



*Interim Report for the six  
months ended 30th June 2014*



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

## **IMPORTANT**

- I. The board of directors (the “Board”), supervisory committee (the “Supervisory Committee”), directors (the “Directors”), supervisors (the “Supervisors”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “Company”) confirm that this 2014 interim report (the “Interim Report”) does not contain any false information, misleading statements or material omissions, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.**
  
- II. The interim financial statements of the Company for the six months ended 30 June 2014 are unaudited.**
  
- III. Mr. Zhang Wenhui, the person in charge of the Company, Ms. Shi Zhenjuan, the officer in charge of the accounting function, and Ms. Cao Shuo, the officer in charge of the accounting department (the chief accountant), have warranted the truthfulness, accuracy and completeness of the financial report contained in this Interim Report.**
  
- IV. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds?**  
No
  
- V. Did the Company provide external guarantees in violation of specified decision-making procedures?**  
No

## SECTION I DEFINITIONS

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

“Group”	the Company and its subsidiaries
“Subsidiaries”	subsidiaries of the Company
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Water Recycling Company”	Tianjin Water Recycling Company Limited
“TCCC”	Tianjin City Construction and Communication Committee
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Company Limited
“TLP”	Tianjin Lecheng Properties Company Limited
“TYCOM”	Tianjin Yuanyicheng Commercial Operation Management Company Limited
“TM Resources”	Tianjin Metro Resources Investment Company Limited
“TSC”	Tianjin Sewage Company
“Tianjin Ziya Investment”	Tianjin Ziya Circular Economy Industrial Investment and Development Company Limited
“Zichuang Company”	Tianjin Zichuang Engineering Investment Company Limited
“Anguo Company”	Anguo Capital Water Company Limited
“Kaiying Company”	Tianjin Kaiying Technology Development Company Limited
“Qujing Company”	Qujing Capital Water Company Limited
“Fuyang Company”	Fuyang Capital Water Company Limited
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Company Limited

## SECTION II COMPANY PROFILE

### I. Information on the Company

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

### II. Contact Persons and Contact Details

	<b>Company Secretary to the Board</b>	<b>Company Secretary in Hong Kong</b>	<b>Securities Affairs Representative</b>
Name	Ms. Fu Yana	Mr. Lo Wai Keung, Eric	Ms. Guo Fengxian
Correspondence address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The People's Republic of China (the "PRC")	22/F, Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Telephone number	86-22-23930128	852-22180920	86-22-23930128
Facsimile number	86-22-23930126	852-25010028	86-22-23930126
Email address	fu_yn@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

### III. Basic Information

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

### IV. Places Where the Company's Information is Disclosed and Available for Inspection

Name of the newspaper designated by the Company for the disclosure of information	Shanghai Securities News
Website designated by the China Securities Regulatory Commission (the "CSRC") for the disclosure of Interim Report	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Place where the Interim Report of the Company is available for inspection	Office of the Secretary to the Board, 18/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC

## V. Profile of the Shares of the Company

Type of shares	Stock exchange for listing shares	Stock name	Stock code	Previous stock name
A Shares	Shanghai Stock Exchange (the “SSE”)	創業環保	600874	渤海化工
H Shares	The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)	Tianjin Capital	1065	Tianjin Bohai

## VI. Changes in the Company’s Registration during the Reporting Period

There were no changes in the Company’s registration during the reporting period.

**SECTION III MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS**  
**(Prepared in accordance with the PRC Accounting Standards)**

**I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS**

**(i) Major accounting data**

Unit: 0'000    Currency: RMB

	<b>During the reporting period (from January to June)</b>	<b>During the same period last year</b>	<b>Increase/decrease for the current reporting period as compared to the same period last year (%)</b>
Operating income	86,176.90	85,135.50	1.22
Net profit attributable to the shareholders of the Company	14,395.80	11,616.90	23.92
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	14,226.80	11,361.40	25.22
Net cash flow from operating activities	37,984.40	13,042.10	191.24
	<b>As at the end of the current reporting period</b>	<b>As at the end of last year</b>	<b>Increase/decrease as at the end of the current reporting period as compared to the end of last year (%)</b>
Net assets attributable to the shareholders of the Company	400,627.30	397,649.40	0.75
Total assets	1,137,979.40	1,107,375.10	2.76

**(ii) Major financial indicators**

	<b>During the reporting period (from January to June)</b>	<b>During the same period last year</b>	<b>Increase/decrease for the current reporting period as compared to the same period last year (%)</b>
Basic earnings per share (RMB/share)	0.10	0.08	25
Diluted earnings per share (RMB/share)	0.10	0.08	25
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.10	0.08	25
Weighted average return on net assets ratio (%)	3.61	3.05	Increased by 0.56 percentage point
Weighted average return on net assets ratio after deduction of extraordinary items (%)	3.56	2.98	Increased by 0.58 percentage point

**II. Difference in accounting standards between the PRC and overseas**

There is no difference between the financial reports prepared in accordance with Hong Kong Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises.

**III. Extraordinary profit and loss items and amounts**

Unit: 0'000 Currency: RMB

<b>Extraordinary profit and loss items</b>	<b>Amount</b>
Profit/loss from disposal of non-current assets	-59
Government grants recognized in current profit and loss, except for those closely relating to business operation, in comply with national policy and settled in certain amount which are constantly granted by government	264
Other non-operating income and expenses except for the above items	10
Effect on minority interests	8
Income tax effect	-54
Total	169



## SECTION IV DIRECTORS' REPORT

### I. Discussion and Analysis of the Operations of the Company during the Reporting Period by the Board

During the reporting period, the Group continued to improve the control on costs and expenses according to the operating strategy and working plan for 2014 as formulated by the Board, and conducted its principal businesses in a normal and orderly manner.

#### (i) Discussion and analysis on the overall results of operations of the Company during the reporting period

##### 1. Discussion and analysis on the overall results of operations during the reporting period

During the reporting period, the Group recorded an operating income of RMB861.77 million, representing an increase of RMB10.41 million or 1.22% as compared to the same period last year. The increase in operating income was mainly attributable to an increase in income generated from the tap water business and technical service of the Company.

During the reporting period, the Group's operating costs decreased by RMB22.17 million or 4.35% as compared to the same period last year. This was mainly because upon implementation of the licensed operation of the four sewage water treatment plants in Tianjin, the amortization of the licensed operation rights decreased as compared with the depreciation costs of fixed assets in the same period last year, and the costs of recycled water pipeline connection business in the current period decreased.

During the reporting period, the Group's financial expenses were RMB105.52 million, representing a decrease of RMB11.43 million as compared to the same period last year, which was mainly due to the decrease of interest expenses resulting from the decrease of principals of loans and the replacement of part of loans with high costs.

In conclusion, the Group recorded a net profit (attributable to the shareholders of the Company) of RMB143.96 million during the reporting period, representing an increase of RMB27.79 million or 23.92% as compared to the same period last year.

## **2. Analysis of income from the principal businesses**

### **(1) Sewage water treatment business and construction business**

During the reporting period, the Group processed sewage water of 540.776 million cubic meters (including entrusted operation) in total, representing an increase of 3.13% as compared to the same period last year, realizing an income of RMB650.19 million, representing a decrease of 0.27% as compared to the same period last year, among which, the Group's four sewage water treatment plants in the central urban area of Tianjin processed a total of 210.479 million cubic meters of sewage water, representing an increase of 1.7% as compared to the same period last year, realizing an income from sewage water treatment service of RMB376.73 million, representing a decrease of 2.67% as compared to the same period last year. This was mainly attributable to the fact that the four sewage water treatment plants in the central urban area of Tianjin started to perform the "agreement in respect of the licensed operation of the four Tianjin sewage water treatment plants of the Company" entered into with Tianjin Water Authority Bureau and TCCC since 1 January 2014 where the unit sewage water treatment price decreased by approximately 8.29% as compared to the same period last year. However, since the settlement method for the guaranteed water treatment volume has been implemented, the income from sewage water treatment service decreased at a rate lower than that of the unit price. The Subsidiaries of the Group processed 244.776 million cubic meters sewage water in total, substantially the same as the same period last year, realizing an income of RMB230.05 million from the sewage water treatment services, representing an increase of 5.76% as compared to the same period last year, which was mainly attributable to the fact that the unit price for sewage water treatment service of sewage water treatment projects of Subsidiaries in Fuyang and Guizhou has been increased as compared to the same period last year. The entrusted operation projects processed sewage water of 85.521 million cubic meters, representing an increase of 19.4% as compared to the same period last year, and realized an income of RMB43.41 million, representing a decrease of 8.40% as compared to the same period last year, which was due to the fact that part of the project water volume has not been finally recognized.

During the reporting period, the Group's income from construction business amounted to RMB4.05 million, representing a decrease of 70.59% as compared to the same period last year. This was because most of the construction business has substantially completed in the first half of last year.

## **(2) Recycled water business**

During the reporting period, the Group's recycled water business realized sales of recycled water of 9.649 million cubic metres, representing an increase of 28.1% as compared to the same period last year. Income of RMB26.13 million was realized, representing an increase of 28.1% as compared to the same period last year. The increase of income from sales of recycled water was mainly because the Yangliuqing Power Plant reduced the usage of river water and increase the usage of recycled water significantly, and the thermal power plant of north-eastern suburban duly started its heating supply this year and the recycled water usage increased.

During the reporting period, the Group's recycled water pipeline connection business realized a total income of RMB60.37 million, representing a decrease of 17.20% as compared to the same period last year. This was mainly attributable to the completion of major ancillary business in 2013, and no major ancillary business was newly added in the reporting period.

## **(3) Tap water business**

During the reporting period, the Group's tap water business recorded an on-grid water volume of 19.275 million cubic metres, representing an increase of 2.3% as compared to the same period last year, and realized an income of RMB30.64 million, representing an increase of 68.91% as compared to the same period last year. This was mainly attributable to the fact that since January 2014, Qujing Company's tap water revenues included the water resource fees and the unit price has been raised. During the current period, tap water revenues of the Group were all generated from Qujing Company. For Anguo Company, as its tap water projects were in the process of arbitration, no revenue was recognized.

## **(4) Cooling and heating supply service business**

During the reporting period, a total realized income from the Group's new energy cooling and heating supply service business was RMB25.75 million, representing a decrease of 2.57% as compared to the same period last year. This was mainly attributable to the fact that part of the income of cooling supply service fees in 2012 was recognised during the same period last year.

## (5) Toll collection business

For the toll collection business, the Group has since 2010 recognized income based on the amount received according to the “Entrusted Toll Collection Agreement” pursuant to the spirit of the Jin Zheng Ban (2010) No.51 Document “Opinions on the Implementation of Oil Prices and Tax Expenses Reforms and the Cancellation of Toll Collection on Government Indebted Tier 2 Roads” dated 19 May 2010. During the reporting period, the Company recorded an income of RMB33.51 million from the toll collection business, which was in line with the same period last year.

### (ii) Analysis of principal businesses

#### 1. Table 1 - Analysis of changes in relevant items in the financial statements

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	86,177	85,136	1.22
Costs for operations	48,725	50,942	-4.35
Administrative expenses	5,645	5,631	0.25
Financial expenses	10,552	11,695	-9.77
Impairment losses of assets	690	0	N/A
Investment income	54	-107	-150.50
Non-operating income	285	521	-45.35
Net cash flows from operating activities	37,984	13,042	191.24
Net cash flows from investing activities	-287	6,930	-104.14
Net cash flows from financing activities	-31,838	2,964	-1,174.13
Research and development expenses	105	167	-37.13

### **Explanation of changes:**

Impairment losses of assets: In respect of the newly added impairment losses of assets, during the current period, the management, based on prudent considerations, made provision for impairment losses of RMB6.9 million in respect of the sewage water project of Anguo Company as per the proportion made for the impairment of tap water project at the end of 2013, pursuant to the interlocutory judgement made by the China International Economic and Trade Arbitration Commission on 18 April 2014 in respect of the Anguo projects, namely “Judgement in respect of the termination of the relevant agreements for Anguo Company’s tap water supply and sewage water projects, and completion of transfer before July 2014”.

Investment income: The increase in the current period as compared to the same period last year was mainly because the associated companies recorded earnings in the current period.

Non-operating income: The decrease in the current period as compared to the same period last year was mainly due to that Qujing Company received financial subsidies in the same period last year.

Net cash flows from operating activities: The increase in the current period as compared to the same period last year was mainly due to the receipt of the construction funds for the entrusted construction of Jinnan Sludge Treatment Plant and the advances for recycled water pipeline network connection projects during the current period.

Net cash flows from investing activities: The decrease in the current period as compared to the same period last year was because during the current period, the land compensation for the relocation and construction project of Jizhuangzi Sewage Water Treatment Plant was RMB300 million, as compared to RMB400 million for the same period last year.

Net cash flows from financing activities: The decrease in the current period as compared to the same period last year was because medium term notes of RMB700 million were issued in the same period last year, therefore fund-raising cash inflow was significant.

Research and development expenses: The decrease in the current period as compared to the same period last year was mainly due to that the use of R&D funds will mainly be concentrated in the second half of this year.

## 2. Table 2 - Another analysis of changes in relevant items in the financial statements

Unit: 0'000 Currency: RMB

Item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)
Notes receivables	280	0.02	630	0.06	-55.56
Inventories	1,838	0.16	5,804	0.52	-68.33
Other current assets	6,314	0.55	654	0.06	865.46
Fixed assets	44,596	3.92	308,812	27.89	-85.56
Intangible assets	559,962	49.21	307,483	27.77	82.11
Short term borrowings	5,000	0.44	0	0	N/A
Trade payables	7,467	0.66	2,110	0.19	253.89
Dividend payable	15,074	1.32	3,657	0.33	312.21
Long-term borrowings due within one year	44,524	3.91	85,375	7.71	-47.85

### Explanation of changes:

Notes receivables: The decrease in balance as at the end of the period was because some Subsidiaries have collected notes receivables during this period.

Inventories: The decrease in balance as at the end of the period was due to the settlement in full of BT construction projects of Zichuang Company during the reporting period.

Other current assets: The increase in balance as at the end of the period was due to the transfer of relevant assets of Anguo Company to “other current assets” for accounting, in accordance with the interlocutory judgment of “Judgement in respect of the termination of the relevant agreements for Anguo Company’s tap water supply and sewage water projects, and completion of transfer before July 2014” made by China International Economic and Trade Arbitration Commission in respect of Anguo projects on 18 April 2014.

Fixed assets and intangible assets: Four sewage water treatment plants in Tianjin commenced to conduct licensed operation from 1 January 2014 and relevant assets were transferred to intangible assets for accounting. Therefore, balance of fixed assets decreased and balance of intangible assets increased as at the end of the period.

Short-term borrowings: The increase in balance as at the end of the period was due to the new short-term borrowings raised by the Company during the reporting period.

Trade payable: The increase in balance as at the end of the period was mainly due to the newly added transfer fees payable for Fuyang recycled water licensed operation project and operating costs payable during the reporting period.

Dividend payable: The increase in balance as at the end of the period was mainly due to the provision of dividend payable for 2013.

Long-term borrowings due within one year: The decrease in balance as at the end of the period was due to a decrease in long-term borrowings due within one year during the reporting period.

### **3. Others**

#### **(1) Detailed explanation of material changes in the Company's profit composition or profit sources**

During the reporting period, there were no material changes in the Company's profit composition or profit sources.

#### **(2) Analysis and explanation of the progress in the implementation of various types of financing and major asset reorganization by the Company in the previous period**

Not applicable.

#### **(3) Explanation of the progress in the operation plan**

During the reporting period, the Company's various operation and management activities were basically conducted in accordance with the operation plan formulated by the Board at the beginning of the year.

(iii) Analysis of the industry, products or regional operations

1. Principal businesses by industry and by products

Unit: 0'000 Currency: RMB

Principal Businesses by Industry							
	Income from operations	Costs of Operations	Gross profit margin (%)	Increase/decrease in income from operations as compared to last year (%)	Increase/decrease in costs of operations as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)	Remark
Sewage water treatment and construction business	61,083	32,917	46.11	-1.21	-7.76	3.83	
Recycled water pipeline connection and water supply business	8,650	5,542	35.93	-7.30	-19.69	9.89	
Toll collection business	3,351	356	89.38	0	0	0	
Tap water supply business	3,064	2,532	17.36	68.91	114.76	-17.64	Note 1
Cold and heat supply business	2,575	1,952	24.19	-2.57	-6.02	2.78	
Others	617	833	-35.01	59.43	8.04	64.22	Note 2

Note: (1) The increase in income from tap water business was due to the fact that the Qujing Company's income from tap water business included water resource fees and the unit price increased since January 2014.

(2) Others mainly represented Kaiying Company's income from the sales of deodorizing equipment, which was increased as compared to the same period last year, due to the enhanced efforts made by Kaiying Company to expand markets during the reporting period.



## 2. Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

<b>Region</b>	<b>Income from operations</b>	<b>Increase/decrease in income from operations as compared to last year (%)</b>	<b>Remark</b>
Tianjin	53,507	-5	
Qijing	5,045	45	Note 1
Guizhou	1,421	19	
Fuyang	3,291	37	Note 2
Baoying	1,014	0	
Hangzhou	7,541	-6	
Wendeng	1,347	0	
Xi'an	4,052	8	
Anguo	414	0	
Wuhan	1,702	0	
Hong Kong	6	39	Note 3

Note: (1) The increase in Qijing's income was mainly due to that the Qijing Company's income from tap water business included water resource fees and the unit price increased since January 2014.

(2) Fuyang Company secured new licensed operation projects of recycled water plant with an upward adjustment to prices of recycled water of Yingdong Water Plant during this period.

(3) The large change was due to relatively smaller income base of Hong Kong Company.

#### **(iv) Analysis of core competitiveness**

The Company's core competitiveness is mainly reflected in the following five aspects: first, the Company owns the most influential service brand in the sewage water treatment industry and an established service network with nationwide coverage; second, the Company owns leading technologies, diversified solutions and integrated service capability by virtue of its complete industry chain; third, the Company can effectively grasp the specific needs of the government and corporate customers, and adopt a variety of cooperation models to achieve win-win for all parties; fourth, the Company has the best operation and management practical experience in the water treatment industry and possesses sound capabilities of controlling risks and responding to emergencies; fifth, the Company devotes to expand into new energy business segment and sewage water treatment related business segment to establish new competitive edges. During the reporting period, the Company further stepped up its efforts in the research and development of proprietary technologies and techniques while maintaining its licensed operation projects at the same time, which steadily enhance its corporate core competitiveness.

#### **(v) Analysis of the investment**

##### **1. Overall analysis of external equity investment**

- (1) On 27 March 2014, the Board approved the capital increase of RMB19.60 million in Fuyang Capital Water Company Limited, a wholly-owned subsidiary of the Company, which would be applied to acquire a recycled water usage project located at Yingnan Sewage Water Treatment Plant. Currently, the capital increase was completed, following which, the registered capital of Fuyang Company would increase to RMB106.50 million.
- (2) On 29 May 2014, the Board approved the capital increase of RMB9.40 million in Wendeng Capital Water Company Limited, a wholly-owned subsidiary of the Company, which would be applied to the upgrading project of the sewage water treatment plant in Wendeng city. Currently, the capital increase was not yet completed pending the process of relevant procedures.
- (3) On 12 June 2014, the Board approved the capital increase of RMB64.00 million in Xi'an Capital Water Company Limited, a wholly-owned subsidiary of the Company, which would be applied to the upgrading project of sewage water treatment plants in Dengjiacun and Beishiqiao. Currently, the capital increase was not yet completed pending the process of relevant procedures.

Except for the above, the Company has no other external equity investment during the reporting period.

## 2. Trust arrangement in respect of non-financial corporations and investment in derivatives

### (1) Trust arrangement

The Company did not make any trust arrangement during the reporting period.

### (2) Trust loan

The Company did not have any trust loan during the reporting period.

## 3. Use of proceeds from fund-raising

During the reporting period, there was no fund-raising of the Company or there was no fund raised in previous periods that was applied in this period.

## 4. Analysis of major Subsidiaries and 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 entity	Percentage of interest	Scale of assets	Net asset	Net profit
Water Recycling Company	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacture, installation, commissioning and operation of equipment for recycled water	10,000	Limited company	100%	122,990	17,007	1,714

## 5. Projects made out of funds other than proceeds from fund-raising

Unit: 0'000 Currency: RMB

Project	Project amount	Project progress	Amount invested during the reporting period	Total actual amount invested	Project income
Construction of new sewage water treatment plant for Jizhuangzi relocation project	206,559.01	The project was nearly finished with commissioning and operation	16,789.71	96,456.71	The project has not yet generated income
Total	206,559.01	/	16,789.71	96,456.71	/

## II. Proposal on the Profit Distribution or Transfer into Capital Reserve Fund

### Implementation of or adjustment to the profit distribution plan during the reporting period

The profit distribution plan of the Company for the year 2013 was considered and approved at the 2013 Annual General Meeting of the Company, pursuant to which the Company made a dividend payment of RMB0.08 (including tax) in cash per share to holders of A shares and RMB0.08 (equivalent to HK\$0.10085) (including tax) per share to holders of H shares. The Company published the “Announcement on the Implementation of 2013 Profit Distribution for A Shares” in the PRC on 25 July 2014. The record date for the profit distribution was 30 July 2014. The Company published the “Announcement in respect of Dividend Distribution” and the “Announcement in respect of Dividend Payment” in Hong Kong on 17 April 2014 and 30 June 2014 respectively. Dividends were paid to the holders of A shares and H shares on 31 July 2014.

## III. Other Disclosures

### 1. Prediction of possible loss incurred for the accumulated net profit from the beginning of the year to the end of the next reporting period, and statement of the reason and warning for material changes incurred as compared to the same period last year

√ Not applicable

### 2. Explanation by the Board and the Supervisory Committee on “Qualified Audit Report” provided by Accountants

√ Not applicable

## SECTION V IMPORTANT ISSUES

### I. Material Litigation, Arbitration and Events which the General Media is Interested in

#### Litigation and arbitration that were not disclosed in announcements or with subsequent progress

Unit: 0'000 Currency: RMB

During the reporting period:									
Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particular of litigation (or arbitration)	Amount involved in litigation (or arbitration)	Whether litigation (or arbitration) forms predicated liability and its amount	Progress of litigation (or arbitration)	Ruling results of litigation (or arbitration) and its effect	Implementation of award of litigation (or arbitration)
Anguo Company	Anguo Municipal Government	None	Arbitration	Appealing cancellation of the licensed operation agreement of water supply project; claiming payment of all outstanding service fees for water supply and compensations for investment	6,000	(Note1)	In the process of arbitration	An interlocutory award was made (Note 1)	None

Note 1: China International Economic and Trade Arbitration Commission has made an interlocutory judgement on 18 April 2014: (1) agreements relating to sewage water project and water supply project shall be determined and relevant work for the takeover of project assets shall be completed before 10 July 2014; (2) Anguo Municipal Government shall be responsible for charging relevant fees during the takeover period; (3) from 1 November 2012 to the date when the judgement for this case is made, Anguo Company shall provide the breakdown for all outstanding water tariff and assist Anguo Municipal Government to collect the relevant tariff; (4) the service fee for water supply owed to Anguo Company by Anguo Municipal Government of RMB3.557 million before 1 November 2012 shall be paid in full before 1 July 2014; (5) a third party appraising entity shall carry out appraisal and verification on the present value of assets invested by Anguo Company in the water project of this case, and the choice of the relevant said entity shall be in line with the intention agreed during the hearing.

At present, the interlocutory judgement above was in the process of execution. No arbitration result has been made in respect of Anguo Company's claim on payment of all outstanding service fee for water supply and compensations for investment.

On prudent basis, a provision of RMB6.90 million for impairment losses in sewage water treatment project was made during the reporting period.

## **II. Matters relating to Bankruptcy and Restructuring**

During the reporting period, there was no matter relating to bankruptcy and restructuring of the Company.

## **III. Transactions involving Assets and Corporate Mergers**

√ Not applicable

## **IV. The Company's Share Incentive Scheme and its Effect**

√ Not applicable

## **V. Material Connected Transactions**

**Connected transactions in the ordinary course of business:**

### **1. Transactions that were disclosed in announcements, without subsequent progress or changes to their implementation**

On 29 May 2014, Jiayuanxing and TM Resources entered into the Cold Supply Agreement, the principal terms of which were as follows:

The unit price for provision of cold supply services by Jiayuanxing to TM Resources was RMB65 per square metre. The service area of cold supply was 60,218 square metres and the service fees for the cold supply services were RMB3,914,170. The cold supply service period was from 1 June 2014 to 30 September 2014.

On 29 May 2014, Jiayuanxing, TLP and TYCOM entered into the Cold Supply Agreement, the principal terms of which were as follows:

The unit price for provision of cold supply services by Jiayuanxing to TLP was RMB65 per square metre. The service area of cold supply was 363,042 square metres and the service fees for the cold supply services were RMB23,597,730. The cold supply service period was from 1 June 2014 to 30 September 2014.

## 2. Transactions that were not disclosed in announcement

Unit: 0'000 Currency: RMB

Connected party	Relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction	Percentage of the amount of the transaction of the same nature (%)	Settlement method of connected transaction	Market price	Reasons for the significant difference between transaction price and market reference price
Tianjin Ziya Investment	Affiliated company within the Group	Provision of labours	Tianjin Ziya Investment entrusted Zichuang Company to supervise Ziya Sewage Water Treatment Plant	The terms of the entrustment agreement were determined on arm's length basis by parties	—	344,204	0.55	Settled before 30 June 2014 in a lump sum	—	The terms of the entrustment agreement were determined on arm's length basis by parties, and there was no significant difference between transaction price and market reference price

## VI. Material Contracts and their Performance

### (i) Custody, subcontracting and leasing

√ Not applicable

(ii) **Guarantees**

Unit: 0' 000 Currency: RMB

<b>Guarantees provided to external parties by the Company (excluding guarantees provided to the Subsidiaries)</b>	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to the Subsidiaries)	0
Total amount of guarantees as at the end of the reporting period (A) (excluding guarantees provided to the Subsidiaries)	0
<b>Guarantees provided to the Subsidiaries by the Company</b>	
Total amount of guarantees provided to the Subsidiaries during the reporting period	25,155
Total amount of guarantees provided to the Subsidiaries as at the end of the reporting period (B)	92,970
<b>Total amount of guarantees provided by the Company (including guarantees provided to the Subsidiaries)</b>	
Total amount of guarantees (A+B)	92,970
Percentage of the total amount of guarantees to the net assets of the Company (%)	23
Of which:	
Amount of guarantees provided to shareholders, ultimate controller and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to borrowers with a gearing ratio of over 70% (D)	0
Total amount of guarantees exceeding 50% of net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

(iii) **Other material contracts or transactions**

The Company did not have other material contracts or transactions during the reporting period.

**VII. Performance of Commitments**

√ Not applicable

**VIII. Appointment and Removal of the Accountants**

The Company's interim financial report for 2014 was not audited and the Company has not changed its accountants.



## **IX. Punishments to and Rectification of the Company and its Directors, Supervisors, Senior Management, Shareholders with over 5% Interest, Ultimate Controllers and Purchasers**

During the reporting period, none of the Company and its Directors, Supervisors, senior management, shareholders with over 5% interests, ultimate controllers and purchasers was subject to any investigation, administrative punishments and criticism by the CSRC or public reprimands by any stock exchanges.

## **X. Corporate Governance**

The Company has in place a sound system for general meetings, the Board and the Supervisory Committee, and has achieved a clear division of responsibility and authority and an effective balance between its power authority, decision-making body, supervisory authority and management level as well as has scientific decision-making procedures. The Board at the same time establishes specific committees such as audit committee, remuneration and assessment committee, and nomination committee. The organization and business of the Company were independent of its shareholders. The controlling shareholder of the Company acted in a regulated manner and did not misappropriate the Company's funds.

During the reporting period, the Company has amended the "Implementation Rules of the Nomination Committee under the Board" according to the "Corporate Governance Code" and "Corporate Governance Report" of the Stock Exchange, and amended the "Implementation Rules of the Audit Committee under the Board" according to the "Operating Guideline for the Audit Committee under the Board of Listed Companies" of the SSE.

During the reporting period, the Company held general meetings, Board meetings, meetings of various committees under the Board and Supervisory Committee meetings in accordance with the requirements of its Articles of Association. Each of the Directors, Supervisors and senior management discharged their duties in a truthful, honest and diligent way in order to protect the interests of the Company and its shareholders as a whole. The Company's corporate governance had complied with applicable laws and regulations and the relevant requirements of the CSRC and the Stock Exchange.

## **XI. Corporate Governance Code**

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

## **XII. Audit Committee**

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee of this year comprises the independent non-executive Directors, Mr. Guan Yimin, Mr. Gao Zongze and Ms. Lee Kit Ying, Karen. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2014.

## **XIII. Liquidity and Financial Resources**

There were no seasonal changes in the Group's borrowings requirement. As at 30 June 2014, there were no outstanding bank loans and interests not being repaid upon maturity. Details of the bank borrowings of the Group are stated in the notes to the condensed consolidated financial statements of the Group as at 30 June 2014.

According to the accounting report prepared in accordance with the PRC Accounting Standards for Business Enterprises, the gearing ratio was 63.38% as at 30 June 2014.

## **XIV. Foreign Exchange Risk**

1. Exchange rate risk: The operations and customers of the Group's Subsidiaries are located in the PRC. Most of the operating assets and transactions are settled in RMB, and all of the Group's borrowings are denominated in RMB. Therefore, the Group has no significant foreign exchange risk. The sole foreign exchange exposure of the Group arises from long-term payables. Such long-term payables were resulted from the Asset Transfer Agreement signed between the Company and TSC for the purchase of assets generated from foreign bank loans, involving mainly US dollars and Japanese Yen.

As at 30 June 2014, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of approximately RMB4 million (30 June 2013: RMB4 million) in the net profit of the Group. As at 30 June 2014, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase or decrease of approximately RMB8 million (30 June 2013: RMB8 million) in the net profit of the Group.

2. Interest rate risk: The interest rate risk of the Group mainly came from cash and bank deposits, long-term receivables, borrowings and long-term payables. The Group has borrowings and long-term payables. Borrowings and long-term payables at floating rates expose the Group to interest rate risk on cash flows, while borrowings and long-term payables at fixed rates expose the Group to interest rate risk on fair value. As at 30 June 2014, if the bank loan interest rate increases/decreases by 1%, with other factors being constant, the net profit for the period will decrease/increase by RMB7 million (30 June 2013: RMB9 million).

## **XV. Employee and Emolument Policy**

As at 30 June 2014, the Group had 1,475 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB116.086 million. The Group adopted a wage system in accordance with post ranks. An employee's income was also pegged with his own length of service, education, skills as well as the economic benefits to the Company.

## **XVI. Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2014.

## **XVII. Rights of Debt**

As at 30 June 2014, pursuant to the "Sewage Water Processing Agreement" and "Sewage Water Processing Interim Service Agreement" entered into between the Group and TSC and performed before 1 January 2014 and the "Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants including Jizhuangzi of the Company" entered into between the Group, Tianjin Water Authority Bureau and TCCC which started to perform from 1 January 2014, the total receivables of the Group from TSC and Tianjin Water Authority Bureau amounted to RMB2.139 billion, representing approximately 21.4% of the total market capital of the Group as at 30 June 2014.

## **XVIII. Charge on Assets**

Other than the security guarantee provided by Baoying Capital Water Company Limited (the Group's Subsidiary) by using its land use rights and property ownership rights to secure the loan of RMB10 million and the pledge guarantee provided by Qujing Capital Water Company Limited (the Group's Subsidiary) by using the rights to receive tap water and sewage water processing fees to secure the loan of RMB108 million, the Group did not create other charges as at 30 June 2014.

### **XIX. Acquisition and Disposal of Subsidiaries**

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

### **XX. Details of Preferred Shares**

The Company had no preferred shares during the reporting period.

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

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

### **XXII. Model Code for Securities Transactions by the Directors**

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

## SECTION VI DETAILS OF CHANGES IN SHARES AND SHAREHOLDERS

### I. Changes in Share Capital

#### (i) Changes in shares

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

#### (ii) Changes in restricted shares

During the reporting period, there were no changes in the restricted shares of the Company.

### II. Details of Shareholders

Total number of shareholders and shareholdings of top ten shareholders with over 5% interests in the Company as at the end of the reporting period

Total number of shareholders as at the end of the reporting period				97,985, among which 84 are shareholders of H shares		
Shareholdings of the top ten shareholders						
Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Total number of shares held (shares)	Increase/decrease during the reporting period (shares)	Number of restricted shares held (shares)	Number of shares pledged or frozen (shares)
Tianjin Municipal Investment Company Limited	State-owned legal person	51.58	736,207,892	0	0	Pledged 116,300,000
HKSCC Nominees Limited	Unknown	23.43	334,354,900	326,000	0	Unknown
Yang Longhuo	Unknown	0.51	7,208,118	7,199,418	0	Unknown
Shenyang Railway Coal Group Co., Ltd.	Unknown	0.21	3,000,000	0	0	Unknown
Yang Chunfeng	Unknown	0.19	2,646,289	2,646,289	0	Unknown
Chen Hexiang	Unknown	0.18	2,561,839	1,355,739	0	Unknown
HO MAN PING	Unknown	0.14	2,014,000	0	0	Unknown
Chongqing International Trust Co., Ltd.	Unknown	0.14	2,000,015	2,000,015	0	Unknown
Chen Shengjun	Unknown	0.11	1,588,488	1,257,188	0	Unknown
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中國農業銀行股份有限公司 – 中證500交易型開放式指數證券投資基金)	Unknown	0.08	1,137,156	67,696	0	Unknown

Shareholdings of the top ten shareholders of non-restricted shares			
Name of shareholder	Number of non-restricted shares held (shares)	Type and number of shares (shares)	
Tianjin Municipal Investment Company Limited	736,207,892	Ordinary RMB Shares	736,207,892
HKSCC Nominees Limited	334,354,900	H Shares	334,354,900
Yang Longhuo	7,208,118	Ordinary RMB Shares	7,208,118
Shenyang Railway Coal Group Co., Ltd.	3,000,000	Ordinary RMB Shares	3,000,000
Yang Chunfeng	2,646,289	Ordinary RMB Shares	2,646,289
Chen Hexiang	2,561,839	Ordinary RMB Shares	2,561,839
HO MAN PING	2,014,000	H Shares	2,014,000
Chongqing International Trust Co., Ltd.	2,000,015	Ordinary RMB Shares	2,000,015
Chen Shengjun	1,588,488	Ordinary RMB Shares	1,588,488
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中國農業銀行股份有限公司-中證500交易型開放式指數證券投資基金)	1,137,156	Ordinary RMB Shares	1,137,156
Notes on the connected relationship or parties acting in concert among the above shareholders	<p>It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted shares and the top 10 shareholders.</p> <p>Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company.</p> <p>(2) The top ten shareholders are not strategic investors of the Company.</p>		

### III. Changes in the Controlling Shareholder and the Ultimate Controller

There were no changes in the controlling shareholder and the ultimate controller of the Company during the reporting period.

### IV. Substantial shareholders' and other persons' interests and/or short positions in the shares and underlying shares of the Company

As at 30 June 2014, the following entity, other than the Directors, Supervisors or chief executive of the Company, had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
Tianjin Municipal Investment Company Limited	Beneficial owner	736,207,892 A Shares (L)	67.71%	51.58%
UBS AG	Person having a security interest in shares	19,149,454 H Shares (L)	5.63%	1.34%
		198,000 H Shares (Short position)	0.06%	0.01%
ISIS Asset Management Plc.	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%
HSBC Asset Management (Hong Kong) Limited	Investment manager	20,000,000 H Shares (L)	5.88%	1.40%

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

Save as disclosed above, there is no person (other than the Directors, Supervisors or chief executive of the Company) who, as at 30 June 2014, had an interest and/or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. Changes in Shareholdings

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

There was no change in the shareholding of the Directors, Supervisors and senior management of the Company during the reporting period.

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

As at 30 June 2014, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ name of associated corporations	Capacity	Number and class of securities (Note)	Approximate percentage in the total issued share capital of the Company/ associated corporations
<b>Supervisor</b> Nie Youzhuang	The Company	Beneficial owner	959 domestic shares (non- restricted circulating shares) (L)	0.00007%

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



Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2014, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

## II. Changes in Directors, Supervisors and Senior Management of the Company

Name	Position held	Changes	Reason for Changes
Xie Rong	Independent non-executive Directors	Retired	Expiry of terms of office
Di Xiaofeng	Independent non-executive Directors	Retired	Expiry of terms of office
Gao Zongze	Independent non-executive Directors	Appointed	—
Guan Yimin	Independent non-executive Directors	Appointed	—

## SECTION VIII FINANCIAL REPORT

### I. Prepared in accordance with Hong Kong Financial Reporting Standards

#### CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

*(All amounts in Rmb thousand unless otherwise stated)*

		As at	
	Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1,697,227	4,240,202
Investment property	7	106,773	108,609
Intangible assets	7	5,575,727	2,648,476
Land use rights	7	23,897	426,349
Investment in an associate	8	33,161	32,621
Available-for-sale financial assets		2,000	2,000
Long-term receivables	10	329,877	333,607
Other non-current assets		7,097	7,250
		7,775,759	7,799,114
<b>Current assets</b>			
Inventories		18,380	58,035
Trade receivables	9	2,363,032	2,085,386
Other current assets		63,143	6,540
Other receivables		6,618	6,772
Prepayments		92,022	115,655
Cash and cash equivalents		1,057,240	994,982
Restricted bank deposits		3,600	7,267
		3,604,035	3,274,637
<b>Total assets</b>		<b>11,379,794</b>	<b>11,073,751</b>

		As at	
	Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	11	1,427,228	1,427,228
Other reserves		755,567	755,567
Retained earnings		1,823,478	1,793,699
– Proposed final dividend		—	114,178
– Others		1,823,478	1,679,521
		4,006,273	3,976,494
<b>Non-controlling interests</b>		161,423	158,050
<b>Total equity</b>		4,167,696	4,134,544
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	3,047,326	2,910,758
Deferred revenue		394,502	396,447
Deferred income tax liabilities	13	81,710	68,977
Other non-current liabilities		1,648,000	1,348,000
		5,171,538	4,724,182
<b>Current liabilities</b>			
Trade payables	14	74,672	21,099
Advances from customers	14	791,409	701,654
Wages payables		8,150	11,122
Current income tax payable	14	12,647	19,620
Other taxes payable	14	7,306	5,971
Dividend payable		150,745	36,566
Other payables	14	472,659	537,600
Borrowings	12	522,972	881,393
		2,040,560	2,215,025
<b>Total liabilities</b>		7,212,098	6,939,207
<b>Total equity and liabilities</b>		11,379,794	11,073,751
<b>Net current assests</b>		1,563,475	1,059,612
<b>Total assets less current liabilities</b>		9,339,234	8,858,726

Zhang Wenhui  
Director

Lin Wenbo  
Director

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

*(All amounts in Rmb thousand unless otherwise stated)*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2014</b>	<b>2013</b>
Revenue	6(a)	793,398	793,594
Business tax		(8,057)	(7,936)
Cost of sales		<u>(448,222)</u>	<u>(469,723)</u>
<b>Gross profit</b>		337,119	315,935
Other income - net	6(a)	24,605	22,333
Administrative expenses		<u>(56,446)</u>	<u>(56,308)</u>
<b>Operating profit</b>	15	305,278	281,960
Finance income		15,470	14,283
Finance costs		<u>(120,986)</u>	<u>(131,231)</u>
Finance costs - net	16	(105,516)	(116,948)
Share of profits/(loss) of an associate		<u>540</u>	<u>(1,067)</u>
<b>Profit before income tax</b>		200,302	163,945
Income tax expense	17	<u>(52,972)</u>	<u>(41,868)</u>
<b>Profit for the period</b>		<u>147,330</u>	<u>122,077</u>
<b>Total comprehensive income for the period</b>		<u><u>147,330</u></u>	<u><u>122,077</u></u>
Profit/Total comprehensive income attributable to:			
– Owners of the parent		143,957	116,169
– Non-controlling interests		<u>3,373</u>	<u>5,908</u>
		<u><u>147,330</u></u>	<u><u>122,077</u></u>
<b>Earnings per share for profit attributable to the owners of the parent (in Rmb per share)</b>			
– basic		<u>Rmb0.10</u>	<u>Rmb0.08</u>
– diluted		<u>Rmb0.10</u>	<u>Rmb0.08</u>
<b>Interim dividends</b>	18	<u>—</u>	<u>—</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

*(All amounts in Rmb thousand unless otherwise stated)*

	Note	Unaudited				Non- controlling interests	Total Euqity
		Equity holders of the Company			Sub-total		
		Share capital	Other Reserves	Retained Earnings			
<b>Balance at 1 January 2014</b>		<u>1,427,228</u>	<u>755,567</u>	<u>1,793,699</u>	<u>3,976,494</u>	<u>158,050</u>	<u>4,134,544</u>
<b>Comprehensive income</b>							
– Profit for the period		<u>—</u>	<u>—</u>	<u>143,957</u>	<u>143,957</u>	<u>3,373</u>	<u>147,330</u>
<b>Total comprehensive income</b>		<u>—</u>	<u>—</u>	<u>143,957</u>	<u>143,957</u>	<u>3,373</u>	<u>147,330</u>
<b>Transactions with owners</b>							
– Dividends distributed	18	<u>—</u>	<u>—</u>	<u>(114,178)</u>	<u>(114,178)</u>	<u>—</u>	<u>(114,178)</u>
<b>Total transactions with owners</b>		<u>—</u>	<u>—</u>	<u>(114,178)</u>	<u>(114,178)</u>	<u>—</u>	<u>(114,178)</u>
<b>Balance at 30 June 2014</b>		<u><u>1,427,228</u></u>	<u><u>755,567</u></u>	<u><u>1,823,478</u></u>	<u><u>4,006,273</u></u>	<u><u>161,423</u></u>	<u><u>4,167,696</u></u>
<b>Balance at 1 January 2013</b>		<u>1,427,228</u>	<u>733,216</u>	<u>1,619,785</u>	<u>3,780,229</u>	<u>152,442</u>	<u>3,932,671</u>
<b>Comprehensive income</b>							
– Profit for the period		<u>—</u>	<u>—</u>	<u>116,169</u>	<u>116,169</u>	<u>5,908</u>	<u>122,077</u>
<b>Total comprehensive income</b>		<u>—</u>	<u>—</u>	<u>116,169</u>	<u>116,169</u>	<u>5,908</u>	<u>122,077</u>
<b>Transactions with owners</b>							
– Dividends distributed	18	<u>—</u>	<u>—</u>	<u>(85,634)</u>	<u>(85,634)</u>	<u>(759)</u>	<u>(86,393)</u>
<b>Total transactions with owners</b>		<u>—</u>	<u>—</u>	<u>(85,634)</u>	<u>(85,634)</u>	<u>(759)</u>	<u>(86,393)</u>
<b>Balance at 30 June 2013</b>		<u><u>1,427,228</u></u>	<u><u>733,216</u></u>	<u><u>1,650,320</u></u>	<u><u>3,810,764</u></u>	<u><u>157,591</u></u>	<u><u>3,968,355</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

*(All amounts in Rmb thousand unless otherwise stated)*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Continuing operations	403,309	148,351
Income tax paid	(33,264)	(26,473)
Interest received	9,799	8,543
	<hr/>	<hr/>
<b>Cash flows from operating activities – net</b>	<b>379,844</b>	<b>130,421</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
– purchase property, plant and equipment, intangible assets and other long-term assets	(303,622)	(350,736)
– proceeds on disposal of property, plant and equipment	76	37
– Net cash received from investment	676	—
– Other cash received relating to investing activities	300,000	420,000
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>(2,870)</b>	<b>69,301</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
– payments of interest expenses and distribution of dividends of profits	(99,049)	(100,855)
– repayments of bank borrowings	(624,174)	(704,544)
– proceeds from bank borrowings	404,840	135,040
– proceeds from issuance of bonds	—	700,000
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>(318,383)</b>	<b>29,641</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>62,258</b>	<b>229,363</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>994,982</b>	<b>996,965</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents</b>	<b><u>1,057,240</u></b>	<b><u>1,226,328</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

### 1 Company profile and principal activities

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was established on 8 June 1993 in Tianjin, the People’s Republic of China (the “PRC”) as a joint stock limited liability company. The holding company and ultimate holding company of the Company is Tianjin Municipal Investment Company Limited (“TMICL”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“TICIG”) respectively.

The principal activities of the Company and its subsidiaries (the “Group”) include processing of sewage water, construction and management of related facility, supply of tap water, recycled water and heat and cooling supply services as described below:

#### (a) Processing of sewage water

Pursuant to relevant agreements (“Sewage Processing Agreements”), the Group currently provides sewage water processing services via the following plants:

Plant Location	Effective date	Customer
Ji Zhuang Zi, Tianjin	1 January 2014	Tianjin Urban-rural Construction Commission (“TUCC”), Tianjin Water Authority Bureau (“TWAB”)
Xian Yang Lu, Tianjin	1 January 2014	TUCC and TWAB
Dong Jiao, Tianjin	1 January 2014	TUCC and TWAB
Bei Cang, Tianjin	1 January 2014	TUCC and TWAB
Gui Yang, Guizhou	16 September 2004	Guiyang City Administration Bureau
Bao Ying, Jiangsu	13 June 2005	Baoying Construction Bureau
Chi Bi, Hubei	15 July 2005	Chibi Construction Bureau
Fu Yang, Anhui	18 December 2005	Anhui Fuyang Construction Committee
Qu Jing, Yunnan	25 December 2005	Qujing City Water General Company
Hong Hu, Hubei	29 December 2005	Honghu Construction Bureau
Hang Zhou, Zhejiang	20 November 2006	Hangzhou Sewage Company
Jing Hai, Tianjin	12 September 2007	Tianyu Science Technology Park Administration Committee of Tianjin New Technology Industry Area
Wen Deng, Shandong	19 December 2007	Wendeng Construction Bureau
Xi An, Shanxi	18 March 2008	Xi An Municipal Infrastructure Construction Investment General Company
An Guo, Hebei	14 October 2008	An Guo Government
Xian Ning, Hubei	16 October 2008	Xianning Construction Committee
Ying Dong, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qu jing, Yunnan	16 August 2011	QuJing Housing and Urban Construction Bureau
Chao hu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau

The principal terms and the pricing formula as set out in the relevant agreements are briefly summarised below:

*Ji Zhuang Zi, Xian Yang Lu, Dong Jiao and Bei Cang:*

Based on the agreement, each sewage water processing plant is guaranteed monthly minimum processing volume that is 80% of the respective designed processing capacity. The sewage water processing price is set at Rmb1.77 per ton and Rmb1.76 per ton in 2014 and 2015 respectively, which would be adjusted every two year from 2014.

*All other sewage water processing plants:*

Initial sewage water processing prices are pre-determined; thereafter processing prices may be revised after considering various factors including renovation of equipment, additional investment, power and energy, labour force and other significant changes of government policy.

All sewage water processing plants outside Tianjin, except for the one in Guiyang, are guaranteed a minimum processing volume by their respective customers. If the actual volume is lower than the guaranteed volume, processing fee will be settled based on the guaranteed volume.

Pursuant to the relevant agreement, Guiyang Price Bureau adjusts the sewage water processing price periodically, which makes the processing fee recover all actual costs, including operating cost, depreciation, income tax and a return of 8% on budgeted net assets of the plant.

**(b) Construction and management of sewage water facility**

The Group provides design, construction and operations of sewage processing facility and financing, construction and transfer of sewage processing facility project services.

**(c) Tap water supply**

Pursuant to relevant agreements, the Group provides tap water supply service initially at pre-determined price and the processing prices as pre-determined may be adjusted after considering various cost factors based on agreement terms.

**(d) Recycled water supply and pipeline connection**

The recycled water business includes development, construction and operation of recycled water projects, production and sale of recycled water and research, development and technical consultation of processing technology and equipment of recycled water.



**(e) Heat and cooling supply services**

The heat and cooling supply services include design, construction, operations and transfer of centralized heat and cooling infrastructures and providing heat and cooling services.

The Group has signed a concession agreement with TUCC of providing heating and cooling supply services for Tianjin City Cultural Center's central energy station project. This is governed by service concession arrangement that falls into the scope of HKIFRIC - Int 12.

This condensed consolidated interim financial information was approved for issue on 29 August 2014.

This condensed consolidated financial information has not been audited.

**2 Basis of preparation**

These condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

**3 Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

There are no other HKFRSs or HKIFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**4 Estimates**

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

## 5 Financial risk management

The Group's activities expose it to a variety of market risks (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The interim condensed consolidated financial statement do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

### (a) Market risk:

#### (i) Foreign currency risk:

The Group has no significant foreign currency risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi("Rmb"). All of the Group's borrowings are denominated in Rmb. The sole foreign currency exposure of the Group arises from fluctuation of US dollar and Japanese Yen ("JPY") pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from Tianjin Sewage Company ("TSC").

As at 30 June 2014, if Rmb had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the period would have been Rmb4 million (30 June 2013: Rmb4 million) higher/lower. Similarly, if Rmb had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the period would have been Rmb8 million (30 June 2013: Rmb8 million) higher/lower.

#### (ii) Interest rate risk

The Group's interest rate risk arises mainly from cash and bank balances, long-term receivables, borrowings and long-term payables.

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

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

	Fixed	Floating	Non-interest bearing	Total
<b>As at 30 June 2014 (Unaudited)</b>				
Assets				
Cash and bank balances	3,600	1,057,240	—	1,060,840
Long-term receivables	<u>329,877</u>	<u>—</u>	<u>—</u>	<u>329,877</u>
Liabilities				
Current borrowings	—	498,422	—	498,422
Non-current borrowings	—	1,363,371	10,613	1,373,984
Long-term payables due within 1 year	17,244	7,306	—	24,550
Long-term payables	198,189	88,295	—	286,484
Debentures payable	<u>1,386,858</u>	<u>—</u>	<u>—</u>	<u>1,386,858</u>
<b>As at 31 December 2013 (Audited)</b>				
Assets				
Cash and bank balances	7,267	994,982	—	1,002,249
Long-term receivables	<u>333,607</u>	<u>—</u>	<u>—</u>	<u>333,607</u>
Liabilities				
Current borrowings	—	856,932	105	857,037
Non-current borrowings	—	1,224,195	10,613	1,234,808
Long-term payables due within 1 year	17,166	7,190	—	24,356
Long-term payables	201,881	89,294	—	291,175
Debentures payable	<u>1,384,775</u>	<u>—</u>	<u>—</u>	<u>1,384,775</u>

As at 30 June 2014, if interest rates on borrowings had been 1% risen/fallen with all other variables held constant, net profit for the period would have been decreased/increased by Rmb7 million (30 June 2013: Rmb9 million).

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

**(b) Credit risk:**

Credit risk arises from deposits with banks and credit exposures to customers.

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

The credit risk on trade receivables is concentrated on a few customers, all of which are PRC government bodies. Thus, the management considers that the risk is limited.

The maximum credit risk of the Company includes the carrying value of its financial assets on books and the notional amount of financial guarantees issued for its subsidiaries. As at 30 June 2014, the amount of financial guarantee provided by the Company to its subsidiaries is Rmb930 million (As at 30 June 2013: Rmb792 million), of which Rmb610 million has been withdrawn by its subsidiaries. The Board of Directors believe that the subsidiaries can take their own liabilities from varieties of financial resources.

**(c) Liquidity risk:**

Cash flow forecasting is performed in the operating entities and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

The Group's financial assets and liabilities (inclusive of interests) are analysed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, using the contracted undiscounted cash flows, as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>As at 30 June 2014 (Unaudited)</b>					
Cash and bank balances	1,060,840	—	—	—	1,060,840
Trade and other receivables	2,369,650	—	—	—	2,369,650
Long-term receivables	17,783	21,173	85,270	303,026	427,252
Long-term bank borrowings	(545,655)	(710,819)	(625,365)	(174,824)	(2,056,663)
Long-term payables	(26,290)	(26,723)	(83,408)	(403,883)	(540,304)
Other non-current liabilities	(3,602)	(3,497)	(6,889)	(10,613)	(24,601)
Trade and other payables	(547,331)	—	—	—	(547,331)
Short-term borrowings	(52,940)	—	—	—	(52,940)
Debentures payable	(84,630)	(84,630)	(1,522,780)	—	(1,692,040)
<b>As at 31 December 2013 (Audited)</b>					
Cash and bank balances	1,002,249	—	—	—	1,002,249
Trade and other Receivables	2,092,158	—	—	—	2,092,158
Long-term receivables	18,813	86,577	74,250	335,220	514,860
Long-term bank borrowings	(959,335)	(368,672)	(1,001,223)	—	(2,329,230)
Long-term payables	(25,096)	(25,504)	(79,563)	(426,553)	(556,716)
Other non-current liabilities	(3,647)	(3,542)	(8,365)	(10,613)	(26,167)
Trade and other payables	(558,699)	—	—	—	(558,699)
Short-term borrowings	—	—	—	—	—
Debentures payable	(84,630)	(84,630)	(1,607,410)	—	(1,776,670)

**(d) Capital risk management**

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

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

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

The Group's strategy is to maintain a gearing ratio of about 40% - 60%. The gearing ratio of the Group is as follows:

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Total borrowings	3,570,298	3,792,151
Less: Cash and cash equivalents	(1,057,240)	(994,982)
Net debt	<u>2,513,058</u>	<u>2,797,169</u>
Total equity	<u>4,167,696</u>	<u>4,134,544</u>
Total capital	<u>6,680,754</u>	<u>6,931,713</u>
Gearing ratio	<u>38%</u>	<u>40%</u>

As at 30 June 2014, the gearing ratio of the Group has no significant change.

**(e) Fair value estimation**

Long-term borrowings, long-term payables, and debenture payable that are not traded in an active market, are estimated at fair value that is determined by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar cash flows.

## 6 Revenue and segment information

An analysis of sales and contributions to operating profit for the period by principal operations is as follows:

### (a) Analysis of the Group's turnover and other income

	Unaudited	
	For the six months ended	
	30 June 2014	30 June 2013
Revenue from principal operations (Note 6(b))	793,398	793,594
Other income - net	24,605	22,333
	<u>818,003</u>	<u>815,927</u>

### (b) Operating segment analysis

The reportable segments of the Group were identified as the business unit providing different products or services or operating in different regions. Considering the different requirements of technology and market strategy for different business and geographic segments, the Group managed the production and business activities of each segment independently and evaluated the operating results separately in order to determine resource allocation and assesses performance.

The Company considers the business from both service and geographical perspective. From the perspective of services provider, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and cooling service and tap water operation. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants).

## (i) For the period ended 30 June 2014 (Unaudited)

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	377,034	75,412	158,380	86,496	25,752	30,639	64,290	818,003
Segment expense	(276,210)	(68,885)	(131,590)	(59,843)	(24,819)	(35,662)	(21,232)	(618,241)
Results before share of profits of an associate	100,824	6,527	26,790	26,653	933	(5,023)	43,058	199,762
Share of profits of an associate								540
Profit before income tax								200,302
Income tax expense								(52,972)
Profit for the period								<u>147,330</u>
Segment assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	606,253	11,346,633
Investment in an associate	—	—	—	—	—	—	33,161	33,161
Total assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	639,414	11,379,794
Total liabilities	4,511,807	304,487	640,488	1,138,853	249,054	75,775	291,634	7,212,098
Other information								
– Interest income	6,157	288	918	2,337	52	6	5,712	15,470
– Interest expenses	(79,085)	(10,525)	(24,314)	(227)	(4,246)	(3,648)	—	(122,045)
– Depreciation	(37)	(217)	(1,114)	(14,112)	(29)	(187)	(3,301)	(18,997)
– Amortisation	(59,998)	(18,124)	(33,894)	(294)	(4,913)	(6,639)	(1,211)	(125,073)
– Capital expenditures	84,012	1,287	81,483	20,629	1,756	5	4,388	193,560

## (ii) For the period ended 30 June 2013 (Unaudited)

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	428,408	80,207	109,722	93,309	26,434	18,136	59,711	815,927
Segment expense	(348,771)	(65,140)	(102,726)	(73,818)	(26,913)	(17,292)	(16,255)	(650,915)
Results before share of profits of an associate	79,637	15,067	6,996	19,491	(479)	844	43,456	165,012
Share of losses of an associate								(1,067)
Profit before income tax								163,945
Income tax expense								(41,868)
Profit for the period								<u>122,077</u>
Segment assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,087,811	10,865,290
Investment in an associate	—	—	—	—	—	—	33,561	33,561
Total assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,121,372	10,898,851
Total liabilities	4,646,168	402,178	314,914	1,068,963	314,915	124,147	59,211	6,930,496
Other information								
– Interest income	4,369	252	905	2,404	27	4	6,322	14,283
– Interest expenses	(83,627)	(11,882)	(23,200)	(199)	(5,318)	(4,588)	(657)	(129,471)
– Depreciation	(83,415)	—	—	(11,095)	—	—	(1,964)	(96,474)
– Amortisation	(5,293)	(18,124)	(31,364)	(286)	(6,808)	(5,170)	(283)	(67,328)
– Capital expenditures	151,204	64	16,618	27,548	223	107	2,471	198,235



## 7 Property, plant and equipment, investment properties, intangible assets and land use right

	Property, plant and equipment	Investment properties	Intangible assets	Land use right
<b>Six months ended 30 June 2014 (Unaudited)</b>				
<b>Net book value</b>				
<b>Opening amount as at 1 January 2014</b>	4,240,202	108,609	2,648,476	426,349
Additions	114,892	—	82,387	—
Disposals	(11,503)	—	—	—
Depreciation and amortisation	(16,839)	(1,836)	(124,669)	(405)
Transfer to concession rights (Note(a))	(2,629,525)	—	3,031,572	(402,047)
Transfer to other current assets (Note(b))	—	—	(55,139)	—
Impairment provision	—	—	(6,900)	—
<b>Closing amount as at 30 June 2014</b>	<u>1,697,227</u>	<u>106,773</u>	<u>5,575,727</u>	<u>23,897</u>
<b>Six months ended 30 June 2013 (Unaudited)</b>				
<b>Net book value</b>				
<b>Opening amount as at 1 January 2013</b>	3,740,746	112,282	2,753,686	437,653
Additions	182,180	—	16,044	—
Disposals	(2,166)	—	—	—
Depreciation and amortisation	(94,638)	(1,836)	(61,820)	(5,508)
<b>Closing amount as at 30 June 2012</b>	<u>3,826,122</u>	<u>110,446</u>	<u>2,707,910</u>	<u>432,145</u>

Certain of the concession rights with net book value of Rmb216 million (31 December 2013: Rmb221 million) have been secured against loans.

- (a) On 18 February 2014, TWAB, TUCC and the Company signed an agreement to grant concession services right of the above four Tianjin sewage water processing plants to the Company. The concession right period is 30 years, effective from 1 January 2014. The agreements reached with Tianjin Sewage Company (“TSC”) have been naturally terminated. Therefore, related assets are no longer accounted under “Fixed assets” and “Intangible assets-land right” and have been transferred to “intangible assets- concession rights”. The original cost of the above assets is Rmb3,800 million, the accumulated depreciation is Rmb1,200 million and the net book value is Rmb2,600 million.
- (b) According to the interim award from China International Economic and Trade Arbitration commission on 18 April 2014, “the water supply and sewage processing agreement of An Guo would be terminated”. In the view of that they will be transferred to An Guo government in the near future and the Company will receive the payment according to the agreed fair value, hence the management reclassified the related assets of An Guo Capital Water Co., Ltd. (“An Guo company”) to other current assets.

## 8 Investment in an associate

	<b>Unaudited For the six months ended 30 June 2014</b>
Beginning of the period	32,621
Share of profits	540
	<hr/>
End of the period	33,161
	<hr/> <hr/>

Tianjin International Machinery Co., Ltd. (“TIMC”) is a sino-foreign joint venture registered in the Tianjin Economics Development Area. The principal activities of TIMC include research and development, production and sale of environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.

## 9 Trade receivables

Details of the trade receivables are as follows:

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Due from TSC:		
– Sewage processing services (Note (1))	1,890,671	1,890,671
	<hr/>	<hr/>
Receivables from related parties	47,880	48,753
Due from others – current	431,650	153,131
	<hr/>	<hr/>
	2,370,201	2,092,555
	<hr/>	<hr/>
Less: Bad debts provision	(7,169)	(7,169)
	<hr/>	<hr/>
	2,363,032	2,085,386
	<hr/> <hr/>	<hr/> <hr/>

(1) TSC is a state-owned enterprise owned by Tianjin Government and has good credit history.

On 5 August 2014, the Tianjin Government organized TWAB, TUCC, Tianjin Finance Bureau, Tianjin Development and Reform Commission, TICIG, Tianjin Water Group, the Company, other functional departments and relevant units to hold a meeting on the settlement of trade receivables of sewage processing services. The meeting concluded that TUCC will lead all parties to solve the problem of settlement of outstanding trade receivables of Rmb1.89 billion which existed before signing the concession rights of four Tianjin sewage processing plants once and for all. Therefore, management believes that there is no impairment risk.

(a) Aging of trade receivables is as follows:

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Within 1 year	1,021,005	954,931
1 to 2 years	789,223	798,902
2 to 3 years	559,973	338,722
Total	<u>2,370,201</u>	<u>2,092,555</u>

#### 10 Long-term receivables

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Receivables from toll road concession	<u>329,877</u>	<u>333,607</u>

Receivables from toll road concession represent amortised cost using effective interest method, calculated with reference to future revenues from the toll road asset operated by the Company.

#### 11 Share capital

The Company's authorised, issued and fully paid up capital for the period is tabled below. All of the Company's shares are ordinary shares with par value of one Renminbi.

	<b>“A” Circulating shares</b>	<b>“H” Circulating shares</b>	<b>Total</b>
At 31 December 2013 – Audited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>
At 30 June 2014 – Unaudited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

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

## 12 Borrowings

	Note	Unaudited 30 June 2014	Audited 31 December 2013
Non-current liabilities:			
Long-term bank borrowings	(a), (b)	1,799,066	2,067,036
Less: Current portion	(a), (b)	(445,240)	(853,750)
		<u>1,353,826</u>	<u>1,213,286</u>
Debentures payable	(c)	1,386,858	1,384,775
Long-term payables	(d)	286,484	291,175
Other non-current liabilities		<u>20,158</u>	<u>21,522</u>
		<u><u>3,047,326</u></u>	<u><u>2,910,758</u></u>
Current liabilities:			
Current portion of long-term bank borrowings	(a), (b)	445,240	853,750
Current portion of long-term payables	(d)	24,550	24,356
Short-term bank borrowings	(b)	50,000	—
Other current liabilities		<u>3,182</u>	<u>3,287</u>
		<u><u>522,972</u></u>	<u><u>881,393</u></u>

### (a) Long-term bank borrowings

Movement of bank borrowings is analyzed as follows:

	Unaudited
<b>Six months ended 30 June 2013</b>	
Opening amount as at 1 January 2013	2,710,056
Proceeds of new borrowings	135,040
Repayments of borrowings	<u>(672,180)</u>
Closing amount as at 30 June 2013	<u>2,172,916</u>
<b>Six months ended 30 June 2014</b>	
Opening amount as at 1 January 2014	2,067,036
Proceeds of new borrowings	354,840
Repayments of borrowings	<u>(622,810)</u>
Closing amount as at 30 June 2014	<u><u>1,799,066</u></u>

These borrowings mature as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>As at 30 June 2014 (Unaudited)</b>					
Long-term bank borrowings	<u>445,240</u>	<u>645,130</u>	<u>541,696</u>	<u>167,000</u>	<u>1,799,066</u>
<b>As at 31 December 2013 (Audited)</b>					
Long-term bank borrowings	<u>853,750</u>	<u>300,230</u>	<u>686,956</u>	<u>226,100</u>	<u>2,067,036</u>

**(b) Summary of terms of bank borrowings:**

	Unaudited 30 June 2014	Audited 31 December 2013
Long-term bank borrowings:		
Pledged	118,000	127,000
Guaranteed	870,466	977,436
Unsecured	<u>810,600</u>	<u>962,600</u>
	<u>1,799,066</u>	<u>2,067,036</u>
Short-term bank borrowings:		
Unsecured	<u>50,000</u>	<u>—</u>

**(c) Debentures payable**

	Audited 31 December 2013	Debits	Credits	Unaudited 30 June 2014
Debentures payable				
–par value	1,400,000	—	—	1,400,000
–transaction cost	<u>(15,225)</u>	<u>2,083</u>	<u>—</u>	<u>(13,142)</u>
	<u>1,384,775</u>	<u>2,083</u>	<u>—</u>	<u>1,386,858</u>

On 16 November 2011, the Company issued a long-term debenture at par value of Rmb700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and bears fixed interest rate at 6.64% per annum. The principal will be repaid on maturity.

On 29 May 2013, the Company issued a long-term debenture at par value of Rmb700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the date of issuance, and pays fixed interest rate at 5.45% annually. The principal will be repaid on maturity.

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

	Unaudited 30 June 2014		Audited 31 December 2013	
	Payable	Unrecognized financial charges	Payable	Unrecognized financial charges
Payable to TSC for assets acquisition	<u>540,304</u>	<u>(229,270)</u>	<u>556,716</u>	<u>(241,185)</u>

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Due within 1 year
TSC	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>347,329</u>	<u>27,361</u>

Balance of the long-term payable to TSC is the consideration payable as at 30 June 2014 in respect of the acquisition of sewage processing assets from TSC, net of unrecognized financing charges.

Pursuant to “Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project” (the “Transfer Agreement”), TSC had transferred the related assets to the Group. The first instalment is Rmb261 million, the balance of the consideration will be settled on quarterly basis in Rmb translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is based on discounting future cash payments using an agreed and fixed effective interest rate of 5.94%.

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

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
JPY	402,713	414,506
US dollar	137,591	142,210
	<u>540,304</u>	<u>556,716</u>

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

### 13 Deferred income tax liabilities

	<b>Unaudited Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Opening balance as at 1 January	68,977	60,645
Charged to profit or loss	12,733	5,272
	<u>81,710</u>	<u>65,917</u>

### 14 Trade payables, Advances , Other payables and Tax payables

	Notes	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Trade payables	(a)	74,672	21,099
Advances	(b)	791,409	701,654
Other payables	(c)	472,659	537,600
Tax payables		19,953	25,591
		<u>1,358,693</u>	<u>1,285,944</u>

- (a) As at 30 June 2014, the majority of trade payables are aged within one year.

(b) Advances from customers comprise:

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Recycled water pipeline connections	734,093	685,875
Heating and cooling services	1,219	2,441
Advances of Hangu project	3,536	3,536
Other advances	52,561	9,802
	<u>791,409</u>	<u>701,654</u>

(c) Other payables comprise:

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Construction costs payable	308,557	418,701
Payable for purchase of fixed assets and concession rights of plants	20,893	32,493
Long-term debenture interest	31,915	28,063
Others	111,294	58,343
	<u>472,659</u>	<u>537,600</u>

The carrying value of trade and other payables equals to their fair value approximately due to their short-term maturities.

As at 30 June 2014, other payables of Rmb98 million (31 December 2013: Rmb112 million) are aged over one year, which mainly represent unsettled payables and deposits for upgrade projects.



## 15 Operating profit

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

	Unaudited	
	For the six months ended	
	30 June	30 June
	2014	2013
Crediting:		
Rental of investment properties	<u>(4,146)</u>	<u>(4,036)</u>
Charging:		
Depreciation and amortisation expenses	143,749	163,802
Staff costs	101,027	98,144
Raw materials and consumables used	20,330	20,547
Repair and maintenance expenses	26,607	28,442
Loss of disposal of property, plant and equipment	<u>615</u>	<u>876</u>

## 16 Finance costs-net

	Unaudited	
	For the six months ended	
	30 June	30 June
	2014	2013
Interest expenses of borrowings	122,045	132,168
Less: Interest income	(15,470)	(14,283)
– long-term receivables	<u>(5,671)</u>	<u>(5,740)</u>
– bank deposits	<u>(9,799)</u>	<u>(8,543)</u>
Others	<u>(1,059)</u>	<u>(937)</u>
	<u>105,516</u>	<u>116,948</u>

## 17 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2014 (30 June 2013: Nil). PRC income tax is calculated at the statutory rate of 25% (2013: 25%).

Tax charges comprises:

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2014</b>	<b>2013</b>
Current income tax	40,237	36,596
Deferred income tax	12,735	5,272
	<u>52,972</u>	<u>41,868</u>

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2014</b>	<b>2013</b>
Profit before income tax	200,302	163,945
Calculated at applicable income tax rate	47,814	39,280
Income not subject to tax	(653)	(510)
Expenses not deductible for taxation purposes	661	931
Utilisation of previously deductible tax losses for which no deferred income tax assets was recognized	(437)	(1,434)
Current year tax losses for which no deferred income tax asset was recognised	5,587	3,601
Income tax expense	<u>52,972</u>	<u>41,868</u>

## 18 Dividend payable

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2014 (30 June 2013: Nil).

## 19 Commitments and contingent event

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

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2014 Rmb' million	Audited 31 December 2013 Rmb' million	Unaudited 30 June 2014 Rmb' million	Audited 31 December 2013 Rmb' million
Sewage water processing plants in:				
– Ji Zhuang Zi (Relocation project)	209	287	737	741
– Ying Nan (Upgrade project)	—	13	—	40
– Xian Ning Yong An	4	2	4	—
Recycled water plants in:				
– Ji Zhuang Zi water recycled water plant (Relocation project)	72	81	62	72
Others	—	4	—	6
	<u>285</u>	<u>387</u>	<u>803</u>	<u>859</u>

(ii) Contingent event

In 2013, the Group has decided to terminate the tap water agreement between An Guo Capital Water Co., Ltd and An Guo Government, since the Group cannot reach an agreement with An Guo Government, the dispute has been submitted to China International Economic and Trade Arbitration Commission. According to the interim award on 18 April 2014, “the water supply and sewage agreements under this case would be terminated and a third independent appraisal agency would be involved in the evaluation to identify the present value of the investment”. As of the reporting date, the asset evaluation is still in progress.

As at 30 June 2014, the carrying amount of An Guo concession right is Rmb83,866,000, accumulated amortization is Rmb10,503,000. Based on prudence consideration, the management made impairment provision of Rmb18,224,000 (current period provision: Rmb6,900,000), the net value of concession right is Rmb55,139,000.

## 20 Related party transactions

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

(i) Income:

Related parties	Nature of transaction	Unaudited	
		For the six months ended	
		30 June 2014	30 June 2013
TICIG	Commission income from contract operation	29,098	26,838
Tianjin Lecheng Properties Limited	Income from heat and cooling supply	12,209	12,364
Tianjin Subway Group Limited company	Income from heat and cooling supply	1,173	2,051
Tianjin Environment Construction Investment Company Limited	Rental income	—	943
Tianjin Zi Ya Recycled Economy Industry Investment & Development Co.,Ltd.	Income from serving as construction agency	—	800
Tianjin Zi Ya Recycled Economy Industry & Investment Development Co.,Ltd.	Income from construction supervision	780	—
		<u>780</u>	<u>—</u>

(ii) Key management compensation for the six months ended 30 June 2014 is summarized as follows:

	Unaudited	
	For the six months ended	
	30 June 2014	30 June 2013
Salaries and other short-term employee benefits	5,391	4,977
Other long-term benefits	811	719
	<u>6,202</u>	<u>5,696</u>

(iii) Receivables from to related parties:

	Unaudited	Audited
	30 June 2014	31 December 2013
TICIG	15,602	26,838
Tianjin Lecheng Properties Limited	29,395	17,600
TMIC	1,933	6,465
Tianjin Metro Resources Investment Co.,Ltd.	2,882	3,914
Tianjin City Resource Operation Co., Ltd.	—	400
	<u>49,812</u>	<u>55,217</u>

(iv) Commitment

The Group's commitments with related parties at the balance sheet date are as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
Guarantee received		
TICIG	<u>260,000</u>	<u>271,000</u>

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

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

During the period, the Group's significant transactions with these state controlled entities include processing of sewage water, construction and management of related facility, processing of tap water, recycled water and providing heating and cooling services. As at the end of period, majority of the Group's cash and bank balances and borrowings are with state-controlled banks.

## II. Prepared in accordance with PRC Accounting Standards

### Balance Sheet

As at 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and bank balances	(1)	1,060,840	1,002,249	551,852	342,090
Notes receivables		2,800	6,300	—	—
Trade receivables	(2)	2,360,232	2,079,086	2,183,399	1,944,004
Prepayments	(3)	92,022	115,655	4,363	33,656
Dividends receivable		—	—	5,940	12,690
Other receivables	(4)	6,618	6,772	80,563	133,554
Inventories	(5)	18,380	58,035	7,070	7,866
Other current assets	(6)	63,143	6,540	83,000	80,000
<b>Total current assets</b>		<u>3,604,035</u>	<u>3,274,637</u>	<u>2,916,187</u>	<u>2,553,860</u>
<b>NON-CURRENT ASSETS</b>					
Long-term receivables	(7)	329,877	333,607	329,877	333,607
Long-term equity investments	(8)	35,161	34,621	1,296,836	1,284,136
Investment properties	(9)	106,773	108,609	83,739	85,323
Fixed assets	(10)	445,957	3,088,124	188,513	2,825,776
Construction in progress	(10)	1,251,270	1,152,078	1,121,778	1,042,305
Intangible assets	(11)	5,599,624	3,074,825	2,993,521	420,570
Other non-current assets		7,097	7,250	147,376	74,609
<b>Total non-current assets</b>		<u>7,775,759</u>	<u>7,799,114</u>	<u>6,161,640</u>	<u>6,066,326</u>
<b>TOTAL ASSETS</b>		<u><u>11,379,794</u></u>	<u><u>11,073,751</u></u>	<u><u>9,077,827</u></u>	<u><u>8,620,186</u></u>

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Short-term borrowings	(15)	50,000	—	50,000	—
Trade payables	(13)	74,672	21,099	28,575	5,042
Advances	(13)	791,409	701,654	46,730	8,082
Wages payable	(14)	8,150	11,122	5,341	6,918
Taxes payable	(13)	19,953	25,591	11,159	17,555
Dividend payable	(19) (c)	150,745	36,566	150,745	36,566
Other payables	(13)	472,659	537,600	824,522	726,791
Other non-current liabilities due within one year	(15)	469,790	878,106	259,050	676,356
Other current liabilities	(15)	3,182	3,287	—	—
<b>Total current liabilities</b>		<b>2,040,560</b>	<b>2,215,025</b>	<b>1,376,122</b>	<b>1,477,310</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	(15)	1,353,826	1,213,286	576,100	310,600
Debentures payable	(15)	1,386,858	1,384,775	1,386,858	1,384,775
Deferred revenue	(16)	394,502	396,447	209,694	211,406
Deferred income tax liabilities	(17)	81,710	68,977	30,881	22,674
Long-term payables	(15)	286,484	291,175	286,484	291,175
Other non-current liabilities	(15)	1,668,158	1,369,522	1,440,000	1,140,000
<b>Total non-current liabilities</b>		<b>5,171,538</b>	<b>4,724,182</b>	<b>3,930,017</b>	<b>3,360,630</b>
<b>TOTAL LIABILITIES</b>		<b>7,212,098</b>	<b>6,939,207</b>	<b>5,306,139</b>	<b>4,837,940</b>

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	(18)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	(19) (a)	382,311	382,311	380,788	380,788
General reserves	(19) (b)	373,256	373,256	373,256	373,256
Undistributed profits	(19) (c)	1,823,478	1,793,699	1,590,416	1,600,974
<b>Equity attributable to owners of the parent</b>		4,006,273	3,976,494	3,771,688	3,782,246
<b>Minority Interests</b>	(20)	161,423	158,050	—	—
<b>Total shareholders' equity</b>		4,167,696	4,134,544	3,771,688	3,782,246
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>11,379,794</u>	<u>11,073,751</u>	<u>9,077,827</u>	<u>8,620,186</u>

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

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*



## Income Statement

For the six months ended 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

	Notes	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	6	2014	2013	2014	2013
<b>Income from operations</b>	(21)	861,769	851,355	464,154	474,298
Less: Cost for operations	(21)	(487,245)	(509,418)	(217,923)	(246,462)
Business tax and surcharges	(22)	(8,057)	(7,936)	(4,283)	(4,036)
Administrative expenses	(23)	(56,446)	(56,308)	(32,102)	(32,867)
Financial expenses - net	(24)	(105,516)	(116,948)	(64,644)	(72,629)
Impairment of assets	(25)	(6,900)	—	(6,900)	—
Add: Investment income/(loss)		540	(1,067)	—	24,940
Including: Share of profit/(loss) of an associate		540	(1,067)	—	—
<b>Operation profit</b>		198,145	159,678	138,302	143,244
Add: Non-operating income	(26)	2,847	5,214	2,154	1,112
Less: Non-operating expenses	(27)	(690)	(947)	—	(47)
Including: Loss on disposal of non-current assets		(615)	(876)	—	(47)
<b>Total profit</b>		200,302	163,945	140,456	144,309
Less: Income tax	(28)	(52,972)	(41,868)	(36,836)	(30,215)
<b>Net profit</b>		147,330	122,077	103,620	114,094
Attributable to owners of the parent		143,958	116,169	103,620	114,094
Minority interests		3,372	5,908	—	—

	Notes	<b>Group Unaudited Six months ended 30 June</b>		<b>Company Unaudited Six months ended 30 June</b>	
	6	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Earnings per share</b>					
<b>(in Rmb Yuan)</b>	(29)				
– Basic		0.10	0.08	—	—
– Diluted		<u>0.10</u>	<u>0.08</u>	<u>—</u>	<u>—</u>
<b>Other comprehensive income after deduction of impact of income tax</b>		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive income</b>		<u>147,330</u>	<u>122,077</u>	<u>103,620</u>	<u>114,094</u>
Attributable to owners of the parent		143,958	116,169	103,620	114,094
Minority interests		<u>3,372</u>	<u>5,908</u>	<u>—</u>	<u>—</u>

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

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*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*

## Cash Flow Statement

For the six months ended 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

	<b>Group Unaudited Six months ended 30 June</b>		<b>Company Unaudited Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods and rendering of services	669,456	567,175	265,452	171,567
Tax refunds received	215	423	—	—
Cash received relating to other operating activities	153,242	23,474	88,883	8,978
<b>Sub-total of cash inflows</b>	<b>822,913</b>	<b>591,072</b>	<b>354,335</b>	<b>180,545</b>
Cash paid for goods and services	(254,302)	(263,550)	(97,573)	(106,304)
Cash paid to and on behalf of employees	(116,086)	(100,942)	(57,200)	(51,814)
Payments of taxes and levies	(68,161)	(65,549)	(45,706)	(46,809)
Cash payments relating to other operating activities	(4,520)	(30,610)	(4,428)	(13,975)
<b>Sub-total of cash outflows</b>	<b>(443,069)</b>	<b>(460,651)</b>	<b>(204,907)</b>	<b>(218,902)</b>
<b>Net cash flows from operating activities</b>	<b>379,844</b>	<b>130,421</b>	<b>149,428</b>	<b>(38,357)</b>

	<b>Group Unaudited Six months ended 30 June</b>		<b>Company Unaudited Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>2.Cash flows from investing activities</b>				
Cash received from investments withdraw	676	—	676	—
Other cash received relating to investing activities	—	—	6,750	—
Net cash received from disposal of fixed assets and intangible assets	76	37	—	—
Cash received from subsidiaries	—	—	209,384	106,209
Cash received relating to other operating activities	300,000	420,000	300,000	320,000
<b>Sub-total of cash inflows</b>	<b>300,752</b>	<b>420,037</b>	<b>516,810</b>	<b>426,209</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(303,622)	(350,736)	(191,851)	(274,887)
Cash paid to acquire equity investments	—	—	(19,600)	—
Cash paid to subsidiaries	—	—	(79,113)	(22,000)
<b>Sub-total of cash outflows</b>	<b>(303,622)</b>	<b>(350,736)</b>	<b>(290,564)</b>	<b>(296,887)</b>
<b>Net cash flows from investing activities</b>	<b>(2,870)</b>	<b>69,301</b>	<b>226,246</b>	<b>129,322</b>

	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	2014	2013	2014	2013
<b>3.Cash flows from financing activities</b>				
Cash received from borrowings	404,840	135,040	386,000	100,000
Cash received from debentures	—	700,000	—	700,000
<b>Sub-total of cash inflows</b>	<u>404,840</u>	<u>835,040</u>	<u>386,000</u>	<u>800,000</u>
Repayments of amounts borrowed	(624,174)	(704,544)	(488,000)	(596,500)
Payments for distribution of dividends or profits or payments for interest expenses	(99,049)	(100,855)	(63,912)	(58,820)
<b>Sub-total of cash outflows</b>	<u>(723,223)</u>	<u>(805,399)</u>	<u>(551,912)</u>	<u>(655,320)</u>
<b>Net cash flows from financing activities</b>	<u>(318,383)</u>	<u>29,641</u>	<u>(165,912)</u>	<u>144,680</u>
<b>4.Effect of foreign exchange rate changes on cash</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>5.Net increase in cash</b>	58,591	229,363	209,762	235,645
Add: Cash and bank balances at beginning of year	<u>998,649</u>	<u>996,965</u>	<u>342,090</u>	<u>469,715</u>
<b>6.Cash and bank balances at end of period (Note 6(30) (b))</b>	<u><u>1,057,240</u></u>	<u><u>1,226,328</u></u>	<u><u>551,852</u></u>	<u><u>705,360</u></u>

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

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*

## Consolidated statement of changes in equity

For the six months ended 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

	Attributable to owners of the parent				Minority interests	Total shareholders' equity
	Share capital	Capital surplus	General reserve	Undistributed profits		
Balance at 1 January 2013	1,427,228	382,311	350,905	1,619,785	152,442	3,932,671
<b>Changes for the six months ended 30 June 2013</b>						
Net profit	—	—	—	116,169	5,908	122,077
Profit appropriation						
– Dividend appropriation to shareholders	—	—	—	(85,634)	(759)	(86,393)
<b>Balance at 30 June 2013</b>	<u>1,427,228</u>	<u>382,311</u>	<u>350,905</u>	<u>1,650,320</u>	<u>157,591</u>	<u>3,968,355</u>
Balance at 1 January 2014	1,427,228	382,311	373,256	1,793,699	158,050	4,134,544
<b>Changes for the six months ended 30 June 2014</b>						
Net profit						
Profit appropriation	—	—	—	143,957	3,373	147,330
– Dividend appropriation to shareholders	—	—	—	(114,178)	—	(114,178)
<b>Balance at 30 June 2014</b>	<u>1,427,228</u>	<u>382,311</u>	<u>373,256</u>	<u>1,823,478</u>	<u>161,423</u>	<u>4,167,696</u>

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

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*

**Company statement of changes in equity****For the six months ended 30 June 2014***(All amounts in RMB thousand unless otherwise stated)*

	Share capital	Capital surplus	General reserve	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2013</b>	1,427,228	380,788	350,905	1,485,450	3,644,371
<b>Changes for the six months ended 30 June 2013</b>					
Net profit	—	—	—	114,094	114,094
Profit appropriation					
– Dividend appropriation to shareholders	—	—	—	(85,634)	(85,634)
<b>Balance at 30 June 2013</b>	<u>1,427,228</u>	<u>380,788</u>	<u>350,905</u>	<u>1,513,910</u>	<u>3,672,831</u>
<b>Balance at 1 January 2014</b>	1,427,228	380,788	373,256	1,600,974	3,782,246
<b>Changes for the six months ended 30 June 2014</b>					
Net profit					
Profit appropriation	—	—	—	103,620	103,620
– Dividend appropriation to shareholders	—	—	—	(114,178)	(114,178)
<b>Balance at 30 June 2014</b>	<u>1,427,228</u>	<u>380,788</u>	<u>373,256</u>	<u>1,590,416</u>	<u>3,771,688</u>

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

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*

## Notes to the Financial Statements

### For the six months ended 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

#### 1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was established on 8 June 1993 in Tianjin City, the People’s Republic of China (the “PRC”) as a joint stock limited liability company. The holding company and ultimate holding company of the Company is Tianjin Municipal Investment Company Limited (“TMICL”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“TICIG”) respectively.

The principal activities of the Company and its subsidiaries (the “Group”) include processing of sewage water, construction and management of related facility, supply of tap water, recycled water and heat and cooling services as described below:

##### (a) Processing of sewage water

Pursuant to relevant sewage water processing agreements, the Group currently provides the following sewage water processing services:

Plant Location	Effective date	Customer
Ji Zhuang Zi, Tianjin	1 January 2014	Tianjin Urban-rural Construction Commission (“TUCC”), Tianjin Water Authority Bureau (“TWAB”)
Xian Yang Lu, Tianjin	1 January 2014	TUCC and TWAB
Dong Jiao, Tianjin	1 January 2014	TUCC and TWAB
Bei Cang, Tianjin	1 January 2014	TUCC and TWAB
Gui Yang, Guizhou	16 September 2004	Guiyang City Administration Bureau
Bao Ying, Jiangsu	13 June 2005	Baoying Construction Bureau
Chi Bi, Hubei	15 July 2005	Chibi Construction Bureau
Fu Yang, Anhui	18 December 2005	Anhui Fuyang Construction Committee
Qu Jing, Yunnan	25 December 2005	Qujing City Water General Company
Hong Hu, Hubei	29 December 2005	Honghu Construction Bureau
Hang Zhou, Zhejiang	20 November 2006	Hangzhou Sewage Company
Jing Hai, Tianjin	12 September 2007	Tianyu Science Technology Park
Wen Deng, Shandong	19 December 2007	Wendeng Construction Bureau
Xi An, Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
An Guo, Hebei	14 October 2008	An Guo Government
Xian Ning, Hubei	16 October 2008	Xianning Construction Committee
Ying Dong, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qu Jing, Yunnan	16 August 2011	QuJing Housing and Urban Construction Bureau
Chao Hu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau



On 18 February 2014, TWAB, TUCC and the Company signed an agreement to grant concession services right of the above four Tianjin sewage water processing plants to the Company. The concession right period is 30 years, effective from 1 January 2014. The agreements reached with Tianjin Sewage Company (“TSC”) have been naturally terminated. Since then, all plants processing of sewage water are governed by service concession arrangements which fall into the scope of Accounting Standards interpretation No.2 (CAS Int-No.2) (Note 4(14) (b)).

*Ji Zhuang Zi, Xian Yang Lu, Dong jiao and Bei Cang:*

Based on the agreement, each sewage water processing plant is guaranteed monthly minimum processing volume that is about 80% of the respective designed processing capacity. The sewage water processing price is set at Rmb1.77 per ton and Rmb1.76 per ton in 2014 and 2015 respectively, which would be adjusted every two year from 2014.

*All other sewage processing plants:*

Initial sewage water processing prices are pre-determined, thereafter processing prices may be revised after considering various factors including renovation of equipment, additional investment, power and energy, labor force, and other significant changes of government policy.

All sewage water processing plants outside Tianjin, except for the one in Guiyang, are guaranteed a minimum processing volume by their respective customers. If the actual volume is lower than the guaranteed volume, processing fee will be settled based on the guaranteed volume.

Pursuant to the relevant agreement, Guiyang Price Bureau adjusts the sewage water processing price periodically, which makes the processing fee recover all actual costs, including operating cost, depreciation, income tax and a return of 8% on budgeted net assets of the plant.

**(b) Construction and management of sewage water facility**

The Group provides design, construction and operations of sewage processing facility and financing, construction and transfer of sewage processing facility project services.

**(c) Tap water supply**

Pursuant to relevant agreements, the Group provides tap water supply services initially at pre-determined pricing and the processing prices as pre-determined may be adjusted after considering various cost factors based on agreement terms.

**(d) Recycled water supply and pipeline connection**

The recycled water business includes developing, construction and operating of recycled water projects, production and sale of recycled water and research, development and technical consultation of processing technology and equipment of recycled water.

**(e) Heat and cooling supply services**

The heat and cooling supply services include design, construction, operation and transfer of centralized heat and cooling infrastructures, and providing heat and cooling services.

The Group has signed a concession agreement with TUCC of providing heating and cooling supply services for Tianjin City Cultural Center's central energy station, which fall into the scope of Accounting Standards Interpretation No.2 (CAS Int-No.2) (Note 4(14) (b)).

These consolidated financial statements were approved by the Directors of the Company on 29 August 2014.

These financial statements have not been audited.

**2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Group adopted the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance for Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises" or "CAS") and No. 15 General Requirements of Financial Reporting of Information Disclosure Preparation Regulation of Company with Public Issuance Securities (Revised in 2010) stipulated by China Securities Regulatory Commission.

**3 STATEMENT OF COMPLIANCE WITH CAS**

The financial statements of the Company for the six months ended 30 June 2014 truly and completely present the financial position as of 30 June 2014 and the operating results, cash flows and other information for the six months ended 30 June 2014 of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

**4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

**(1) Accounting period**

The accounting year starts on 1 January and ends on 31 December. These financial statements are prepared for the six-month period from 1 January to 30 June 2014.

**(2) Recording currency**

The recording currency is Renminbi ("Rmb").

### **(3) Preparation of consolidated financial statements**

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are fully consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not held by the Company are recognized as minority interests and presented separately in the consolidated balance sheet within equity and net profits respectively.

In the circumstances of wholly or partly purchase of minority interests from non-controlling shareholders after obtaining control of subsidiaries, the assets or liabilities of subsidiaries should be measured on a continuous basis from the acquisition date or combination date in the consolidated financial statement. The difference between the addition of investment in subsidiaries and the proportionate share of net assets measured on a continuous basis associated with the newly obtained interests is treated as an adjustment to capital surplus (share premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

### **(4) Cash and cash equivalents**

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

### **(5) Foreign currency translation**

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

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

## **(6) Financial instruments**

### **(a) Financial assets**

The Group's financial assets represent receivables (Note 4(7)), which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### **(i) Recognition and measurement**

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. The related transaction cost of other financial assets is included in the initial recognition amounts.

Receivables are carried at amortized cost using the effective interest method.

#### **(ii) Impairment of financial assets**

The Group assesses the carrying amount of a financial asset at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss.

The objective evidence of impairment is defined as an event which occurs in the subsequent period after the recognition of a financial asset and has an influence on the estimated future cash flows which can be measured reliably.

If an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

#### **(iii) Derecognition of financial assets**

A financial asset is derecognized where: (1) the contractual rights to receive cash flows from the asset have suspended; (2) the Group has transferred substantially all the risks and rewards associated with ownership of the asset to the transferee; (3) the Group has neither transferred nor retained substantially all the risks and rewards associated with ownership of the asset, but has waived control of the asset.

When a financial asset is derecognized, the differences between its carrying value and proceeds received and the cumulative amount of changes in fair value previously recorded in equity are recognized in profit and loss.

**(b) Financial liabilities**

The financial liabilities are classified initially as financial liabilities at fair value through profit and loss and other financial liabilities. The Group's financial liabilities mainly represent other financial liabilities, including payables, borrowings and short-term debentures.

Payables include trade and other payables, which are initially recognized at fair value and subsequently measured at amortized cost using effective interest method. Payables due within one year (including one year) are included in current liabilities, the remaining portion are included in non-current liabilities.

Borrowings and debentures are initially recognized at its fair value net of transaction costs, and subsequently measured at amortized cost using effective interest method. Borrowings and debentures with maturity within one year (including one year) are included in short-term borrowings and short-term debentures. Borrowings with maturity over one year but due within one year (including one year) at balance sheet date are included in current portion of non-current liabilities, the remaining portion are included in long-term borrowings and long-term debentures.

When the current obligation under a financial liability is completely or partially cancelled, the whole or relevant portion of the liability is derecognized. The differences between carrying value of derecognized portion and consideration paid are recognized in profit and loss.

**(7) Receivables**

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of tap water and goods or rendering of services are initially recognized at fair value of the contractual payments from the buyer.

**(a) Receivables that are individually significant and subject to separate impairment assessment**

Receivables that are individually significant are subject to separate impairment assessment. If objective evidence indicates that the Group will not be able to collect full amount of receivable under its original conditions, a provision for impairment of the receivable needs to be made.

The criteria used in determining its significance: individually exceeds the amount of Rmb50 million.

The provision made to receivables that are individually significant and subject to separate impairment assessment is determined by the difference between its present value of expected future cash flow and its book value.

**(b) Receivables that are grouped for impairment assessment**

Receivables that are not individually significant together with those receivables that have been individually evaluated for impairment and found not to be impaired are grouped on the basis of similar credit risk characteristics. The impairment losses are determined, considering the current conditions, on the basis of historical loss experience for the groups of receivables with the same or the similar credit risk characteristics of prior years.

**(c) Receivables that are not individually significant but subject to separate impairment assessment**

The rationale for such receivables to assess impairment separately is the existence of objective evidence that the Group is not able to collect full amount of receivable under its original conditions.

The provision made to receivables is determined by its present value of expected future cash flow and its book value.

**(8) Inventories**

Inventories include raw materials, finished goods, low cost consumables and construction contract in progress, and are stated at the lower of cost and net realizable value.

The amount of construction contract costs incurred, plus profits and less losses recognized and progress billings is determined on an individual contract basis. Where positive, this amount is recognized in assets as construction in progress. Where negative, it is recognized in liabilities.

Except for construction contract in progress, cost for raw materials, finished goods and low cost consumables are determined using the weighted average method. The cost of finished goods comprises raw materials, direct labor, other direct costs and systematically allocated production overhead based on the normal production capacity. Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

Cost is determined using the weighted average method. The Group adopts the perpetual inventory system.

**(9) Long-term equity investments**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates as well as other long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are all investees over which the Company is able to control. Joint ventures are all investees over which the Group is able to control jointly with other parties. Associates are all investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted using the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured are accounted for using cost method.

**(a) Determination of investment cost**

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

**(b) Subsequent measurement and recognition method of income/loss**

Long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit declared by the investee.

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

Long-term equity investment accounted for using the equity method, the Group recognised the investment income based on its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standards on contingencies, the Group continues to recognise the investment losses and the provision. For changes in owner's equity of the investee other than those arising from its net profit or loss, the Group record directly in capital surplus its proportion, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions between the Group and its investees are eliminated to the extent of the Group's interest in the investees, on the basis of which the investment gain or losses are recognised. The loss on the intra-group transaction between the Group and its investees, of which the nature is asset impairment, is recognised in full amount, and the relevant unrealised gain or loss is not allowed to be eliminated.

**(c) Determination of control, joint control and significant influence over investees**

Control is the power over the entity that given the Group the right to variable returns from its involvement with the entity and the ability to affect those returns.

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

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



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

The carrying value of investments in subsidiaries, joint ventures and associates are written down to its recoverable amount when its recoverable amount is lower than the carrying value(Note 4(15)). When other equity investments which are not quoted in active market and whose fair value cannot be reliably measured are impaired, the differences between its carrying value and its discounted present value of future cash flows using return rate of similar financial assets under current market. Once the impairment loss is recognized, it is not allowed to be reversed for the value recovered in the subsequent periods.

**(10) Investment properties**

Investment properties are buildings that held for the purpose of lease, is measured initially at cost. Subsequent expenditures incurred for an investment property is included in the cost of the investment property when it is probable that economic benefits associated with the investment property will flow to the Group and its cost can be reliably measured, otherwise the expenditure is recognized in profit and loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment property. They are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

	<b>Estimated useful lives</b>	<b>Estimated residual value rate</b>	<b>Annual depreciation rate</b>
Buildings	40-50 years	5%	1.9%-2.4%

When an investment property is changed to an owner-occupied property, it is transferred to fixed asset at the date of the change. When an owner-occupied property is changed to be held to earn rentals or for capital appreciation, the fixed asset is transferred to investment property at the date of the change at the carrying amount of the property.

The estimated useful life, net residual value of the investment property and the depreciation method applied are reviewed, and adjusted as appropriate at each financial year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment property less its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

When the recoverable amount of an investment property is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).

## (11) Fixed assets

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

A fixed asset is recognized when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognized and all the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

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

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

	<b>Estimated useful lives</b>	<b>Estimated residual value rate</b>	<b>Annual depreciation rate</b>
Buildings and structures	10-50 years	0%-5%	1.9%-10%
Machinery and equipment	10-20 years	0%-5%	4.8%-10%
Motor vehicles and others	5-10 years	0%-5%	9.5%-20%

Pipelines network laid outside the plant are included in structures and are depreciated over their estimated useful lives of 25 years.

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

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

When the recoverable amount of a fixed asset is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).

## **(12) Construction in progress**

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, other costs necessary to bring the fixed assets ready for their intended use and borrowing costs that are eligible for capitalization. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. When the recoverable amount of construction in progress is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).

## **(13) Borrowing costs**

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

For those specific borrowings relating to the acquisition and construction of fixed assets which meet capitalization conditions, the capitalization amount of borrowing costs of specific borrowings is the net amount of specific borrowings interest expense incurred for the period after deducting interest income of unused bank deposits or investment income arising from temporary investments.

For those general borrowings occupied relating to the acquisition and construction of fixed assets which meet capitalization conditions, the capitalization amount of borrowing costs of specific borrowings is calculated according to the weighted average amount of cumulative asset expenditures exceeded asset expenditures associated with specific borrowings and weighted average effective interest rate of general borrowings occupied. The effective interest rate is the interest rate used for discounting the future cash flow of borrowings during its expected using periods or its applicable shorter periods to its initial recognized amount.

#### **(14) Intangible assets**

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

##### **(a) Land use rights**

Land use rights are amortized on the straight-line basis over their estimated useful lives of 25 to 50 years. If the purchase costs of land use rights and attached buildings cannot be reliably allocated between the land use rights and buildings, all the purchase costs are recognized as fixed assets.

##### **(b) Concession rights**

As described in Note 1(a) and (e), the Group engages with government bodies and participates in the development, financing, operation and maintenance of infrastructure for public sewage processing services (concession services) over a specified period of time (concession services period). The Group has access to operate the infrastructure to provide the concession services in accordance with the terms specified in the arrangement.

The arrangement is governed by the relevant Sewage Water Processing Agreements that set out performance standards, mechanisms for adjusting prices. The concession services arrangement is within the scope of Accounting Standards interpretation No.2(CAS Int-No.2), and the Group recognize the related rights in the services concession arrangements as intangible assets or financial assets. The operator shall recognize an intangible asset to the extent that it receives a right (license) to charge users of the public service and shall recognize a financial asset to the extent that it has an unconditional contractual right to receive a guaranteed minimum traffic volume from the grantor. Therefore intangible assets - concession rights are recognized for the rights under these service concession arrangements by the Group, which are amortized on a straight-line basis over the terms of operation ranging from 25 to 30 years.

##### **(c) Technical know-how and softwares**

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

##### **(d) Periodical review of useful life and amortization method**

For an intangible asset with a finite useful life, review and adjustment on useful life and amortization method are performed at each year-end.

##### **(e) Impairment of intangible assets**

The carrying value of intangible assets is written down to its recoverable amount when its recoverable amount is lower than the carrying value.

### **(15) Impairment of long-term assets**

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

Once the asset impairment loss mentioned above is recognized, it is not allowed to be reversed for the value recovered in the subsequent periods.

### **(16) Employee benefits**

Employee benefits are payment or compensation in any form paid to employee to obtain services or terminate employment relationship, mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds and employee education funds.

#### **(a) Short-term employee benefits**

During the period which employee services are rendered, employees compensation shall be recognized as a liability and shall be recognized in current profits and losses or costs of related assets. Non-monetary benefits are measured at its fair value.

#### **(b) Basic pension insurance**

Employees from the Group have participated in basic pension insurance plan implemented by local labor and social security authorities. The Group needs to pay for basic pension insurance to local pension insurance agents on a monthly basis which the amount is determined by the calculation base and rate regulated by local authorities. After employees' retirement, the local labor and social security authorities are obligated to pay for the basic pension insurance to retired employees. During the accounting period that employee services are rendered, the amount regulated by local labor and social security shall be recognized as a liability, and be recognized in current profits and losses or costs of related assets.

**(c) Termination Benefit**

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, when (i) the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally or (ii) when termination costs or expenses are determined, whenever is earlier, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognized, with a corresponding charge to profit or loss.

**(17) Dividend distribution**

Proposed cash dividend is recognized as a liability in the period in which it is approved by the shareholders' meeting.

**(18) Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

**(a) Sewage water processing and heat and cooling supply**

Revenue from sewage water processing and heat and cooling supply is recognised when services are rendered.

**(b) Construction contract**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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

Revenue from the sale of tap water and recycled water is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the tap water and recycled water are delivered to customers.

**(d) Sales of pipe connection for recycled water**

Revenue from the sales of pipe connection for recycled water is recognised when the connection is finished and recycled water is capable of being delivered to customers.

**(e) Contract operation income**

Revenue from contract operation is recognized under the accrual basis according to the service agreement.

**(f) Operating lease revenue**

Revenue from operating lease is recognized on a straight-line basis over the period of the lease.

**(g) Interest income**

Interest income is recognized using the effective interest method.

**(h) Dividend income**

Dividend income is recognized when the right to receive payment is established.

**(19) Government grants**

Government grants represent monetary assets granted from government bodies for free, including tax refunds and financial subsidies.

Grants from the government are recognized where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are measured at its received or receivable amount when they are in form of monetary assets.

Government grants relating to assets are grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants relating to income are other government grants other than those relating to assets.

Government grants relating to assets are recognized as deferred revenue and are allocated into income statement on straight-line basis over the useful lives of related assets.

Government grants relating to income, are recognized as deferred revenue when they are intended to compensate expenses or losses in subsequent periods, or credited to income statement when they are intended to compensate expenses or losses incurred.

## **(20) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

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

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

Deferred tax assets and liabilities are offset when:

- The deferred taxes are relate to the same tax payer within the Group and same fiscal authority, and;
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

## **(21) Segment information**

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

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



## **(22) Critical accounting estimate and judgements**

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

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

### **(a) Impairment for receivables**

The Group determines the impairment of trade and other receivables based on objective evidence of impairment and historical loss experience of the respective individual balances. Management has assessed the risk of trade and other receivables being impaired and a provision has been made (Note 6, 2(c)).

### **(b) Income Tax**

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

## 5 TAXATION

The applicable taxes and tax rates of the Group are mainly presented as follows:

<b>Tax by category</b>	<b>Basis of Tax</b>	<b>Tax rate</b>
Enterprise income tax	Taxable income	0% - 25%
Value Added Tax (VAT)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	6% - 13%
Business tax	Gross service income	3%-5%
City construction and maintenance tax	The amount of paid business tax and VAT	7%
Education surtax	The amount of paid business tax and VAT	3%

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

<b>Name of subsidiaries</b>	<b>Enterprise income tax rate of 2014</b>	<b>Preferential tax policy</b>
Chi Bi Capital Water Co.,Ltd.	12.5%	Income from engaging in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2009 for the first 3 years and reduction half for the next 3 years.
Gui Zhou Capital Water Co.,Ltd.	15%	According to Notice about implementation of preferential tax policy relating to development of western regions from Municipal Office of Guizhou Province, Qian Guo shuihan[2011] No.19.
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	15%	High tech enterprises entitle to preferential tax policy from 2013 to 2015.
Tianjin Recycled Water Co.,Ltd.	25%	According to Caishui[2008]No.47, since 1 January, 2008, revenue generated by products which were in line with national or industry standards, the taxable income amount is reduced 90% of the total revenue.

## 6 NOTES TO THE FINANCIAL STATEMENTS

### (1) CASH AND BANK BALANCES

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Cash on hand	318	167	68	17
Cash in bank	1,060,522	1,002,082	551,784	342,073
Including:	1,060,840	1,002,249	551,852	342,090
Special funds for construction in progress (note (a))	69,292	78,065	21,462	23,675
Restricted bank deposits due within one year (note (b))	3,600	7,267	—	—

- (a) The special funds for construction in progress represent the unutilized balances of the special loans obtained for sewage processing projects and recycled water projects.
- (b) The bank deposits represented deposits for project bids due within one year of Rmb3,600 thousand (2013: Rmb7,267 thousand).
- (c) Cash and bank balances comprise the following for the purposes of the cash flow statement:

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Cash and bank balances	1,060,840	1,002,249	551,852	342,090
Less: Restricted bank deposits	(3,600)	(7,267)	—	—
Cash on Cash flow statement (Note(6) (30) (b))	1,057,240	994,982	551,852	342,090

(2) TRADE RECEIVABLES

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Trade receivables	2,367,401	2,086,255	2,183,399	1,944,004
Less: Provision for bad debts	(7,169)	(7,169)	—	—
	<u>2,360,232</u>	<u>2,079,086</u>	<u>2,183,399</u>	<u>1,944,004</u>

(a) Aging of trade receivables is as follows:

Aging	Group			
	Unaudited June 30 2014		Audited December 31 2013	
	Amount	% of total balance	Amount	% of total balance
Within one year	1,018,205	43%	948,631	46%
One to two years	789,223	33%	798,902	38%
Two to Three years	559,973	24%	338,722	16%
Total	<u>2,367,401</u>	<u>100%</u>	<u>2,086,255</u>	<u>100%</u>

Aging	Company			
	Unaudited June 30 2014		Audited December 31 2013	
	Amount	% of total balance	Amount	% of total balance
Within one year	853,351	39%	822,179	42%
One to two years	780,890	36%	791,636	41%
Two to Three years	549,158	25%	330,189	17%
Total	<u>2,183,399</u>	<u>100%</u>	<u>1,944,004</u>	<u>100%</u>

The average credit period of about 30 days has been granted by the Group. As at 30 June 2014, the aging of trade receivables which are past due but not impaired is no material different than the analysis shown above.

(b) Accounts receivable are analyzed by categories as follows:

Category	Group							
	Unaudited 30 June 2014				Audited 31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	2,207,215	93%	7,169	100%	1,890,671	91%	—	—
General credit-group	160,186	7%	—	—	149,284	7%	—	—
Trade receivables with amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	—	—	—	—	46,300	2%	7,169	100%
<b>Total</b>	<b>2,367,401</b>	<b>100%</b>	<b>7,169</b>	<b>100%</b>	<b>2,086,255</b>	<b>100%</b>	<b>7,169</b>	<b>100%</b>

Category	Company							
	Unaudited 30 June 2014				Audited 31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	2,139,406	98%	—	—	1,890,671	97%	—	—
General credit group	43,993	2%	—	—	53,333	3%	—	—
<b>Total</b>	<b>2,183,399</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>1,944,004</b>	<b>100%</b>	<b>—</b>	<b>—</b>

- (c) As at 30 June 2014, accounts receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analyzed as follows:

<b>Trade receivables</b>	<b>Group and Company</b>		
	<b>Ending balance</b>	<b>Provision for bad debts</b>	<b>Ratio</b>
TSC (note (i))	1,890,671	—	—
TWAB			
TUCC	248,735	—	—
Qujing City Water General Company (note (ii))	67,809	7,169	11%
<b>Total</b>	<b>2,207,215</b>	<b>7,169</b>	<b>11%</b>

- (i) TSC is a state-owned enterprise owned by Tianjin Government and has good credit history.

On 5 August 2014, the Tianjin Government organized functional authorities and relevant entities such as the Company, TWAB, TUCC, Tianjin Finance Bureau, Tianjin Development and Reform Commission, TICIG and Tianjin Water Group to hold a thematic meeting on the settlement of outstanding sewage processing fees. The meeting concluded that TUCC will lead all parties to solve the problem of the settlement of arrears amounting to RMB1.89 billion which existed before signing the concession agreements in connection with the 4 sewage treatment plants in Tianjin once and for all. Therefore, the management firmly believes that there is no impairment risk for such accounts receivable.

- (ii) As at 30 June 2014, the total amount of trade receivables due from Qujing City Water General Company, in respect of sewage processing fee and tap water fee was Rmb67,809 thousand among which Rmb12,206 thousand was aged over 2 years. According to management's analysis, impairment provision of Rmb7,169 thousand is provided.

(d) The aging of general credit portfolio is analyzed below:

Aging	Group			
	Unaudited 30 June 2014		Audited 31 December 2013	
	Amount	% of total balance	Amount	% of total balance
	Within one year	157,755	98%	143,158
One to two years	2,063	2%	6,126	4%
Two to Three years	368	—	—	—
Total	<u>160,186</u>	<u>100%</u>	<u>149,284</u>	<u>100%</u>

Aging	Company			
	Unaudited 30 June 2014		Audited 31 December 2013	
	Amount	% of total balance	Amount	% of total balance
	Within one year	40,171	91%	47,207
One to two years	2,063	5%	6,126	11%
Two to Three years	1,759	4%	—	—
Total	<u>43,993</u>	<u>100%</u>	<u>53,333</u>	<u>100%</u>

(e) Trade receivables from any of the shareholders of the Company who hold 5% or more of voting shares are analyzed as below:

	Unaudited 30 June 2014	Audited 31 December 2013
TICIG	<u>15,602</u>	<u>26,838</u>

(f) As at 30 June 2014, the trade receivables from the top five debtors are analyzed as below:

	relationship with the Group	amount	ageing	% of total balance
TSC(note (i))	customer	564,446	Within 1 year	23.91%
		778,827	1 to 2 years	33.00%
		547,398	2 to 3 years	23.19%
TWAB and TUCC (note (i))	customer	248,735	Within 1 year	10.54%
Qujing City Water General Company	customer	47,270	Within 1 year	2.00%
		8,333	1 to 2 years	0.35%
		12,206	2 to 3 years	0.52%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	29,395	Within 1 year	1.24%
TICIG	Ultimate holding company	15,602	Within 1 year	0.65%
Total		<u>2,252,212</u>		<u>95.4%</u>

(i) The amount of trade receivables from TSC and TWAB accounts for 90.64% out of total amount of the Group's trade receivables, the remaining balances are not material. The management believes that there is no impairment risk. No provision needs to be provided.

Trade receivable from related parties is analyzed as follows:

	relationship with the Group	Unaudited 30 June 2014		Audited 31 December 2013	
		amount	% of total balance	amount	% of total balance
TICIG	Ultimate holding company	15,602	0.66%	26,838	1.29%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	29,395	1.24%	17,600	0.84%
Tianjin Metro Resources Investment Co., Ltd.	Controlled by the same ultimate holding company	2,882	0.12%	3,914	0.19%
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company	1	—	401	0.02%
Total		<u>47,880</u>	<u>2.02%</u>	<u>48,753</u>	<u>2.34%</u>



### (3) PREPAYMENTS

(a) The aging of prepayments is analyzed as below:

Aging	Group			
	Unaudited 30 June 2014		Audited 31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within one year	52,491	57%	64,948	56%
One to two years	38,436	42%	49,097	43%
Over two years	1,095	1%	1,610	1%
	<u>92,022</u>	<u>100%</u>	<u>115,655</u>	<u>100%</u>

As at 30 June 2014, the prepayments aged over one year with amount of Rmb39,531 thousand (31 December 2013: Rmb50,707 thousand) mainly for plant construction projects and recycled water pipeline connection service for which the projects have not been completed and hence the prepayments have not been settled.

Aging	Company			
	Unaudited 30 June 2014		Audited 31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within one year	2,848	65%	14,703	43.7%
One to two years	1,155	27%	18,713	55.6%
Over two years	360	8%	240	0.7%
	<u>4,363</u>	<u>100%</u>	<u>33,656</u>	<u>100%</u>

(b) As at 30 June 2014, the prepayments to the top five debtors are analyzed as below:

	Relationship with the Group	Amount	% of total balance	Prepayment time	Reason for not settled
Xi'an Municipal Water Affairs Bureau	Industrial regulator	3,030	3%	2014	The project is not yet completed
Tianjin Machinery&Electric Equipment Imp.&Exp. Co.,Ltd	Equipment supplier	1,933	2%	2013	Installation is not yet completed
State Grid Hefei Power Supply Co.	Energy Supplier	1,017	1%	2014	Payment in advance of electricity
China Construction Sixth Engineering Division Co.Ltd	Engineering contractor	1,000	1%	2014	The project is not yet completed
China International Economic & Trade Arbitration Commission	Other	782	1%	2013	Arbitration is not yet completed
		7,762	8%		

(c) As at 30 June 2014, there are no prepayments to any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2013: Nil). As at 30 June 2014, there are no prepayments to any of the related parties of the Company (31 December 2013: Nil).

**(4) OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Project deposits	1,713	1,814	198	298
Payment on behalf of others	289	1,120	—	—
Receivables from subsidiaries	—	—	78,553	130,914
Others	4,616	3,838	1,812	2,342
	<u>6,618</u>	<u>6,772</u>	<u>80,563</u>	<u>133,554</u>

(a) The aging of the other receivables is analyzed as below:

	<b>Group</b>			
	<b>Unaudited 30 June 2014</b>		<b>Audited 31 December 2013</b>	
<b>Aging</b>	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>% of total balance</b>
Within one year	2,847	43%	4,106	61%
One to two years	1,766	27%	845	12%
Two to three years	963	14%	806	12%
Over three years	1,042	16%	1,015	15%
Total	<u>6,618</u>	<u>100%</u>	<u>6,772</u>	<u>100%</u>

	<b>Company</b>			
	<b>Unaudited 30 June 2014</b>		<b>Audited 31 December 2013</b>	
<b>Aging</b>	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>% of total balance</b>
Within one year	78,698	97.69%	132,712	99.37%
One to two years	1,039	1.29%	45	0.03%
Two to three years	509	0.63%	500	0.38%
Over three years	317	0.39%	297	0.22%
Total	<u>80,563</u>	<u>100%</u>	<u>133,554</u>	<u>100%</u>

(b) As at 30 June 2014, there are no receivables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2013: Nil).

(c) As at 30 June 2014, the other receivables from the top five debtors is analyzed as below:

Entity Name	Relationship with the Group	Amount	Aging	% of total balance
Tianjin Qinglong Construction and Installation Engineering Co. Ltd.	Supplier	1,000	1 to 2 years	15%
Tianjin Construction Wastes Management Station	Regulator	500	2 to 3 years	7%
State Grid Tianjin Power Supply Co.	Supplier	480	Within 1 year	7%
Xianning City Sewage Management Office	Customer	300	Over 3 years	5%
Luodian County Guizhou City Municipal Public Utilities Management Center	Customer	200	2 to 3 years	3%
		2,480		37%

(d) Other receivables is analyzed as below:

Category	Group							
	Unaudited 30 June 2014				Audited 31 December 2013			
	Ending Balance	Provision for bad debt		Ending Balance	Provision for bad debt			
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
General credit portfolio	6,618	100%	—	—	6,772	100%	—	—
Total	6,618	100%	—	—	6,772	100%	—	—

Category	Company							
	Unaudited 30 June 2014				Audited 31 December 2013			
	Ending Balance	Provision for bad debt		Ending Balance	Provision for bad debt			
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
General credit portfolio	80,563	100%	—	—	133,554	100%	—	—
Total	80,563	100%	—	—	133,554	100%	—	—

## (5) INVENTORIES

(a) Inventories are summarised by categories as follows:

	Group					
	Unaudit 30 June 2014			Audit 31 December 2013		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	14,329	—	14,329	15,144	—	15,144
Finished goods	2,757	—	2,757	393	—	393
Spare parts and low cost consumables	323	—	323	292	—	292
Amount due from customer for construction contract	971	—	971	42,206	—	42,206
	<u>18,380</u>	<u>—</u>	<u>18,380</u>	<u>58,035</u>	<u>—</u>	<u>58,035</u>

	Company					
	Unaudit 30 June 2014			Audit 31 December 2013		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	6,832	—	6,832	7,667	—	7,667
Spare parts and low cost consumables	199	—	199	199	—	199
Amount due from customer for construction contract	39	—	39	—	—	—
	<u>7,070</u>	<u>—</u>	<u>7,070</u>	<u>7,866</u>	<u>—</u>	<u>7,866</u>

(6) OTHER CURRENT ASSETS

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Entrusted loan to subsidiaries	—	—	83,000	80,000
An Guo project	55,139	—	—	—
Other	8,004	6,540	—	—
	<u>63,143</u>	<u>6,540</u>	<u>83,000</u>	<u>80,000</u>

According to the interim award from China International Economic and Trade Arbitration commission on 18 April 2014, “the water supply and sewage processing agreement of An Guo would be terminated”. The Company will receive the payment according to the agreed fair value, hence the related assets of An Guo Capital Water Co., Ltd. (“An Guo company”) were reclassified to other current assets in view of the fact that they will be transferred to An Guo government in the near future (Note 6(8)(b)).

(7) LONG-TERM RECEIVABLES

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Receivables from toll road concession	<u>329,877</u>	<u>333,607</u>	<u>329,877</u>	<u>333,607</u>

Receivables from toll road concession represent amortized cost using effective interest method, calculated with reference to future revenues from the toll road asset operated by the Company.

## (8) LONG-TERM EQUITY INVESTMENTS

	Note	Group		Company	
		Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Investment in subsidiaries	(a)	—	—	1,351,355	1,331,755
Less: Impairment provision for long-term investment	(b)	—	—	(56,519)	(49,619)
		<u>—</u>	<u>—</u>	<u>1,294,836</u>	<u>1,282,136</u>
Investment in an associate	(c)	33,161	32,621	—	—
Other long-term equity investment	(d)	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
		<u><u>35,161</u></u>	<u><u>34,621</u></u>	<u><u>1,296,836</u></u>	<u><u>1,284,136</u></u>

### (a) Subsidiaries

The subsidiaries acquired by establishment or investment:

	Company type	Place of registration	Place of operation	Nature of business and business activity	Registered capital	Legal Enterprise type	Legal representative	Institution code
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Sewage processing, tapt water supply	178,983	Limited Company	Zhao Yi	781687756
Guizhou Capital Water Co., Ltd.	A	Guizhou	Guizhou	Sewage processing	100,000	Limited Company	Zhao Yi	750194086
Baoying Capital Water Co., Ltd.	A	Baoying	Baoying	Sewage processing	53,000	Limited Company	Zhao Yi	776407692
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Hangzhou	Sewage processing	257,445	Limited Company	Zhao Yi	785336929
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Tianjin	Production and sales of new types of construction material	37,500	Limited Company	Lin Wenbo	752229932
Fuyang Capital Water Co., Ltd.	B	Fuyang	Fuyang	Sewage processing	107,100	Limited Company	Zhao Yi	783074750

	Company type	Place of registration	Place of operation	Nature of business and business activity	Registered capital	Enterprise type	Legal representative	Institution code
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	B	Hong Kong	Hong Kong	Sewage processing	62,987	Limited Company	Tang Fusheng	35658779-000-05-11-2
Wendeng Capital Water Co., Ltd.	B	Wendeng	Wendeng	Sewage processing	52,000	Limited Company	Zhao Yi	661386940
Tianjin Jing Hai Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	12,000	Limited Company	Yang Guang	666139631
Tianjin Recycled Water Co., Ltd.	B	Tianjin	Tianjin	Production and sales of recycled water and technical consulting for recycled water business	100,000	Limited Company	Tang Fusheng	72573188X
Xi'an Capital Water Co., Ltd.	B	Xi'an	Xi'an	Sewage processing	270,000	Limited Company	Zhao Yi	668679180
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	B	Tianjin	Tianjin	Environmental engineering protection and technical consultation	5,000	Limited Company	Zhang Wenhui	673733268
An Guo Capital Water Co., Ltd.	B	Anguo	Anguo	Tap water supply and drain off for urban area and sewage processing	41,000	Limited Company	Yang Guang	681355439
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Wuhan	Sewage processing and tap water supply	103,240	Limited Company	Zhao Yi	679132033
Tianjin Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	10,000	Limited Company	Li Yuqing	697448664
Tianjin Zichuang Project Investment Co., Ltd.	B	Tianjin	Tianjin	Construction project investment	23,400	Limited Company	Lin Wenbo	55946747X
Tianjin Jinning Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	15,000	Limited Company	Yang Guang	559490071
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer service property management	60,000	Limited Company	Tang Fusheng	569314725

A: Holding subsidiaries

B: Wholly-owned subsidiaries



			Investment cost at beginning of the period	Additions	Investment cost at end of the period	Share holding/ Voting rights (%)	Consolidate financial statement (Y/N)	Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in the current period
	Accounting method	Investment cost								
Qijing Capital Water Co., Ltd.	Cost	154,918	154,918	—	154,918	87	Y	28,393	—	—
Guizhou Capital Water Co., Ltd.	Cost	95,000	95,000	—	95,000	95	Y	5,573	—	—
Baoying Capital Water Co., Ltd.	Cost	37,100	37,100	—	37,100	70	Y	21,357	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	Cost	180,212	180,212	—	180,212	70	Y	101,353	—	—
Tianjin Capital New Materials Co., Ltd.	Cost	26,500	26,500	—	26,500	71	Y	761	(26,500)	—
Fuyang Capital Water Co., Ltd. (notes(ii))	Cost	107,302	87,702	19,600	107,302	100	Y	—	—	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	Cost	62,987	62,987	—	62,987	100	Y	1,693	—	—
Wendeng Capital Water Co., Ltd.	Cost	52,000	52,000	—	52,000	100	Y	—	—	—
Tianjin Jing Hai Capital Water Co., Ltd.	Cost	12,000	12,000	—	12,000	100	Y	—	—	—
Tianjin Recycled Water Co., Ltd.	Cost	100,436	100,436	—	100,436	100	Y	—	—	—
Xi'an Capital Water Co., Ltd.	Cost	270,000	270,000	—	270,000	100	Y	—	—	—
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	Cost	5,000	5,000	—	5,000	100	Y	—	—	—
An-Guo Capital Water Co., Ltd.	Cost	41,000	41,000	—	41,000	100	Y	—	(30,019)	—
Wuhan Tianchuang Capital Water Co., Ltd.	Cost	98,500	98,500	—	98,500	100	Y	2,293	—	—

			Investment		Investment	Share holding/ Voting rights	Consolidate financial statement	Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in the current period
	Accounting method	Investment cost	cost at beginning of the period	Additions	cost at end of the period	(%)	(Y/N)			
Tianjin Capital Water Co., Ltd.	Cost	10,000	10,000	—	10,000	100	Y	—	—	—
Tianjin Zichuang Project Investment Co., Ltd.	Cost	23,400	23,400	—	23,400	100	Y	—	—	—
Tianjin Jinning Capital Water Co., Ltd.	Cost	15,000	15,000	—	15,000	100	Y	—	—	—
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd	Cost	60,000	60,000	—	60,000	100	Y	—	—	—
Total		<u>1,351,355</u>	<u>1,331,755</u>	<u>19,600</u>	<u>1,351,355</u>			<u>161,423</u>	<u>(56,519)</u>	<u>—</u>

- (i) The Group is not exposed to significant restriction on recovery or remittance of return on investment in subsidiaries.
- (ii) The Company invested additional capital of Rmb19.6 million to Fuyang Capital Water Co., Ltd (“Fuyang company”) in the first half of 2014.

## (b) Provisions

	31 December 2013	Additions	Decrease	30 June 2014
Tianjin Capital New Materials Co., Ltd. (note (i))	26,500	—	—	26,500
An Guo Capital Water Co., Ltd. (note (ii))	23,119	6,900	—	30,019
	<u>49,619</u>	<u>6,900</u>	<u>—</u>	<u>56,519</u>

- (i) Full provision has been made for the investment in Tianjin Capital New Materials Co., Ltd. of approximately Rmb26.5 million as at 30 June 2014 (31 December 2013: Rmb26.5 million).
- (ii) According to the interim award from China International Economic and Trade Arbitration commission on 18 April 2014, “the water supply and sewage processing agreement of An Guo would be terminated”. A provision of Rmb6,900 thousand was provided for the related assets of An Guo company based on the construction consideration.

As at 30 June 2014, the Company provides impairment provision of approximately Rmb30 million for the long-term investment to An Guo company (31 December 2013: Rmb23 million)(Note 6(25) (a)).

## (c) Investment in an associate

	30 June 2014			6 months ended 30 June 2014			
	Registered capital	Interest & voting shares held	Total assets	Total liabilities	Net assets	Revenue	Share of profit
Tianjin international Machinery Co., Ltd.	<u>120,000</u>	<u>27.50%</u>	<u>706,031</u>	<u>550,696</u>	<u>155,335</u>	<u>1,209,036</u>	<u>540</u>

	Type	Place of registration	Legal Representative	Registered capital	Interest & voting shares held	Code of organisation
Tianjin international Machinery Co., Ltd.	Limited Company	Tianjin	Wang Jinli	120,000	27.50%	77364390-5

Tianjin International Machinery Co., Ltd. (“TIMC”) is a Sino-foreign joint venture registered in the Tianjin Economics Development Area. The principal activities of TIMC include research and development, production and sale of environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.

The movements of the Group's investment in TIMC are as follows:

	Initial investment cost	31 December 2013	Share of profits	Cash dividends declared	30 June 2014	Share holding/ Voting rights (%)
Tianjin international Machinery Co., Ltd.	33,000	32,621	540	—	33,161	27.50%

Summarized financial information of the associate:

	30 June 2014	31 December 2013
Cash and cash equivalents	170,753	152,132
Other current assets	345,970	370,587
Total current assets	516,723	522,719
Total non-current Assets	189,308	194,054
Trade payables	89,814	67,480
Other current liabilities	460,882	508,513
Total current liabilities	550,696	575,993
Net assets	155,335	140,780
Equity attributable to owners of the parent	117,450	117,684
Adjustment made to reflect fair value of identifiable net assets of associate at acquisition date	—	—
Adjusted equity attributable to owners of the parent	117,450	117,684
Voting shares held by the Group	27.50%	27.50%
Equity held by the Group	32,299	32,363
Long-term investment	33,161	32,621

	<b>Tianjin international Machinery Co., Ltd.</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Revenue	1,209,036	1,017,661
Depreciation and amortization	(2,558)	(5,141)
Interest income	1,774	1,245
Interest expense	(11,055)	(7,881)
Total profit	4,738	(2,181)
Income tax expense	(1,275)	(1,264)
Net profit/(losses)	<u>3,463</u>	<u>(3,445)</u>
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income	<u><u>3,463</u></u>	<u><u>(3,445)</u></u>

(d) Other long-term equity investment

	<b>Accounting method</b>	<b>Investment cost</b>	<b>31 December 2013 and 30 June 2014</b>	<b>Share holding/ Voting rights</b>	<b>Cash dividends declared in the current period</b>
Tianjin Beifang Rencaigang Company Limited	Cost method	<u>2,000</u>	<u>2,000</u>	<u>6.10%</u>	<u>—</u>

**(9) INVESTMENT PROPERTIES**

<b>Buildings</b>	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited)	<u>137,374</u>	<u>110,648</u>
Accumulated depreciation		
At 31 December 2013 (Audited)	(28,765)	(25,325)
Charge for the year	<u>(1,836)</u>	<u>(1,584)</u>
At 30 June 2014 (Unaudited)	<u>(30,601)</u>	<u>(26,909)</u>
Net book value		
At 30 June 2014 (Unaudited)	<u>106,773</u>	<u>83,739</u>
At 31 December 2013 (Audited)	<u>108,609</u>	<u>85,323</u>

The Group's investment properties mainly represent its office building located in Tianjin held for long-term rental. At 30 June 2014, its carrying value was approximately Rmb84 million and based on the Directors' assessment, the fair value was approximately Rmb151 million (2013: Rmb151 million).

**(10) FIXED ASSETS AND CONSTRUCTION IN PROGRESS**

(a) Group

	<b>Buildings &amp; structure (note (i))</b>	<b>Machinery &amp; equipment</b>	<b>Motor vehicles &amp; others</b>	<b>Total</b>
Cost –				
At 1 January 2013(Audited)	2,004,972	2,212,574	239,736	4,457,282
Transfer from construction in progress	—	2,172	186	2,358
Additions	2,257	3,097	5,295	10,649
Disposals	(968)	(34,290)	(18,181)	(53,439)
	<u>2,006,261</u>	<u>2,183,553</u>	<u>227,036</u>	<u>4,416,850</u>
At 31 December 2013(Audited)	2,006,261	2,183,553	227,036	4,416,850
Transfer to intangible assets (note (iv))	(1,754,150)	(1,889,824)	(149,588)	(3,793,562)
Transfer from construction in progress	—	3,615	103	3,718
Additions	—	1,899	2,284	4,183
Disposals	—	(1,161)	(4,533)	(5,694)
	<u>252,111</u>	<u>298,082</u>	<u>75,302</u>	<u>625,495</u>
At 30 June 2014(Unaudited)	252,111	298,082	75,302	625,495
Accumulated depreciation –				
At 1 January 2013(Audited)	(636,360)	(455,682)	(83,981)	(1,176,023)
Charges for the period	(68,589)	(101,052)	(27,710)	(197,351)
Disposals	92	31,467	13,089	44,648
	<u>(704,857)</u>	<u>(525,267)</u>	<u>(98,602)</u>	<u>(1,328,726)</u>
At 31 December 2013(Audited)	(704,857)	(525,267)	(98,602)	(1,328,726)
Transfer to intangible assets (note (iv))	664,971	445,812	53,253	1,164,036
Charges for the period	(4,659)	(9,117)	(3,063)	(16,839)
Disposals	—	17	1,974	1,991
	<u>(44,545)</u>	<u>(88,555)</u>	<u>(46,438)</u>	<u>(179,538)</u>
At 30 June 2014(Unaudited)	(44,545)	(88,555)	(46,438)	(179,538)
Net book value –				
At 30 June 2014(Unaudited)	<u>207,566</u>	<u>209,527</u>	<u>28,864</u>	<u>445,957</u>
At 31 December 2013(Audited)	<u>1,301,404</u>	<u>1,658,286</u>	<u>128,434</u>	<u>3,088,124</u>

- (i) All of the Group's buildings, structures and plants are located in the PRC.
- (ii) For the six months ended 30 June 2014, the total depreciation amount is Rmb16 million which has been included in cost of operations of Rmb13 million and in administrative expenses of Rmb3 million respectively (For the six months ended 30 June 2013: Rmb135 million and Rmb3 million respectively).
- (iii) As at 30 June 2014, the certificate of title to the building and land use rights included in property, plant and equipment, land use rights and investment properties with carrying amount of Rmb136 million (cost of Rmb175 million) (31 December 2013: carrying amount of Rmb138 million and cost of Rmb175 million) has yet to be or is in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, the Directors believe that the titles will be received in due course without additional significant cost to the Group, if any.
- (iv) On 18 February 2014, TWAB, TUCC and the Company signed an agreement to grant concession services right of the above four Tianjin sewage water processing plants to the Company. The concession right period is 30 years, effective from 1 January 2014. The agreements reached with TSC have been naturally terminated. Therefore, related assets are transferred from "Fixed assets" and "Intangible assets-land use right" to "Intangible assets- concession rights". The original cost of the related assets is Rmb3.8 billion, the accumulated depreciation is approximately Rmb1.2 billion and the net book value is Rmb2.6 billion.

## (b) Company

	<b>Buildings &amp; structure</b>	<b>Machinery &amp; equipment</b>	<b>Motor vehicles &amp; others</b>	<b>Total</b>
Cost –				
At 1 January 2013 (Audited)	1,834,101	2,047,483	200,614	4,082,198
Transfer from construction in progress	—	2,172	186	2,358
Additions	—	119	1,605	1,724
Disposals	(84)	(31,929)	(15,516)	(47,529)
	<u>1,834,017</u>	<u>2,017,845</u>	<u>186,889</u>	<u>4,038,751</u>
At 31 December 2013 (Audited)	1,834,017	2,017,845	186,889	4,038,751
Transfer to intangible assets (note (a)(iv))	(1,754,150)	(1,889,824)	(153,528)	(3,797,502)
Transfer from construction in progress	—	—	103	103
Additions	—	—	617	617
Disposals	—	(34)	(2,077)	(2,111)
	<u>79,867</u>	<u>127,987</u>	<u>32,004</u>	<u>239,858</u>
At 30 June 2014 (Unaudited)	79,867	127,987	32,004	239,858
Accumulated depreciation –				
At 1 January 2013 (Audited)	(612,747)	(403,488)	(73,422)	(1,089,657)
Charges for the period	(63,724)	(84,617)	(16,824)	(165,165)
Disposals	84	30,363	11,400	41,847
	<u>(676,387)</u>	<u>(457,742)</u>	<u>(78,846)</u>	<u>(1,212,975)</u>
At 31 December 2013 (Audited)	(676,387)	(457,742)	(78,846)	(1,212,975)
Transfer to intangible assets (note (a)(iv))	664,971	445,812	53,253	1,164,036
Charges for the period	(1,637)	(1,949)	(804)	(4,390)
Disposals	—	10	1,974	1,984
	<u>(13,053)</u>	<u>(13,869)</u>	<u>(24,423)</u>	<u>(51,345)</u>
At 30 June 2014 (Unaudited)	(13,053)	(13,869)	(24,423)	(51,345)
Net book value –				
At 30 June 2014 (Unaudited)	<u>66,814</u>	<u>114,118</u>	<u>7,581</u>	<u>188,513</u>
At 31 December 2013 (Audited)	<u>1,157,630</u>	<u>1,560,103</u>	<u>108,043</u>	<u>2,825,776</u>



(c) Construction in progress comprised of the following major projects:

Name	Total budget	31 December 2013	Increase in current period	Other transfer out current period	Transfer to fixed assets	30 June 2014	Proportion of expenditures incurred to budget (%)	Source of funds
Ji Nan sewage water processing plants:	2,065,590	1,037,516	82,052	—	—	1,119,568	54%	Government grants
Others	—	4,789	1,605	(4,081)	(103)	2,210		Self-raised fund
<b>Total - Company</b>		<u>1,042,305</u>	<u>83,657</u>	<u>(4,081)</u>	<u>(103)</u>	<u>1,121,778</u>		
Ji Nan recycled water plants:	260,351	106,834	20,438	—	—	127,272	49%	Government grants
Others	—	2,939	2,896	—	(3,615)	2,220		Self-raised fund
<b>Total - Group</b>		<u>1,152,078</u>	<u>106,991</u>	<u>(4,081)</u>	<u>(3,718)</u>	<u>1,251,270</u>		

In 2014, no borrowing cost has been capitalized. (2013: Nil)

(d) Construction in progress

As at 30 June 2014, the progress of major projects are analyzed as follows:

Construction progress	Remark
Jin Nan sewage water processing project	54% Estimated by percent of occurred cost to total budget
Jin Nan recycled water project	49% Estimated by percent of occurred cost to total budget

In year 2012, in order to improve the infrastructure construction of Tianjin, Tianjin Government decided to relocate Tianjin Jizhuangzi sewage water processing plant and recycled water plant owned by the Group, and authorized the Group to construct and operate Tianjin Jinnan sewage water processing plant and recycled water plant (“Jin Nan project”). The total investment amount of the Jin Nan Project is about Rmb2.33 billion. According to the instruction of Tianjin Government, the construction fund is provided by land compensation fund from Tianjin Haihe Construction Developing Investment Co., Ltd. (“Haihe Company”), who is under common control of the Company’s ultimate holding company, is the company’s related party. The Group will keep operating Jizhuangzi sewage water processing plant and recycled water plant during the constructions period of the Jin Nan project. When the construction complete and the Jinnan Project is ready for operation, the Jizhuangzi sewage water processing plant and recycled water plant will be demolished.

The total compensation fund is about RMB2.33 billion. The Jin Nan project is under construction and it is expected to be completed within 2014. As at 30 June 2014, the Company has received land compensation fund of Rmb1,600 million and recorded as other non-current liabilities (Note 6 (15)(e)(i)).

## (11) INTANGIBLE ASSETS

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Concession rights (note (a))	5,568,727	2,641,117	2,975,459	—
Land use rights (note (b))	23,897	426,349	11,827	414,030
Technical know-how and computer software (note (c))	7,000	7,359	6,235	6,540
	<u>5,599,624</u>	<u>3,074,825</u>	<u>2,993,521</u>	<u>420,570</u>

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

	Group	Company
Cost		
At 31 December 2013 (Audited)	3,322,411	—
Transfer from fixed assets (Note 10(a)(iv))	3,793,562	3,797,502
Transfer from land use rights	554,178	554,178
Transfer to other current assets (Note 6)	(83,866)	—
Additions (note (i))	82,386	—
At 30 June 2014 (Unaudited)	<u>7,668,671</u>	<u>4,351,680</u>
Accumulated amortization		
At 31 December 2013 (Audited)	(669,970)	—
Transfer from fixed assets (Note 10(a)(iv))	(1,164,036)	(1,164,036)
Transfer from land use rights	(152,131)	(152,131)
Transfer to other current assets (Note 6)	10,503	—
Charges for the period	(124,310)	(60,054)
At 30 June 2014 (Unaudited)	<u>(2,099,944)</u>	<u>(1,376,221)</u>
Provision of impairment		
At 31 December 2013 (Audited)	(11,324)	—
Transfer to other current assets (Note 6)	18,224	—
Charges for the year	(6,900)	—
At 30 June 2014 (Unaudited)	<u>—</u>	<u>—</u>
Net book value		
At 30 June 2014 (Unaudited)	<u>5,568,727</u>	<u>2,975,459</u>
At 31 December 2013 (Audited)	<u>2,641,117</u>	<u>—</u>

- (i) The additions mainly include the recycled water concession project acquired by Fuyang company and the phase II project of Xianning Yong'an sewage water processing plant owned by Wuhan Tianchuang Environmental Co., Ltd.
- (ii) As at 30 June 2014, certain of concession rights with net book value of Rmb216 million (cost of Rmb302 million) (31 December 2013: net book value of Rmb221 million; cost of Rmb302 million) have been secured against long-term borrowings of Rmb108 million (31 December 2013: Rmb118 million) (Note 6(15)(a)(i)).
- (iii) Certain of concession rights with net book value Rmb14million (cost of Rmb19 million) (31 December 2013: net book value of Rmb14 million; cost of Rmb19 million) have been secured against long-term borrowings of Rmb10 million (31 December 2013: Rmb10 million) (Note 6 (15)(a)(ii)).
- (iv) The remaining amortization period of concession rights is from 17 to 30 years.
- (b) The movements of land use rights are as follows:

	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2013 (Audited)	583,057	567,266
Transfer to concession rights (Note 10(a) (iv))	(554,178)	(554,178)
At 30 June 2014 (Unaudited)	<u>28,879</u>	<u>13,088</u>
Accumulated amortization		
At 31 December 2013 (Audited)	(156,708)	(153,236)
Transfer to concession rights (Note 10(a) (iv))	152,131	152,131
Charges for the period	<u>(405)</u>	<u>(156)</u>
At 30 June 2014 (Unaudited)	<u>(4,982)</u>	<u>(1,261)</u>
Net book value		
At 30 June 2014 (Unaudited)	<u>23,897</u>	<u>11,827</u>
At 31 December 2013 (Audited)	<u>426,349</u>	<u>414,030</u>

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

	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2013 (Audited) and at 30 June 2014 (Unaudited)	<u>11,366</u>	<u>10,291</u>
Accumulated amortization		
At 31 December 2013 (Audited)	(4,007)	(3,751)
Charges for the period	(359)	(305)
At 30 June 2014 (Unaudited)	<u>(4,366)</u>	<u>(4,057)</u>
Net book value		
At 30 June 2014 (Unaudited)	<u><u>7,000</u></u>	<u><u>6,235</u></u>
At 31 December 2013 (Audited)	<u><u>7,539</u></u>	<u><u>6,540</u></u>

(d) For the six months ended 30 June 2014, amortization of Rmb125 million and Rmb1 million is recorded in the cost of sales and administration expense in the income statement respectively (For the six months ended 30 June 2013: Rmb21 million and Rmb1 million respectively).

## (12) PROVISION FOR ASSET IMPAIRMENT

	<b>31 December 2013</b>	<b>Increase in current period</b>	<b>Decrease in current period</b>	<b>30 June 2014</b>
Provision for bad debts	7,169	—	—	7,169
Provision for impairment of other current assets (note 6(25)(a))	<u>11,324</u>	<u>6,900</u>	<u>—</u>	<u>18,224</u>
	<u><u>18,493</u></u>	<u><u>6,900</u></u>	<u><u>—</u></u>	<u><u>25,393</u></u>

**(13) TRADE PAYABLES, ADVANCES, TAXES PAYABLE AND OTHER PAYABLES**

	Notes	Group		Company	
		Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Trade payables	(a)	74,672	21,099	28,575	5,042
Advances	(b)	791,409	701,654	46,730	8,082
Other payables	(c)	472,659	537,600	824,522	726,791
Taxes payable	(d)	19,953	25,591	11,159	17,555
		<u>1,358,693</u>	<u>1,285,944</u>	<u>910,986</u>	<u>757,470</u>

- (a) As at 30 June 2014, the majority of trade payables are aged within one year and mainly for raw materials purchase.

As at 30 June 2014, there were no trade payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2013: Nil). And there were no trade payables from any of the related parties of the Company (31 December 2013: Nil).

- (b) Advances comprise:

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Recycled water pipeline connections	734,093	685,875	—	—
Heating and cooling services	1,219	2,441	—	—
Advances of Hangu project	3,536	3,536	3,536	3,536
Other advances	52,561	9,802	43,194	4,546
	<u>791,409</u>	<u>701,654</u>	<u>46,730</u>	<u>8,082</u>

As at 30 June 2014, advances of Rmb515 million (31 December 2013: Rmb476 million) are aged over one year, which mainly represent advances in relation to those projects of recycled water pipeline connection. The balances are yet to be settled as those projects have not been completed.

As at 30 June 2014, there were no advances from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2013: Nil). And there were no advances from any of the related parties of the Company (31 December 2013: Nil).

(c) Other payables comprise:

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Construction costs payable	308,557	418,701	240,779	332,861
Payable for purchase of fixed assets and concession rights of plants	20,893	32,493	—	11,600
Long-term debenture interests payables (Note 6(15) (c))	31,915	28,063	31,915	28,063
Others	111,294	58,343	551,828	354,267
	<u>472,659</u>	<u>537,600</u>	<u>824,522</u>	<u>726,791</u>

As at 30 June 2014, other payables of Rmb98 million (31 December 2013: Rmb112 million) are aged over year, which mainly represent unsettled payables and deposits for upgrade projects. The balances are yet to be settled.

As at 30 June 2014, there were no other payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2013: Nil). And there were no other payables from any of the related parties of the Company (31 December 2013: Nil).

(d) The balances of taxes payable mainly represent income tax payable and business tax payable.

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Income tax payable	12,647	19,620	8,277	14,867
Business tax payable	2,390	3,094	2,105	2,092
Value-added tax payable	544	63	186	—
Others	4,372	2,814	591	596
	<u>19,953</u>	<u>25,591</u>	<u>11,159</u>	<u>17,555</u>

**(14) EMPLOYEE BENEFITS PAYABLE**

(a) Employee benefits payable comprise

	<b>Audited 31 December 2013</b>	<b>Increase in current period</b>	<b>Decrease in current period</b>	<b>Unaudited 30 June 2014</b>
Wages and salaries, bonuses,	5,067	59,929	(64,188)	808
Staff welfare	36	1,847	(1,883)	—
Social security contributions	1,507	30,014	(29,828)	1,693
<hr/>				
Including: Medical insurance	481	7,352	(7,367)	466
Basic pensions	866	20,087	(19,881)	1,072
Unemployment insurance	54	1,697	(1,700)	51
Work injury insurance	16	372	(372)	16
Maternity insurance	90	506	(508)	88
<hr/>				
Housing funds	868	18,301	(18,142)	1,027
Labor union funds and employee education funds	3,550	2,678	(1,805)	4,423
Others	94	345	(240)	199
<hr/>				
	<u>11,122</u>	<u>113,114</u>	<u>(116,086)</u>	<u>8,150</u>

As at 30 June 2014, no defaulted payables are included in the balance of employee benefits payable.

(b) Directors' emoluments

The remuneration of every director for the period ended 30 June 2014 are set out as below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	63	422	485
Lin Wenbo (also the Chief Executive)	42	452	494
Fu Yana	42	378	420
Shi Zhenjuan	42	388	430
<b>Non-executive Directors:</b>			
Xie Rong	64	—	64
Di Xiaofeng	64	—	64
Li Jieying	110	—	110
Gao Zongze	46	—	46
Guan Yimin	46	—	46
An Pindong	42	—	42
Chen Yinxing	42	—	42
	<u>603</u>	<u>1,640</u>	<u>2,243</u>

The remuneration of every director for the year ended 30 June 2013 is set out below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	75	419	494
Lin Wenbo (also the Chief Executive)	50	424	474
Fu Yana	50	324	374
Shi Zhenjuan	50	324	374
<b>Non-executive Directors:</b>			
Xie Rong	110	—	110
Di Xiaofeng	110	—	110
Li Jieying	110	—	110
An Pindong	50	—	50
Chen Yinxing	50	—	50
	<u>655</u>	<u>1,491</u>	<u>2,146</u>



**(15) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURES PAYABLE, LONG-TERM PAYABLES AND OTHER LIABILITIES**

	Note	Group		Company	
		Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Non-current liabilities:					
Long-term bank borrowings	(a)	1,799,066	2,067,036	810,600	962,600
Less: Current portion within one year	(a)	(445,240)	(853,750)	(234,500)	(652,000)
		<u>1,353,826</u>	<u>1,213,286</u>	<u>576,100</u>	<u>310,600</u>
Debentures payable	(c)	1,386,858	1,384,775	1,386,858	1,384,775
Long-term payables	(d)	286,484	291,175	286,484	291,175
Other non-current liabilities	(e)	1,668,158	1,369,522	1,440,000	1,140,000
		<u>4,695,326</u>	<u>4,258,758</u>	<u>3,689,442</u>	<u>3,126,550</u>
Current liabilities:					
Current portion of long-term bank borrowings	(a)	445,240	853,750	234,500	652,000
Current portion of long-term payables	(d)	24,550	24,356	24,550	24,356
Short-term borrowings	(b)	50,000	—	50,000	—
Other current liabilities	(e)	3,182	3,287	—	—
		<u>522,972</u>	<u>881,393</u>	<u>309,050</u>	<u>676,356</u>

(a) Long-term bank borrowings

**Six months ended 30 June 2013**

Opening amount as at 1 January 2013(Audited)	2,710,056
Proceeds of new borrowings	135,040
Repayments of borrowings	(672,180)
Closing amount as at 30 June 2013(Unaudited)	<u>2,172,916</u>

**Six months ended 30 June 2014**

Opening amount as at 1 January 2014(Audited)	2,067,036
Proceeds of new borrowings	354,840
Repayments of borrowings	(622,810)
Closing amount as at 30 June 2014(Unaudited)	<u>1,799,066</u>

Long-term bank borrowings are summarised by banks as follows:

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Borrowings from:				
China Construction Bank Industrial and Commercial Bank of China	528,600	540,600	160,600	151,600
State Development Bank	441,216	460,376	50,000	20,000
Agricultural Bank of China	299,200	367,500	168,000	218,000
Shanghai Bank	158,050	258,060	100,000	200,000
Ping an Bank	15,000	16,000	15,000	16,000
China Everbright Bank	133,000	152,000	133,000	152,000
Bank of China	36,000	86,000	36,000	86,000
Baoying Rural Credit Cooperative Union	20,000	25,000	—	—
China Bohai Bank	20,000	22,500	—	—
Tianjin Agriculture and Commerce Bank	50,000	20,000	50,000	20,000
China Minsheng Bank	98,000	99,000	98,000	99,000
	—	20,000	—	—
	<u>1,799,066</u>	<u>2,067,036</u>	<u>810,600</u>	<u>962,600</u>

Summary of current portion of of long-term bank borrowings:

	Note	Group		Company	
		Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Pledged	(i)	21,000	21,000	—	—
Guaranteed	(iii)	189,740	180,750	—	—
Unsecured		234,500	652,000	234,500	652,000
		<u>445,240</u>	<u>853,750</u>	<u>234,500</u>	<u>652,000</u>

Summary of non-current portion of of long-term bank borrowings:

	Note	Group		Company	
		Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Pledged	(ii)	97,000	106,000	—	—
Guaranteed	(iv)	680,726	796,686	—	—
Unsecured		576,100	310,600	576,100	310,600
		<u>1,353,826</u>	<u>1,213,286</u>	<u>576,100</u>	<u>310,600</u>

- (i) As at 30 June 2014, the current portion of bank pledged borrowings of Rmb21 million (31 December 2013: Rmb21million) was secured by the concession services right of tap water and sewage processing fees of the Group.
- (ii) As at 30 June 2014, non-current portion of bank pledged borrowings of Rmb97 million (31 December 2013: Rmb107 million), including Rmb87 million (31 December 2013: Rmb97 million) secured by the concession services right of tap water and sewage processing fees of the Group (Note 6(11)(a)). The other Rmb10 million (31 December 2013: Rmb10 million) were secured by the land and buildings of the Company's subsidiary, Baoying Capital Water Co. Ltd.
- (iii) As at 30 June 2014, current portion of bank guarantee borrowings was Rmb190 million (31 December 2013: Rmb181 million), including Rmb167 million and Rmb23 million (31 December 2013: Rmb159 million and Rmb22 million) were secured by the Company to its subsidiaries and TICIG to the Company's subsidiaries respectively (note 9 (5) (b)).
- (iv) As at 30 June 2014, non-current portion of bank guaranteed borrowings was Rmb681 million (31 December 2013: Rmb797 million), including Rmb444 million and Rmb237 million (31 December 2013: Rmb548 million and Rmb249 million) were secured by the Company to its subsidiaries and TICIG to the Company's subsidiaries respectively (Note 9 (5) (b)).
- (v) As at 30 June 2014, the weighted average interest rate of long-term bank borrowings is 6.37% annually (31 December 2013: 6.44%).

(iv) The borrowings mature as follows:

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Within one year	445,240	853,750	234,500	652,000
In the second year	645,130	300,230	375,500	68,000
In the third to fifth year	541,696	686,956	200,600	226,600
After the fifth year	167,000	226,100	—	16,000
	<u>1,799,066</u>	<u>2,067,036</u>	<u>810,600</u>	<u>962,600</u>

(v) Current portion of top five long-term bank borrowings analyzed as follows:

	Grant date	Maturity date	Currency	Rate(%)	Group	
					Unaudited 30 June 2014	Audited 31 December 2013
Ping an Bank	2012-08-02	2014-08-02	RMB	6.1500%	70,000	80,000
Ping an Bank	2012-12-05	2014-10-10	RMB	6.1500%	63,000	72,000
Industrial and Commercial Bank of China	2012-06-29	2015-07-15	RMB	7.2050%	40,000	—
Industrial and Commercial Bank of China	2006-11-22	2016-11-22	RMB	7.2050%	30,000	—
State Development Bank	2009-10-12	2019-10-11	RMB	6.5500%	25,000	—
					<u>228,000</u>	<u>152,000</u>

(vi) Non-current portion of top five long-term bank borrowings analyzed as follows:

	Grant date	Maturity date	Currency	Rate(%)	Group	
					30 June 2014	31 December 2013
China Construction Bank	2008-09-28	2022-09-27	RMB	6.22%	237,000	249,000
State Development Bank	2009-10-12	2019-10-11	RMB	6.55%	101,000	126,000
Agricultural Bank of China	2014-03-18	2016-03-17	RMB	6.46%	98,000	—
China Construction Bank	2014-01-26	2017-01-26	RMB	6.46%	97,000	—
Tianjin Agriculture and Commerce Bank	2013-01-04	2016-01-03	RMB	6.15%	96,000	97,000
					<u>629,000</u>	<u>472,000</u>

- (ix) Bank borrowings which are exposed to interest-rate changes and the contractual repricing dates are as follows:

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
6 months or less	445,020	797,876	150,000	487,000
6- 12 months	<u>1,354,046</u>	<u>1,269,160</u>	<u>660,600</u>	<u>475,600</u>

- (x) As at 30 June 2014, the Group has the following committed undrawn banking facilities:

	Group	
	30 June 2014	31 December 2013
Floating rate expiring within 1 year	—	948,500
Floating rate expiring over 1 year	<u>150,000</u>	<u>—</u>

- (b) Short-term borrowings

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Borrowings from:				
Postal Savings bank of China	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>—</u>

Summary of terms of short-term borrowings:

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
Unsecured (note (i))	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>—</u>
	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>—</u>

- (i) Rmb50 million is unsecured loans (2013: Nil).
- (ii) The weighted average interest rate of short-term bank borrowings for the six months ended 30 June 2014 is 5.88% (2013: Nil) per annum.

## (c) Debentures payable

	<b>Audited</b>			<b>Unaudited</b>
	<b>31 December</b>	<b>Addition</b>	<b>Decrease</b>	<b>30 June</b>
	<b>2013</b>			<b>2014</b>
Debentures payable				
– par value	1,400,000	—	—	1,400,000
– transaction cost	(15,225)	—	2,083	(13,142)
	<u>1,384,775</u>	<u>—</u>	<u>2,083</u>	<u>1,386,858</u>

## General information on Long-term Debenture

	<b>Book Value</b>	<b>Issuing Date</b>	<b>Maturity</b>	<b>Issue amount</b>
Corporate Debenture I (note (i))	700,000	2011-11-16	5 years	700,000
Corporate Debenture II (note (ii))	700,000	2013-05-29	5 years	700,000

Interest accrued of debentures is analyzed as follows:

	<b>31 December</b>	<b>Interest accrued</b>		<b>30 June</b>
	<b>2013</b>	<b>Interest accrued</b>	<b>Interest paid</b>	<b>2014</b>
		<b>in current period</b>	<b>in current period</b>	
Corporate Debenture I (i)	5,730	23,049	—	28,779
Corporate Debenture II (ii)	22,333	18,953	(38,150)	3,136
	<u>28,063</u>	<u>42,002</u>	<u>(38,150)</u>	<u>31,915</u>

- (i) On 16 November 2011, the Company issued a long-term debenture at par value of Rmb700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and bears fixed interest rate at 6.64% per annum. The principal will be repaid on maturity.
- (ii) On 29 May 2013, the Company issued a long-term debenture at par value of Rmb700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and bears fixed interest rate at 5.45% per annum. The principal will be repaid on maturity.

(d) Long-term payable and the current portion of long-term payable

	<b>Group and Company</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Payable</b>	<b>unrecognized</b>	<b>Payable</b>	<b>unrecognized</b>
<b>amount</b>	<b>finance</b>	<b>amount</b>	<b>finance</b>	
<b>charge</b>	<b>charge</b>	<b>charge</b>	<b>charge</b>	
Payable for assets acquisition	540,304	(229,270)	556,716	(241,185)

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

	<b>Duration</b>	<b>Original</b>	<b>Effective</b>	<b>Ending</b>	<b>Due within</b>
		<b>Balance</b>	<b>Interest rate</b>	<b>Balance</b>	<b>one year</b>
TSC	to 20 March 2041	430,314	5.94%	286,484	24,550

Balance of the long-term payable to TSC is the consideration payable as at 30 June 2014 in respect of the acquisition of sewage processing assets from TSC as at 30 June 2014, net of unrecognized financing charges.

Pursuant to “Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project” (the “Transfer Agreement”), TSC sold to the Company the certain sewage processing assets. The down payment is Rmb261 million, and remaining payments will be settled in Rmb translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is based on discounting future cash payments using an effective interest rate of 5.94%.

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

	<b>Group and Company</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
JPY	402,713	414,506
US dollar	137,591	142,210
	<u>540,304</u>	<u>556,716</u>

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

- (iii) The long-term payable mature as follows, and as at 30 June 2014, the current portion of long-term payable of Rmb24,550 million was classified as current liabilities.

	<b>Group and Company</b>	
	<b>Unaudited 30 June 2014</b>	<b>Unaudited 31 December 2013</b>
Within 1 year	24,550	24,356
In the 1 to 2 year	22,895	23,361
In the 3 to 5 year	63,768	64,931
Over the 5 year	199,821	202,883
	<u>311,034</u>	<u>315,531</u>

- (e) Other liabilities

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Non-current liabilities:				
– Land compensation fund for Jizhuangzi sewage plant relocation (note (i))	1,440,000	1,140,000	1,440,000	1,140,000
– Land compensation fund for Jizhuangzi recycled water plants relocation (note (i))	160,000	160,000	—	—
– Compensation for cooling services (iii)	48,000	48,000	—	—
– Government loan for sewage water processing plants construction (note (ii))	9,545	10,909	—	—
– Others	10,613	10,613	—	—
	<u>1,668,158</u>	<u>1,369,522</u>	<u>1,440,000</u>	<u>1,140,000</u>
Current liabilities:				
– Current portion of Government loan for sewage water processing plants construction (note (ii))	3,182	3,182	—	—
– Others	—	105	—	—
	<u>3,182</u>	<u>3,287</u>	<u>—</u>	<u>—</u>

- (i) As at 30 June 2014, the Group has received Rmb1,600 million land compensation fund of Jinnan sewage treatment plants and recycled water plant (Note 6 (10) (d)).



- (ii) A loan was taken from Tianjin Municipal and Highway Management bureau by Tianjin Recycled Water Co., Ltd, the subsidiary of the company during 2003 specifically for construction of recycled water plants. The loan is repayable in equal installments over eleven years from 2007. The current portion of the long-term loan is Rmb3 million at the end of 2014 (2013: Rmb3 million). The interest is one-year deposit rate plus 0.3% premium.
- (iii) The fund received from TUCC as compensation to Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd for providing cooling service at a lower price and it will be recognized as revenue over the concession right period.

## (16) DEFERRED REVENUE

Deferred revenue represents the subsidies received from governmental bodies in relation to Group's certain construction and research & development projects. The detail of deferred revenue is as below:

	Audited 31 December 2013	Additions	Recognized in Non-operating revenue	Unaudited 30 June 2014	Relating to assets/ relating to income
Sewage water processing plants:					
– Xian Yang Lu (upgrade project)	70,894	—	—	70,894	Relating to assets
– Ji Zhuang Zi (upgrade project)	41,760	—	—	41,760	Relating to assets
– Dong Jiao (upgrade project)	49,746	—	—	49,746	Relating to assets
Recycled water plants in:					
– Dong Jiao	24,456	—	—	24,456	Relating to assets
– Bei Chen	20,737	—	—	20,737	Relating to assets
Others	3,813	649	(2,361)	2,101	Relating to income
Total-Company	<u>211,406</u>	<u>649</u>	<u>(2,361)</u>	<u>209,694</u>	
Heating and cooling supply service project	100,255	—	—	100,255	Relating to assets
Recycled water plants :					
– Ji Zhuang Zi (sewage reuse project)	40,743	—	—	40,743	Relating to assets
– Ji Zhuang Zi (expansion project)	19,800	—	—	19,800	Relating to assets
– Xian Yang Lu (recycled water project)	14,756	—	—	14,756	Relating to assets
Sewage water processing plants:					
– Bei Shi Qiao (upgrade project)	7,605	—	—	7,605	Relating to assets
Others	1,882	—	(233)	1,649	Relating to income
Total-Group	<u>396,447</u>	<u>649</u>	<u>(2,594)</u>	<u>394,502</u>	

## (17) DEFERRED INCOME TAX

### (a) Deferred income tax assets

Deferred income tax assets were recognized for tax loss carry-forwards and impairment losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

- (i) The Group did not recognize deferred income tax assets result from deductible temporary difference and deductible loss carry-forwards are:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2014</b>	<b>30 June 2013</b>
Deductible temporary difference (Note 6 (25))	6,900	18,493
Deductible loss carry-forwards	64,073	75,885
	<u>70,973</u>	<u>94,378</u>

- (ii) Deferred income tax assets in respect of losses that can be carried forward against future taxable income will expire in the following years:

<b>Year</b>	<b>Ending</b>	<b>Beginning</b>
	<b>balance</b>	<b>balance</b>
2015	16,475	11,812
2016	27,553	16,475
2017	18,204	27,553
2018	1,841	18,204
2019	—	1,841
	<u>—</u>	<u>1,841</u>

### (b) Deferred income tax liabilities

	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Deferred</b>	<b>Taxable</b>	<b>Deferred</b>	<b>Taxable</b>
	<b>income</b>	<b>temporary</b>	<b>income</b>	<b>temporary</b>
	<b>tax liabilities</b>	<b>differences</b>	<b>tax liabilities</b>	<b>differences</b>
Depreciation of fixed assets	<u>81,710</u>	<u>326,840</u>	<u>68,977</u>	<u>275,908</u>

## (18) SHARE CAPITAL

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

	A shares	H shares	Total
At 31 December 2013 and 30 June 2014	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

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

## (19) RESERVES AND DIVIDEND

- (a) Capital reserve comprises share premium arising from the issuance of shares and adjustment from acquisition of shares from minority interests. This reserve can be utilised to offset prior years' losses or for issuance of bonus shares.
- (b) According to the PRC Companies Law and the Company's Articles of Association, a company is required to transfer 10% of its net profit for the year to the statutory common reserve, which can be ceased till the reserve reaches 50% of the registered capital. This reserve shall only be used to make up losses; or to increase the capital of the Company upon approval from the shareholders.
- (c) Dividends

A dividend in respect of year ended 31 December 2013 of Rmb0.8 (gross tax) every 10 shares, total shares of 1,427 million shares on 30 June 2014, amounting to a total dividend of Rmb114 million, was approved at the Annual General Meeting on 5 June 2014 (2013: Rmb0.6 (gross tax) every 10 shares, amounting to a total dividend of Rmb86 million).

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2014 (30 June 2013: Nil).

**(20) MINORITY INTERESTS**

	30 June 2014	For the six months ended 30 June 2014	For the six months ended 30 June 2014 Declared distribution of cash dividend
	Minority interest	Minority interest income	
Hang Zhou Tianchuang Capital Water Co., Ltd.	101,353	1,572	—
Qujing Capital Water Co., Ltd.	28,393	1,174	—
Others	31,677	626	—
	<u>161,423</u>	<u>3,372</u>	<u>—</u>

Summarized financial information for each subsidiary listed above are set out below:

**Summarized balance sheet**

	Unaudited		30 June 2014		Net assets
	current assets	non-current assets	current liability	non-current liability	
Hang Zhou Tianchuang Capital Water Co., Ltd.	35,559	653,774	42,943	307,544	338,846
Qujing Capital Water Co., Ltd.	64,756	331,560	72,881	116,635	206,800
	<u>100,315</u>	<u>985,334</u>	<u>115,824</u>	<u>424,179</u>	<u>545,646</u>

  

	Audited		31 December 2013		Net assets
	current assets	non-current assets	current liability	non-current liability	
Hang Zhou Tianchuang Capital Water Co., Ltd	60,511	672,547	94,839	305,614	332,605
Qujing Capital Water Co., Ltd	46,817	340,051	87,287	101,510	198,071
	<u>107,328</u>	<u>1,012,598</u>	<u>182,126</u>	<u>407,124</u>	<u>530,676</u>

## Summarized income statement

	Unaudited			Total comprehensive income
	For the six months ended 30 June 2014			
	Revenue	Profit before income tax	Net profit	
Hang Zhou Tianchuang Capital Water Co., Ltd	75,524	6,836	5,239	5,239
Qujing Capital Water Co., Ltd.	51,406	11,682	8,729	8,729
	<u>126,930</u>	<u>18,518</u>	<u>13,968</u>	<u>13,968</u>

	Unaudited			Total comprehensive income
	For the six months ended 30 June 2013			
	Revenue	Profit before income tax	Net profit	
Hang Zhou Tianchuang Capital Water Co., Ltd	80,207	15,067	13,097	13,097
Qujing Capital Water Co., Ltd.	35,028	3,452	1,689	1,689
	<u>115,235</u>	<u>18,519</u>	<u>14,786</u>	<u>14,786</u>

## Summarized cash flows

	Unaudited				
	For the six months ended 30 June 2014				
Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and bank balances at beginning of the period	Cash and bank balances at end of the period	
Hang Zhou Tianchuang Capital Water Co., Ltd	35,357	(1,432)	(59,202)	45,148	19,871
Qujing Capital Water Co., Ltd.	(13,573)	(9)	9,799	6,094	2,311
	<u>21,784</u>	<u>(1,441)</u>	<u>(49,403)</u>	<u>51,242</u>	<u>22,182</u>

	<b>Unaudited</b>				
	<b>For the six months ended 30 June 2013</b>				
	<b>Cash flows from operating activities</b>	<b>Cash flows from investing activities</b>	<b>Cash flows from financing activities</b>	<b>Cash and bank balances at beginning of the period</b>	<b>Cash and bank balances at end of the period</b>
Hang Zhou Tianchuang Capital Water Co., Ltd	42,665	(400)	(52,665)	33,112	22,712
Qujing Capital Water Co., Ltd.	14,925	(3,154)	(13,380)	3,410	1,801
	<u>57,590</u>	<u>(3,554)</u>	<u>(66,045)</u>	<u>36,522</u>	<u>24,513</u>

Financial information presented above is the carrying amounts of the subsidiaries.

**(21) INCOME FROM AND COST FOR OPERATIONS**

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2014</b>		<b>30 June 2013</b>	
	<b>Income from operations</b>	<b>Cost for operations</b>	<b>Income from operations</b>	<b>Cost for operations</b>
Income from principal operations	793,398	441,322	793,594	469,723
Other operating income	68,371	45,923	57,761	39,695
	<u>861,769</u>	<u>487,245</u>	<u>851,355</u>	<u>509,418</u>

	<b>Company Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2014</b>		<b>30 June 2013</b>	
	<b>Income from operations</b>	<b>Cost for operations</b>	<b>Income from operations</b>	<b>Cost for operations</b>
Income from principal operations	410,548	187,523	432,078	219,551
Other operating income	53,606	30,400	42,220	26,911
	<u>464,154</u>	<u>217,923</u>	<u>474,298</u>	<u>246,462</u>

(a) Income from and cost of principal operations

The income and cost categorised by the nature of service are analyzed as below:

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2014</b>		<b>30 June 2013</b>	
	<b>Income from operations</b>	<b>Cost for operations</b>	<b>Income from operations</b>	<b>Cost for operations</b>
Processing of construction of sewage water and sewage plant	610,826	329,169	618,337	356,881
Recycled water and connection project	86,496	55,420	93,309	69,009
Heating and cooling supplying	25,752	19,518	26,434	20,768
Tap water supplying	30,639	25,321	18,136	11,787
Others	39,685	11,894	37,378	11,278
	<u>793,398</u>	<u>441,322</u>	<u>793,594</u>	<u>469,723</u>

The income and cost categorised by the area is analyzed as below:

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2014</b>		<b>30 June 2013</b>	
	<b>Income from operations</b>	<b>Cost for operations</b>	<b>Income from operations</b>	<b>Cost for operations</b>
Tianjin area	535,071	266,393	560,517	316,731
Hangzhou area	75,412	51,657	80,096	48,807
Xi'an area	40,523	29,924	37,383	28,634
Qujing area	50,452	32,699	34,908	23,696
Others	91,940	60,649	80,690	51,855
	<u>793,398</u>	<u>441,322</u>	<u>793,594</u>	<u>469,723</u>

(b) Income from and cost of other operating

	<b>Group Unaudited</b>			
	<b>For the six months ended 30 June 2014</b>		<b>30 June 2013</b>	
	<b>Income from operations</b>	<b>Cost for operations</b>	<b>Income from operations</b>	<b>Cost for operations</b>
Entrust operation income	43,405	37,832	47,387	32,333
Technical service	15,569	2,872	2,352	778
Rental of investment properties	3,979	2,020	4,036	2,425
Others	5,418	3,199	3,986	4,159
	<u>68,371</u>	<u>45,923</u>	<u>57,761</u>	<u>39,695</u>

(c) Revenue from the top five customers of the Group

Revenue from the top five customers of the Group with an amount of Rmb585 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Rmb573 million) accounts for 69% (for the six months ended 30 June 2013: 67%) of the total revenue of the Group, as analyzed below:

	<b>Revenue</b>	<b>% of total balance</b>
TWAB (note(i))	376,734	44
Hangzhou Sewage Company	75,412	9
Qijing City Water General Company	50,397	6
Tianjin Municipal and Highway Management Bureau	42,915	5
Xi'an Urban Infrastructure Construction Investment Group Co., Ltd.	<u>40,523</u>	<u>5</u>
	<u>585,981</u>	<u>69</u>

- (i) Operating revenue from customer TWAB account for about 81% of the Company's total revenue, the rest is immaterial.



**(22) BUSINESS TAX AND SURCHARGES**

	Group Unaudited		Company Unaudited	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Business tax	6,916	6,898	3,790	3,572
City construction and maintenance fee	626	567	265	250
Education fee surcharge and others	515	471	228	214
	<u>8,057</u>	<u>7,936</u>	<u>4,283</u>	<u>4,036</u>

**(23) Operating Cost and Administrative expenses**

	Group Unaudited			
	For the six months ended			
	30 June 2014		30 June 2013	
	Cost for Operating	Administrative expenses	Cost for Operating	Administrative expenses
Employee wages	63,772	37,255	60,428	33,283
Traveling and meeting expenses	258	424	1,402	2,323
Transportation expenses	1,109	1,499	—	1,351
Business entertainment expenses	19	437	—	1,705
Tax(Other tax)	2,548	3,737	2,343	2,589
Depreciation	15,806	2,869	135,192	3,205
Amortization	124,570	504	21,044	584
Auditors' remuneration	—	2,949	—	2,849
Expenses of Board of Directors	—	829	—	1,088
Repair and maintenance expenses	25,029	1,578	17,069	2,222
Office allowance	668	1,148	859	1,315
Power and gas	106,429	749	104,035	567
Consulting service fee	1,779	880	1,164	874
Sewage mud processing fee	20,682	—	24,457	—
Cost of recycled water pipeline connection service	19,922	—	39,177	—
Raw materials and consumables	20,330	—	22,204	—
Water cost	12,005	—	—	—
Construction cost of sewage water plants	1,742	—	11,618	—
Factory environment, detection and fire prevention fee	8,554	—	9,512	—
Network Maintenance	6,480	—	6,344	—
Toll road management fee	3,560	—	3,560	—
Others	6,060	1,588	9,315	2,353
	<u>441,322</u>	<u>56,446</u>	<u>469,723</u>	<u>56,308</u>

<b>Company</b>				
<b>Unaudited</b>				
<b>For the six months ended</b>				
	<b>30 June 2014</b>		<b>30 June 2013</b>	
	<b>Operating</b>	<b>Administrative</b>	<b>Operating</b>	<b>Administrative</b>
	<b>cost</b>	<b>expenses</b>	<b>cost</b>	<b>expenses</b>
Employee wages	28,313	22,887	27,075	21,287
Meeting and traveling expenses	3	201	28	291
Transportation expenses	321	500	338	555
Business entertainment expenses	—	14	—	213
Tax(Other tax)	1,371	888	1,226	1,167
Depreciation	4,768	1,206	78,385	1,463
Amortization	60,054	460	5,295	548
Auditors' remuneration	—	2,771	—	2,610
Expenses of Board of Directors	—	829	—	1,088
Repair and maintenance expenses	9,642	911	9,494	1,375
Office allowance	282	208	375	519
Power and gas	44,179	560	40,821	389
Consulting service fee	1,360	284	959	489
Sewage mud processing fee	16,967	—	21,518	—
Raw materials and consumables	9,034	—	11,312	—
Construction cost of sewage water plants	—	—	9,479	—
Factory environment, detection and fire prevention fee	3,612	—	3,994	—
Network Maintenance	3,500	—	3,500	—
Toll road management fee	3,560	—	3,560	—
Others	557	383	2,193	873
	<u>187,523</u>	<u>32,102</u>	<u>219,551</u>	<u>32,867</u>

**(24) FINANCIAL EXPENSES – NET**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Interest expenses of borrowings	122,045	132,168	79,084	86,324
Less: Capitalised interest	—	—	—	—
Net interest expenses	122,045	132,168	79,084	86,324
Less: Interest income	(15,470)	(14,283)	(12,664)	(12,291)
– long-term receivables	(5,671)	(5,740)	(5,671)	(5,740)
– bank deposits	(9,799)	(8,543)	(643)	(1,535)
– interests from intra-group loans	—	—	(6,350)	(5,016)
Exchange gain	(3,906)	(2,697)	(3,906)	(2,697)
Others	2,847	1,760	2,130	1,293
	<u>105,516</u>	<u>116,948</u>	<u>64,644</u>	<u>72,629</u>

**(25) Impairment of assets**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Impairment of other current assets (note (a))	6,900	—	—	—
Provision of impairment for long-term investment (note (b))	—	—	6,900	—
	<u>6,900</u>	<u>—</u>	<u>6,900</u>	<u>—</u>

(a) A provision of Rmb6,900 thousand was provided for the tap water supplying and sewage water assets of An Guo company (Note 10).

(b) A provision of Rmb6,900 thousand was provided for the long-term investment of the Company to An Guo company (Note 10).

**(26) NON-OPERATING INCOME**

	<b>Group Unaudited</b>		<b>Amount recognized in non-recurring profit or loss for the six months ended 30 June 2014</b>
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>	<b>for the six months ended 30 June 2014</b>
Gain on disposal of fixed assets	28	2,047	28
Government grants	2,643	2,586	2,643
Others	176	581	176
	<u>2,847</u>	<u>5,214</u>	<u>2,847</u>

**(27) NON-OPERATING EXPENSES**

	<b>Group Unaudited</b>		<b>Amount recognized in non-recurring profit or loss for the six months ended 30 June 2014</b>
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>	<b>for the six months ended 30 June 2014</b>
Loss on disposal of fixed assets	(615)	(876)	(615)
Others	(75)	(71)	(75)
	<u>(690)</u>	<u>(947)</u>	<u>(690)</u>

(28) INCOME TAX

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Current income tax	40,237	36,596	28,627	29,739
Deferred income tax	12,735	5,272	8,209	476
	<u>52,972</u>	<u>41,868</u>	<u>36,836</u>	<u>30,215</u>

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

	<b>Group Unaudited</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Total profit	<u>200,302</u>	<u>163,945</u>
Calculated at applicable income tax rate	47,814	39,280
Income not subject to tax	(653)	(510)
Expenses not deductible for taxation purposes	661	931
Utilization of previously deductible tax losses for which no deferred income tax was recognized	(437)	(1,434)
Current period tax losses for which no deferred income tax asset was recognized	<u>5,587</u>	<u>3,601</u>
Income tax expenses	<u>52,972</u>	<u>41,868</u>

**(29) EARNINGS PER SHARE**

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb144 million (For the six months ended 30 June 2013: Rmb116 million) and weighted average number of ordinary shares of 1,427 million shares in issue (2013: 1,427 million shares).

As there was no related matter impacted the number of shares issued, diluted earnings per share are calculated using the same bases as described above for calculating basic earnings per share.

	<b>Group Unaudited</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Profit attributable to owners of the parent	143,958	116,169
Weighted average number of ordinary shares in issue (million shares)	<u>1,427</u>	<u>1,427</u>
Basic and diluted earnings per share (Rmb Yuan)	<u><u>0.10</u></u>	<u><u>0.08</u></u>

**(30) NOTES TO THE CASH FLOW STATEMENTS AND SUPPLEMENTARY INFORMATION**

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

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2013</b>
Net profit	147,332	122,077	103,620	114,094
Adjustments for:				
Provision of impairment	6,900	—	6,900	—
Depreciation of fixed assets and investment properties	24,728	96,474	15,434	85,808
Amortisation of intangible assets	116,462	67,327	51,053	5,745
Losses/(gains) on disposal of fixed assets	586	(1,171)	(18)	47
Financial expenses-net	99,395	129,471	60,756	83,627
Investment losses/(income)	(540)	1,067	—	(24,940)
Amortisation of deferred revenue	—	(621)	—	(619)
Increase/(decrease) in deferred tax liabilities	12,734	5,272	47	476
Decrease/(increase) in inventories	149,699	19,939	(4,674)	330
Decrease/(increase) in operating receivables	(138,821)	(291,308)	(113,478)	(284,420)
Increase/(decrease) in operating payables	<u>(38,631)</u>	<u>(18,106)</u>	<u>29,788</u>	<u>(18,505)</u>
Net cash flows from operating activities	<u>379,844</u>	<u>130,421</u>	<u>149,428</u>	<u>(38,357)</u>
Net changes in cash and bank balances				
Cash at end of period	1,057,240	1,226,328	551,852	705,360
Less: cash at beginning of year	<u>(998,649)</u>	<u>(996,965)</u>	<u>(342,090)</u>	<u>(469,715)</u>
Net increase in cash and bank balances	<u>58,591</u>	<u>229,363</u>	<u>209,762</u>	<u>235,645</u>

(b) Cash and bank balances include the following for the purposes of the cash flow statement:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>
	<b>June 2014</b>	<b>June 2013</b>	<b>June 2014</b>	<b>June 2013</b>
Cash and bank balances	1,060,840	1,229,928	551,852	705,360
Less: Restricted bank deposit (Note 6(1)(b))	<u>(3,600)</u>	<u>(3,600)</u>	<u>—</u>	<u>—</u>
Cash and bank balances shown in the cash flow statements	<u><u>1,057,240</u></u>	<u><u>1,226,328</u></u>	<u><u>551,852</u></u>	<u><u>705,360</u></u>

(c) Cash received relating to other operating activities in the cash flow statement mainly includes:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>
	<b>June 2014</b>	<b>June 2013</b>	<b>June 2014</b>	<b>June 2013</b>
Interest income from bank deposits	9,799	8,543	643	1,083
Collection of deposit on project bids	1,932	4,094	900	3,930
Subsidies received	2,643	1,460	2,136	—
Project fund on behalf of sewage mud project	82,000	—	82,000	—
Project deposit received	55,638	—	—	—
Others	<u>1,230</u>	<u>9,377</u>	<u>3,204</u>	<u>3,965</u>
	<u><u>153,242</u></u>	<u><u>23,474</u></u>	<u><u>88,883</u></u>	<u><u>8,978</u></u>



(d) Cash paid relating to other operating activities in the cash flow statement mainly includes:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>
	<b>June 2014</b>	<b>June 2013</b>	<b>June 2014</b>	<b>June 2013</b>
Travelling, meeting and entertainment expenses	861	5,379	215	1,059
Expenses of Board of Directors	829	1,088	829	1,088
Consulting service fee	880	6,114	284	5,599
Repair and maintenance expenses	1,578	2,022	911	1,175
Others	372	16,007	2,189	5,054
	<u>4,520</u>	<u>30,610</u>	<u>4,428</u>	<u>13,975</u>

(e) Cash received relating to other investing activities in the cash flow statement mainly includes:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>	<b>ended 30</b>
	<b>June 2014</b>	<b>June 2013</b>	<b>June 2014</b>	<b>June 2013</b>
Land compensation fund received (Note 6 (15)(e))	300,000	400,000	300,000	320,000
Culture center construction compensation received	—	20,000	—	—
	<u>300,000</u>	<u>420,000</u>	<u>300,000</u>	<u>320,000</u>

## 7 SEGMENT REPORTING

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 Company considers the business from both service and geographical perspective. From the perspective of services provider, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and colling service and tap water operation. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants).

(a) Segment information as at and for the year ended 30 June 2014 (unaudited) is as follows:

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Income from third parties (Note 6(20))	377,034	75,412	158,380	86,496	25,752	30,639	108,056	861,769
Interest income (Note 6(23))	6,157	288	918	2,337	52	6	5,712	15,470
Interest expenses (Note 6(23))	(79,085)	(10,525)	(24,314)	(227)	(4,246)	(3,648)	—	(122,045)
Investment profit from an associate (Note 6(7)(c))	—	—	—	—	—	—	540	540
Depreciation & Amortisation	(60,035)	(18,341)	(35,009)	(14,406)	(6,827)	(4,942)	(4,510)	(144,070)
Total profit	100,824	6,527	26,790	26,653	933	(5,023)	43,598	200,302
Income tax expense	(33,207)	(1,596)	(6,938)	(5,265)	(1,706)	(985)	(3,275)	(52,972)
Net profit/(loss)	67,617	4,931	19,852	21,388	(773)	(6,008)	40,323	147,330
Segment assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	639,414	11,379,794
Segment liabilities	4,511,807	304,487	640,488	1,138,853	249,054	75,775	291,634	7,212,098
Long-term equity investment	—	—	—	—	—	—	35,161	35,161
Non-current assets addition other than related to long-term investment	84,012	1,287	81,483	20,629	1,756	5	4,388	193,560

(b) Segment information as at and for the year ended 30 June 2013 (Unaudited) is as follows:

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Income from third parties(Note 6(20))	428,408	80,207	109,722	93,309	26,434	18,136	95,139	851,355
Interest income (Note 6(23))	4,369	252	905	2,404	27	4	6,322	14,283
Interest expenses (Note 6(23))	(83,627)	(11,882)	(23,200)	(199)	(5,318)	(4,588)	(657)	(129,471)
Investment profit from an associate (Note 6(7)(c))	—	—	—	—	—	—	(1,067)	(1,067)
Depreciation & Amortisation	(88,708)	(18,124)	(31,364)	(11,381)	(6,808)	(5,170)	(2,247)	(163,802)
Total profit	79,637	15,067	6,996	19,491	(479)	844	42,389	163,945
Income tax expense	(21,179)	(1,970)	(2,449)	(3,792)	(1,626)	(211)	(10,641)	(41,868)
Net profit/(loss)	58,458	13,097	4,547	15,699	(2,105)	633	31,748	122,077
Segment assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,121,372	10,898,851
Segment liabilities	4,646,168	402,178	314,914	1,068,963	314,915	124,147	59,211	6,930,496
Long-term equity investment	—	—	—	—	—	—	37,561	37,561
Non-current assets addition other than related to long-term investment	151,204	64	16,618	27,548	223	107	2,471	198,235

## 8 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk:

(i) Foreign currency risk:

The Group has no significant foreign currency risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. All of the Group's borrowings are denominated in RMB. The sole foreign currency exposure of the Group arises from fluctuation of US dollar and Japanese Yen (ating pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from TSC (Note 6(15) (d)).

At 30 June 2014, if RMB had strengthened/weakened by 5 % against the US dollar with all other variables held constant, post-tax profit for the period would have been Rmb4 million (2013: Rmb4 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5 % against the JPY with all other variables held constant, post-tax profit for the period would have been Rmb8 million (2013: Rmb8 million) higher/lower.

(ii) Interest rate risk:

The Group's interest rate risk arises mainly from cash and bank balances, long-term receivables, borrowings and long-term payables.

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

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

	Group Unaudited				Company Unaudited			
	Fixed	Floating	Non-interest bearing	Total	Fixed	Floating	Non-interest bearing	Total
As at 30 June 2014								
Assets								
Cash and bank balances	3,600	1,057,240	—	1,060,840	—	551,852	—	551,852
Long-term receivables	<u>329,877</u>	<u>—</u>	<u>—</u>	<u>329,877</u>	<u>329,877</u>	<u>—</u>	<u>—</u>	<u>329,877</u>
Liabilities								
Current borrowings	—	498,422	—	498,422	—	284,500	—	284,500
Non-current borrowings	—	1,363,371	10,613	1,373,984	—	576,100	—	576,100
Long-term payables								
due within 1 year	17,244	7,306	—	24,550	17,244	7,306	—	24,550
Long-term payables	198,189	88,295	—	286,484	198,189	88,295	—	286,484
Debentures payable	<u>1,386,858</u>	<u>—</u>	<u>—</u>	<u>1,386,858</u>	<u>1,386,858</u>	<u>—</u>	<u>—</u>	<u>1,386,858</u>
As at 31 December 2013								
Assets								
Cash and bank balances	7,267	994,982	—	1,002,249	—	342,090	—	342,090
Long-term receivables	<u>333,607</u>	<u>—</u>	<u>—</u>	<u>333,607</u>	<u>333,607</u>	<u>—</u>	<u>—</u>	<u>333,607</u>
Liabilities								
Current borrowings	—	856,932	105	857,037	—	652,000	—	652,000
Non-current borrowings	—	1,224,195	10,613	1,234,808	—	310,600	—	310,600
Long-term payables								
due within 1 year	17,166	7,190	—	24,356	17,166	7,190	—	24,356
Long-term payables	201,881	89,294	—	291,175	201,881	89,294	—	291,175
Debentures payable	<u>1,384,775</u>	<u>—</u>	<u>—</u>	<u>1,384,775</u>	<u>1,384,775</u>	<u>—</u>	<u>—</u>	<u>1,384,775</u>

As at 30 June 2014, if interest rates on bank borrowings had been 1% risen/fallen with all other variables held constant, profit for the period would have been decreased/increased by Rmb7 million (30 June 2013: Rmb9 million).

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

(b) Credit risk:

Credit risk arises from deposits with banks and credit exposures to customers.

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

The credit risk on trade receivables is concentrated on a few customers, all of which are PRC government bodies. Thus, the management considers that the risk is limited.

The maximum credit risk of the Company includes the carrying value of its financial assets on books and is increased by the notional amount of financial guarantees issued for its subsidiaries. As at 30

June 2014, the Company had given guarantees of approximately Rmb930 million (As at 30 June 2013: Rmb792 million) to banks of certain subsidiaries in respect of their banking facilities, of which Rmb610 million of the facilities had been drawn by the subsidiaries. The Directors consider the subsidiaries to be financially resourceful to settle their obligations.

(c) Liquidity risk:

Cash flow forecasting is performed in the operating entities and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.

The Group's financial assets and liabilities (inclusive of interests) are analyzed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, using the contracted undiscounted cash flows, as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 30 June 2014 (Unaudited)					
Cash and bank balances	1,060,840	—	—	—	1,060,840
Trade and other receivables	2,360,232	—	—	—	2,360,232
Long-term receivables	17,783	21,173	85,270	303,026	427,252
Long-term bank borrowings	(545,655)	(710,819)	(625,365)	(174,824)	(2,056,663)
Long-term payables	(26,290)	(26,723)	(83,408)	(403,883)	(540,304)
Other non-current liabilities	(3,602)	(3,497)	(6,889)	(10,613)	(24,601)
Trade and other payables	(547,331)	—	—	—	(547,331)
Short-term borrowings	(52,940)	—	—	—	(52,940)
Debentures payable	(84,630)	(84,630)	(1,522,780)	—	(1,692,040)
As at 31 December 2013 (Audited)					
Cash and bank balances	1,002,249	—	—	—	1,002,249
Trade and other receivables	2,092,158	—	—	—	2,092,158
Long-term receivables	18,813	86,577	74,250	335,220	514,860
Long-term bank borrowings	(959,335)	(368,672)	(1,001,223)	—	(2,329,230)
Long-term payables	(25,096)	(25,504)	(79,563)	(426,553)	(556,716)
Other non-current liabilities	(3,647)	(3,542)	(8,365)	(10,613)	(26,167)
Trade and other payables	(558,699)	—	—	—	(558,699)
Short-term borrowings	—	—	—	—	—
Debentures payable	(84,630)	(84,630)	(1,607,410)	—	(1,776,670)

(d) Capital risk management

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

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

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

The Group's strategy is to maintain a gearing ratio of about 40% - 60%. The gearing ratio of the Group is as follows:

	<b>Unaudited 30 June 2014</b>	<b>Audited 31 December 2013</b>
Total borrowings	3,570,298	3,792,151
– Short-term borrowings	50,000	—
– Long-term borrowings	1,353,826	2,067,036
– Debenture payables	1,386,858	1,384,775
– Long-term Payables	756,274	315,531
– Other non-current assets-Government loan and others	23,340	24,809
Less: Cash and cash equivalents	<u>(1,057,240)</u>	<u>(994,982)</u>
Net debt	2,513,058	2,797,169
Total equity	<u>4,167,696</u>	<u>4,134,544</u>
Total capital	<u><u>6,680,754</u></u>	<u><u>6,931,713</u></u>
Gearing ratio	<u>38%</u>	<u>40%</u>

As at 30 June 2014, the gearing ratio of the Group has no significant change.

(e) Fair value estimation

Long-term borrowings, long-term payables, and debentures payable that are not traded in an active market, are estimated at fair value that is determined by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar cash flows.

## 9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) General information of the parent company

	<b>Type</b>	<b>Place of registration</b>	<b>Legal representative</b>	<b>Nature of business</b>	<b>Code of organisation</b>
TMICL	Limited Company	Tianjin, the PRC	An Pindong	Development and management of municipal infrastructures	70042249

The Company's ultimate controlling party is TICIG.

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

	31 December 2013	Increase in current period	Decrease in current period	30 June 2014
TMICL	1,820,000	—	—	1,820,000

- (b) The percentages of share holding and voting rights in the Company held by the parent company

	30 June 2014		31 December 2013	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
TMICL	51.58%	51.58%	51.58%	51.58%

- (2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6 (8) (a).

- (3) Information of joint ventures and associates

The general information and other related information of associates is set out in Note 6 (8) (c).

- (4) Information of other related parties

#### Relationship with the Group

Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Controlled by the same ultimate company
Tianjin Environment Construction Investment Company Limited	Controlled by the same ultimate company
Tianjin Lecheng Properties Limited	Controlled by the same ultimate company
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate company
Tianjin Subway Group Limited company	Controlled by the same ultimate company
Tianjin City Infrastructure Construction Project Management & Consultant Co., Ltd.	Controlled by the same ultimate company
Tianjin Haihe Construction Developing Investment Co.,Ltd.	Controlled by the same ultimate company
Tianjin Machinery &Electric Equipment Imp.&Exp. Co.,Ltd	Subsidiary of associate



(5) Related party transactions

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

(a) Purchase of goods, rendering of services

Purchase of goods

Related party	Nature of transaction	Unaudited		Unaudited	
		For the six months ended 30 June 2014	% of total amount of the same transaction	For the six months ended 30 June 2013	% of total amount of the same transaction
Tianjin Machinery & Electric Equipment Imp.&Exp. Co.,Ltd	Purchase of equipment	44,029	42%	2,804	87%

Rendering of services

Name of related party	Nature of transaction	Unaudited		Unaudited	
		For the six months ended 30 June 2014	% of total amount of the same transaction	For the six months ended 30 June 2013	% of total amount of the same transaction
TICIG	Commission from contract operation	29,098	67.04	26,838	56.64
Tianjin Lecheng Properties Co., Ltd.	Heat and cooling service	12,209	47.41	12,364	46.77
Tianjin subway Group Co., Ltd.	Heat and cooling service	1,173	4.55	2,051	7.76
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Income from serving as construction agency	—	—	800	20.07
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Income from construction supervision	780	14.40	—	—

The Group's pricing on construction contract service with related parties is based on the reference price for construction market stipulated by government. Rental income from related parties is negotiated by both parties involved in the lease and by making reference to the market price. Pricing on heat and cooling with related parties is based on the reference price stipulated by government.

(b) Guarantee:

Guarantor	Guarantee	Amount	Starting Date	Due Date	Completed(Y/N)
TICIG	Xi'an Capital Water Co., Ltd	260,000	28 September 2008	27 September 2022	N

(c) Key management compensation

	Unaudited For the six months ended 30 June 2014	Unaudited For the six months ended 30 June 2013
Key management compensation	6,202	5,696

(6) Receivables from and payables to related parties

Receivables from related parties

Project name	Trade receivables from related parties	Unaudited 30 June 2014	Audited 31 December 2013
Trade receivables	– TICIG	15,602	26,838
Trade receivables	– Tianjin Lecheng Properties Limited	29,395	17,600
Trade receivables	– Tianjin City Resource Operation Co., Ltd.	—	400
Trade receivables	– Tianjin Metro Resources Investment Co., Ltd.	2,882	3,914
Prepayments	– Tianjin Machinery & Electric Equipment Imp.&Exp. Co.,Ltd	1,933	6,465

Payables from related parties

<b>Project name</b>	<b>Payables from related parties</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
	– Tianjin Machinery & Electric		
Other payables	Equipment Imp.&Exp. Co.,Ltd	<u>18,760</u>	<u>24,958</u>

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

The payables to related parties arise mainly from purchase transactions and are due within one year after the date of purchase. The payables bear no interest.

(7) Commitments

The Group's commitments with related parties at the balance sheet date which were signed but not necessarily shown on balance sheet are as follows:

<b>Guarantee Received</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
TICIG	<u>260,000</u>	<u>271,000</u>

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

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

During the period, the Group's significant transactions with these state owned entities include processing of sewage water, construction and management of related facility, processing of tap water, recycled water and providing heat and cooling services. As at the end of the period, majority of the Group's cash and bank balances and borrowings are with state controlled banks and listed banks.

## 10 Contingent Events

In 2013, the Group has decided to terminate the tap water agreement between An Guo company and An Guo Government, since both parties cannot reach an agreement, the dispute has been submitted to China International Economic and Trade Arbitration Commission. According to the interim award on 18 April 2014, “the water supply and sewage agreements under this case would be terminated and a third independent appraisal agency would be involved in the evaluation to identify the present value of the investment”. As at the reporting date, the evaluation is still in progress.

As at 30 June 2014, the carrying amount of An Guo concession right is Rmb83,866,000, accumulated amortization is Rmb10,503,000. Based on prudence consideration, the management made impairment provision of Rmb18,224,000 (current period provision: Rmb6,900,000), the net value of concession right is Rmb55,139,000 (Note 6 (6)).

## 11 COMMITMENTS

### (1) Capital commitments

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

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2014 Rmb’ million	Audited 31 December 2013 Rmb’ million	Unaudited 30 June 2014 Rmb’ million	Audited 31 December 2013 Rmb’ million
Sewage water processing plants in:				
– Ji Zhuang Zi (Relocation project)	209	287	737	741
– Ying Nan (Upgrade project)	—	13	—	40
– Xian Ning Yong An	4	2	4	—
Recycled water plants in:				
– Ji Zhuang Zi recycled water plants (relocation project)	72	81	62	72
Others	—	4	—	6
	<u>285</u>	<u>387</u>	<u>803</u>	<u>859</u>

### (2) Actions taken to deliver on its early commitments

The Group has taken actions to fulfil its early capital commitments and operating commitments by the end of 2013.

## SUPPLEMENT OF THE FINANCIAL STATEMENT

For the year ended 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

### (1) Extraordinary profit and loss statement

	Unaudited For the six months ended 30 June 2014	Unaudited For the six months ended 30 June 2013
Losses on disposal of non-current assets	(587)	(876)
Government grants recognized in current profit and loss, except for those are relate to business operation, in comply with national policy and settled in certain amount which are constantly granted by government	2,643	5,144
Others	101	—
	<u>2,157</u>	<u>4,267</u>
Effect amount of income tax	(539)	(1,067)
Effect amount of minority interest (after tax)	73	(646)
	<u>1,691</u>	<u>2,554</u>

Basis of preparing extraordinary profit and loss statement

According to *Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public - Extraordinary profit and loss statement [2008]* published by China Security Regulatory Commission (“CSRC”), extraordinary profit and loss is the trading and issues that have no direct relation with the normal operations of a company, or that are related with normal operations but affect the users of the statement to make reasonable judgment of the company’s operation performance and profitability due to the special and occasional nature of such trading and issues.

### (2) Reconciliation statement of inland and abroad financial statement

There’s no significant difference between inland and abroad financial statement.

### (3) Rate of return on net assets and earnings per share

	Weighted average income rate of net assets(%)		Earnings per share			
	Basic earnings per share		Diluted earnings per share			
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	For the	For the	For the	For the	For the	For the
	six months	six months	six months	six months	six months	six months
	ended 30	ended 30	ended 30	ended 30	ended 30	ended 30
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
Net profit attribute to the ordinary shareholders of the company	3.61	3.05	0.10	0.08	0.10	0.08
Net profit exclude extraordinary profit and loss attribute to the ordinary shareholders of the company	3.56	2.98	0.10	0.08	0.10	0.08

**(4) Statement of the abnormal conditions and the reason on main subjects of the financial statement**

(i) Consolidated balance sheets

Item	Unaudited 30 June 2014	Audited 31 December 2013	Variance	Percentage (%)	Analysis
<b>Asset</b>					
Notes receivables	2,800	6,300	(3,500)	(55.56)	Mainly due to collection of notes receivables for Tianjin Recycled Water Co., Ltd.
Inventory	18,380	58,035	(39,655)	(68.33)	Mainly due to the settlement of BT project of Tianjin Zichuang Project Investment Co., Ltd.
Other current assets	63,141	6,540	56,601	865.46	Please refer to Notes to the financial statement (Note 6).
Fixed Assets	426,248	3,088,124	(2,661,876)	(86.20)	Agreement of concession rights for Tianjin sewage water processing plants became effective from January 2014 and the related assets are transferred to "Intangible assets".
Intangible assets	5,619,334	3,074,825	2,544,509	82.75	
<b>Liability</b>					
Short-term borrowings	50,000	—	50,000	N/A	The Company borrowed new short-term loans during this period.
Trade payables	74,672	21,099	53,573	253.91	Mainly due to the payable for the recycled water concession project acquired by Fuyang company and the related payable for operating cost.
Dividend payable	150,745	36,566	114,179	312.25	Mainly include annual dividend payable of 2013.
Long-term borrowings within 1 year	445,240	853,750	(408,510)	47.85	Repayment of long-term borrowings due within one year.

(ii) Consolidated income statement

Item	Unaudited For the six months ended 30 June 2014	Unaudited For the six months ended 30 June 2013	Variance	Percentage (%)	Analysis
Impairment of assets	6,900	—	6,900	N/A	Please refer to Notes to the financial statement (Note 6(b)(ii)).
Investment income/(loss)	540	(1,067)	1,607	(150.61)	The associate company incurred profits in this period.
Non-operating income	2,847	5,214	(2,367)	(45.39)	Mainly due to Qujing company received governmental subsidy in last period.

(iii) Consolidated cash flow statement

Item	Unaudited For the six months ended 30 June 2014	Unaudited For the six months ended 30 June 2013	Variance	Percentage (%)	Analysis
Net cash flows from operating activities	379,844	130,421	249,423	191.24	Mainly due to the cash collection of advance from Jinnan Mud Plants construction and advance from recycled water pipeline project.
Net cash flows from investing activities	(2,870)	69,301	(72,171)	(104.14)	Mainly due to the receipt of the Rmb300 million land compensation for Jizhuangzi sewage water processing plant and recycled water plant in this period, receipt of last year for the compensation was Rmb400 million.
Net cash flows from financing activities	(318,383)	29,641	(348,024)	(1174.13)	Mainly due to issuance of Rmb700 million debenture during last period.
Net increase in cash and bank balances	58,591	229,363	(170,772)	(74.45)	Mainly due to the changes of cash flow from operating activities, investing activities and financing activities.



## **SECTION IX LIST OF DOCUMENTS AVAILABLE FOR INSPECTION**

- I. The financial statements signed and sealed by the person in charge of the Company, the officer in charge of the accounting function and the officer in charge of the accounting department (the chief accountant).
- II. Original copies of all documents and announcements of the Company publicly disclosed in the website designated by the CSRC during the reporting period.
- III. The Interim Report released in other stock markets.

Tianjin Capital Environmental Protection Group Company Limited  
Chairman: Zhang Wenhui