: approximately RMB12 million) on long-term payables denominated in Japanese yen and US dollars.

7 Income tax expense

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax calculated based on tax law and related regulations	226,250	178,428
Deferred income tax	<u>(23,483)</u>	<u>(21,735)</u>
	<u>202,767</u>	<u>156,693</u>

8 Earnings per share

- (a) Basic earnings per share is calculated based on the consolidated net profit attributable to the ordinary shares owners of the Company of approximately RMB865 million (2022: approximately RMB751 million) and weighted average number of ordinary shares of 1,570 million in issue for the year (2022: 1,468 million shares).

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit attributable to the ordinary shares owners of the Company	865,207	751,254
Weighted average number of ordinary shares in issue (thousand shares)	1,570,418	1,467,635
Basic and diluted earnings per share (RMB Yuan)	<u>0.55</u>	<u>0.51</u>
Including:		
– Basic earnings per share for continuing operations on a going concern	0.55	0.51
– Basic earnings per share for discontinued operations	<u>–</u>	<u>–</u>

- (b) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

As at 31 December 2023, the market price of the Company's RMB ordinary shares was lower than the exercise price of the issued share options. Therefore, the share options not yet exercised had no dilutive impact (2022: Nil) and the diluted earnings per share equaled to the basic earnings per share.

9 Dividends

(i) Ordinary shares

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fully paid final dividend for the year ended 31 December 2022 of 14.4 cents (2021: 14.6 cents) per share	<u>226,140</u>	<u>208,376</u>
Dividends paid in cash	<u>226,140</u>	<u>208,376</u>

(ii) Dividends not recognised at the end of the reporting period

	2023 RMB'000	2022 RMB'000
Proposed dividend not recognized as a liability as at 31 December 2023	260,689	226,140

The directors of the Company have recommended a final dividend of 16.6 cents per ordinary share (2022: 14.4 cents per ordinary share).

10 Trade receivables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	3,568,379	2,959,595
Less: Bad debt allowance(ii)	(306,472)	(214,573)
	3,261,907	2,745,022

The majority of the Group's sales are on credit with 30 to 90 days credit terms.

(i) The ageing analysis of the trade receivables based on booking dates were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	2,539,347	2,364,118
1 to 2 years	587,245	336,156
2 to 3 years	258,198	111,184
3 to 4 years	78,476	63,061
4 to 5 years	47,735	42,588
More than 5 years	57,378	42,488
Total	3,568,379	2,959,595

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

(ii) **Bad debt allowance**

Bad debt allowance provided on individual basis:

31 December 2023	Carrying amount <i>RMB'000</i>	Expected credit loss rate	Loss allowance <i>RMB'000</i>
Tianjin Water Authority Bureau	1,142,144	0.18%	(2,087)
Qujing Sewage Company	235,818	21.34%	(50,313)
Xi'an Infrastructure Investment Group	134,589	0.18%	(241)
Tianjin Ziya Economic and Technological Development Zone Hi Tech Industrial Park Development Co., Ltd.	44,019	85.60%	(37,682)
Guiyang Water Authority Bureau	29,245	0.67%	(197)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,454	63.64%	(18,109)
Hangzhou City Water Facilities and River Protection Management Center	23,816	0.04%	(10)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	100.00%	(16,797)
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	100.00%	(13,776)
Urad Front Banner Finance Bureau	10,928	100.00%	(10,928)
Urad Rear Banner Finance Bureau	10,392	100.00%	(10,392)
Hangzhou Sewage Company	10,383	0.04%	(4)
Tianjin Goldin International Club Co. Ltd.	1,548	100.00%	(1,548)
Inner Mongolia Zijin Zinc Industry Co., Ltd.	1,314	100.00%	(1,314)
Tianjin Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)
Total	1,703,375		(163,550)

Bad debt allowance provided on individual basis:

Group – Government customers other than provincial capitals and municipalities

	31 December 2023			31 December 2022		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	655,146	1.28%	(8,411)	465,781	1.84%	(8,553)
1-180 days overdue	288,398	3.54%	(10,210)	239,807	3.19%	(7,647)
>180 days overdue	369,520	26.23%	(96,933)	301,582	9.36%	(28,215)
	1,313,064		(115,554)	1,007,170		(44,415)

Group – Others clients

	31 December 2023			31 December 2022		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	272,600	1.54%	(4,211)	182,474	1.04%	(1,905)
1-90 days overdue	124,541	3.81%	(4,743)	81,638	1.53%	(1,253)
>90 days overdue	154,799	11.90%	(18,414)	97,234	9.50%	(9,240)
	551,940		(27,368)	361,346		(12,398)

As at 2023, the amount of bad debt provision made by the Group is approximately RMB95 million, the amount of bad debt provision collected or recovered is collected approximately RMB3 million, there is no written off amount of bad debt provision, and the corresponding book balance of bad debt provision is approximately RMB306 million.

11 Trade payables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables (a)	668,888	511,159

(a) As at 31 December 2023, the trade payables with ageing over 1 year were approximately RMB200 million (2022: approximately RMB123 million), mainly including source water charges payable by Qujing Company of approximately RMB96 million. Qujing company usually arranges the payments according to the instructions of Qujing Water Conservancy and Hydropower Development and Investment Co., Ltd. The construction costs payable by Tianjin Water Recycling Co., Ltd. of approximately RMB27 million. The development of related pipeline connection projects had not reached the time point of settlement according to the contract.

(b) The ageing of trade payables based on supplier's booking date is as below:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	469,193	387,931
Over 1 year	199,695	123,228
	668,888	511,159

§ 6 SALE AND PURCHASE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

§ 7 CORPORATE GOVERNANCE CODE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the year, in compliance with the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

§ 8 MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of practice in respect of securities transactions conducted by the Directors with standards not lower than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules. During the reporting period, all Directors have complied with the Model Code for securities transactions conducted by the Directors.

§ 9 PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

§ 10 PRE-EMPTIVE RIGHTS

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

§ 11 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the audit committee (the “**Audit Committee**”) to review and supervise the financial reporting procedures and internal controls of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the audited accounts for the year ended 31 December 2023, with the Directors.

§ 12 REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers Zhong Tian LLP, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement pursuant to the Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on the preliminary results announcement.

By order of the Board
Tang Fusheng
Chairman

Tianjin, the PRC
22 March 2024

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