



# Annual Report 2014



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

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# 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 the information in this annual report does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.
- II. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have issued standard unqualified audit reports of the Company.
- III. Mr. Liu Yujun, the chairman of the Company, Ms. Cao Shuo, the officer in charge of the accounting function, and Mr. Liu Tao, the officer in charge of the accounting department (the chief accountant), have declared that they are responsible for the truthfulness, accuracy and completeness of the financial reports contained in the 2014 annual report.
- IV. The proposal on profit appropriation or transfer of capital reserve fund to share capital for the reporting period as reviewed by the Board:

As audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the net profit attributable to the Company in 2014 amounted to RMB308.17 million. After deduction of the statutory reserve of RMB21.81 million drawn in accordance with the relevant requirements of the Company Law of the People’s Republic of China (the “PRC”) and the Articles of Association of the Company, adding the retained profit of RMB1,793.70 million at the beginning of the year, and less the distribution in 2014 of the 2013 cash dividend of RMB114.18 million, the actual profit distributable to the shareholders for the year amounted to RMB1,965.88 million. According to the profit appropriation policy of the Company, it will be proposed that a cash dividend for 2014 of RMB0.70 (gross tax) per ten shares will be distributed to all shareholders, with the cash dividend amount in the sum of RMB99.906 million, representing 32.42% of the available-for-distribution profit attributable to the Company realized in 2014. No transfer from the capital reserve fund to share capital was made for 2014. The appropriation proposal shall be submitted to the 2014 annual general meeting of the Company for consideration and shall be implemented after approval.

- V. Risk statements for the forward-looking statements:

The forward-looking statements in this report, such as the future development plans and strategy, shall not constitute the Company’s actual commitment to investors.

- VI. Did the controlling shareholder of the Company and its related parties misappropriate the Company’s funds for non-operating purposes?

No

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

No

# 1. Definitions and Significant Risks Warning

## I. DEFINITIONS

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

“Group”	Tianjin Capital Environmental Protection Group Company Limited and its subsidiaries
“Subsidiaries”	Subsidiaries of Tianjin Capital Environmental Protection Group Company Limited
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited
“TMICL”	Tianjin Municipal Investment Company Limited
“Bohai Chemical”	Tianjin Bohai Chemical Industry (Group) Company Limited
“Water Recycling Company”	Tianjin Water Recycling Company Limited
“TCCC”	Tianjin City Construction and Communication Committee
“Tianjin Haihe”	Tianjin Haihe Construction Development and Investment Company Limited
“TECI”	Tianjin City Environment Construction and Investment Company Limited
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Company Limited
“TLP”	Tianjin Lecheng Properties Company Limited
“TYCOM”	Tianjin Yuanyicheng Commercial Operation Management Company Limited
“TMG”	Tianjin City Metro Group Company Limited
“TM Resources”	Tianjin Metro Resources Investment Company Limited
“TSC”	Tianjin Sewage Company

## II. SIGNIFICANT RISKS WARNING

The Company has disclosed in detail in this report the associated risks that may exist. Please refer to the Board’s discussion and analysis on the Company’s future development in Section 4 “Directors’ Report” for the potential risks that the Company may face.



## 2. Company Profile

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSON AND METHOD

	<u>Company Secretary to the Board</u>	<u>Company Secretary in Hong Kong</u>	<u>Securities Affairs Representative</u>
Name	Fu Yana	Lo Wai Keung, Eric	Guo Fengxian
Correspondence address	TCEP Building 76 Weijin South Road Nankai District, Tianjin, the PRC	22/F, Worldwide House, Central, Hong Kong	TCEP Building 76 Weijin South Road Nankai District, Tianjin, the PRC
Telephone number	86-22-23930128	852-22180920	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. COMPANY PROFILE

Registered address	No. 45 Guizhou Road, Heping District, Tianjin, the PRC
Postal code of the registered address	300051
Office address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Postal code of the office address	300381
Website	<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 for the disclosure of information	Shanghai Securities News
Website designated by China Securities Regulatory Committee ("CSRC") for the disclosure of annual report	www.sse.com.cn
Place where the annual report of the Company is available for inspection	Office of the 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

Shares	Stock Exchange for listing shares	Stock short name	Stock code	Stock short name before its change
A Shares	Shanghai Stock Exchange (the "SSE")	創業環保	600874	渤海化工
H Shares	The Stock Exchange of Hong Kong Limited (the "Stock Exchange")	Tianjin Capital	1065	Tianjin Bohai

#### VI. CHANGES IN THE COMPANY'S REGISTRATION DURING THE REPORTING PERIOD

(i) **Basic information**

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

(ii) **Relevant inquiry index of the Company's first registration**

For details of the Company's first registration, please refer to the "Company Profile" in the 2011 annual report of the Company.



## 2. Company Profile

### (iii) Changes in the principal businesses of the Company since its listing

Bohai Chemical, the Company's predecessor, produced several chemical products with salt as raw material, including soda ash, caustic soda and polyvinyl chloride, as its principal businesses. On 20 December 2000, the Company finished an asset restructuring, without retaining any of its original business, assets or personnel. The Company's principal businesses were changed to the investment, construction and operation of sewage water treatment facilities and licensed operation of urban toll roads. Since then, the Company continued to develop. The Company gradually expanded its businesses by adding tap water and recycled water business, as well as cooling and heating services. On 28 December 2010, adjustments to the Company's business scope were approved at the extraordinary general meeting of the Company. Currently, the principal businesses of the Company are the operation, construction, design and technical consultation of sewage water treatment plants, production and sales of recycled water and pipe network connection, production and sales of tap water, provision of cooling and heating services with new energy, licensed operation of toll roads, etc.

### (iv) Changes in the controlling shareholders since listing of the Company

The Company's predecessor was Bohai Chemical, with its controlling shareholder being Tianjin Bohai Chemical Industry Group Corporation. On 20 December 2000, after the Company completed its assets restructuring, the controlling shareholder became TMICL.

## VII. OTHER RELEVANT INFORMATION

Certified public accountants engaged by the Company (PRC)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai, the PRC
	Name of Signing Accountant	Du Kai Cao Lu
Certified public accountants engaged by the Company (Hong Kong)	Name	PricewaterhouseCoopers
	Office Address	22/F, Prince's Building, Central, Hong Kong
	Name of Signing Accountant	Kwong On Cheng

### 3. Accounting Data and Financial Indicator Highlights

#### I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PREVIOUS THREE YEARS AS AT THE END OF THE REPORTING PERIOD

(i) Major accounting data

*Unit: 0'000 Currency: RMB*

Major accounting data	2014	2013	Increase/decrease	
			for the period as compared to the same period last year (%)	2012
Operating income	182,808	174,986	4.47	163,732
Net profit attributable to the shareholders of the Company	30,817	28,190	9.32	26,898
Net profit after deduction of extraordinary items attributable to the shareholders of the Company	29,128	26,849	8.49	25,318
Net cash flow from operating activities	60,937	57,147	6.63	49,424
			Increase/decrease	
			as at the end of the period as compared to the end of the same period	As at the end of
	As at the end of 2014	As at the end of 2013	last year (%)	2012
Net assets attributable to the shareholders of the Company	417,048	397,649	4.88	378,023
Total assets	1,085,948	1,107,375	-1.93	1,030,699





### 3. Accounting Data and Financial Indicator Highlights

#### I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PREVIOUS THREE YEARS AS AT THE END OF THE REPORTING PERIOD (Continued)

##### (ii) Major financial indicators

Currency: RMB

Major financial indicators	2014	2013	Increase/decrease for the period as compared to the same period	2012
			last year (%)	
Basic earnings per share (RMB/share)	0.22	0.20	10.00	0.19
Diluted earnings per share (RMB/share)	0.22	0.20	10.00	0.19
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.20	0.19	5.26	0.18
Weighted average return on net assets ratio (%)	7.57	7.27	Increased by 0.30 percentage point	7.33
Weighted average return on net assets ratio after deduction of extraordinary items (%)	7.15	6.92	Increased by 0.23 percentage point	6.91

#### II. DIFFERENCES IN ACCOUNTING DATA UNDER THE DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

There are no differences in the accounting data under the domestic and overseas accounting standards.

## III. EXTRAORDINARY PROFIT AND LOSS ITEMS AND AMOUNTS

	<i>Unit: 0'000 Currency: RMB</i>		
	Amount in 2014	Amount in 2013	Amount in 2012
Extraordinary items	2014	2013	2012
Profit/loss from disposal of non-current assets	-181	-485	316
Government grants recognized in current profit and loss, except for those closely related to business operation, in compliance with national policy and settled in certain amount which are constantly granted by government	2,317	2,291	1,210
Other non-operating income and expenses except for the above items	105	77	587
Effect on minority interests	8	-71	-5
Income tax effect	-560	-471	-528
Total	<u>1,689</u>	<u>1,341</u>	<u>1,580</u>



### 3. Accounting Data and Financial Indicator Highlights

#### IV. PREPARED IN ACCORDANCE WITH THE HONG KONG FINANCIAL REPORTING STANDARDS

##### Results

Unit: 0'000 Currency: RMB

	For the year ended 31st December				
	2014	2013	2012	2011	2010
Turnover	<u>167,113</u>	<u>161,468</u>	<u>154,117</u>	<u>149,315</u>	<u>139,482</u>
Profit before taxation	<u>43,326</u>	<u>38,752</u>	<u>37,280</u>	<u>37,603</u>	<u>36,683</u>
Taxation	<u>(11,555)</u>	<u>(9,916)</u>	<u>(9,825)</u>	<u>(9,615)</u>	<u>(9,167)</u>
Profit after taxation	31,771	28,836	27,455	27,988	27,516
Minority interests	<u>(954)</u>	<u>(646)</u>	<u>(557)</u>	<u>(409)</u>	<u>(400)</u>
Profit attributable to the shareholders of the Company	<u>30,817</u>	<u>28,190</u>	<u>26,898</u>	<u>27,579</u>	<u>27,116</u>
Dividend	<u>9,991</u>	<u>11,418</u>	<u>8,563</u>	<u>5,709</u>	<u>15,700</u>

Note: The results for each of the five years ended 31 December 2014 have been extracted from the previous annual reports and the audited consolidated income statements as set out in this annual report.

## IV. PREPARED IN ACCORDANCE WITH THE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

## Assets and Liabilities

Unit: 0'000 Currency: RMB

	As at 31st December				
	2014	2013	2012	2011	2010
Fixed assets	61,346	477,516	429,068	383,231	381,261
Intangible assets	630,610	264,848	275,369	280,304	242,778
Associated company	3,135	3,262	3,463	4,067	4,158
Available-for-sale financial assets	200	200	400	400	400
Long-term receivables	32,615	33,361	33,763	33,845	33,629
Trade receivables due after one year	—	—	6,879	6,879	6,879
Other non-current assets	846	725	851	863	746
Net current assets	<u>161,617</u>	<u>105,961</u>	<u>69,578</u>	<u>8,936</u>	<u>3,960</u>
	890,369	885,873	819,371	718,525	673,811
Minority interests	16,750	15,805	15,244	14,737	12,560
Long-term liabilities	<u>456,570</u>	<u>472,418</u>	<u>426,104</u>	<u>346,954</u>	<u>316,194</u>
Net assets	<u><u>417,048</u></u>	<u><u>397,650</u></u>	<u><u>378,023</u></u>	<u><u>356,834</u></u>	<u><u>345,057</u></u>



## 4. Directors' Report

### I. DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD BY THE BOARD

#### (I) CONSOLIDATED DISCUSSION AND ANALYSIS ON THE OPERATION MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

In 2014, under the leadership of the Board, the Company's management closely adhered to the strategic plan of the Group for the "Twelfth Five-Year Plan" period, followed the major strategies and operation plan of the Group in 2014, and continued to propel risk control firmly, continued to improve the abilities to implement internal control and to withstand risks, continued to increase efforts on technological research and development and the achievements transformation, and continued to improve the core competitiveness of the Company. The Company's management also continued to focus on safety production and quality services, continued to improve the operation and management level of the Company, continued to expand the licensed operation projects of sewage water treatment plants and new energy cooling and heating supply projects, increased market shares, tried to promote and finalize licensed operation right of sewage water projects in Tianjin area and the trade receivables issues, and facilitated the stable and sustainable development of the Company. In particular:

1. Steady progress of water operation: During the reporting period, the Company has obtained licensed operation right for upgrading sewage water treatment projects of its subsidiaries in Guiyang, Fuyang, Wendeng and Xi'an on basis of its quality services. With the newly constructed Jingu Sewage Water Treatment Plants, which were arised from the relocation and construction project of Tianjin Jizhuangzi Sewage Water Treatment Plant, achieving target operation, the scale of the Company's sewage water treatment licensed operation was further expanded and the sewage water treatment business of the Company was strengthened. The Company has completed price adjustment in respect of sewage water treatment projects of Fuyang and Hangzhou subsidiaries as planned, which provided a guarantee for the revenue generated from sewage water treatment projects. Four sewage water treatment plants in Tianjin were granted licensed operation right, and for the trade receivables before the signing of licensed operation agreements, the Company has communicated well with TSC, who has provided a repayment scheme pursuant to which, the first payment of RMB500 million was received on 6 March 2015 and the remaining will be credited into the Company's accounts prior to 15 June 2015 as scheduled, to ensure the stable and sustainable development of the Company.
2. New progress in technology research and development and transformation of technological achievements: During the reporting period, the Company further explored whole-process deodorization business and industrial waste water treatment business for sewage water treatment plants. Meanwhile, its proprietary treatment process of extracting carbon source locally and adding strengthened sewage denitrification and treatment process of sludge anaerobic digestion for sewage water treatment plants, as well as biological bacterium-strengthened municipal sewage water ammonia nitrogen removing technology and heavy metal fast testing equipment and other research achievements have been ready for marketing, which are very competitive and thus offer new profit growth engines for the Company.

3. Expansion of new energy heating and cooling service business: During the reporting period, the Company won the bid of licensed operation projects of energy stations 1 and 2 at Heiniucheng Road, Tianjin, and won another bid of licensed operation project of energy station 2 in Houtai scenic area of Tianjin in February 2015. The Company has made substantial progress with business expansion, with preliminary work of those projects underway at present.
4. Development of water service business industry chain: During the reporting period, production line of flocculant, the Company's water treatment medicament, was put into operation, and the products were sold within the Group. The Company has undertaken one sludge treatment operation project with capacity of 300 tons per day and one construction and management project of sludge treatment plant.

## (II) DISCUSSION AND ANALYSIS ON THE RESULTS OF OPERATIONS DURING THE REPORTING PERIOD

### 1. Analysis on the overall results of operations during the reporting period

In 2014, the Group recorded an income from operations of RMB1,828.08 million, representing an increase of RMB78.22 million or 4.47% as compared to 2013. The increase in income from operations was mainly attributable to the increase in the income generated from sewage water treatment and sales of tap water and recycled water as compared to last year, as well as the additional income generated from the entrusted operation of Zhangguizhuang sludge treatment project. While there was an increase in the income from operations, the costs of operations also increased by RMB27.20 million or 2.57% as compared to the same period last year, mainly due to an increase in costs of the tap water business and entrusted operation in line with the increase of income, as well as an increase in the costs of recycled water sales.

Finance costs increased by RMB9.813 million or 5.52% as compared to last year, which was mainly attributable to the relative increase in reduction of exchange gains during the reporting period as compared to last year. If the effect of exchange gains was excluded, finance costs for the year would decrease by approximately RMB29.03 million as compared to last year, mainly due to the decrease in principal of loans and the replacement of certain high-cost loans during the reporting period.

During the reporting period, the Group, based on prudent considerations, made provision for impairment losses of RMB6.90 million in respect of the assets of the urban waste water project in Anguo and made provision for impairment losses of RMB17.01 million in respect of the assets of Jinning sewage water treatment project.

As a result of the forgoing, the Group recorded a net profit (attributable to the shareholders of the Company) of RMB308.17 million during the reporting period, representing an increase of RMB26.27 million or 9.32% as compared to 2013.



### 2. Analysis of principal businesses

#### (1) Sewage water treatment business

As at the end of the reporting period, the sewage water processing capacity of the Group was 3,822,500 cubic metres per day, representing a slight increase as compared to last year, mainly due to the increase of entrusted operation projects undertaken by the Group. The sources for generating revenue from sewage water treatment include licensed operation and entrusted operation, of which the sewage water processing capacity from licensed operation accounts for 80.6% of the total sewage water processing capacity of the Group, and the remaining is the processing capacity from entrusted operation. The Group processed a total of 1,174.58 million cubic metres of sewage water during the reporting period, representing an increase of 9.4% as compared to last year, and realized a sewage water treatment service income of RMB1,373.18 million, representing an increase of 4.41% as compared to last year, details of which are set out below:

- a. The Group's four sewage water treatment plants in the central urban area of Tianjin processed a total of 446.82 million cubic metres of sewage water for the whole year and realized a sewage water treatment service income of RMB788.90 million, representing an increase of 1.8% as compared to 2013.
- b. The subsidiaries of the Group processed a total of 537.52 million cubic metres of sewage water, representing an increase of 2.95% as compared to 2013. Income from sewage water treatment services of RMB478.31 million was realized, representing an increase of 8.66% as compared to 2013, mainly due to the new recycled water usage projects secured by Fuyang Company and the upward adjustment to the unit price of sewage water treatment service fees charged by Yingdong Sewage Water Treatment Plant.
- c. The Group's entrusted operation projects processed a total of 190.24 million cubic metres of sewage water, representing an increase of 26.88% as compared to 2013, and realized an income of RMB105.96 million, representing an increase of 5.97% as compared to 2013.

#### (2) Sewage water treatment plants construction business (including income from deodorization engineering business)

During the reporting period, income from sewage water treatment plant construction business of the Group was RMB33.59 million, representing a decrease of 22.78% as compared to last year, which was mainly attributable to the decrease in income as a result of the completion of Ziya BT project by Tianjin Zichuang Engineering Investment Company Limited. During the reporting period, the Group continued to promote the marketing of the sewage water treatment plant all-process deodorization patented technology, which resulted in the increase in number of external contracts and realized a total income of RMB21.92 million, representing an increase of 10.15% as compared to 2013.

## (3) Recycled water business

During the reporting period, the Group's sales volume of recycled water was 20.41 million cubic metres, representing an increase of 9.1% as compared to 2013, and recorded an income of RMB55.69 million, representing an increase of 9.89% as compared to 2013, which was mainly attributable to the increase in the volume of recycled water by users of Xianyanglu Recycled Water Plant.

During the reporting period, the recycled water pipeline connection business realized a total income of RMB109.04 million, representing a decrease of 4.53% as compared to the corresponding period of 2013.

## (4) Tap water business

During the reporting period, the Group's tap water business recorded a water sales volume of 38.18 million cubic metres, representing an increase of 3.33% as compared to 2013, and realized an income of RMB61.52 million, representing an increase of 68.69% as compared to 2013. This was mainly attributable to the fact that the sales price of tap water in Qujing included water resource fees. Since the tap water project in Anguo was in arbitration process and the tap water plant was transferred to the local water authority bureau for management, no income was recognized in 2014.

## (5) New energy cooling and heating supply service business

During the reporting period, the Group's Tianjin Cultural Centre centralized energy station project recorded a total income from cooling and heating supply service fees for the full year of RMB67.57 million, representing a decrease of 5.14% as compared to 2013, which was mainly attributable to the recognition of part of the unrecognized fee income from cooling supply services due to disputes in the previous years.

## (6) 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, and continued to maintain a stable income level. During the reporting period, the Company recorded an income of RMB67.03 million from the toll collection business, which was in line with 2013.





## 4. Directors' Report

### (I) ANALYSIS OF PRINCIPAL BUSINESSES

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

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	182,808	174,986	4.47
Costs of operations	108,478	105,758	2.57
Administrative expenses	10,342	10,878	-4.93
Finance costs	18,763	17,781	5.52
Non-operating income	80,088	2,385	3,258 (note 1)
Non-operating expenses	77,847	502	15,407 (note 2)
Net cash flows from operating activities	60,937	57,147	6.63
Net cash flows from investing activities	-32,949	-16,492	-99.79 (note 3)
Net cash flows from financing activities	-45,997	-40,854	-12.59
Research and development expenses	675	646	4.45

#### Explanation of changes:

Note 1: It is mainly attributable to the recognition of compensation for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant for the period.

Note 2: It is mainly attributable to the recognition of the loss for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant for the period.

Note 3: Net cash flows from investing activities for the period changed by a larger margin than last period, which is mainly attributable to the receipt of RMB300 million as compensation payment for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant for the period, as compared to RMB550 million for the same period last year, as well as the increase in project investment expenses for the period.

## 2. Income

### (1) *Analysis of factors driving changes in business income*

During the reporting period, there was no material change in the Company's principal business structure and source of operating income. For details of income from operations, please refer to "Analysis of principal businesses" above.

### (2) *Analysis of factors affecting the Company's product income mainly through physical sales*

Not applicable.

### (3) *Analysis of orders*

The Group is principally engaged in the sewage water processing business, and signs licensed operation agreements or agreements on sewage water treatment services with the governments or government representatives of the places where the projects are located for a term of 20 to 30 years depending on different projects. The Group will charge sewage water treatment service fees and adjust the prices according to such agreements.

### (4) *Analysis of the impacts of new products and new services*

During the reporting period, there were no material changes in or adjustments to the Company's products and services.

### (5) *Information on major sales customers*

Total income from operations from the Group's top five customers was RMB1,201 million (2013: RMB1,164 million), representing 65% (2013: 66%) of the Group's total income from operations .



## 4. Directors' Report

### 3. Costs

#### (1) Costs analysis

Unit: 0'000 Currency: RMB

By industry	Cost item	Amount for the current period	Percentage of total costs for the current period (%)	Amount for the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period	Explanation
						last year (%)	
Sewage water treatment	Labour	8,733	8.92	8,772	9.03	-0.44	
	Energy consumption (electricity charges)	18,645	19.04	17,560	18.07	6.18	
	Material consumption	3,849	3.93	4,406	4.53	-12.64	
	Repair and maintenance	8,469	8.65	7,501	7.72	12.90	
	Sludge disposal	4,149	4.24	5,065	5.21	-18.08	
	Depreciation and amortization	23,464	23.96	27,086	27.87	-13.37	
	Remaining manufacturing costs	2,797	2.86	2,848	2.93	-1.79	
	Sub-total	70,106		73,237			
Sewage water treatment plant construction	Project construction costs	2,856	2.92	2,629	2.71	8.63	

By industry	Cost item	Amount for the current period	Percentage of total costs for the current period (%)	Amount for the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period	Explanation
						last year (%)	
Tap water supply	Labour	753	0.77	846	0.87	-10.99	
	Energy consumption (electricity charges)	588	0.60	564	0.58	4.26	
	Material consumption	87	0.09	78	0.08	11.54	
	Repair and maintenance	47	0.05	182	0.19	-74.18	Note 1
	Depreciation and amortization	1,030	1.05	837	0.86	23.06	
	Water resource fees	2,316	2.36	0			Note 2
	Remaining manufacturing costs	140	0.14	180	0.19	-22.22	
	Sub-total	4,961		2,687			
Recycled water supply	Labour	1,157	1.18	985	1.01	17.46	
	Energy consumption (electricity charges)	851	0.87	974	1.00	-12.63	
	Material consumption	716	0.73	731	0.75	-2.05	
	Repair and maintenance	1,221	1.25	1,503	1.55	-18.76	
	Depreciation and amortization	5,120	5.23	2,328	2.40	119.93	Note 3
	Remaining manufacturing costs	365	0.37	281	0.29	29.89	
Sub-total	9,430		6,802				
Recycled water pipeline connection	Project construction costs	3,536	3.61	4,877	5.02	-27.50	



## 4. Directors' Report

By industry	Cost item	Costs by industry					Explanation
		Amount for the current period	Percentage of total costs for the current period (%)	Amount for the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	
Cooling and heating supply	Labour	481	0.49	361	0.37	33.24	Note 4
	Energy consumption (electricity charges)	1,641	1.68	1,768	1.82	-7.18	
	Material consumption	72	0.07	71	0.07	1.41	
	Repair and maintenance	172	0.18	272	0.28	-36.76	Note 5
	Depreciation	1,348	1.38	1,343	1.38	0.37	
	Municipal heating network fee	190	0.19	245	0.25	-22.45	
	Remaining manufacturing costs	138	0.14	136	0.14	1.47	
	Sub-total	4,042		4,196			
Toll collection	Collection	712	0.73	712	0.73	0	
	management costs						
	Sub-total	712		712			
Others	Sales of products	496	0.51	934	0.96	-46.90	Note 6
	Labour	807	0.82	592	0.61	36.32	Note 7
	Remaining costs	984	1.00	513	0.53	91.81	Note 8
	Sub-total	2,287		2,039			
<b>Total</b>		97,930		97,179		0.77%	

Notes:

1. It is mainly due to two civil maintenance works conducted by Qijing Tap Water Plant for the same period last year.
2. Water resource fees were added to both revenue and cost from tap water business of Qijing Capital Water Company Limited for 2014.
3. During the reporting period, Dong Jiao Recycled Water Plant and Bei Chen Recycled Water withdrew their depreciation cost in arrears.
4. It is mainly due to the increase in staff employed and expenses incurred in cooling and heating supply business during the reporting period.
5. It is mainly due to stable operation of equipment as compared to the same period last year as well as the corresponding decrease in maintenance expenses.
6. It is mainly due to the decrease in cost of Tianjin Capital New Materials Company Limited with a decrease in its revenue.
7. It is mainly due to the increase in staff cost of Tianjin Capital Environmental Water Company Limited and Tianjin Kaiying Technology Development Company Limited during the reporting period.
8. It is mainly due to the increase in consultation business cost and technological R&D cost of Tianjin Kaiying Technology Development Company Limited during the reporting period.

### (2) Information on major suppliers

In 2014, purchases from the top five suppliers amounted to RMB206.70 million, representing 19% of the total purchases for the year.

### 4. Fees

During the reporting period, the Group's administrative expenses decreased slightly as compared to last year. For details of finance costs, please refer to the "Analysis on the Results of Operations" in the Directors' Report.



## 4. Directors' Report

### 5. Research and development expenses

#### (1) Research and development expenses

Unit: 0'000 Currency: RMB

Expensed research and development expenses for the period	547.70
Capitalized research and development expenses for the period	127.02
Total research and development expenses	674.72
Total research and development expenses as a percentage of net assets (%)	0.16
Total research and development expenses as a percentage of income from operations (%)	0.37

#### (2) Explanation

In 2014, the Group continued to focus on its technological R&D based on the market demand for sewage water treatment and sludge treatment, and its self-developed R&D results in relation to sewage water treatment plants, such as carbon source in situ extraction and enhanced sewage denitrification process and sludge anaerobic digestion process, ammonia nitrogen removal technology of municipal wastewater with biological bacteria and heavy metal rapid detection equipment, met the conditions to enter into the market and were highly competitive, while the Group further expanded its sewage water treatment plant all-process deodorization business and industrial water treatment business.

## 6. Cash flow

Unit: 0'000 Currency: RMB

Item	2014	2013	Increase/ decrease	Percentage change (%)	Details of changes
Net cash flow from investing activities	-32,949	-16,492	-16,457	-99.79	The Company received RMB 300 million as compensation payment for the relocation and construction of Jizhuangzi Sewage Treatment Water Plant and Recycled Water Plant for the period, as compared to RMB 550 million for the same period last year, and the project investment expenses increased for the period.
Net increase in cash flow	-18,009	-198	-17,811	-8,995.45	This was mainly due to the effect of investing activities.





### 7. Miscellaneous

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

There were no material changes in the business structure or profit source of the Group during the reporting period.

(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 development strategy and operation plan*

In 2014, the development strategy implemented by the Group mainly covered the following three aspects. In respect of businesses, the Group further promoted transformation and upgrading of the business structure to comprehensively transform from traditional water business to diversified environmental service business in accordance with the State's policies. Not only did the Group continue to promote the expansion of all-process deodorization business, but also it made significant progress on the energy station business sector which mainly comprises geothermal pump system. In addition, the Company actively expanded into the industrial waste water and sludge treatment and utilization business. In respect of technologies, the Group adhered to the technology guided development strategy and continuously promoted the research and development of proprietary technologies and their industrial applications, including basically laying a foundation for the marketing of research achievements such as heavy metal detection, on-site extraction technology for sludge carbon source and biological agents. The Group also further improved the R&D and reserves of relevant processes and technologies in view of the sewage discharge standards of urban sewage water treatment plants. In respect of management, the Group focused on strengthening cost control by enhancing operational cost control through the reform of production setups and centralized procurement, and enhancing management cost control through informationalization process monitoring, thus improving the management efficiency.

The Company organized production and operation activities in accordance with the development strategy and operation plan formulated by the Board in early 2014. With the efforts of all employees, as at the end of the reporting period, the development strategy and operation plan formulated at the beginning of the year were basically achieved. The targets on income, expenses and costs were successfully achieved.

## (II) ANALYSIS OF THE INDUSTRY OR REGIONAL OPERATIONS

## 1. Principal businesses by industry

*Unit: 0'000 Currency: RMB*

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 (%)
Sewage water treatment and sewage water treatment plant construction business	130,080	72,962	43.91	3.35	-3.80	Increased by 4.19 percentage points
Recycled water supply and pipeline connection	16,473	12,966	21.29	-0.09	11.02	Decreased by 7.88 percentage points
Toll collection business	6,703	712	89.38	Unchanged	Unchanged	Unchanged
Tap water supply business	6,152	4,961	19.36	68.67 (note 1)	84.61 (note 1)	Decreased by 6.96 percentage points
Cooling and heating supply business	6,757	4,042	40.18	-5.14	-3.68	Decreased by 0.9 percentage point
Others	948	2,287	-141.24	-42.24 (note 2)	12.15	Decreased by 117.06 percentage points

## Explanation of principal businesses by industry:

Note 1: During the reporting period, the increase in income from tap water business was mainly due to the fact that Qijing Capital Water Company Limited's income from and cost for tap water business included water resource fees since January 2014. All of the Group's income from tap water business for the period was derived from Qijing Capital Water Company Limited, and Anguo Capital Water Company Limited recognized no income due to arbitration.

Note 2: During the reporting period, other income was mainly derived from sales of goods by Tianjin Kaiying Technology Development Company Limited. Other income for the same period last year was mainly derived from sales of pipeline by Tianjin Capital New Materials Company Limited. The decrease in income in the current period was due to unstable market demand.



## 4. Directors' Report

### 2. Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

Region	Income from operations	Increase/decrease in income from operations as compared to last year (%)
Tianjin	113,650	-0.44
Qijing	9,976	39.42 (note 1)
Guizhou	2,827	11.46
Fuyang	6,742	39.25 (note 2)
Baoying	2,044	0.00
Hangzhou	16,365	4.70
Wendeng	2,779	0.39
Xi'an	8,189	4.08
Anguo	846	8.43
Wuhan	3,631	4.21
Hong Kong	65	-68.10 (note 3)

#### Explanation of changes:

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

Note 2: Fuyang Capital Water Company Limited secured new recycled water usage projects and an upward adjustment to prices of recycled water of Yingdong Water Plant during the reporting period.

Note 3: Income from system integration services provided by Tianjin Capital Environmental Protection (Hong Kong) Company Limited decreased during the reporting period.

## (III) ANALYSIS OF ASSETS AND LIABILITIES

## 1. Analysis of assets and liabilities

Unit: 0'000 Currency: RMB

Items	Amount as at the end of the current period	Percentage of the amount as at the end of the current period to the total assets (%)	Amount as at the end of the previous period	Percentage of the amount as at the end of the previous period to the total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)	Explanation
Bills receivables	0	0.00	630	0.06	-100.00	The decrease in amount as at the end of the period was because Subsidiaries have collected bills receivables.
Inventories	1,439	0.13	5,804	0.52	-75.21	The decrease in amount as at the end of the period was due to the settlement in full of BT construction projects of Tianjin Zichuang Engineering Investment Company Limited during the reporting period.
Other current assets	6,225	0.57	654	0.06	851.83	The increase in balance as at the end of the period was due to the transfer of relevant assets of Anguo Capital Water Company Limited 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 Capital Water Company Limited'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.

## 4. Directors' Report

Items	Amount as at the end of the current period	Percentage of the amount as at the end of the current period to the total assets (%)	Amount as at the end of the previous period	Percentage of the amount as at the end of the previous period to the total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)	Explanation
Fixed assets	48,853	4.50	308,812	27.89	-84.18	This was mainly due to the fact that four sewage water 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.
Intangible assets	632,196	58.22	307,483	27.77	105.60	For the same reason as above.
Construction in progress	413	0.04	115,208	10.40	-99.64	This was mainly due to the fact that Jingu Sewage Water Plant and Recycled Water Plant were put into operation as well as the provision for amortisation of their fixed assets.
Short-term borrowings	5,000	0.46	—	0.00	N/A	This was due to the new short-term borrowings raised by the Company.
Trade payables	5,432	0.50	2,110	0.19	157.44	This was mainly due to operating costs and material costs, etc. payable to water plants.
Dividends payable	6,034	0.56	3,657	0.33	65.00	This was mainly due to the provision of dividend payable for 2013.
Non-current liabilities due within one year	30,422	2.80	87,811	7.93	-65.36	This was mainly due to a decrease in long-term borrowings due within one year.

Items	Amount as at the end of the current period	Percentage of	Amount as at the end of the previous period	Percentage of	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)	Explanation
		the amount as at the end of the current period to the total assets (%)		the amount as at the end of the previous period to the total assets (%)		
Deferred revenue	120,920	11.13	39,645	3.58	205.01	This was mainly due to the fact that Jingu Sewage Water Plant and Recycled Water Plant were put into operation as well as the carry-forward of the net relocation and construction compensation payment to "deferred revenue" from "other non-current liabilities" for accounting.
Other non-current liabilities	5,373	0.49	136,952	12.37	-96.08	For the same reason as above.

## 2. Explanation of changes in assets measured at fair value and major asset measurement attributes

There were no material changes in assets measured at fair value and major asset measurement attributes.

## (IV) ANALYSIS OF CORE COMPETITIVENESS

The Company's core competitiveness is mainly reflected in the following four aspects: first, the Company owns the most influential service brand in the sewage water processing industry and an established service network with nationwide coverage in the PRC; second, the Company owns continuous R&D capabilities, leading technologies, diversified solutions and integrated service capability; 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 a professional operation and management team and the best operation and management practical experience in the water treatment industry, and possesses sound corporate governance structure, prudent risk control systems and the ability to respond to emergencies. During the reporting period, the Company not only solidified its competitive strengths in the sewage water treatment business, but also continuously strengthened the R&D activities in environmental protection technologies and further improved its competitiveness in the new energy business sector.



## 4. Directors' Report

### (V) ANALYSIS OF THE INVESTMENT

#### 1. Overall analysis of external equity investments

During the reporting period, the Company increased the registered capital of Fuyang Capital Water Company Limited, a wholly-owned Subsidiary, by RMB19.60 million in cash. After such capital increase, the registered capital of Fuyang Capital Water Company Limited is RMB107.10 million. The Company increased the registered capital of Wendeng Capital Water Company Limited, a wholly-owned Subsidiary, by RMB9.4 million in cash. After such capital increase, the registered capital of Wendeng Capital Water Company Limited is RMB61.40 million. The Company increased the registered capital of Xi'an Capital Water Company Limited, a wholly-owned Subsidiary, by RMB64.00 million in cash. After such capital increase, the registered capital of Xi'an Capital Water Company Limited is RMB334.00 million.

For details of these three wholly-owned Subsidiaries, please refer to "Operations and results of the major subsidiaries in which the Company has controlling interests".

Save as disclosed above, there were no other external equity investments during the reporting period.

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

The Company did not have any trust arrangement, entrusted loans, other wealth management and derivative investments during the reporting period.

#### 3. Use of proceeds from fund-raising

##### (1) Overall use of proceeds from fund-raising

Not applicable

##### (2) Utilisation of the proceeds in the committed projects

Not applicable

##### (3) Utilisation of the proceeds in the altered projects

Not applicable

## 4. Analysis of major subsidiaries and companies in which the Company has invested

## (1) Operations and results of the major subsidiaries in which the Company has controlling interests

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
Tianjin Water Recycling Company Limited	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacturing, installation, commissioning and operation of equipment for recycled water.	10,000	Limited company	100%	124,279	18,945	3,652 (note 1)
Guizhou Capital Water Company Limited	Guiyang, Guizhou	Development, construction, operation and management of urban sewage water treatment plants, tap water plants and solid waste processing facilities; research, development and promotion of environmental protection technology; consultancy services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	10,000	Limited company	95%	20,938	14,554	759





## 4. Directors' Report

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
Tianjin Capital New Materials Company Limited	Tianjin	Manufacturing and sales of construction materials, new compound material products and polymer material products; technical consultation on new piping materials.	3,750	Limited company	70.67%	469	175	-159
Baoying Capital Water Company Limited	Yangzhou, Jiangsu	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology ; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	5,300	Limited company	70%	10,718	6,590	269

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
Qijing Capital Water Company Limited	Qijing, Yunnan	Centralized water supply (limited to branch operation); development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities; research, development and promotion of environmental protection technology ; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	17,898	Limited company	86.55%	40,139	21,528	1,721
Fuyang Capital Water Company Limited	Fuyang, Anhui	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	10,710	Limited company	100%	32,901	17,071	2,085



## 4. Directors' Report

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
Hangzhou Tianchuang Water Company Limited	Hangzhou, Zhejiang	Operation and maintenance for sewage water processing and recycled water utilization facilities, and ancillary services such as technology services and technology training.	25,745	Limited company	70%	68,666	35,410	2,140
Tianjin Capital Environmental Protection (Hong Kong) Company Limited	Hong Kong	Treatment and recycling and utilization of sewage water.	US\$ 7,840,000	Limited company	100%	4,791	4,644	-340
Wendeng Capital Water Company Limited	Wendeng, Shandong	Development, construction, operation and management of sewage water treatment and its ancillary facilities, solid waste treatment facilities and water recycling facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	6,140	Limited company	100%	16,813	7,939	352

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
Tianjin Jing Hai Capital Water Company Limited	Jinghai, Tianjin	Development, construction, operation and management of sewage water treatment plant, urban sewage water treatment plant and tap water plants and their ancillary facilities, and solid waste treatment facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities and environmental projects.	1,200	Limited company	100%	3,939	1,177	14
Xi'an Capital Water Company Limited	Xi'an, Shaanxi	Development, construction, operation and management of urban sewage water treatment plants, tap water plants and its ancillary facilities, solid waste treatment facilities; research, development and promotion of environmental protection technology; application of renewable energy and related equipment; installation services for sewage water treatment plant equipment; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	33,400	Limited company	100%	60,111	29,167	-167



## 4. Directors' Report

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
Tianjin Kaiying Technology Development Company Limited	Tianjin	Development, consultation, service and transfer of environmental protection technology and product, mechanical equipment and computer software technology; municipal projects and design; mechanical equipment leasing; installation and maintenance of sewage water treatment equipment; wholesale and retail of mechanical equipment (excluding cars), electronic products and computer software; the followings operated by business segment: water treatment equipment, sludge treatment equipment, aeration equipment, air purification equipment, manufacturing and processing of sewage water and sludge treatment reagent; sewage water treatment.	500	Limited company	100%	2,419	1,207	400

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
Anguo Capital Water Company Limited	Anguo, Hebei	Urban water supply (water-drawing permit valid until September 2, 2013 and hygiene permit valid until April 11, 2015); sewage water treatment; sewage and water supply related technical consultation and related services.	4,100	Limited company	100%	6,077	1,106	-1,477
Wuhan Tianchuang Environmental Protection Company Limited	Wuhan, Hubei	Investment and development, construction, operation, management and consultancy services of municipal sewage water treatment plant, tap water plant and their ancillary facilities, solid waste treatment facilities and water recycling facilities; production, supply and sales of equipment and materials relating to water and environmental protection; research, development and promotion of environmental protection technology.	10,324	Limited company	100%	26,103	10,983	-248



## 4. Directors' Report

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
Tianjin Capital Environmental Water Company Limited	Jinnan, Tianjin	Development, construction, operation and management of sewage water treatment, municipal sewage water treatment plant, tap water plant and their ancillary facilities, solid waste treatment facilities; research, development and promotion of environmental protection technology; project consultancy services for water treatment facilities and environmental protection works; manufacturing and sales of polyacrylamide flocculant and environmental equipment and wholesale and retail of chemical raw materials; sales, installation and maintenance of mechanical and electrical equipment.	1,000	Limited company	100%	927	870	-68
Tianjin Zichuang Engineering Investment Company Limited	Jinghai, Tianjin	Investment in engineering projects.	2,340	Limited company	100%	2,744	2,462	8

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
Tianjin Jinning Capital Environmental Water Company Limited	Ninghe, Tianjin	Sewage water treatment; development, construction of municipal sewage water treatment plants and its ancillary facilities; project consultancy services for water treatment facilities and environmental protection works.	1,500	Limited company	100%	2,426	-360	-1,921
Tianjin Jiayuanxing Innovative Energy Technology Company Limited	Tianjin High-tech Zone	Development, consultation, service and transfer of energy saving, environmental protection and new energy technology; property management services.	6,000	Limited company	100%	39,992	10,098	1,616

Note 1: Tianjin Water Recycling Company Limited recorded operating income of RMB166.05 million, operating profit of RMB44.66 million and net profit of RMB36.52 million in 2014.

(2) *Operations and results of the major companies in which the Company has invested*

As at the end of the reporting period, the Group invested a total of RMB2,000,000 in Tianjin Beifang Rencaigang Company Limited, representing 6.1% of its registered capital. Its principal activities comprise senior executive insurance services, senior executive personnel services (employment agent service, financial guarantee consultation service, and personal creditworthiness assessment), enterprise talent assistance project; development and operation of technological project achievements and real estate development and operation.





## 4. Directors' Report

### 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 year	Total actual invested amount	Project income
Jingu Sewage Water Treatment Plant	140,291	The main works have been completed and the plant has commenced operation.	28,704.23	108,371.23	The plant recorded revenue of RMB76,847,600 during the reporting period

## II. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT BY THE BOARD

### (I) Landscape of competition and development trend of the industry

The central economic work conference held in 2014 pointed out that the fact that environment carrying capacity has reached or was near its upper limit is one of the nine characteristics of the “new norms”. The new Environmental Protection Law has been officially implemented in 2015. Recently, the PRC National Development and Reform Commission, the Ministry of Finance and MOHURD jointly released the “Notice on Relevant Issues Concerning the Determination and Adjustment of the Charging Rates for Sewage Water Treatment (關於制定和調整污水處理收費標準等有關問題的通知)”, which requires the reasonable determination of and adjustment to charging rates. The afore-said policy changes will further promote the creation of ecological civilization in the PRC and drive the development of sewage water treatment industry and extended industries. Meanwhile, the reform and innovation of the investment and financing regime against the background of new norms and the risk control over high leverage and bubblication will lead to higher requirements for the investment and financing capabilities of environmental protection companies. In addition, the general trend that the competition landscape of the environmental protection industry gradually transforms from fragmentation to centralization remains unchanged and the change in cross-sector competition is notable. Therefore, opportunities and challenges co-exist in the future development of the industry. For enterprises, requirements for comprehensive competitiveness including technology research and development, operational services, investment and financing, market network, industry integration and brand value will certainly be higher and higher.

**(II) Development strategy of the Company**

The Company will adhere to the vision of “returning clean water to the world, delivering fresh air to the earth” to pursue sustainable development in accordance with its strategic positioning as a provider of integrated water and environment solutions, in order to achieve the triple-winner situation among enterprise, society and staff. The Company will continue to promote the implementation of the “innovation-driven transformation and development strategy”. The strategy implementation highlights for 2015 include the following three aspects. The first one is technical innovation. The Company intends to develop research results with proprietary intellectual property rights through continuous R&D activities in environment technologies, which will support the Company to extend toward industry chains with higher added values and expand into new business sectors and build up environment services capability with special environment technologies and products. The second one is business innovation. The Company intends to focus on the upgrading and reconstruction of urban sewage water treatment plants to consolidate its water business, and propel the business structure transformation by actively expanding into new businesses such as treatment and utilization of industrial sewage and sludge, new energy and environment restoration. The last one is management innovation. The Company will continue to promote operational cost reduction, management cost control and financing cost optimization, and improve the corporate efficiency. The Company will also actively conduct strategic research, and plan business model innovation and development path innovation on the pre-condition of risk prevention and control, so as to adapt to the new industry development trend under the “new norms”.

**(III) Operation plan and strategies**

1. In 2015, the Group's sewage water treatment volume is expected to be 955.28 million cubic meters (excluding the volume from entrusted operation projects), production volume of tap water is expected to be 37.89 million cubic metres and sales volume of recycled water is expected to be 18.3 million cubic metres. The capital expenditure of the Group is expected to be RMB688 million, which will be mainly used for the upgrading projects of sewage water treatment plants of its Subsidiaries, and construction of newly successfully bidding energy station projects. In 2015, the Company will implement the following operation strategies:
  - (1) To expand its water business scale: With a focus on the upgrading of its existing projects, the Company will consolidate the business scale of investment operation projects, attach great importance to quality projects and stock up for projects. The Company will actively expand the entrusted operation projects on sewage water treatment, to achieve the aim of increase by 10% as compared to the previous year.
  - (2) To endeavor to expand the sale scale of recycled water: Taking advantage of the recycled water industry policies in Tianjin and the favorable opportunities to enhance the construction of pipelines network, the Company will actively participate in the construction of recycled water pipelines network, in order to expand the sale scale of recycled water and enhance the capacity utilization in the future.



## 4. Directors' Report

- (3) To expand the scale of heating and cooling supply business: The Company will closely pay attention to the market dynamics of the Tianjin region, strengthen its efforts on project development, capture market shares and stock up for projects, to achieve a substantial increase in the scale of heating and cooling supply business.
- (4) To continue to expand the industrial scale of the technical research and development achievements: The Company will shorten the time-to-market of the products in order to realize science leading development.
- (5) To continue to strengthen its efforts on technical consultation of water business industry chain, production and sales of chemicals, and construction and management services.
- (6) To foster the sludge treatment business: The Company will actively explore the development path and business model of sludge treatment industrialization to foster sludge treatment business through sludge entrusted operation projects and construction and management projects.

Under the guidance of the above operation strategies, the Company will focus on the following work based on safe and quality operation in 2015:

- (1) The Company will continue to stringently control the cost and expenses of each business to enhance its revenue.
- (2) The Company will strive to market expansion of each business.
- (3) The Company will complete the adjustment to service price of Tianjin Jingu Sewage Water Treatment Plant.
- (4) The Company will complete a capital increase of Tianjin Kaiying Technology Development Company Limited, expand the market for carbon source on-site extraction technology, biological bacterium bioaugmentation in sewage water technology, production and sales of fast detection of heavy metal in the sewage water treatment plants, to achieve the growth of revenue generated from Tianjin Kaiying Technology Development Company Limited.
- (5) The Company will complete the work of registering new companies for power station projects and accelerate preliminary work of Heiniucheng Road No. 1 and 2 Power Stations and Houtai No.2 Power Station and conduct project construction as planned.
- (6) The Company will complete capital increase and construction of each Subsidiary as planned based on the project upgrading requirements of each Subsidiary.

### 2. Income, expense and cost plans:

In 2015, assuming no material changes in the State's existing policy direction conformed by the Group and the operating environment, the range of changes in fee income from sewage water treatment services will not exceed 10% as compared to 2014.

Cost control target:

In 2015, resource and energy expenses and labour costs will continue to increase, and the new environmental law will impose tougher provisions on the industry and the operation cost of each water plant will increase. Assuming no material changes in the existing State's policy direction conformed by the Group and the operating environment, it is expected the Group's cost of sewage water treatment business will increase by not more than 15% in 2015 as compared to 2014. Also, it is expected that the increase in costs will not have material effect on the overall operation of the Company.

### 3. Technology research and development investment plans:

In 2015, the Group will invest no less than RMB2.51 million in technology research, development and reforms, and will continue to conduct research and development on the new technical processes and application technology in the areas of sewage water treatment and sludge treatment etc..

#### (IV) Demand for funds required by the Company for maintaining current business and completion of investment projects under construction

The Group's existing funding channels are basically able to satisfy the requirements of the Group's annual operation plan. In 2015, the Group plans to invest RMB688 million in engineering projects, which are mainly the expenses for the upgrading of sewage water treatment plants of some Subsidiaries. In 2015, the amount for fixed asset purchase plan of the Group will be approximately RMB5.56 million.

In 2015, funding demand of relevant projects will be obtained through existing channels of the Group and financed by the outstanding sewage water treatment service fees due in the prior years. The Company will improve the debt structure and raise capital for development through direct financing methods, and enhance capital cooperation in joint projects through timely introduction of strategic investors and financial investors.



## 4. Directors' Report

### (V) Risks possibly faced

1. The Company has established systematic and comprehensive risk prevention and control systems according to the relevant policies, rules and regulations, which can effectively avoid the various risks that may affect its operation. In the process of future development, the Company will attach greater importance to risks in respect of new business development while actively maintaining the licensed operation agreements for existing projects.
2. Foreign exchange risk: The operations and customers of the Group's subsidiaries are located within the PRC and most of their operating assets and transactions are settled by RMB, and all the borrowings of the Group are denominated in RMB, therefore, the Group has no material foreign exchange risk. The only foreign exchange risk of the Group arises from long-term payables. Long-term payables were incurred as a result of the asset transfer agreement signed by the Company and TSC in respect of purchase of foreign bank loans assets denominated mainly in US dollars and Japanese Yen.

As at 31 December 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 (31 December 2013: RMB4 million) in the net profit of the Group. As at 31 December 2014, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase or decrease of approximately RMB7 million (2013: RMB8 million) in the net profit of the Group.

3. 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 31 December 2014, if the bank loan interest rate increases/decreases by 1%, with other factors being constant, the net profit for the year will decrease/increase by RMB15 million (2013: RMB18 million).

### III. EXPLANATION BY THE BOARD ON “QUALIFIED AUDIT REPORT” PROVIDED BY ACCOUNTANTS

(I) Explanation by the Board and Supervisory Committee on “Qualified Audit Report” provided by accountants

Not applicable.

(II) Analysis and explanation by the Board on the reasons and effects of changes in accounting policies, accounting estimates or determination

The eight new accounting standards successively promulgated and implemented by the Ministry of Finance of the PRC in 2014, including Accounting Standards for Business Enterprises 39 - Fair Value Measurement, and were applied by the Company on 1 July 2014. Pursuant to the requirements of Accounting Standards for Business Enterprises 2 - Long-term Equity Investments, in the third quarterly report for 2014, the Company reclassified its long-term equity investments in its associated company, Tianjin Beifang Rencaigang Company Limited, from the original “long-term equity investments” to “available-for-sale financial assets” for the purpose of presentation and disclosure, and meanwhile, retrospectively adjusted the opening balance in the comparative financial statements. This change in accounting policies had been approved by the 24th meeting of the six session of the Board of the Company and was disclosed together with the Company’s third quarterly report for 2014.

Save for the effect of the afore-said reclassification of “long-term equity investments”, the changes in accounting standards do not have any effects on the total assets, liabilities, net assets and net profits of the Company. Save for the application of the afore-said 8 new accounting standards, there was no change in other accounting policies of the Company during the reporting period.

(III) Analysis and explanation by the Board on the reasons and effects of rectification of material errors of previous periods

Not applicable.

### IV. PROPOSAL ON THE PROFIT APPROPRIATION OR TRANSFER OF CAPITAL RESERVE FUND

#### (I) Formulation, execution or adjustment of cash dividend policy

In order to further implement the spirit of the “Notice on further implementation of matter relating to cash dividends of listed companies” issued by the CSRC and “Notice on facilitating the implementation of cash dividends relating matters by listed companies within the jurisdiction” (Jin Zheng Jian Shang Shi [2012] No.62) issued by the Tianjin Securities Regulatory Commission, to establish a sustainable, clear and transparent cash dividend policy and a scientific decision making mechanism, as well as to improve the quality of information disclosure by the Company, the Company reviewed and passed the “Resolution on amendments to the Articles of Association of the Company” at the 36th meeting of the fifth Board on 31 October 2012. On 17 December 2012, the above resolution was considered and approved at the 2012 Second Extraordinary General Meeting convened by the Company.

Article 195 of the Articles of Association was amended as:

#### “I. Basic principles for profit distribution of the Company:

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

#### II. Dividend distribution policies of the Company:

- (I) Dividend shall be distributed in the following manner: the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. In general, the Company shall distribute dividend annually, but subject to conditions, interim profit distribution may be made by the Company.

- (II) Specific conditions for and proportions of cash dividend distribution of the Company: provided that the Company's profit and aggregate undistributed profit realized for the year are positive, and the accounting firm issues standard unqualified audit report on the Company's financial report for that year, and cash dividend distribution has no effect on the Company's sustained operations, the Company may distribute dividend in cash. Subject to the above conditions, the profit to be distributed in cash per annum will not be less than 20% of the distributable profit realized for that year attributable to the parent company, and the Company's aggregated profit distributed by way of cash for three consecutive years will not be less than 30% of the distributable profit attributable to the parent company realized within 3 years.
  - (III) Conditions for distributing dividends in shares by the Company: where the Company's business is in a sound condition, and the Board considers that the stock price of the Company does not reflect its share capital size and distributing dividend in shares will be favorable to all the shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are fully satisfied, the Company may propose dividend distribution in shares.
  - (IV) In case any shareholder occupies the funds of the Company unlawfully, the Company will deduct cash dividends to be distributed to such shareholder for making up the amount occupied.
- III. Procedures for consideration and approval of the Company's profit distribution plans:
- (I) The Company's profit distribution plan for each year shall be proposed by the Company's management after taking into account factors such as the Company's Articles of Association, production and operation position, cash flows and future business development plan, and shall be submitted to the Board and the supervisory committee for consideration. If the supervisory committee has no objection to the profit distribution plan, the Board shall thoroughly discuss its rationality, taking into account the opinions from the Independent Directors, and form a special proposal for the consideration by the shareholders at the general meeting. Opinions and requests from medium and small shareholders shall be fully heard through various channels (including but not limited to telephone, facsimile, e-mail and interactive platforms). When considering the profit distribution plan, the Company may make internet voting accessible to the shareholders or seek voting rights of the shareholders.
  - (II) Where the Company has decided not to distribute cash dividends for the reason of failure to meet the conditions for cash dividend distribution as stated in II (II) above, the Board shall explain the specific reasons for not distributing cash dividends, and the exact purposes for the retained profits, and submit such to the general meeting for consideration after the Independent Directors express their opinions thereon, and disclose the same to the designated media of the Company. When considering such proposal, the Company may make internet voting accessible to the shareholders or seek voting rights of the shareholders.



## 4. Directors' Report

(III) In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operation condition, or new policies on profit distribution published by competent authorities, the Company may adjust its profit distribution policy. The Board shall thoroughly discuss the rationality of the adjustment to the profit distribution policy, and form a special proposal after the consideration by the Independent Directors and submit the same for the consideration by the shareholders at the general meeting. The supervisory committee shall issue its review opinions on the adjustment to the profit distribution policy. When the general meeting considers the changes to the profit distribution policy, the Company may make internet voting accessible to the shareholders or seek voting rights of the shareholders."

Reasonable returns for investors have been attached much importance by the Company since the completion of its restructuring in December 2000 and the cash dividend policy has been adhered to since 2001.

The proposal on profit appropriation for 2014 is set out as follows:

As audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the net profit attributable to the Company in 2014 amounted to RMB308.17 million. After deduction of the statutory common reserve of RMB21.81 million drawn in accordance with the relevant requirements of the Company Law of the PRC and the Articles of Association of the Company, adding the retained profit of RMB1,793.70 million at the beginning of the year, and less the distribution in 2014 of the 2013 cash dividend of RMB114.18 million, the actual profit distributable to the shareholders for the year amounted to RMB1,965.88 million. According to the profit appropriation policy of the Company, it will be proposed that a cash dividend for 2014 of RMB0.7 (gross tax) per ten shares will be distributed to all shareholders, with the cash dividend amount in the sum of RMB99.906 million, representing 32.42% of the available-for-distribution profit attributable to the Company realized in 2014. No transfer from the capital reserve fund to share capital was made for 2014. The appropriation proposal shall be submitted to the 2014 annual general meeting of the Company for consideration and shall be implemented after approval.

- (II) Plan or proposal of profit distribution or transfer of capital reserve fund to share capital of the Company for the past three years (including the reporting period):

*Unit: 0'000 Currency: RMB*

Year	Number of bonus shares per 10 shares (shares)	Amount of dividends distributed per 10 shares (inclusive of tax)	Number of shares transferred per 10 shares (shares)	Amount of cash dividends (inclusive of tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statements for the bonus distribution year	
					Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statements (%)	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statements (%)
2014	0	0.70	0	9,990.6	30,817.0	32.42
2013	0	0.80	0	11,417.83	28,189.9	40.50
2012	0	0.60	0	8,563.37	26,898.1	31.84

## V. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

- (I) Social responsibilities work

The social responsibility report has been disclosed by the Company. Please refer to the website of the SSE (<http://www.sse.com.cn>) on 27 March 2015 for contents in detail.

- (II) Explanation of environmental protection of listed companies and their subsidiaries which fall into categories of heavy pollution industries as prescribed by the State's environmental protection authorities

Not applicable.



## 5. Major Events

### I. MATERIAL LITIGATION, ARBITRATION AND EVENTS GENERALLY QUESTIONED BY THE MEDIA

(I) Litigation, arbitration and events questioned by the media that were disclosed in the Company's announcements and without subsequent progress

None

(II) Litigation and arbitration that were not disclosed in the Company's announcements or with subsequent progress

During the reporting period:

Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particulars of litigation (or arbitration)	Amount involved in litigation (or arbitration) (in RMB 0'000)	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 Capital Water Company Limited	Anguo Municipal Government	None	Arbitration	As Anguo Municipal Government failed to perform the relevant terms of the licensed operation agreement entered into between Anguo Capital Water Company Limited and Anguo Municipal Government, Anguo Capital Water Company Limited applied for arbitration to China International Economic and Trade Arbitration Commission in 2013, requesting for termination of the licensed operation agreement of water supply project with Anguo Municipal Government; claiming payment of service fees for water supply and compensation for investment owed to Anguo Capital Water Company Limited by Anguo Municipal Government of RMB60 million.	6,000	No	China International Economic and Trade Arbitration Commission has made an interlocutory judgement in 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 Capital Water Company Limited 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 Capital Water Company Limited by Anguo Municipal Government of RMB3,557 million before 1 November 2012 shall be fully paid 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 Capital Water Company Limited in the water project of this case, and the choice of the said entity shall be in line with the intention agreed during the hearing.	No	

During the reporting period:

Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particulars of litigation (or arbitration)	Amount involved in litigation arbitration (in RMB '0'000)	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)
Huade Shunli (Tianjin) Investment Company Limited (華德順利(天津)投資有限公司)	Jiayuanxing	None	Civil litigation	Pursuant to an decision made by the Engineering Construction Headquarters of Tianjin Cultural Centre (天津市文化中心工程建設指揮部) on a coordination meeting in November 2011, Jiayuanxing and Tianjin Tianleyuan Investment and Management Company Limited (天津天樂園投資管理有限公司) (the property owner of "Sunlight Paradise", hereinafter refer to as "Tianleyuan") has reached a consensus that the ground floor of Sunlight Paradise totaling 3,000 square metre be occupied by Jiayuanxing Power Station for operation purpose, accordingly Jiayuanxing reduces the energy fees of 3,000 square metre payable by Tianleyuan, setting off rentals due from the power station.			According to the analysis of the law firm engaged by the Company, the possibility of forming a liability is relatively small.	The first court session commenced in October 2014 and the first evidences exchange between the defendant and the plaintiff has been finished. The case is currently under fact investigation.	No
							Currently, the tap water project has been transferred. Anguo Capital Water Company Limited will temporarily operate the sewage water project based on the original agreement, and the operations and charges of this project are under normal conditions. Other interlocutory judgements are in the process of execution and the ruling results of arbitration have yet been made.		



## 5. Major Events

During the reporting period:

Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particulars of litigation (or arbitration)	Amount involved in litigation (or arbitration) (in RMB '0'000)	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)
Tianjin Dikang Golf Sports Company Limited (天津迪康高爾夫體育運動有限公司)	Company	None	Civil litigation	In October 2014, a court summons was received by Jiayuanxing in which Huade Shunli (Tianjin) Investment Co., Ltd. ("Huade Shunli") alleged that it was entitled to the use and sublet rights as well as other rights of Sunlight Paradise located in Leyuan Road, Hexi district, Tianjin, and that Jiayuanxing paid no rentals to Huade Shunli with regard to the use of the ground floor of "Sunlight Paradise" totalling 3,000 square metre for operation purpose since 2012, it thereby requested that (1) the defendant be ordered to pay a rental of RMB10,292,280.00 to the plaintiff in accordance with the law; and (2) the litigation costs be borne by the defendant.	2,200	According to the analysis of the law firm engaged by the Company, the possibility of forming a liability is relatively small.	In December 2014, Tianjin No. 1 Intermediate People's Court made a civil judgment (2014) Yi Zhong Min Yi Chu Zi No.39), pursuant to which this case will be referred to Tianjin Xiqing District People's Court. The Company made an appeal of jurisdiction objection with Tianjin Superior People's Court on December 25, 2014, requesting the case to be processed by Tianjin No. 1 Intermediate People's Court. Up to now, Tianjin Superior People's Court has not yet made judgments in respect of the abovementioned appeal.	No	

## II. FUNDS OCCUPIED AND REPAYMENT PROGRESS DURING THE REPORTING PERIOD

Not applicable.

## III. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not applicable.

## IV. TRANSACTIONS INVOLVING ASSETS AND CORPORATE MERGERS AND ACQUISITIONS

Not applicable.

## V. COMPANY'S SHARE INCENTIVE SCHEME AND ITS EFFECTS

Not applicable.

## VI. MATERIAL CONNECTED TRANSACTIONS

### (i) Connected transactions in the ordinary course of business

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

- a. On 29 May 2014, Jiayuanxing entered into the cold supply agreement with TM Resources to provide it with cold supply services. The unit price for provision of cold supply services is RMB65 per m<sup>2</sup>. The total service area is 60,218 m<sup>2</sup>. The total service fees for the cold supply are RMB3,914,170. The service period for cold supply commenced from 1 June 2014 to 30 September 2014.

Connected relationship: Jiayuanxing is a wholly-owned subsidiary of the Company. TM Resources is an indirect wholly-owned subsidiary of Tianjin Investment Group, the ultimate controller of the Company.

- b. On 29 May 2014, Jiayuanxing entered into the cold supply agreement with TLP and TYCOM to provide them with cold supply services. The unit price for provision of cold supply services is RMB65 per m<sup>2</sup>. The total service area is 363,042 m<sup>2</sup>. The total service fees for the cold supply are RMB23,597,730. The service period for cold supply commenced from 1 June 2014 to 30 September 2014.

Connected relationship: TLP is a wholly-owned subsidiary of TMICL, the controlling shareholder of the Company. TMICL owns 40% equity interest in TYCOM.



## 5. Major Events

- c. On 1 August 2014, the Company entered into the Zhangguizhuang Sewage Water and Water Recycling Plants Operation Agreement with Tianjin Investment Group, to provide it with operation services for the Zhangguizhuang Sewage Water and Water Recycling Plants. The service period commenced from 2 August 2014 to 1 February 2015. The monthly service fees are RMB4,473,000 and the total service fees are RMB26,838,000.

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

- d. On 1 August 2014, the Company entered into the Sludge Disposal Centre Operation Agreement with Tianjin Investment Group, to provide it with operation and maintenance services for the Zhangguizhuang Sludge Disposal Centre. The service period commenced from 2 August 2014 to 1 February 2015. The total service fees were expected to be not more than RMB5,940,000.

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

- e. On 14 November 2014, Jiayuanxing entered into the heat supply agreement with TM Resources to provide it with heat supply services. The unit price for provision of heat supply services is RMB40 per m<sup>2</sup>. The total service area is 60,218 m<sup>2</sup>. The total service fees for the heat supply are RMB2,408,720. The service period for heat supply commenced from 15 November 2014 to 15 March 2015.

Connected relationship: Jiayuanxing is a wholly-owned subsidiary of the Company. TM Resources is an indirect wholly-owned subsidiary of Tianjin Investment Group, the ultimate controller of the Company.

- f. On 14 November 2014, Jiayuanxing entered into the heat supply agreement with TLP and TYCOM to provide them with heat supply services. The unit price for provision of heat supply services is RMB40 per m<sup>2</sup>. The total service area is 363,042 m<sup>2</sup>. The total service fees for the heat supply are RMB14,521,680. The service period for heat supply commenced from 15 November 2014 to 15 March 2015.

Connected relationship: TLP is a wholly-owned subsidiary of TMICL, the controlling shareholder of the Company. TMICL owns 40% equity interest in TYCOM.

## 2. Connected transactions which have not been disclosed in the Company's announcements

Unit: Yuan Currency: RMB

Connected Party	Connected relationship	Type of transaction	Subject of connected transaction	Pricing principles of connected transaction	Price of connected transaction	Amount of connected transaction	Percentage in similar transactions (%)	Settlement method of connected transaction	Market price	Reason for the substantial difference between transaction price and market price
TM Resources	Indirect wholly-owned subsidiary of Tianjin Investment Group	Water, electricity and gas and other utilities fees (sale)	On 17 March 2014, Jiayuanxing entered into the supplemental agreement of Heat Supply Agreement in 2013-2014 with TM Resources, to provide extended heat supply service for TM Resources with a service period of 14 days and services fees of RMB125,413.	The supplemental agreement was determined on arm's length basis by parties in accordance with the requirements of PRC Company Laws, Listing Rules, Articles of Association and other laws and regulations.	—	125,413	1.13	Settled in a lump sum	—	There was no significant difference.
Tianjin Ziya Circular Economy Industrial Investment and Development Company Limited ("Tianjin Ziya Investment")	Indirect subsidiary of Tianjin Investment Group	Provision of labours	Tianjin Ziya Investment entrusted Tianjin Zichuang Engineering Investment Company Limited 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.
Tianjin Ziya Investment	Indirect subsidiary of Tianjin Investment Group	Provision of labours	Tianjin Ziya Investment entrusted Tianjin Zichuang Engineering Investment Company Limited to supervise Ziya Sewage Water Treatment Plant	The terms of the entrustment agreement were determined on arm's length basis by parties	—	729,125	1.17	Both parties settled within 10 days of the first month in each quarter in accordance with the actual situation of inspection during the last quarter, and paid the supervision fees within 7 business days since the issuance of invoices	—	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.





## 5. Major Events

Connected Party	Connected relationship	Type of connected transaction	Subject of connected transaction	Pricing principles of connected transaction	Price of connected transaction	Amount of connected transaction	Percentage in similar transactions (%)	Settlement method of connected transaction	Market price	Reason for the substantial difference between transaction price and market price
TLP, TYCOM	Subsidiary of TMICL	Water, electricity and gas and other utilities fees (sale)	On 30 September 2014, Jiayuanxing entered into the Settlement Agreement of Extended Cold Supply Service Fees in 2014 with TLP and TYCOM, to provide extended heat supply service for TLP with a service period of 9 days and services fees of RMB870,408.	The supplement agreement was determined on arm's length basis by parties in accordant with the requirements of Company Laws, Listing Rules, Articles of Association and other laws and regulations.	—	870,408	3.07	Settled in a lump sum	—	There was no significant difference.
Total	/	/	/	/	/	2,069,150	/	/	/	/

### (ii) Others

The independent non-executive Directors of the Company have reviewed the Company's continuing connected transactions above and confirmed that:

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

The Board also confirmed that the auditors of the Company had confirmed the matters as set out in Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The 2014 annual report of the Company contains details of the connected transactions and continuing connected transactions of the Company. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## VII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

### 1 Custody, subcontracting and leasing

Not applicable.

### 2 Guarantees

Unit: 0 '000 Currency: RMB

<b>Guarantees provided to external parties by the Company</b>	
<b>(excluding guarantees provided to Subsidiaries)</b>	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to Subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to Subsidiaries)	0
<b>Guarantees provided to Subsidiaries of the Company</b>	
Total amount of guarantees provided to Subsidiaries during the reporting period	39,355
Total balance of guarantees provided to Subsidiaries as at the end of the reporting period (B)	100,376
<b>Total amount of guarantees provided by the Company</b>	
<b>(including guarantees provided to Subsidiaries)</b>	
Total amount of guarantees (A+B)	100,376
Percentage of the total amount of guarantees to the net assets of the Company (%)	24.07
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

## VIII. PERFORMANCE OF COMMITMENT

Not applicable.



## 5. Major Events

### IX. APPOINTMENT AND REMOVAL OF ACCOUNTANTS

Change of accountants: No

Name of the PRC accountant

Remuneration of the PRC accountant

Service years of the PRC accountant

Name of Hong Kong accountant

Remuneration of Hong Kong accountant

Service years of Hong Kong accountant

#### Present Appointment

PricewaterhouseCoopers Zhong Tian LLP

Note 1

20 years

PricewaterhouseCoopers

Note 1

20 years

	Name	Fees
Accountants responsible for auditing of internal control	PricewaterhouseCoopers Zhong Tian LLP	RMB0.8 million

Note 1: During the reporting period, the Company did not change its accountants. The PRC auditor of the Company is PricewaterhouseCoopers Zhong Tian LLP. The Hong Kong auditor of the Company is PricewaterhouseCoopers. A total of approximately RMB5.0 million (taxes and expenses included) was paid to the two auditors for auditing services rendered in the previous year. As at the end of the previous reporting period, the above two accountants have rendered auditing services for the Company for 20 years.

### X. PUNISHMENTS TO AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WITH OVER 5% INTERESTS, ULTIMATE CONTROLLERS AND PURCHASERS

During the year, 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 criticisms by the CSRC or public reprimands by any stock exchanges.

### XI. RISKS OF SUSPENSION OF LISTING AND DELISTING

Not applicable.

### XII. CONVERTIBLE BONDS

Not applicable.

### XIII. EFFECT ON CONSOLIDATED FINANCIAL STATEMENTS FROM THE APPLICATION OF NEW ACCOUNTING STANDARDS

Effect on consolidated financial statements from the change in standards for long-term equity investments

*Unit: 0 '000 Currency: RMB*

	Basic information of the transaction	31 December 2014			
		Equity attributable to the shareholders of the Company as at 1 January 2014(+/-)	Long-term equity investments (+/-)	Available-for-sale financial assets(+/-)	Equity attributable to the shareholders of the Company (+/-)
Tianjin Beifang Rencaigang Company Limited	In November 2001, the Company acquired 6.10% of its shares.	0	-200	200	0
Total	/	0	-200	200	0

According to the requirements of the new PRC Accounting Standards for Business Enterprises, the Company has made changes to the accounting entry for Tianjin Beifang Rencaigang Company Limited (in which the Company owns 6.10% equity interest) from long-term equity investments cost method accounting to available-for-sale financial assets, and has retrospectively adjusted amounts at the beginning of the period as required. The involved amount of RMB2 million should be transferred to “available-for-sale financial assets” from “long-term equity investments”.

Except for the effect of reclassification of the above-mentioned “long-term equity investments” item, the change of the accounting policies does not have any impact on the total assets, liabilities, net assets and net profit of the Company.

Except for the above-mentioned new accounting standards, there is no change in the other accounting policies of the Company.



## 5. Major Events

### XIV. DETAILS OF OTHER MAJOR EVENTS

(i) **Sale and purchase or redemption of shares of the Company**

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

(ii) **Corporate Governance Code**

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the year, in compliance with the Code on Corporate Governance Practices as set out in the Listing Rules.

(iii) **Model code for securities transactions by the Directors**

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

(iv) **Public float**

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

(v) **Pre-emptive rights**

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

(vi) **Tax concession**

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

(vii) **Charge of assets**

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

(viii) **Audit Committee**

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the financial reporting process and internal control of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the audited accounts for the year ended 31 December 2014 with the Directors.

## 6. Details of Changes in Shares and Shareholders

### I. CHANGES IN SHARE CAPITAL

(i) **Changes in shares**

During the reporting period, there were no changes in the total number of shares and the structure of share capital of the Company.

(ii) **Changes in restricted shares**

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

### II. ISSUE AND LISTING OF SECURITIES

(i) **Issue of securities in the past three years as of the end of the reporting period**

In the past three years as of the end of this reporting period, the Company has not conducted any issue and listing of securities.

(ii) **Changes in the total number of shares and structure of shareholders of the Company and changes in the structure of the assets and liabilities of the Company**

Not applicable.

(iii) **Existing internal employee shares**

There was no internal employee share of the Company as at the end of the reporting period.

### III. DETAILS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(i) **Total number of shareholders:**

Total number of shareholders at the end of the reporting period	80,845, among which 79 are shareholders of H shares
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## 6. Details of Changes in Shares and Shareholders

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

Name of shareholder	Shareholdings of the top ten shareholders			Number of restricted shares held (shares)	Status	Number (shares)	Nature of the shareholder
	Increase/decrease during the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Percentage (%)				
TMICL	-20,642,706	715,565,186	50.14	0	Pledged	116,300,000	State-owned legal person
HKSCC NOMINEES LIMITED	466,000	334,494,900	23.44	0	Unknown	—	Unknown
Chen Hexiang	3,349,709	4,555,809	0.32	0	Unknown	—	Unknown
Agricultural Bank of China Limited-SWS MU CSI Environmental Protection Industry Index Classified Securities Investment Fund (申萬菱信中證環保產業指數分級證券投資基金)	4,226,363	4,226,363	0.30	0	Unknown	—	Unknown
Shenyang Railway Coal Group Co., Ltd.	0	3,000,000	0.21	0	Unknown	—	Unknown
HO MAN PING	0	2,014,000	0.14	0	Unknown	—	Unknown
Zhang Yuchun	1,922,600	1,922,600	0.13	0	Unknown	—	Unknown
China Construction Bank Corporation-Xinhua CSI Environmental Protection Industry Index Classified Securities Investment Fund (新華中證環保產業指數分級證券投資基金)	1,620,266	1,620,266	0.11	0	Unknown	—	Unknown
Zheng Bingfeng	1,460,000	1,460,000	0.10	0	Unknown	—	Unknown
Tai Ying	1,414,400	1,414,400	0.10	0	Unknown	—	Unknown

Shareholdings of the top ten shareholders of non-restricted circulating shares

Name of shareholder	Number of non-restricted circulating shares held (shares)	Type
TMICL	715,565,186	Ordinary RMB Shares
HKSCC NOMINEES LIMITED	334,494,900	H shares
Chen Hexiang	4,555,809	Ordinary RMB Shares
Agricultural Bank of China Limited-SWS MU CSI Environmental Protection Industry Index Classified Securities Investment Fund (申萬菱信中證環保產業指數分級證券投資基金)	4,226,363	Ordinary RMB Shares
Shenyang Railway Coal Group Co., Ltd.	3,000,000	Ordinary RMB Shares
HO MAN PING	2,014,000	H shares
Zhang Yuchun	1,922,600	Ordinary RMB Shares
China Construction Bank Corporation-Xinhua CSI Environmental Protection Industry Index Classified Securities Investment Fund (新華中證環保產業指數分級證券投資基金)	1,620,266	Ordinary RMB Shares
Zheng Bingfeng	1,460,000	Ordinary RMB Shares
Tai Ying	1,414,400	Ordinary RMB Shares

**Notes on the connected relationship or parties  
acting in concert among the above shareholders**

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 circulating shares and the top 10 shareholders.

## 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.
- (2) The top ten shareholders are not strategic investors of the Company.





## 6. Details of Changes in Shares and Shareholders

### IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(i) **Controlling shareholder**

Name	TMICL
Legal representative	An Pindong
Date of incorporation	20 January 1998
Organization Code	70042249-0
Registered capital	RMB1,820,000,000
Principal operations	Investment, construction, operation and management of city infrastructure, road construction and auxiliary facilities with internal funds; development, operation and leasing of real estates; property management; leasing of facilities; import and export business of self-manufacturing and distribution of various commodities and technologies (except commodities and technologies restricted or prohibited by the State for trading); sales of hardware, chemical (except for dangerous goods), general merchandise and building materials (for the above business covering the industry license, operating with the license within the validity period; for specific projects and operations, in accordance with the State regulations).

Future development strategy

As one of the enterprises which adhered to market-oriented operation within Tianjin Investment Group, TMICL followed an operating mode of a combination of equity investment and entity project operation, with its investments covering industries including urban infrastructure, sewage water treatment, real estate development and sales of commercial housing, operation and management of property assets, consulting service and engineering management. Looking forward, based on the overall development strategies of the group and the development direction of the company, the company will further strengthen its asset management, optimize the structure of the equity, improve the scale of investment in the principal business, expand the market share, create the image of quality brand and enhance the corporate reputation. The company will continue to provide funds, talented persons as well as all kinds of resources to its subsidiaries so that it may actively support to cultivate the operating strength and core competitiveness of specialized subsidiaries, ensuring the company's overall sustainable development as well as contributing to the enhancement of the profitability of Tianjin Investment Group.

The shareholdings of other domestic and foreign listed companies in which the company has controlling interests and has invested during the reporting period

Nil

Notes on other information

The audited operating income of the company for 2013 was RMB2,199 million, and total profit was RMB442 million. The audited total assets as of 31 December 2013 was RMB24.817 billion, and net assets was RMB7,807 million.

(ii) **Ultimate controller**

Name	Tianjin Investment Group
Legal representative	Li Baokun
Date of incorporation	23 July 2004
Organization Code	76431625-9
Registered capital	RMB67,700,000,000
Principal operations	Investment in the development and reconstruction of seas and rivers, investment, construction, operation and management of urban environmental infrastructure and auxiliary projects such as metro, intercity railway, urban roads and bridges, highways, sewage treatment, water supply, heat supply, waste disposal, parking lots (building), underground pipe network and green land in parks by using its own funds; land consolidation and regional development under the authorisation of the government; protective construction, development and operation of historic architecture; housing building and municipal public project management; investment and planning; corporate management and consultation; market establishment and development services; leasing of self-owned housing; leasing of infrastructural facilities and the development and operation of public facilities projects; operating infrastructure franchise under the authorisation of the government; construction investment consultation (in accordance with the State regulations for specific projects and operations).



## 6. Details of Changes in Shares and Shareholders

Future development strategy

Servicing for the overall development to “achieve the city positioning of Tianjin”, with its focus on “promoting the establishment of comprehensive transport system in the modern city to realize sustainable development of the group” and leveraging on three major resources of “fund, land and policy”, the company will build Tianjin Investment Group as a modern business conglomerate with “strong financing capabilities, rapid response to changes, high-quality assets, qualified teams, great development potential and unique characteristics of Tianjin” within five years, through making efforts on the four aspects of “innovative financing, investment in construction, urban development and asset operation”. Looking ahead, Tianjin Investment Group will, in accordance with the requirements under the Reply on the Agreement to the Reform Program of Investment and Financing Systems of Tianjin Investment Group (關於同意城投集團投融資體制改革方案的批覆) (Jin Zheng Han No. [2008] No.1) from Tianjin Municipal Government, continue to expedite the implementation of its public infrastructure projects to commercial operation under the model of “being repurchased by government” and “franchised operation” to improve the corporate profit model. Tianjin Investment Group will also raise the level of the construction and management of professional companies through the integration of corporate resources, and enhance the core competitiveness. In the meantime, the company will also strengthen the management of each subsidiary for the purpose of giving play to the specialities and achieving the complementary strengths of each subsidiary, building the company as a regional and even national leader in the field of infrastructure construction investment and making more contribution to the improvement of Tianjin’s comprehensive carrying capacity and further enhancement of Tianjin’s urban environment hardware.

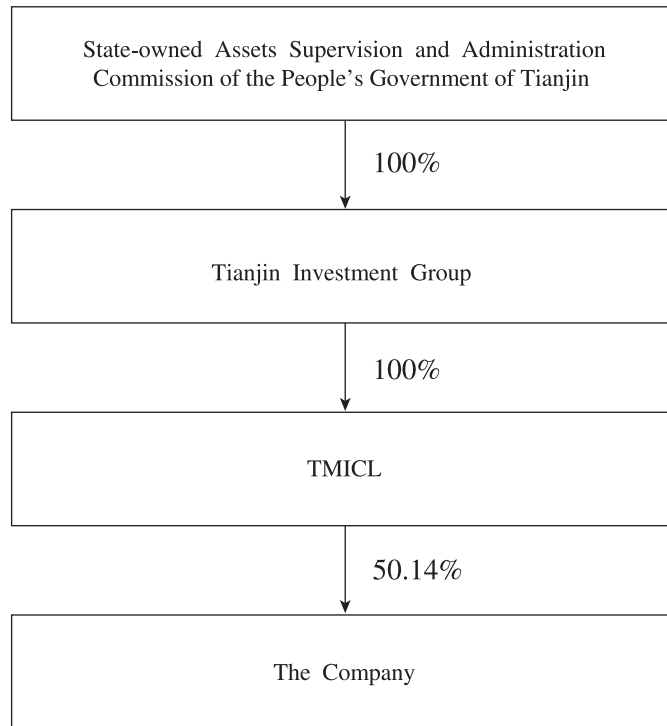
The shareholdings of other domestic and foreign listed companies in which the company has controlling interests and has invested during the reporting period

Nil

Notes on other information

The audited operating income of the company for 2013 was RMB10,330 million, and net profit was RMB1,613 million. The audited total assets as of 31 December 2013 was RMB542.429 billion, and net assets was RMB164.003 billion.

(iii) Flowchart on the shareholding interests and relationship of control between the Company and its ultimate controller



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

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



## 6. Details of Changes in Shares and Shareholders

### VI. SUBSTANTIAL SHAREHOLDERS INTERESTS

- (a) As at 31st December 2014, so far as is known to or can be ascertained after reasonable enquiries by the Directors, Supervisors or chief executive of the Company, the following entities (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage of the relevant class of securities	Approximate percentage of the total issued share capital of the Company
TMICL	Beneficial Owner	715,565,186 A Shares (L)	65.82%	50.14%
USB AG	Person having a security interest in shares	23,968,668 H Shares (L)	7.05%	1.68%
		420,000 H Share (S)	0.12%	0.03%
UBS Group AG	Person having a security interest in shares	23,968,668 H Shares (L)	7.05%	1.68%
		420,000 H Share (S)	0.12%	0.03%
Segantii Capital Management Limited	Investment Manager	17,214,000 H Shares (L)	5.06%	1.21%
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 person’s long position in the shares.

The letter “S” represents the person’s short position in the shares.

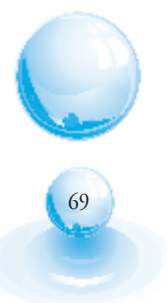
- (b) Save as disclosed above, there is no other person (other than the Directors, Supervisors or chief executive of the Company) so far as is known to the Directors, Supervisors or chief executives of the Company who, as at 31 December 2014, had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had, directly or indirectly, interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

# 7. Directors, Supervisors, Senior Management and Employees

## I. CHANGES IN SHAREHOLDINGS AND THE REMUNERATION

Changes in shareholdings and the remuneration of the existing and resigned Directors, Supervisors and senior management during the reporting period

Name	Position held	Sex	Age	Appointment date	Termination date	No. of shares held at the beginning of the year (shares)	No. of shares held at the end of the year (shares)	Changes in no. of shares for the year (shares)	Total remuneration received from the Company during the reporting period (RMB0'000) (Before Tax)
Liu Yujun	Executive Director, Chairman	M	49	13 March 2015	17 December 2015	0	0	0	0
Zhang Wenhui	Executive Director, Chairman	M	60	18 December 2012	13 March 2015	0	0	0	70.11
Lin Wenbo	Executive Director, general manager	M	58	18 December 2012	17 December 2015	0	0	0	73.11
Fu Yana	Executive Director, deputy general manager and secretary to the Board	F	44	18 December 2012	17 December 2015	0	0	0	60.13
Shi Zhenjuan	Executive Director	F	45	18 December 2012	13 March 2015	0	0	0	0
	Chief accountant			18 December 2012	29 August 2014	0	0	0	46.16
Cao Shuo	Executive Director	F	37	13 March 2015	17 December 2015	0	0	0	0
	Chief accountant			29 August 2014	17 December 2015	0	0	0	35.67
An Pindong	Non-executive Director	M	47	18 December 2012	17 December 2015	0	0	0	0
Chen Yinxing	Non-executive Director	F	41	18 December 2012	17 December 2015	0	0	0	0
Xie Rong	Independent non-executive Director	M	63	18 December 2012	15 April 2014	0	0	0	6.4
Di Xiaofeng	Independent non-executive Director	M	54	18 December 2012	15 April 2014	0	0	0	6.4
Lee Kit Ying, Karen	Independent non-executive Director	F	67	18 December 2012	17 December 2015	0	0	0	22
Gao Zongze	Independent non-executive Director	M	75	15 April 2014	17 December 2015	0	0	0	15.58
Guan Yimin	Independent non-executive Director	M	64	15 April 2014	17 December 2015	0	0	0	15.58
Zhang Mingqi	Chairman of Supervisory Committee	M	58	18 December 2012	17 December 2015	0	0	0	56.14
Nie Youzhuang	Supervisor	M	46	18 December 2012	17 December 2015	959	959	0	28.75
Wu Baolan	Supervisor	F	48	18 December 2012	23 August 2014	0	0	0	27.25
Li Xiaoshen	Supervisor	M	56	18 December 2012	17 December 2015	0	0	0	54.78
Li Yang	Supervisor	M	46	18 December 2012	17 December 2015	0	0	0	63.84
Qi Lipin	Supervisor	F	38	18 December 2012	17 December 2015	0	0	0	27.09
Deng Biao	Deputy general manager	M	49	18 December 2012	17 December 2015	0	0	0	57.02
Yang Guang	Deputy general manager	M	45	18 December 2012	17 December 2015	0	0	0	59.12
Zhang Qiang	Deputy general manager	M	52	18 December 2012	17 December 2015	0	0	0	59.12
Li Yuqing	Chief engineer	M	50	18 December 2012	17 December 2015	0	0	0	59.12
Lo Wai Keung, Eric	Company secretary (Hong Kong)	M	38	18 December 2012	17 December 2015	0	0	0	12.47
Tang Fusheng	Deputy general manager	M	42	18 December 2012	16 February 2015	0	0	0	59.28
Wang Hong	Deputy general manager	M	40	18 December 2012	17 December 2015	0	0	0	59.11
Zhao Yi	Deputy general manager	M	44	18 December 2012	17 December 2015	0	0	0	59.12
Zhang Jian	Deputy general manager	M	44	18 December 2012	17 December 2015	0	0	0	70.08
Total	/	/	/	/	/	959	959	0	1,048.65



## 7. Directors, Supervisors, Senior Management and Employees

Name	Primary working experience in the past 5 years
Liu Yujun	Mr. Liu is now the executive Director and chairman of the Company, and the deputy chief accountant of Tianjin Investment Group, the ultimate controller of the Company. Mr. Liu was the chief accountant of Tianjin No. 4 Municipal Engineering Company from December 1996 to August 2000; the chief accountant of Tianjin Metro General Company from August 2000 to October 2007; the deputy general manager and the chief accountant of Tianjin Metro Group from October 2007 to November 2008; the deputy chief accountant of Tianjin Investment Group and the deputy general manager and the chief accountant of Tianjin Metro from November 2008 to April 2011; the deputy chief accountant of Tianjin Investment Group, the deputy general manager and chief accountant of Tianjin Metro Group and the secretary of the party branch, chairman of the board and general manager of Tianjin Metro Resources Investment Company Limited from April 2011 to April 2013. He has been the deputy chief accountant of Tianjin Investment Group since April 2013; and the general manager, secretary of the party general branch and director of Tianjin Haihe Jinan Investment Construction Development Company Limited from January 2014 to March 2015. Mr. Liu Yujun has been the executive Director and chairman of the Company since 13 March 2015.
Zhang Wenhui	Mr. Zhang was the chairman and party committee secretary of the Company during the reporting period, and retired from the Company as executive Director and chairman on 13 March 2015.
Lin Wenbo	Mr. Lin is now the executive Director and general manager of the Company. Mr. Lin Wenbo joined the Company since December 2000 as deputy general manager and executive deputy general manager, in charge of production operation, engineering and construction, and market development. He held positions as general manager and chairman, etc. at Tianjin Kaiying Technology Development Company Limited, Guizhou Capital Water Company Limited, Hangzhou Tianchuang Water Company Limited, Baoying Capital Water Company Limited, Wengdeng Capital Water Company Limited and Tianjin Capital Environmental Protection (Hong Kong) Company Limited. Mr. Lin was appointed as the executive Director of the Company since 18 December 2009 and as the general manager of the Company since 25 March 2010.
Fu Yana	Ms. Fu is now the executive Director, deputy general manager and secretary to the Board of the Company, and also the manager of the human resources department of the Company. Ms. Fu has been the secretary to the Board since December 2000. She was appointed as the Director and deputy general manager of the Company since December 2003 and has been the manager of the human resources department since November 2010.
Shi Zhenjuan	Ms. Shi was the executive Director and chief accountant of the Company during the reporting period. Ms. Shi resigned as the chief accountant in August 2014 due to job redesignation and resigned as the Director on 13 March 2015.
Cao Shuo	Ms. Cao is now the executive Director and chief accountant of the Company. Ms. Cao graduated from Tianjin University of Finance and Economics majoring in accounting with a bachelor's degree in economics in July 2000, and studied the MPACC programme in Tianjin University of Finance and Economics from September 2009 to June 2011, and obtained a master's degree in accounting in June 2011. Ms. Cao was the project manager of CHW CPA Limited Liability Partnership from September 2000 to March 2005; the senior manager of Tianjin Deloitte Touche Tohmatsu CPA from April 2005 to May 2006. She joined the Company in August 2006 and served as the deputy manager of the finance department of the Company from August 2006 to February 2013. She has been the manager of the finance department of the Company since February 2013 and the chief accountant of the Company since September 2014. She ceased to be the manager of the finance department of the Company since 25 January 2015. She has been the executive Director of the Company since 13 March 2015.
An Pindong	Mr. An is now the non-executive Director of the Company and the general manager of TMICL. From December 2000, Mr. An was the chief accountant of the Company. In February 2005, he resigned as the Company's chief accountant and began to act as the general manager of TMICL. Mr. An was appointed as the Director of the Company since December 2000.

## 7. Directors, Supervisors, Senior Management and Employees

Name	Primary working experience in the past 5 years
Chen Yinxing	Ms. Chen is now the non-executive Director of the Company, the deputy chief accountant of Tianjin Investment Group and a certified public accountant in the PRC. From December 2003 to December 2004, Ms. Chen was appointed as the deputy chief economist, general administrative officer, and manager of the asset management department of TMICL. She joined the Company in January 2005 and was the chief accountant of the Company since February 2005. Ms. Chen Yinxing resigned as the chief accountant of the Company on 5 March 2009 and began to be the deputy chief accountant of Tianjin Investment Group. Ms. Chen was appointed as the non-executive Director of the Company since 18 December 2009.
Xie Rong	Mr. Xie was the independent non-executive Director of the Company and retired on 15 April 2014 at the expiry of the term of office.
Di Xiaofeng	Mr. Di was the independent non-executive Director of the Company and retired on 15 April 2014 at the expiry of the term of office.
Lee Kit Ying, Karen	Ms. Lee is now the independent non-executive Director of the Company. She graduated from City of London Polytechnic (now known as London Metropolitan University) in 1979 majoring in accounting with a bachelor's degree and obtained a master's degree from City University of Hong Kong in 1998 majoring in financial engineering. Ms. Lee is a senior fellow of the Institute of Chartered Accountants in England and Wales. She previously held a number of senior positions in Hong Kong Futures Exchange, the Stock Exchange and Hong Kong Exchanges and Clearing Limited. Ms. Lee has over 20 years' experience in derivative products and the operation, supervision and risk management of securities markets. Currently she is chairman of Virtus Foundation Limited. She was appointed as an independent non-executive Director of the Company in December 2009. Currently Ms. Lee is now also an independent non-executive Director of China BlueChemical Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange) and an independent non-executive director of Century Iron Mines Corporation (a company listed on the Toronto Stock Exchange in Canada). Ms. Lee has been the independent non-executive Director of the Company since 18 December 2009.
Gao Zongze	Mr. Gao is a special advisor to the Supreme People's Court of the PRC, a consultant to China Maritime Law Association, an arbitrator and an expert panel member of the China Maritime Arbitration Commission, an arbitrator of the Arbitration Institute of the Stockholm Chamber of Commerce, an arbitrator of the Arbitration Institute of the International Chamber of Commerce in Paris, an arbitrator of the Hong Kong Arbitration Centre, a special researcher and an invited professor of the Institute of Law of Chinese Academy of Social Sciences, a part-time professor of the China University of Political Science and Law, a part-time professor of the National Judges College of China, a part-time professor of the National Prosecutors College of China, a professor of the Law School of Central University of Finance and Economics, a senior partner and a first-grade lawyer of King & Wood Mallesons, Beijing. Mr. Gao studied at Dalian Maritime University of China, the Graduate School of Chinese Academy of Social Sciences and the Law School of Columbia University in the United States. Mr. Gao was the chairman and general manager of China Legal Services (Hong Kong) Company Limited from 1998 to November 2001 and a solicitor of Beijing Fusheng Law Firm from December 2001 to July 2004. He is currently a lawyer of King & Wood Mallesons since August 2004. Mr. Gao has years of experience in legal practice. He specializes in maritime law, international trade law and securities law. Mr. Gao has served as a legal counsel of the General Administration of Customs of the PRC, the former State Commodity Inspection Bureau and more than 20 major enterprises including China Petroleum & Chemical Corp., China Agri-Industries, Metals & Minerals, China National Cereals, Oils and Foodstuffs Import and Export Corporation, China National Arts & Crafts Import and Export Corporation and China Huaneng Power International Corporation. He served as an independent director of Huaneng Power International Inc. from 1995 to 2005, an independent director of Shanxi Zhangze Electric Power Co., Ltd. from 2000 to 2006, an independent director of Shenzhen Capstone Industrial Co., Ltd. from 2003 to 2006, an independent director of HL Corp. (Shenzhen) from 2006 to 2011 and an independent director of Beijing Tianqiao Beida Jade Bird Sci-Tech Co., Ltd. from 2007 to 2009. Mr. Gao was appointed as the independent non-executive Director of the Company from 2002 to 2008. Mr. Gao has been the independent non-executive Director of the Company since 15 April 2014.





## 7. Directors, Supervisors, Senior Management and Employees

Name	Primary working experience in the past 5 years
Guan Yimin	<p>Mr. Guan is now the independent non-executive Director of the Company, an independent director of Chongqing Porton Pharmaceutical Co., Ltd., an independent director of Bank of Shanghai Co., Ltd., an independent director of Shanghai International Port (Group) Co., Ltd. and an independent director of China Shipping Container Lines Company Limited, an external supervisor of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.. Mr. Guan is entitled to receive special subsidies granted by the State Council of China. He graduated from the accounting faculty of Shanghai University of Finance and Economics. He was the deputy dean and the standing deputy dean of the Institute of Adult Education of Shanghai University of Finance and Economics from March 1990 to October 1998, He was a professor of Shanghai University of Finance and Economics and Shanghai National Accounting Institute of China from October 1996 to August 2014. He has extensive experience in investment, management, finance and financial accounting. Mr. Guan was an independent director of Henan Shenhua Coal &amp; Power Co., Ltd. from 2001 to 2007, an independent director of Shanghai Haixin Group Co., Ltd. from 2002 to 2008, an independent director of Shanghai First Food Co., Ltd. from 2004 to 2009, an independent director of Shanghai Jahwa United Co., Ltd. from 2006 to 2012, an independent director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from 2007 to 2013 and an independent director of China Haisum Engineering Co., Ltd. from 2009 to 2012. He has been an independent director of Bank of Shanghai Co., Ltd. since 2009, an independent director of Chongqing Porton Pharmaceutical Co., Ltd. since 2010, an independent director of Shanghai International Port (Group) Co., Ltd. since 2012 and an independent director of China Shipping Container Lines Company Limited since 2013. He has been an external supervisor of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. since June 2014. Mr. Guan was appointed as the independent non-executive Director of the Company on 15 April 2014.</p>
Zhang Mingqi	<p>Mr. Zhang is now the chairman of the Supervisory Committee, the deputy secretary of party committee, the secretary of disciplinary committee and the chairman of labor union of the Company. Since November 2003, Mr. Zhang was the head of party office of the Company, officer of the organization division of the Company and secretary of institutional party sub-committee. He was the officer of the Company's party community working division, deputy chairman of trade union and secretary of the institutional party sub-committee since May 2006. He has been the deputy secretary of party committee of the Company since February 2009. Mr. Zhang was appointed as the Supervisor on behalf of the Company's staff since September 2001 and the chairman of the Supervisory Committee of the Company since July 2009.</p>
Nie Youzhuang	<p>Mr. Nie is now the Supervisor of the Company and the general manager of Tianjin Zichuang Engineering Investment Company Limited. Mr. Nie joined the Company since January 2001 and worked in the production operation department, and held positions as departmental deputy general manager, manager and deputy chief engineer of the Company. From February 2008 to December 2009, he was the general manager of a water business branch of the Company. He was the general manager of the southern region of the Tianjin water business division from January 2010 to February 2011. From February 2011 to February 2013, he was the general manager of the eastern region of the Tianjin water business division and the factory director of Dongjiao Sewage Water Treatment Plant. Mr. Nie was appointed as the Supervisor on behalf of the Company's shareholders since 19 December 2003 and the general manager of Tianjin Zichuang Engineering Investment Company Limited since February 2013.</p>
Wu Baolan	<p>Ms. Wu is now the Supervisor of the Company and the head of the party-masses department of the Company. Ms. Wu joined the Company since December 2000 and was the assistant to the general manager of human resource department of the Company. Ms. Wu was director of office of Tianjin Rijiyuan Company under TMICL from December 2004 to December 2005. Ms. Wu joined the Company again in December 2005, and acted as the vice head of the party-masses department of the Company, and chairman of the institutional labour union of the Company, head of the party-masses department of the Company. Ms. Wu has been elected as the Supervisor on behalf of the Company's staff since 24 August 2011.</p>

## 7. Directors, Supervisors, Senior Management and Employees

Name	Primary working experience in the past 5 years
Li Xiaoshen	Mr. Li is now the Supervisor of the Company, deputy secretary of the party general branch and chairman of the labour union of TMICL. From November 2004 to August 2009, Mr. Li successively held the posts of deputy head of the party committee work department and vice-chairman of the organ labour union of Tianjin Investment Group. From August 2009 to April 2011, he successively held the posts of deputy head of the party committee work department, deputy secretary of the organ party general branch and vice-chairman of the organ labour union of Tianjin Investment Group. From April 2011 to April 2012, he was the secretary of the commission for discipline inspection of the Company. Since May 2012, he has taken office as deputy secretary of the party general and chairman of the labour union of TMICL. Since 18 December 2012, Mr. Li has been the Supervisor of the Company.
Li Yang	Mr. Li is now the Supervisor and assistant to general manager of the Company, the general manager of the non-local water business division of the Shaanxi region and general manager of Xi'an Capital Water Company Limited. From November 2005 to April 2009, he was the general manager of Fuyang Capital Water Company Limited. From April 2009 to December 2009, he was the general manager of the 2nd water operation branch of the Company. He has been the general manager of the eastern region of Tianjin water business division from January 2010 to February 2011 and has been the general manager of the non-local water business division of the Shaanxi region and general manager of Xi'an Capital Water Company Limited since February 2011. Mr. Li was appointed as the assistant to general manager of the Company since January 2012 and the Supervisor of the Company since 8 September 2009.
Qi Lipin	Ms Qi, is now the Supervisor, deputy chief economist and manager of operation management department of the Company. Ms. Qi has been the manager in the department of operation management of the Company since 2006 and was appointed as the deputy chief economist of the Company since March 2010. Ms. Qi was appointed as the Supervisor of the Company since 17 June 2009.
Deng Biao	Mr. Deng is now the deputy general manager of the Company and the general manager of the 3rd engineering branch company. Mr. Deng was the chief engineer of the Company from December 2003 to June 2009. He has been the deputy general manager of the Company since 5 March 2009. He has been the general manager of the 3rd engineering branch company since the end of 2010.
Yang Guang	Mr. Yang is now the deputy general manager of the Company and general manager of the Tianjin water business division. Mr. Yang worked as the deputy general manager and general manager in Guizhou Capital Water Company Limited, a Subsidiary of the Company, from June 2003 to November 2010, and as the general manager of the western region of water business division of the Company. He was the director and chairman of Xi'an Capital Water Company Limited, Qujing Capital Water Company Limited, Guizhou Capital Water Company Limited and Wuhan Tianchuang Environmental Protection Company Limited. Mr. Yang has been the deputy general manager of the Company since 5 March 2009, and he has been the general manager of the Tianjin water business division, and the executive director of Tianjin Jing Hai Capital Water Company Limited, Tianjin Jinning Capital Water Company Limited, Anguo Capital Water Company Limited and Tianjin Capital Water Company Limited since November 2010.
Zhang Qiang	Mr. Zhang is now the deputy general manager of the Company and the general manager of the 2nd engineering branch company. From October 2007 to February 2009, Mr. Zhang was appointed as the chairman and general manager of Tianjin Seventh Municipal Highway Engineering Company Limited in charge of the overall work. Mr. Zhang joined and served as the deputy general manager of the Company since 5 March 2009. During the period, he was also the general manager of the business department of the urban projects of the Company, and he has been the general manager of the 2nd engineering branch company since December 2010.
Li Yuqing	Mr. Li is now the chief engineer of the Company, the general manager of the business division of the research and development centre, and the manager of the technology management division. From 2001 to 2008, Mr. Li worked for Dongjiao Sewage Water Treatment Plant, water supply branch and the production and operation department of the Company and held the positions of deputy factory head, factory head, general manager of water supply branch, manager of the operation department and deputy chief engineer of the Company. Mr. Li was elected as the Supervisor of the fourth Supervisory Committee of the Company from 9 October 2008 to 17 June 2009. He has been the chief engineer of the Company since 30 June 2009, and he has been the manager of the technology management division since December 2010, and also has been the director of the scientific research institute of the business division of the research and development centre since February 2011. He was the general manager of the Tianjin water business division of the Company from December 2009 to November 2010.



## 7. Directors, Supervisors, Senior Management and Employees

Name	Primary working experience in the past 5 years
Lo Wai Keung, Eric	Mr. Lo is now the Company Secretary (Hong Kong) of the Company. Mr. Lo graduated from the Chinese University of Hong Kong with a bachelor degree in business administration. Mr. Lo obtained a postgraduate diploma in laws from the Manchester Metropolitan University and a postgraduate certificate in laws from the University of Hong Kong. Mr. Lo is a solicitor admitted in Hong Kong and has extensive experience in handling compliance related matters for listed companies. Mr. Lo has been the Company Secretary (Hong Kong) of the Company since 30 April 2008.
Tang Fusheng	Mr. Tang was the deputy general manager of the Company. Mr. Tang Fu sheng resigned as the deputy general manager of the Company on 16 February 2015 for the reason of a job reassignment.
Wang Hong	Mr. Wang is now the deputy general manager of the Company, the general manager of the first engineering branch company, and the chairman of Tianjin Zichuang Project Investment Co., Ltd. Mr. Wang joined the Company in March 2002 and successively served as the deputy manager of work project of Xianyanglu Sewage Water Treatment Plant and deputy general manager and general manager of the construction management branch company. He was the assistant to general manager of the Company from June 2009 to March 2010. He has been the deputy general manager of the Company since 25 March 2010, and he has been the general manager of the first engineering branch company since December 2010. Mr. Wang has also been the chairman of Tianjin Zichuang Engineering Investment Company Limited since February 2015.
Zhao Yi	Mr. Zhao is now the deputy general manager of the Company and the general manager of the non-local water business division and the chairman of the eight subsidiaries under the non-local business division. From August 2005 to March 2009, Mr. Zhao held the positions of the general manager of Qijing Capital Water Company Limited and Tianjin Kaiying Environmental Engineering Technology Consulting Limited, controlling Subsidiaries of the Company. He was the deputy general manager of Tianjin Beiyangyuan Investment Development Company Limited from April 2009 to October 2010. He has been the deputy general manager of the Company since 18 October 2010, and has been the general manager of the non-local water business division and the chairman of the eight subsidiaries under the non-local business division since November 2010.
Zhang Jian	Mr. Zhang is now the deputy general manager of the Company, the general manager of the non-local water business division of the Zhejiang region and the general manager of Hangzhou Tianchuang Water Company Limited. From April 2006 to December 2009, Mr. Zhang was the administrative deputy general manager (presiding over the work) of Hangzhou Tianchuang Water Company Limited, a subsidiary of the Company. He has been the general manager of the non-local water business division of the Zhejiang region and the general manager of Hangzhou Tianchuang Water Company Limited since December 2009. Mr. Zhang has been the deputy general manager of the Company since January 2012.

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

## 7. Directors, Supervisors, Senior Management and Employees

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

As at 31 December 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, to be notified to the Company and the Stock Exchange were as follows:

Name	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
Supervisor Nie Youzhuang	Company	Beneficial owner	959 domestic shares (non-restricted circulating shares) (L)	0.000067%

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

As at 31 December 2014, none of the Directors, Supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## II. POSITIONS HELD BY THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

### (i) Positions held at the shareholder's entity

Name	Name of shareholder's entity	Position held in shareholder's entity	Date of appointment	Date of termination
An Pindong	TMICL	General manager	22 February 2005	—
Li Xiaoshen	TMICL	Deputy secretary of the party general branch and chairman of the labour union	7 May 2012	—



## 7. Directors, Supervisors, Senior Management and Employees

### (ii) Positions held at other entities

Name	Name of other entities	Position held in other entities	Date of appointment	Date of termination
Zhao Yi	Hangzhou Tianchuang Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Qijing Capital Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Guizhou Capital Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Baoying Capital Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Xi'an Capital Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Wuhan Tianchuang Environmental Protection Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Wengdeng Capital Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhao Yi	Fuyang Capital Water Company Limited	Director, Chairman (legal representative)	22 November 2010	—
Zhang Mingqi	Baoying Capital Water Company Limited	Supervisor	22 November 2010	—
Zhang Mingqi	Guizhou Capital Water Company Limited	Supervisor	22 November 2010	—
Zhang Mingqi	Xi'an Capital Water Company Limited	Supervisor	22 November 2010	—
Zhang Mingqi	Wuhan Tianchuang Environmental Protection Company Limited	Supervisor	22 November 2010	—
Zhang Mingqi	Wengdeng Capital Water Company Limited	Supervisor	22 November 2010	—
Zhang Mingqi	Fuyang Capital Water Company Limited	Supervisor	22 November 2010	—
Li Yang	Xi'an Capital Water Company Limited	Director, General Manager	5 March 2012/ 14 February 2011	—
Zhang Jian	Hangzhou Tianchuang Water Company Limited	Director, General Manager	28 January 2008/ 21 December 2009	—
Li Yuqing	Tianjin Kaiying Technology Development Company Limited	Executive Director (legal representative)	24 January 2011	—
Zhang Qiang	Tianjin Capital New Materials Company Limited	Director (and shareholders' representative)	25 July 2012	—
Wu Baolan	Tianjin Capital New Materials Company Limited	Supervisor	9 August 2012	—
Tang Fusheng	Tianjin Water Recycling Company Limited	Director, Chairman (legal representative), General Manager	31 December 2009/ 14 February 2007	17 February 2015
Tang Fusheng	Tianjin Capital Environmental Protection (Hong Kong) Company limited	Director, Chairman (legal representative)	1 June 2011	17 February 2015
Tang Fusheng	Tianjin Jiayuanxing Innovative Energy Technology Company Limited	Executive Director (legal representative)	22 November 2010	17 February 2015
Lin Wenbo	Tianjin Zichuang Engineering Investment Company Limited	Executive Director (legal representative)	30 July 2010	17 February 2015
Yang Guang	Anguo Capital Water Company Limited	Executive Director (legal representative)	22 November 2010	—
Yang Guang	Tianjin Jing Hai Capital Water Company Limited	Executive Director (legal representative)	22 November 2010	—
Yang Guang	Tianjin Jinning Capital Water Company Limited	Executive Director (legal representative)	22 November 2010	—
Wang Hong	Tianjin Capital Water Company Limited	Executive Director (legal representative)	23 July 2013	—
Qi Lipin	Tianjin Zichuang Engineering Investment Company Limited	Supervisor	30 July 2010	—
Qi Lipin	Tianjin Kaiying Technology Development Company Limited	Supervisor	21 December 2009	—
Fu Yana	Tianjin Beifang Rencaigang Company Limited	Director	1 March 2004	—

### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

<p>The procedures for determining the remuneration of the Directors, Supervisors and senior management</p>	<p>The remuneration of the Directors and Supervisors will be determined in accordance with the remuneration standard as approved at the Company's general meetings. The remuneration of the senior management officers will be determined on the basis of the remuneration plan approved by the Board and the operation result of the Company, and implements an annual income system and year-end award system for completion above the annual operating target. The Supervisors of the Company do not receive remuneration for acting as supervisors.</p>
<p>The basis for determining the remuneration of the Directors, Supervisors and senior management</p>	<p>The remuneration of the Company's senior management will be distributed in accordance with their achievements in production and operation and usual management activities. The annual performance remuneration and bonus will be distributed according to the achievement of annual operating targets and performance appraisal results.</p>
<p>The remuneration payable of the Directors, Supervisors and senior management</p>	<p>The remuneration distributed by the Company to the Directors, Supervisors and senior management is in line with the salaries and performance evaluation requirements of the Company and distributed according to the requirements.</p>
<p>Actual remuneration received by all Directors, Supervisors and senior management as at the end of the reporting period (in total)</p>	<p>RMB10.4865 million</p>

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



## 7. Directors, Supervisors, Senior Management and Employees

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position held	Changes	Reason for changes
Xie Rong	Independent non-executive Director	Resignation	Expiry of the office term
Di Xiaofeng	Independent non-executive Director	Resignation	Expiry of the office term
Gao Zongze	Independent non-executive Director	Appointment	Work engagement
Guan Yimin	Independent non-executive Director	Appointment	Work engagement
Shi Zhenjuan	Chief accountant	Resignation	Re-designation
Cao Shuo	Chief accountant	Appointment	Work engagement
Zhang Wenhui	Executive Director	Resignation	Retirement
Liu Yujun	Executive Director	Appointment	Work engagement
Shi Zhenjuan	Executive Director	Resignation	Re-designation
Cao Shuo	Executive Director	Appointment	Work engagement
Tang Fusheng	Deputy general manager	Resignation	Re-designation

### V. CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

During the reporting period, there were no changes in the Company's core technical team or key technical staff (other than Directors, Supervisors and senior management), which may have significant impact on the Company's core competitiveness.

### VI. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

#### (i) Employees

Number of on-duty employees of the Company	471
Number of on-duty employees of major Subsidiaries	959
Total number of on-duty employees	1,430
Number of retired employees to whom the Company and its major Subsidiaries are required to pay charges	0

#### Composition by profession

Category of profession	Number
Production	793
Sales	32
Technical	288
Finance	65
Administration	119
Corporate Management	133
Total	1,430

#### Education

Category of education	Number (persons)
Doctor	5
Master	65
Undergraduate (Master's degree)	94
Undergraduate	535
Tertiary	385
Below Tertiary	346
Total	1,430

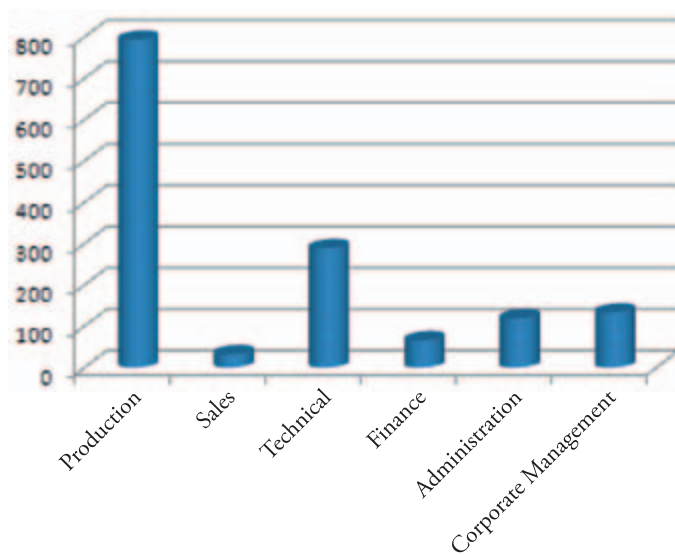
### (ii) Remuneration policy

The Company has established a sound remuneration system, implementing the job-rank salary system and the year-end award system. The remuneration of the Company's employees under annual salary system comprises standard annual job-rank salary and performance-related annual salary. The remuneration of the Company's employees under monthly salary system comprises job-rank salary, skill-based salary and performance-related salary. The performance-related annual salary is based on the completion of the annual targets. The year-end award is provided and distributed according to the completion of the annual profit targets.

### (iii) Training programs

The Company implements an independent training policy under the control of training funds. Each of the Company's departments and units develops the training programs according to the needs of the employees and the enterprise, to ensure the training courses are target-oriented and ensure the employees to grow with the enterprise.

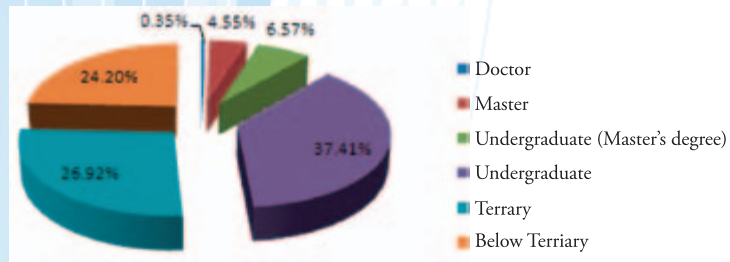
### (iv) Chart by profession





## 7. Directors, Supervisors, Senior Management and Employees

### (v) Chart by education



### (vi) Subcontracting labor

Total working hours for subcontracting labor

0

Total remuneration paid for subcontracting labor

0

### I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT

#### (i) Corporate Governance

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

According to the Articles of Association of the Company and the relevant regulations, the general meeting shall be the highest authority of the Company. The Company shall convene and hold general meetings in strict compliance with the Rules of the Procedures of General Meetings in order to ensure shareholders can exercise their voting rights duly and successfully. Within the scope of authorization by the general meetings, the Board shall be responsible for the overall operation and management of the Company and convene the Board meetings in strict compliance with the Rules of the Procedures of Board Meetings. All Directors shall duly discharge their duties in a diligent way, independently perform their duties and pay sufficient attention to the interests of all medium and small shareholders. Committees of the Board of the Company such as the Audit Committee, Remuneration and Assessment committee, Nomination Committee and Strategy Committee shall perform their work independently according to their respective detailed working rules, and provide support for the scientific decisions of the Board. Managers of the Company shall, with the authorization, and leadership of the Board, be responsible for the daily operation and management of the Company according to the Rules of Procedures of General Managers. Within the scope of authorization by general meetings, the Supervisory Committee shall be responsible for supervision of the legality and compliance of the performance of duties by the Board and managers.

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

In 2014, the Company made amendments to the Implementation Rules for the Audit Committee under the Board and the Detailed Working Rules of the Nomination Committee of the Board of the Company according to the Guidelines for the Operation of Audit Committee of Listed Companies issued by the SSE and the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange.



## 8. Corporate Governance

### I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

#### (ii) Corporate Governance Report

##### 1. About Corporate Governance Practices

The Company has continuously amended its relevant codes on corporate governances with strict implementation pursuant to the revised corporate governance rules of regulatory bodies. During the reporting period, the Company complied with the Corporate Governance Code.

##### 2. About Securities Transactions by the Directors

The Company has adopted a code of practice in respect of securities transactions by Directors, the standards of which are similar to the “Model Code for Securities Transactions by Directors of Listed Issuers” under Appendix 10 of the Listing Rules. The Articles of Association of the Company requires that the Directors, Supervisors, managers and other senior management shall during their terms of office make regular reports to the Company on the Company’s shares they held, shall not transfer more than a total of 25% of the shares of the Company they held for each year during their terms of office, and shall not transfer the Company’s shares they held within six months after their resignation.

After making specific enquiries by the Board, as at the end of the reporting period, none of Directors of the Company held any share of the Company and they did not conduct any share transaction during the reporting period.

##### 3. About the Board

The sixth Board of the Company elected at the 2012 second extraordinary general meeting of the Company held on 17 December 2012 consists of nine members, of which, four are executive Directors, including Mr. Zhang Wenhui, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Shi Zhenjuan; two are non-executive Directors, including Mr. An Pindong and Ms. Chen Yinxing; and three are independent non-executive Directors, including Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen. As at 15 April 2014, Mr. Xie Rong and Mr. Di Xiaofeng, both independent non-executive Directors of the sixth Board of the Company, have been the independent non-executive Directors of the Company for six years. Pursuant to the requirements under the PRC Company Law and the Articles of Association of the Company, Mr. Gao Zongze and Mr. Guan Yimin were elected as the independent non-executive Directors of the sixth Board of the Company at the extraordinary general meeting of the Company held on 15 April 2014. There was no relationship including financial, business, family or other material/relevant relationship between the members of the Board of the Company. All of the Board members possess immense qualifications and management experience. The qualifications and professional experiences of the independent non-executive Directors have fully complied with the requirements under the Listing Rules. The Board of the Company has accepted the declaration of independence for the year 2014 by each independent non-executive Director, and confirms that they comply with the relevant independence requirements as set out under Rule 3.13 of the Listing Rules.

### I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

Mr. Zhang Wenhui retired as the chairman and executive Director of the Company. Ms. Shi Zhenjuan resigned as executive Director of the Company due to job re-designation. At the extraordinary general meeting held on 13 March 2015, Mr. Liu Yujun and Ms. Cao Shuo were elected as executive Directors of the Company for a term commencing on the date of approval at the general meeting and expiring on the expiration date of the sixth Board of the Company.

The Company held 12 Board meetings and three general meetings during the reporting period. For details of the attendance of Directors, please refer to “Attendance of Directors at the Board meetings and general meetings” in this section.

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

#### *Trainings for Directors in 2014*

With the continuous growth of the Company’s business, occupational development on an on-going basis has become very important for the Directors. In order to ensure the Directors to constantly develop talents and knowledge necessary for their performance of duties, the Company has arranged some training for the Directors with proper training records kept at the Board office of the Company.



## 8. Corporate Governance

### 1. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

#### 4. About the Chairman and the Chief Executive Officer

In accordance with the Articles of Association of the Company, the main duties of the Chairman of the Board and the Chief Executive Officer (the Articles of Association refers the Chairman of the Board as “Chairman” and the Chief Executive Officer as “General Manager”, therefore hereinafter referred to as “Chairman” and “General Manager” respectively) are clearly separated. The Chairman is responsible for holding and presiding over the Board meetings, and the effective operation of the Board, while the General Manager of the Company is responsible for various operation activities of the Company, and is accountable to the Board. The appointment of the Chairman should be approved by more than a half of all the Directors while the General Manager should be nominated by the Chairman with his appointment to be approved by the Board.

During the reporting period, Mr. Zhang Wenhui served as the Chairman of the Company, and Mr. Lin Wenbo served as the general manager of the Company. Mr. Zhang Wenhui resigned as the Chairman of the Company on 13 March 2015 due to his retirement, and Mr. Liu Yujun was elected as the Chairman of the Company at the Board meeting held on the same day.

#### 5. About Non-executive Director

As required by the Articles of Association of the Company, independent non-executive Director is subject to a term of office of three years and is re-electable, provided that the appointment shall not exceed 6 years. The tenures of non-executive Directors, Mr. An Pindong and Ms. Chen Yinxing, and independent non-executive Director, Ms. Lee Kit Ying, Karen, commenced on 17 December 2012 for three years. The tenures of independent non-executive Directors, Mr. Di Xiaofeng and Mr. Xie Rong, commenced on 17 December 2012 and expired on 15 April 2014. The tenures of independent non-executive Directors, Mr. Gao Zongze and Mr. Guan Yimin, commenced on 15 April 2014 and will expire on 17 December 2015.

## I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

### 6. About Committees under the Board

- (1) The Remuneration and Assessment Committee consists of three independent non-executive Directors with Ms. Lee Kit Ying, Karen as its chairman. Its primary duties are to propose remuneration plan for the Directors and senior management of the Company to the Board and to assess and evaluate the performance of the Company, by adopting the second model under B.1.2 (c) as set out in Appendix 14 to the Listing Rules. For its written working scope, please refer to the Implementation Rules for the Remuneration and Assessment Committee of the Company which is available on the website of the Stock Exchange.

During the reporting period, the Company held 2 meetings of the Remuneration and Assessment Committee which mainly discussed the performance of the Company and its evaluation for the year 2013 (including the performance of executive Directors and its evaluation).

- (2) The members of the Nomination Committee of the Company comprised two executive Directors (being the Chairman and General Manager) and three independent non-executive Directors with Mr. Di Xiaofeng (prior to 15 April 2014) and Mr. Gao Zongze (after 15 April 2014) as its chairman. The primary duties of the Nomination Committee are to study and propose candidates, selection criteria and nomination procedures of directors and senior management of the Company. For its written working scope, please refer to the Implementation Rules for the Nomination Committee of the Company which is available on the website of the Stock Exchange.

During the reporting period, as the term of office of Mr. Xie Rong and Mr. Di Xiaofeng, both independent non-executive Directors of the Company, expired on 15 April 2014, the Nomination Committee of the Board proposed to nominate Mr. Gao Zongze and Mr. Guan Yimin as candidates of independent non-executive Directors of the sixth Board of the Company pursuant to the relevant procedures and standards for nomination of director candidates of the Company after taking into account various factors, and they were appointed as independent non-executive Directors of the sixth Board of the Company upon approval at the general meeting of the Company.



## 8. Corporate Governance

### I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

The Nomination Committee considers that in terms of sex, age, culture and education background, professional experience, skill and knowledge, the present members of the Board of the Company are generally in line with the Implementation Rules for the Nomination Committee of the Company and the Board Diversity Policy as well as the present situation and future development plan of the Company.

During the reporting period, the Company held 3 meetings of the Nomination Committee which discussed matters in relation to, among other things, the nomination of two candidates to independent non-executive directors and the nomination and appointment of chief accountant.

- (3) The Audit Committee of the Company comprised three independent non-executive Directors, with Mr. Xie Rong (prior to 15 April 2014) and Mr. Guan Yimin (after 15 April 2014) as the chairman. The primary duties of the Audit Committee include reviewing of yearly, half-yearly and quarterly financial statements and internal control of the Company, making proposal for the appointment of external auditors, and formulating of the corporate governance policy of the Company. For details of its written working scope, please see the Implementation Rules for the Audit Committee of the Company which is available on the website of the Stock Exchange.

The Company held 7 meetings of the Audit Committee which mainly discussed financial information in quarterly reports, interim report and annual report, and reviewed the internal control of the Company, and proposed amendments to the Implementation Rules for the Audit Committee, and made proposal for the appointment of external auditors during the reporting period.

The Company has established a sound corporate governance structure according to the relevant laws and regulations and the actual situation of the Company. For details of the corporate governance, please refer to “(i) Corporate Governance” above. The Audit Committee has reviewed and assessed the internal control of the Company annually, including the evaluation of the corporate governance of the Company.

Mr. Guan Yimin, the chairman of the Audit Committee, was unable to attend the meeting of the Audit Committee held on 30 October 2014 due to business travel. He entrusted Ms. Lee Kit Ying, Karen, a member of the Audit Committee, to preside over and vote at the Audit Committee meeting for the 2014 third quarter report on his behalf.

Other committee members have attended all the above committee meetings.

### I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

#### 7. About the Remuneration of Auditors

During the reporting period, the Company re-elected PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's auditors which were approved at the general meeting. The appointment agreement sets out the details of the audit content and remuneration of the auditors. For the remuneration of auditors, please see "Appointment and removal of accountants" in this report.

During the reporting period, the auditors provided internal control audit services to the Company and issued an audit opinion on the internal control of the Company. The Company signed an appointment agreement with the auditors with respect to such non-auditing services, which sets out the scope of the audit contents and remuneration of the auditors.

#### 8. About Company Secretary

The Company appointed Mr. Lo Wai Keung, Eric of Li & Partners, the legal advisor in Hong Kong, as company secretary (Hong Kong), who generally contacts Ms. Fu Yana, the executive Director and the secretary to the Board of the Company. Mr. Lo has attended not less than 15 hours of relevant professional trainings during 2014 financial year in accordance with Rule 3.29 of the Listing Rules.

#### 9. About Shareholders' Rights

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





## 8. Corporate Governance

### I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

#### 10. About Investor Relationship

During the reporting period, the Company did not make any amendment to its governance rules such as the Articles of Association, the Rules of the Procedures of General Meetings, the Rules of the Procedures of Board Meetings and the Rules of the Procedures of the Meetings of the Supervisory Committee.

#### 11. About other specific disclosures

The Directors are responsible for supervising the compilation of the accounts for each financial period, in order to ensure that those accounts reflect genuinely and fairly the business and results of the Company for the period. In compiling the accounts for the year ended 31 December 2014, the Directors have chosen and thoroughly applied the appropriate accounting policies with due and reasonable judgment and estimates having been made, and prepared the accounts on a going concern basis.

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

The Board has been much concerned about the internal control of the Company. At the 31st meeting of the sixth Board held on 26 March 2015, the resolution in respect of the internal control of the Company was solely considered and a self-assessment report on the internal control was issued. PricewaterhouseCoopers Zhong Tian LLP has audited the internal control of the Company during 2014, and has issued its audited opinion for the Board's self-assessment report on the internal control 2014.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been the Company's domestic and overseas auditors respectively. In view of their continued understanding to the Company and their high professional level, the Audit Committee has proposed to re-appoint PricewaterhouseCoopers Zhong Tian LLP to provide domestic financial audit and internal control audit services for the Company in 2015, and re-appoint PricewaterhouseCoopers to provide overseas financial audit services for the Company in 2015. The above proposal was reviewed and passed at the 31st meeting of the sixth Board of the Company and will be submitted for the consideration by the shareholders at the general meeting.

## I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDE INFORMATION REGISTRATION MANAGEMENT (CONTINUED)

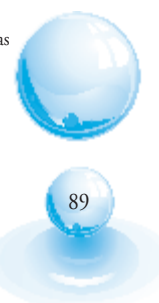
### (iii) Insiders Registration Management

The Company has established the “management system for insiders” and “management system for inside information”, making explicit provisions for the definitions of inside information and insider, registration of the insider, duty of confidentiality of inside information and the accountability and handling. During the reporting period, before the preparation of the 2013 Annual Report and the 2014 Interim Report, the Company issued notifications to the Directors, Supervisors, senior management, controlling shareholder and ultimate controller that no dealing of the stocks of the Company shall be made during the sensitive period. Except for this, there were no material events in relation to inside information during the reporting period.

On 28 February 2013, the Company convened the second meeting of the sixth Board, at which the “Proposal on the Establishment of a Management System for Inside Information and the Amendment to the Management System for Insiders” was considered and approved. For details of the new Management System for Inside Information and the revised Management System for Insiders, please refer to the website of the SSE (<http://www.sse.com.cn>) on 1 March 2013

## II. SHAREHOLDERS' GENERAL MEETINGS

Session	Convening Date	Resolutions considered at the meetings	Resolutions passed
2014 First Extraordinary General Meeting	15 April 2014	1. To consider and approve the appointment of Mr. Gao Zongze as an independent non-executive Director of the sixth Board of the Company; 2. To consider and approve the appointment of Mr. Guan Yimin as an independent non-executive Director of sixth Board of the Company; 3. To consider and confirm the remuneration for independent non-executive Directors, Mr. Gao Zongze and Mr. Guan Yimin.	All resolutions were considered and approved
2013 Annual General Meeting	5 June 2014	1. To consider and approve the 2013 annual report of the Company and the summary of the report; 2. To consider and approve the financial reports of the Company for the year 2013, audited by the PRC and international auditors of the Company; 3. To consider and approve the working report of the Board of the Company for the year 2013 and the operating strategy of the Company for the year 2014; 4. To consider and approve the final financial accounts of the Company for the year 2013 and the financial budget for the year 2014; 5. To consider and approve the proposal in respect of the profit appropriation plan of the Company for the year 2013; 6. To consider and approve the proposal in relation to the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the PRC and international auditors of the Company respectively, and to authorize the Board to decide their remunerations; 7. To consider and approve the working report of the supervisory committee of the Company for the year 2013; 8. To consider and approve the working report of independent Directors of the Company for the year 2013.	All resolutions were considered and approved
2014 Second Extraordinary General Meeting	28 November 2014	To consider and approve the formation of the “Internal Accountability System for Violation of Laws and Regulations on Securities” of the Company.	The resolution was considered and approved



## 8. Corporate Governance

### III. PERFORMANCE OF DUTIES BY DIRECTORS

#### (i) Attendance of Directors at the Board meetings and general meetings

Name of Director	Independent non-executive Director?	Number of Board meetings required to attend during the year	Attendance at the Board meetings			Attendance at the general meetings		
			Attending in person (times)	Attending by way of other communication method (times)	Attending by proxies (times)	Absence (times)	Absence for two consecutive meetings in person?	Attending the general meetings (times)
Zhang Wenhui	No	12	12	8	0	0	No	3
Lin Wenbo	No	12	12	8	0	0	No	3
Fu Yana	No	12	12	8	0	0	No	3
Shi Zhenjuan	No	11	12	8	0	0	No	3
An Pindong	No	12	11	11	1	0	No	3
Chen Yinxing	No	12	12	12	0	0	No	3
Xie Rong	Yes	3	3	2	0	0	No	1
Di Xiaofeng	Yes	3	3	2	0	0	No	1
Lee Kit Ying, Karen	Yes	12	12	3	0	0	No	3
Gao Zongze	Yes	9	9	2	0	0	No	3
Guan Yimin	Yes	9	8	2	1	0	No	3

Number of Board meetings held during the year (times) 12

Among which: Physical Meetings (times) 0

Meetings held by way of other communication method (times) 8

Meetings held physically together with by way of other communication method (times) 4

#### (ii) Disagreement on the relevant matters by the independent non-executive Directors with the Company

During the reporting period, the Company's independent non-executive Directors have not disagreed with the resolutions proposed at the meeting of the Board and other meetings of the Company held in this year.

**IV. IMPORTANT OPINIONS AND SUGGESTIONS RAISED BY SPECIAL COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD**

During the reporting period, the Nomination Committee under the Board nominated two candidates to independent non-executive Directors, and nominated and appointed the chief accountant of the Company after taking into account various factors, which have been approved at the general meeting and the Board.

During the reporting period, the Audit Committee of the Company proposed to reappoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's domestic and overseas auditors. The auditors will inspect the financial and internal control systems of the Company, and issue annual audit reports respectively.

**V. DESCRIPTION OF RISKS IN THE COMPANY FOUND BY THE SUPERVISORY COMMITTEE**

The Supervisory Committee has no disagreement about the matters under its supervision during the reporting period.



### VI. SITUATION OF NO GUARANTEE OF INDEPENDENCE AND INCAPABILITY ON SELF-OPERATION BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER WITH RESPECT TO THE MATTERS INCLUDING BUSINESS, STAFFS, ASSETS, ORGANIZATION AND FINANCE

	Independent or not	Description
Independence of Business	Yes	The Company was independent from the controlling shareholder in conducting its business, with independent capability on business and self-operation.
Independence of Staffs	Yes	The Company's senior management is employed by the Board of the Company, and their remuneration and assessment are determined by the Board. Staffs at the middle level are employed by the general manager, with their remuneration to be determined by the manager office. The Company has set up an independent human resource department. Employees such as the present executive Directors, senior management and secretary to the Board received their salaries from the Company and they have not taken up any position in the entities of the controlling shareholder. Therefore, in terms of personnel and remuneration management, the Company is independent from the controlling shareholder.
Independence of Assets	Yes	The assets of the Company and the controlling shareholder are clearly cut. The assets of the Company are completely independent from the controlling shareholder. The Company did not provide any guarantee for its controlling shareholder and other companies except for the Company's subsidiaries. The Company has complete control and rights of its assets. There were no circumstances of its assets and capital being occupied by the controlling shareholder which would adversely affect the interest of the Company.

**VI. SITUATION OF NO GUARANTEE OF INDEPENDENCE AND INCAPABILITY ON SELF-OPERATION BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER WITH RESPECT TO THE MATTERS INCLUDING BUSINESS, STAFFS, ASSETS, ORGANIZATION AND FINANCE (CONTINUED)**

	<b>Independent or not</b>	<b>Description</b>
Independence of Organization	Yes	The Company established an organizational structure which was absolutely independent from the controlling shareholder, and has set up organizations such as shareholders' general meetings, the Board, the Supervisory Committee and the general manager of the Company. The operation and management of the Company were subject to an accountability system of the general manager under the authorization of the Board. The Company has a separate place of business.
Independence of Finance	Yes	The Company has set up an independent finance and accounting department, and established a separate bank account, an independent accounting and audit system and a financial management system.



### VII. ESTABLISHMENT AND IMPLEMENTATION OF THE ASSESSMENT MECHANISM AND INCENTIVE SYSTEM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the reporting period, the Company operated an assessment mechanism combining objective assessment and post assessment for the senior management. The performance bonus in the annual salary of the senior management is linked to the assessment results of the completion of individual target. The provision of year-end bonus is made on the completion of the targets of the Company or annual profit recorded by respective departments, while distribution of that is tied to the assessment results of individual target assessment and post assessment.

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

Name	Contribution to pension scheme (RMB)
Zhang Wenhui	30,672
Lin Wenbo	30,672
Zhang Jian	30,672
Li Yang	30,672
Fu Yana	30,672

Note: The basic remuneration for the above five persons is less than HK\$1 million.

### I. INTERNAL CONTROL RESPONSIBILITY STATEMENT AND INTERNAL CONTROL SYSTEM CONSTRUCTION

#### (i) Internal Control Responsibility Statement

All members of the Board warrant the truthfulness, accuracy and completeness of this report, which does not contain any false information, misleading statements or material omissions, and accept responsibility for establishing and maintaining an adequate internal control system relating to financial reporting.

The objective of internal control relating to financial reporting is to ensure the truthfulness, completeness and reliability of information in financial reports and prevent the risk of material misstatement. Since there are inherent limitations associated with internal control, only reasonable assurance can be provided for the aforesaid objective.

#### (ii) Internal Control System Construction

In compliance with the “Basic Standard for Enterprise Internal Control” and the “Corporate Internal Control Package Guidelines” issued by five agencies and the relevant laws and regulations, the Company improved its governance structure, standardized the organizational structure of its internal control, properly established the functional department, formulated systematic control systems, adopted effective control measures and established a relatively sound internal control system.

The Board is responsible for establishing and improving the internal control system and examining its effectiveness. The Board has established the Audit Committee under it to guide, execute and supervise the establishment and operation of the internal control system of the Company. The operation management department is the main responsible department for the establishment and maintenance of the internal control system. The legal audit department is responsible for the evaluation of internal control. All business and functional departments are responsible for the construction, implementation and improvement of their respective internal control.





## 9. Internal Control

The Company has established a relatively sound internal control management system and has formed written documents and updates on the systems, guidelines and processes in the “Internal Control Management Manual” each year in accordance with the business development of group companies on the basis of the 11 major business cycles stated in the “Internal Control Management Manual of Tianjin Capital Environmental Protection Group Company Limited”. In 2014, the Company successively completed the issuance and amendment of various key systems, guidelines and process documents, and revised and improved the description of process risk control aspects in various business cycles. In the meantime, the Company has updated and adjusted the “Internal Control Risk Guideline Manual” based on the newly issued systems and processes, which formed more comprehensive risk management and control documents.

In compliance with the provisions under the “Basic Standard for Enterprise Internal Control” and its auxiliary guidelines and other internal control and regulation requirements, with a combination of the Company’s internal control system and assessment method and on the basis of the ordinary supervision and special supervision on internal control, the Company assessed the effectiveness of its internal control as of 31 December 2014 and issued an internal control self-assessment report. For details of the internal control self-assessment report, please refer to the “2014 Internal Control Self-assessment Report” disclosed on the website of the SSE on 27 March 2015.

### II. EXPLANATION IN RESPECT OF THE INTERNAL CONTROL AUDIT REPORT

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

For details of the internal control audit report, please refer to the “2014 Internal Control Audit Report” disclosed on the website of the SSE on 27 March 2015.

### III. ACCOUNTABILITY SYSTEM FOR MAJOR ERRORS IN THE ANNUAL REPORT AND ITS IMPLEMENTATION

On 28 February 2013, the second meeting of the sixth Board of the Company passed the “Resolution on the Formulation of Accountability System for Major Errors in the Annual Report”. For details of the new “Accountability System for Major Errors in the Annual Report”, please refer to the website of the SSE (<http://www.sse.com.cn>) on 28 February 2013.

During the reporting period, the Company did not make any major errors in the annual report.

## 10. Financial Accounting Report

For details, please refer to the accounting statements and audited reports for 2014 of the Company.



# 11. Report of the Auditors



## Auditor's Report

PwC ZT Shen Zi (2015) No. 10063

(Page 1 of 2)

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

We have audited the accompanying financial statements of Tianjin Capital Environmental Protection Group Company Limited (hereinafter the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

PwC ZT Shen Zi (2015) No. 10063

(Page 2 of 2)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

26 March 2015



## 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises Balance Sheet

As at 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

ASSETS	Notes 6	Group		Company	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	(1)	820,092	1,002,249	295,231	342,090
Notes receivables		—	6,300	—	—
Trade receivables	(2)	2,563,114	2,079,086	2,371,956	1,944,004
Prepayments	(3)	106,412	115,655	259	33,656
Dividend receivables		—	—	—	12,690
Other receivables	(4)	5,707	6,772	95,792	133,554
Inventories	(5)	14,392	58,035	4,336	7,866
Other current assets	(6)	62,250	6,540	77,380	80,000
<b>Total current assets</b>		<b>3,571,967</b>	<b>3,274,637</b>	<b>2,844,954</b>	<b>2,553,860</b>
<b>NON-CURRENT ASSETS</b>					
Available-for-sale financial assets	(7)	2,000	2,000	2,000	2,000
Long-term receivables	(8)	326,147	333,607	326,147	333,607
Long-term equity investments	(9)	31,347	32,621	1,353,236	1,282,136
Investment properties	(10)	104,936	108,609	82,154	85,323
Fixed assets	(11)	488,528	3,088,124	157,880	2,825,776
Construction in progress	(11)	4,133	1,152,078	197	1,042,305
Intangible assets	(12)	6,321,963	3,074,825	3,648,936	420,570
Other non-current assets	(6)	8,461	7,250	134,468	74,609
<b>Total non-current assets</b>		<b>7,287,515</b>	<b>7,799,114</b>	<b>5,705,018</b>	<b>6,066,326</b>
<b>TOTAL ASSETS</b>		<b>10,859,482</b>	<b>11,073,751</b>	<b>8,549,972</b>	<b>8,620,186</b>

## 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises Balance Sheet

As at 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes 6	Group		Company	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>CURRENT LIABILITIES</b>					
Short-term borrowings	(16)	50,000	—	50,000	—
Trade payables	(14)	54,319	21,099	21,540	5,042
Advances	(14)	776,190	701,654	6,841	8,082
Wages payable	(15)	13,650	11,122	7,930	6,918
Taxes payable	(14)	26,400	25,591	14,987	17,555
Dividend payable	(20) (c)	60,337	36,566	60,337	36,566
Other payables	(14)	666,433	537,600	1,029,776	726,791
Other non-current liabilities due within one year	(16)	304,221	878,106	91,391	676,356
Other current liabilities	(16)	4,251	3,287	—	—
<b>Total current liabilities</b>		<b>1,955,801</b>	<b>2,215,025</b>	<b>1,282,802</b>	<b>1,477,310</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	(16)	1,564,566	1,213,286	725,850	310,600
Long-term debentures	(16)	1,388,975	1,384,775	1,388,975	1,384,775
Deferred revenue	(17)	1,209,201	396,447	967,167	211,406
Deferred income tax liabilities	(18)	86,778	68,977	36,584	22,674
Long-term payables	(16)	262,454	291,175	262,454	291,175
Other non-current liabilities	(16)	53,727	1,369,522	—	1,140,000
<b>Total non-current liabilities</b>		<b>4,565,701</b>	<b>4,724,182</b>	<b>3,381,030</b>	<b>3,360,630</b>
<b>TOTAL LIABILITIES</b>		<b>6,521,502</b>	<b>6,939,207</b>	<b>4,663,832</b>	<b>4,837,940</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	(19)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	(20) (a)	382,311	382,311	380,788	380,788
General reserves	(20) (b)	395,063	373,256	395,063	373,256
Undistributed profits	(20) (c)	1,965,882	1,793,699	1,683,061	1,600,974
<b>Equity attributable to owners of the parent</b>		<b>4,170,484</b>	<b>3,976,494</b>	<b>3,886,140</b>	<b>3,782,246</b>
Minority Interests	(21)	167,496	158,050	—	—
<b>Total shareholders' equity</b>		<b>4,337,980</b>	<b>4,134,544</b>	<b>3,886,140</b>	<b>3,782,246</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,859,482</b>	<b>11,073,751</b>	<b>8,549,972</b>	<b>8,620,186</b>

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

**Liu Yujun**  
Company Representative

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

**Liu Tao**  
Person in charge of  
accounting department



# 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises

## Income Statement

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Notes 6	Group		Company	
		2014	2013	2014	2013
<b>Income from operations</b>	(22)	<b>1,828,079</b>	1,749,861	<b>983,187</b>	952,663
Less: Cost for operations	(22)	(1,084,775)	(1,057,580)	(492,149)	(503,845)
Business tax and surcharges	(23)	(16,219)	(15,474)	(8,777)	(8,261)
Administrative expenses	(24)	(103,415)	(108,784)	(61,410)	(60,745)
Financial expenses - net	(25)	(187,626)	(177,813)	(112,524)	(90,346)
Impairment of assets	(26)	(23,910)	(18,493)	(23,910)	(23,119)
Add: Investment (loss)/income	(9)	(1,274)	(3,030)	2,000	23,916
Including: Share of loss of an associate		(1,274)	(2,007)	—	—
<b>Operation profit</b>		<b>410,860</b>	368,687	<b>286,417</b>	290,263
Add: Non-operating income	(27)	800,876	23,851	684,881	12,426
Less: Non-operating expenses	(28)	(778,472)	(5,022)	(669,378)	(3,926)
Including: Loss on disposals of non-current assets		(1,876)	(4,857)	(265)	(3,926)
<b>Total profit</b>		<b>433,264</b>	387,516	<b>301,920</b>	298,763
Less: Income tax	(29)	(115,552)	(99,159)	(83,848)	(75,254)
<b>Net profit</b>		<b>317,712</b>	288,357	<b>218,072</b>	223,509
Attributable to owners of the parent		308,168	281,899	218,072	223,509
Minority interests		9,544	6,458	—	—
<b>Earnings per share (in Rmb Yuan)</b>	(30)				
– Basic		0.22	0.20	—	—
– Diluted		0.22	0.20	—	—
<b>Other comprehensive income after deduction of impact of income tax</b>		—	—	—	—
<b>Total comprehensive income</b>		<b>317,712</b>	288,357	<b>218,072</b>	223,509
Attributable to owners of the parent		308,168	281,899	218,072	223,509
Minority interests		9,544	6,458	—	—

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

**Liu Yujun**  
Company Representative

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

**Liu Tao**  
Person in charge of  
accounting department

## 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises

### Cash Flow Statement

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Group		Company	
	2014	2013	2014	2013
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods and rendering of services	1,450,247	1,472,923	572,798	550,948
Cash received relating to other operating activities	12,555	16,992	5,349	6,167
<b>Sub-total of cash inflows</b>	<b>1,462,802</b>	<b>1,489,915</b>	<b>578,147</b>	<b>557,115</b>
Cash paid for goods and services	(490,146)	(565,393)	(229,657)	(259,944)
Cash paid to and on behalf of employees	(198,200)	(187,573)	(99,053)	(94,779)
Payments of taxes and levies	(128,725)	(121,732)	(87,780)	(89,750)
Cash payments relating to other operating activities	(36,362)	(43,744)	(29,097)	(21,264)
<b>Sub-total of cash outflows</b>	<b>(853,433)</b>	<b>(918,442)</b>	<b>(445,587)</b>	<b>(465,737)</b>
<b>Net cash flows from operating activities</b>	<b>609,369</b>	<b>571,473</b>	<b>132,560</b>	<b>91,378</b>
<b>2. Cash flows from investing activities</b>				
Cash received from returns on investments	674	300	17,366	19,300
Net cash received from disposals of fixed assets	6,504	3,940	72	1,756
Cash received from subsidiaries	—	—	338,954	182,427
Cash received from restricted bank deposits	2,067	—	—	—
Other cash received relating to investing activities	300,000	577,492	300,000	491,387
<b>Sub-total of cash inflows</b>	<b>309,245</b>	<b>581,732</b>	<b>656,392</b>	<b>694,870</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(638,737)	(742,981)	(321,169)	(609,761)
Cash paid to acquire equity investments	—	—	(97,010)	(23,500)
Cash paid to subsidiaries	—	—	(79,337)	(127,453)
Other cash paid relating to investing activities	—	(3,667)	(2,500)	—
<b>Sub-total of cash outflows</b>	<b>(638,737)</b>	<b>(746,648)</b>	<b>(500,016)</b>	<b>(760,714)</b>
<b>Net cash flows from investing activities</b>	<b>(329,492)</b>	<b>(164,916)</b>	<b>156,376</b>	<b>(65,844)</b>





## 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises Cash Flow Statement

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Group		Company	
	2014	2013	2014	2013
<b>3. Cash flows from financing activities</b>				
Cash received from borrowings	829,651	136,160	586,000	100,000
Cash received from debenture issuance	—	700,000	—	700,000
<b>Sub-total of cash inflows</b>	<b>829,651</b>	<b>836,160</b>	<b>586,000</b>	<b>800,000</b>
Repayments of amounts borrowed	(1,004,903)	(950,180)	(704,250)	(740,317)
Payments for interest expenses	(194,211)	(213,673)	(129,638)	(132,845)
Payments for distribution of dividends or profits	(90,504)	(80,847)	(90,407)	(79,997)
<b>Sub-total of cash outflows</b>	<b>(1,289,618)</b>	<b>(1,244,700)</b>	<b>(924,295)</b>	<b>(953,159)</b>
<b>Net cash flows from financing activities</b>	<b>(459,967)</b>	<b>(408,540)</b>	<b>(338,295)</b>	<b>(153,159)</b>
<b>4. Effect of foreign exchange rate changes on cash</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>5. Net decrease in cash and cash equivalents</b>	<b>(180,090)</b>	<b>(1,983)</b>	<b>(49,359)</b>	<b>(127,625)</b>
Add: Cash and cash equivalents at beginning of the year	994,982	996,965	342,090	469,715
<b>6. Cash and cash equivalents at end of the year (note6 (31) (b))</b>	<b>814,892</b>	<b>994,982</b>	<b>292,731</b>	<b>342,090</b>

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

**Liu Yujun**  
Company Representative

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

**Liu Tao**  
Person in charge of  
accounting department

## 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises

### Consolidated Statement of Changes in Equity

For the year ended 31 December 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		
<b>Balance at 1 January 2013</b>	1,427,228	382,311	350,905	1,619,785	152,442	3,932,671
<b>Changes in 2013</b>						
Comprehensive income						
Net profit	—	—	—	281,899	6,458	288,357
Total comprehensive income	—	—	—	281,899	6,458	288,357
Profit appropriation						
Appropriation to statutory common reserves	—	—	22,351	(22,351)	—	—
Dividend appropriation to shareholders	—	—	—	(85,634)	(850)	(86,484)
<b>Balance at 31 December 2013</b>	1,427,228	382,311	373,256	1,793,699	158,050	4,134,544
<b>Changes in 2014</b>						
Comprehensive income						
Net profit	—	—	—	308,168	9,544	317,712
Total comprehensive income	—	—	—	308,168	9,544	317,712
Profit appropriation						
Appropriation to statutory common reserves	—	—	21,807	(21,807)	—	—
Dividend appropriation to shareholders	—	—	—	(114,178)	(98)	(114,276)
<b>Balance at 31 December 2014</b>	1,427,228	382,311	395,063	1,965,882	167,496	4,337,980

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

**Liu Yujun**  
Company Representative

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

**Liu Tao**  
Person in charge of  
accounting department



## 12. Financial Statements prepared in accordance with PRC Accounting Standards for Business Enterprises Company Statement of Changes in Equity

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Share capital	Capital surplus	General reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2013	1,427,228	380,788	350,905	1,485,450	3,644,371
<b>Changes in 2013</b>					
Comprehensive income					
Net profit	—	—	—	223,509	223,509
Total comprehensive income	—	—	—	223,509	223,509
Profit appropriation					
Appropriation to statutory common reserves	—	—	22,351	(22,351)	—
Dividend appropriation to shareholders	—	—	—	(85,634)	(85,634)
Balance at 31 December 2013	1,427,228	380,788	373,256	1,600,974	3,782,246
<b>Changes in 2014</b>					
Comprehensive income					
Net profit	—	—	—	218,072	218,072
Total comprehensive income	—	—	—	218,072	218,072
Profit appropriation					
Appropriation to statutory common reserves	—	—	21,807	(21,807)	—
Dividend appropriation to shareholders	—	—	—	(114,178)	(114,178)
Balance at 31 December 2014	<u>1,427,228</u>	<u>380,788</u>	<u>395,063</u>	<u>1,683,061</u>	<u>3,886,140</u>

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

**Liu Yujun**  
Company Representative

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

**Liu Tao**  
Person in charge of  
accounting department

# 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 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 of 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.

For the detailed information of subsidiaries which are in scope this year, see Note 9(a).

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 supply of heating and cooling and management of related facility as described below:

### (a) Processing of sewage water

Pursuant to relevant agreements (“Service concession rights agreements”), the Group currently provides sewage processing services via the following plants:

Plant	Location	Agreement date	Customer
Jizhuangzi	Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission (“TUCC”), Tianjin Water Authority Bureau (“TWAB”)
Xianyanglu	Tianjin	18 February 2014	TUCC and TWAB
Dongjiao	Tianjin	18 February 2014	TUCC and TWAB
Beicang	Tianjin	18 February 2014	TUCC and TWAB
Guiyang	Guizhou	16 September 2004	Guiyang City Administration Bureau
Baoying	Jiangsu	13 June 2005	Baoying Construction Bureau
Chibi	Hubei	15 July 2005	Chibi Construction Bureau
Fuyang	Anhui	18 December 2005	Fuyang Construction Committee
Qujing	Yunnan	25 December 2005	Qujing City Water General Company
Honghu	Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou	Zhejiang	20 November 2006	Hangzhou Sewage Company
Jinghai	Tianjin	12 September 2007	Tianjin Tianyu Science Technology Park
Wendeng	Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an	Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo	Hebei	14 October 2008	An Guo Municipal Government
Xianning	Hubei	16 October 2008	Xianning Construction Committee
Yingdong	Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qujing	Yunnan	16 August 2011	QuJing Housing and Urban Construction Bureau
Chaohu	Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau

As of 31 December 2014, main terms of the principal and pricing formulas are briefly summarized as below:



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES (Continued)

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

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

Based on the sewage water processing agreement and its supplemental agreement reached with Tianjin Sewage Company ("TSC") on 10 October 2000 and 10 March 2006 respectively, the Company provided sewage water processing services and was entitled to a pre-determined sewage processing fee.

On 18 February 2014, TWAS, TUCC and the Company signed a service concession right agreement, which came into effect on 1 January 2014, to grant service concession right of Jizhuangzi, Xianyanglu, Dongjiao and Beicang sewage water processing plants to the Company for 30 years. The previous sewage water processing agreements were naturally terminated. The Company is responsible for operation, maintenance and management of the above four sewage water processing plants. The Company exchanged the property, plant and equipment and land use rights of the above four sewage water processing plants to obtain service concession right and recorded as intangible assets. When the concession service period is over, the above four sewage water processing plants will be handed over to Tianjin government in good conditions for free. From October 2014, sewage water processing and water recycling services have been provided by Jin Gu instead of Jizhuangzi sewage water processing plant and water recycling plant (Note 6(11)).

The sewage water processing price is set at RMB1.77 per ton and RMB1.76 per ton in 2014 and 2015 respectively, which are to be repriced based on contract terms every two years from 2014.

*All other sewage processing plants:*

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

All sewage processing plants 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 using the guaranteed volume.

Pursuant to the relevant agreement, Guiyang Price Bureau adjusts the sewage water processing price periodically, which will allow full recovery of 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.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES (Continued)

### (c) Supply of tap water

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

### (d) Recycled water and pipeline connection

The Group's recycled water business includes developing, constructing and operating of recycled water projects, production and sale of recycled water, and provision of related research and development and technical consultation services.

### (e) Heating and cooling supply services

The heating and cooling supply services include design, construction, operations and transfer of centralized heating and cooling infrastructures, and provision of heating and cooling services.

The Group has signed a service concession agreement with TUCC of providing heating and cooling supply services to Tianjin City Cultural Center.

These consolidated financial statements were approved by the Directors of the Company on 26 March 2015.

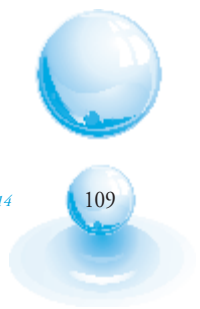
## 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group adopted the Basic Standard for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance for Accounting Standard 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 stipulated by China Securities Regulatory Commission.

The financial statements prepared on a continuous operating basis.

## 3 STATEMENT OF COMPLIANCE WITH CAS

The financial statements of the Company for the year ended 31 December 2014 truly and completely present the financial position as of 31 December 2014 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determined the specific accounting policies and accounting estimates according to the production management characteristics. They are reflected mainly on the impairment assessment of accounts receivables (Note 4(7)), valuation method of investment properties (Note 4(10)), amortization and depreciation of intangible assets and fixed assets (Note 4(11) (14)), recognition and amortization of concession rights (Note 4(14) (b)), revenue recognition (Note 4(18)) and so on.

The significant accounting policy adopted by the group see note 4(23).

(1) **Accounting period**

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

(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 inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary’s equity, the portion of a subsidiary’s net profits and losses for the period and the portion of a subsidiary’s comprehensive income not held by the Company are recognized as minority interests, minority interest income and any consolidated income which belongs to minority stockholders presented separately in the consolidated balance sheet within equity, net profits and accumulated other comprehensive income respectively.

The unrealized gains and losses of internal transactions which came from the assets sales of the group to its subsidiary are fully offset to net profit which attribute to shareholders of the parent company. The unrealized gains and losses of internal transaction which came from assets sales of the subsidiaries to the group are offset to shareholders according to the distribution proportion between the company and its subsidiaries. The unrealized gains and losses of internal transactions which came from assets sales between the subsidiaries are offset to net profit which attribute to shareholders of the parent company according to distribution proportion between the company and the sale-part subsidiary.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

If there is any different when judging one transaction upon different accounting entities (the group, the company and the subsidiary), adjust the transaction to base on the group entity.

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 (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

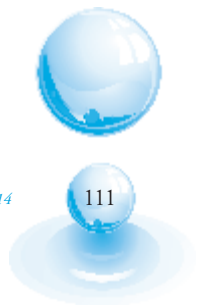
##### (4) Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held at call with bank 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.





## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (6) Financial instruments

##### (a) Financial assets

The Group's financial assets are represented as available-for-sale assets and receivables (note 4(7)). Available-for-sale financial assets (AFS) are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as other types. Since the date of balance sheet, the available-for-sale financial assets which will be sold within 12 months are reported as other current assets. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale.

##### (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. Financial assets measured at fair value through profit or loss and available-for-sale financial assets should be measured at fair value for subsequent period. If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment. 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.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### (6) Financial instruments (Continued)

###### (a) Financial assets (Continued)

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

If an impairment loss on an available-for-sale financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between similar asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate. Impairment loss has occurred should not be reserved.

###### (iii) Recognition 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 debentures payable.

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 or long-term debenture.

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.

## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (7) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of tap water 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.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### (8) Inventories

Inventories include raw materials, finished goods, low cost consumables and construction contract costs, 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 work in progress. Where negative, it is recognized in liabilities.

Except for work 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 related production overheads (based on normal operating 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 applicable variable selling expenses.

##### (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.

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.

##### (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.

## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (9) Long-term equity investments (Continued)

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

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

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.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to 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 criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, 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 distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not 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.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Long-term equity investments (Continued)

(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)). 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 property is held to earn rentals and it shall be measured initially at its 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 (amortization) rates of the investment properties are as follows:

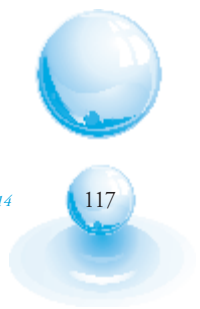
	Estimated useful lives	Estimated residual value rate	Annual depreciation (amortization) rate
Buildings	40-50 years	5%	1.9%-2.4%

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 (amortization) 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)).



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (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:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
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)).

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### (12) Construction in progress

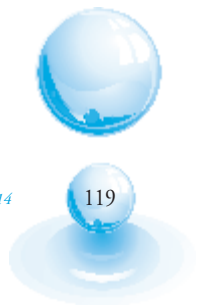
Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, other costs necessary to bring the fixed assets ready for their intended use and borrowing costs that are eligible for capitalization. Construction in progress is transferred to fixed assets 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.





## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (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 sets 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 recognizes 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 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.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### (14) Intangible assets (Continued)

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

The carrying value of intangible assets are written down to its recoverable amount when its recoverable amount is lower than the carrying value (note 4(15)).

##### (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 various forms of compensation or compensation of the group for workers to provide services or termination of labor relations and give, including short-term compensation, post-employment benefits and termination benefits, etc.

###### (a) Short-term Employee benefits

The short-term compensation includes wages, bonuses, allowances and subsidies, welfares, medical insurance, work injury insurance, maternity insurance, housing fund, trade unions and education funding, short-term paid absence from duty. 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.



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (16) Employee benefits (Continued)

##### (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 (1) 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 (2) 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

Revenue comprises 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 value-added tax, returns, rebates and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

##### (a) Sewage water processing and heating and cooling supply

Revenues from sewage water processing and heating and cooling supply are recognized when services are rendered.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### (18) Revenue recognition (Continued)

###### (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 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 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 according to the time of other parties using monetary funds of the Group.

###### (h) Dividend income

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



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (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.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

#### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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 determines operating segments based on the internal organization structure, management requirement and internal reporting system, the reporting segments and disclosure information of segments are determined on the basis of operating segments.

Operating segments represent those components of the Group which meet conditions as follows: (1) the component can generate income and incur expenses from normal operating activities; (2) the operating results of the component can be evaluated by the management of the Group periodically, and a decision for allocation of resources and assessment of performance can be made; and (3)The Group can obtain the relevant accounting information of the financial position, operating results and cash flows of the component. Two or more operating segments can be combined into one operating segment, if they have similar economical characteristic and meet certain conditions.

##### (22) Critical changes in accounting policies

In 2014, Ministry of Finance of PRC promulgated Accounting Standards for Business Enterprises No. 39 - Fair Value Measurement, Accounting Standards for Business Enterprises No. 40 -Joint Venture, Accounting standards for Business Enterprises No. 41 - disclosure of interest in other subjects accounting, and reversed Accounting Standard for Business Enterprises No. 2 - Long-term equity investments, Accounting standards for Business Enterprises No.9 - Employee Compensation, Accounting Standards for Business Enterprises No.30 - Presentation of Financial Statements, Accounting Standard for Business Enterprises No. 33 - Consolidated financial statements and Accounting standards for Enterprises No.37 - Presentation of Financial Instruments. Except for Accounting standards for Enterprises No. 37 - Presentation of Financial Instruments which effective for annual periods on or after 1 January 2014, standards mentioned above were effective from 1 July 2014.



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (22) Critical accounting policies change (Continued)

The group has adopted the standards mentioned for the preparation of 2014 annual report. The impacts on the report of the group are as follow:

Contents and reasons of the change in accounting policy	Affected statement item	Affected amount
The long-term equity investments in Tianjin Beifang Rencaigang Company Limited have been reclassified to available-for-sale financial assets by the Group according to above standards. Items of the financial statements have been adjusted during the comparative period.	Long-term equity investments	(2,000)
	Available-for-sale financial assets	2,000

#### (23) Critical accounting estimate and judgments

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 makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the year in which such estimate has been made.

##### (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.

## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
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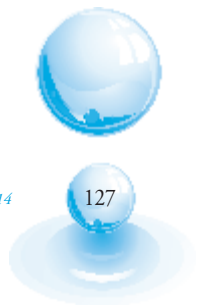
### 5 TAXATION

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

Tax by category	Basis of Tax	Tax rate
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)	3%-13%
Business tax	Taxable sales amount	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:

Name of subsidiaries	Enterprise income tax rate of 2014	Preferential tax policy
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.
Fu Yang Capital Water Co.,Ltd.	0%	Income from engaging in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2014 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.
Tianjin Water Recycling Co.,Ltd.	The taxable income is 90% of revenue	According to Caishui[2008]47, since January 1, 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.





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

For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS

(1) CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash on hand	333	167	13	17
Cash in bank	819,759	1,002,082	295,218	342,073
	<u>820,092</u>	<u>1,002,249</u>	<u>295,231</u>	<u>342,090</u>
Including:				
Restricted bank deposits due within one year (note (a))	<u>5,200</u>	<u>7,267</u>	<u>2,500</u>	<u>—</u>

(a) The bank deposits represented projects deposits due within one year of Rmb5,200 thousand (2013: Rmb7,267 thousand).

(b) Cash and cash equivalents comprise the following for the purposes of the cash flow statement:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash and cash equivalents	820,092	1,002,249	295,231	342,090
Less: Restricted bank deposits	<u>(5,200)</u>	<u>(7,267)</u>	<u>(2,500)</u>	<u>—</u>
Cash and cash equivalents on cash flow statement(note 6(31))	<u>814,892</u>	<u>994,982</u>	<u>292,731</u>	<u>342,090</u>

(2) TRADE RECEIVABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Trade receivable	2,570,283	2,086,255	2,371,956	1,944,004
Less: Provision for bad debts	<u>(7,169)</u>	<u>(7,169)</u>	<u>—</u>	<u>—</u>
	<u>2,563,114</u>	<u>2,079,086</u>	<u>2,371,956</u>	<u>1,944,004</u>

(a) The ageing of trade receivables is analyzed below:

	Group			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	649,382	25%	948,631	46%
1 to 2 years	786,811	31%	798,902	38%
Over 2 years	<u>1,134,090</u>	<u>44%</u>	<u>338,722</u>	<u>16%</u>
Total	<u>2,570,283</u>	<u>100%</u>	<u>2,086,255</u>	<u>100%</u>

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

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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(2) TRADE RECEIVABLES (Continued)

(a) The ageing of trade receivables is analyzed below: (Continued)

	Company			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	477,430	20%	822,179	42%
1 to 2 years	776,235	33%	791,636	41%
Over 2 years	1,118,291	47%	330,189	17%
<b>Total</b>	<b>2,371,956</b>	<b>100%</b>	<b>1,944,004</b>	<b>100%</b>

The average credit period of about 30 days has been granted by the Group. As of 31 December 2014, the ageing of trade receivables which are past due but not impaired is no different than the analysis shown above.

(b) Trade receivable is analyzed by categories as follows:

Category	Group							
	31 December 2014				31 December 2013			
	Ending balance	Provision for bad debts			Ending balance	Provision for bad debts		
Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio	
Trade receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	2,404,369	94%	7,169	100%	1,936,971	93%	7,169	100%
General credit portfolio	165,914	6%	—	—	149,284	7%	—	—
<b>Total</b>	<b>2,570,283</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							
	31 December 2014				31 December 2013			
	Ending balance	Provision for bad debts			Ending balance	Provision for bad debts		
Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio	
Trade receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	2,327,422	98%	—	—	1,890,671	97%	—	—
General credit portfolio	44,534	2%	—	—	53,333	3%	—	—
<b>Total</b>	<b>2,371,956</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>1,944,004</b>	<b>100%</b>	<b>—</b>	<b>—</b>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(2) TRADE RECEIVABLES (Continued)

- (c) As at 31 December 2014, accounts receivable with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analyzed as follows:

	Ending balance	Group Provision for bad debts	Ratio
TSC(note(i))	1,890,671	—	—
TWAB	436,751	—	—
Qijing City Water General Company(note(ii))	76,947	7,169	9%
Total	<u>2,404,369</u>	<u>7,169</u>	

- (i) TSC has a good credit record in history, the outstanding trade receivables from TSC is collected on a continuous basis.

In March 2015, the Group received a repayment plan of Rmb1.89 billion from TSC. According to the repayment plan, TSC will settle Rmb500 million on 6 March 2015, and the remaining balances on 30 April 2015 and 15 June 2015 respectively. The first settlement was received by the Group on 6 March 2015. Management believes that TSC has capability to repay the outstanding amounts according to the repayment plan and there is no bad debt risk on the Group's account receivables as at 31 December 2014.

- (ii) On 31 December 2014, the total amount of trade receivables due from Qijing City Water General Company, in respect of sewage processing fee and tap water fee was Rmb76,947 thousand among which Rmb15,799 thousand was aged over 2 years. According to management's analysis, impairment provision of Rmb7,169 thousand was provided.

	Ending balance	Company Provision for bad debts	Ratio
TSC	436,751	—	—
TWAB	1,890,671	—	—
Total	<u>2,327,422</u>	<u>—</u>	

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(2) TRADE RECEIVABLES (Continued)

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

	Group			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	162,059	98%	143,158	96%
1 to 2 years	3,855	2%	6,126	4%
<b>Total</b>	<b>165,914</b>	<b>100%</b>	<b>149,284</b>	<b>100%</b>

	Company			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	40,679	91%	47,207	89%
1 to 2 years	3,855	9%	6,126	11%
<b>Total</b>	<b>44,534</b>	<b>100%</b>	<b>53,333</b>	<b>100%</b>

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

	31 December 2014	31 December 2013
TICIG	16,388	26,838

(f) As at 31 December 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	422	Within 1 year	0.02%
		774,972	1 to 2 years	30.15%
		785,510	2 to 3 years	30.56%
		330,189	Over 3 years	12.85%
TWAB(note(i)) Qujing City Water General Company	customer	436,751	Within 1 year	16.99%
		50,572	Within 1 year	1.97%
		10,576	1 to 2 years	0.41%
		7,525	2 to 3 years	0.29%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	8,274	Over 3 years	0.32%
		18,422	Within 1 year	0.72%
TICIG(note(i))	Ultimate holding company	16,388	Within 1 year	0.64%
<b>Total</b>		<b>2,439,601</b>		<b>94.92%</b>

(i) The amount of trade receivables from TSC and TICIG accounts for 98.83% out of total amount of the Group's trade receivables, the rest are immaterial.

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(2) TRADE RECEIVABLES (Continued)

(g) Trade receivable from related parties is analyzed as follows:

	relationship with the Group	31 December 2014		31 December 2013	
		amount	% of total balance	amount	% of total balance
TICIG	Ultimate holding company	16,388	0.64%	26,838	1.29%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	18,422	0.72%	17,600	0.84%
Tianjin Metro Resources Investment Co., Ltd.	Controlled by the same ultimate holding company	4,975	0.19%	3,914	0.19%
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company	401	0.02%	401	0.02%
Total		<u>40,186</u>	<u>1.57%</u>	<u>48,753</u>	<u>2.34%</u>

(3) PREPAYMENTS

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

	Group			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	54,987	52%	64,948	56%
1 to 2 years	48,348	45%	49,097	43%
Over 2 years	3,077	3%	1,610	1%
Total	<u>106,412</u>	<u>100%</u>	<u>115,655</u>	<u>100%</u>

As at 31 December 2014, the prepayments aged over one year with amount of Rmb51,425 thousand (2013: Rmb50,707 thousand) mainly for recycled water pipeline connection service for which the projects have not been completed and hence balances remain outstanding.

	Company			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	8	3.1%	14,703	43.7%
1 to 2 years	48	18.5%	18,713	55.6%
Over 2 years	203	78.4%	240	0.7%
Total	<u>259</u>	<u>100%</u>	<u>33,656</u>	<u>100%</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(3) PREPAYMENTS (Continued)

(b) As at 31 December 2014, the prepayments to the top five debtors are analyzed as below:

	amount	% of total balance
Total amounts of prepayments to the top five debtors	8,139	8%

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

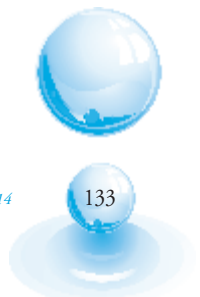
(4) OTHER RECEIVABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Project deposits	2,840	1,814	1,135	298
Receivables from subsidiaries	—	—	92,883	130,914
Others	2,867	4,958	1,774	2,342
Less: provision for bad debts	—	—	—	—
	<u>5,707</u>	<u>6,772</u>	<u>95,792</u>	<u>133,554</u>

(a) The ageing of the Group's other receivables is analyzed as below:

	Group			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	2,296	40%	4,106	61%
1 to 2 years	1,308	23%	845	12%
2 to 3 years	362	6%	806	12%
Over 3 years	1,741	31%	1,015	15%
	<u>5,707</u>	<u>100%</u>	<u>6,772</u>	<u>100%</u>

	Company			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	93,913	98.04%	132,712	99.37%
1 to 2 years	1,051	1.10%	45	0.03%
2 to 3 years	11	0.01%	500	0.38%
Over 3 years	817	0.85%	297	0.22%
	<u>95,792</u>	<u>100%</u>	<u>133,554</u>	<u>100%</u>



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

For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(4) OTHER RECEIVABLES (Continued)

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

(c) As at 31 December 2014, other receivables from the top five debtors are analyzed as below:

	relationship with the Group	amount	ageing	% of total balance
Tianjin Qinglong Construction and Installation Engineering Co., Ltd.	other	1,000	1 to 2 years	18%
Tianjin Construction Wastes Management Station	regulator	500	3 to 4 years	9%
Tianjin Power Co., Ltd. of State Grid Corporation of China	other	480	Within 1 year	8%
Xianning City Sewage Management Office	other	300	4 to 5 years	5%
Anyi Administration of Power Supply of Baoying	other	266	Within 1 year	5%
		<u>2,546</u>		<u>45%</u>

(d) Other receivables are analyzed as below:

Category	Group							
	31 December 2014				31 December 2013			
	Ending balance	Provision for bad debts			Ending balance	Provision for bad debts		
Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio	
General credit portfolio	<u>5,707</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>6,772</u>	<u>100%</u>	<u>—</u>	<u>—</u>

Category	Company							
	31 December 2014				31 December 2013			
	Ending balance	Provision for bad debts			Ending balance	Provision for bad debts		
Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio	
General credit portfolio	<u>95,792</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>133,554</u>	<u>100%</u>	<u>—</u>	<u>—</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(5) INVENTORIES

Inventories are summarized by categories as follows:

	Group					
	31 December 2014			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	9,597	—	9,597	15,144	—	15,144
Finished goods	2,644	—	2,644	393	—	393
Spare parts and low cost consumables	472	—	472	292	—	292
Construction contract costs	1,679	—	1,679	42,206	—	42,206
	<u>14,392</u>	<u>—</u>	<u>14,392</u>	<u>58,035</u>	<u>—</u>	<u>58,035</u>

	Company					
	31 December 2014			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	4,137	—	4,137	7,667	—	7,667
Spare parts and low cost consumables	199	—	199	199	—	199
Work in progress	—	—	—	—	—	—
	<u>4,336</u>	<u>—</u>	<u>4,336</u>	<u>7,866</u>	<u>—</u>	<u>7,866</u>

(6) OTHER ASSETS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Current:				
Receivables from subsidiaries	—	—	77,380	80,000
Assets of Anguo(note(i))	58,124	—	—	—
Others	4,126	6,540	—	—
	<u>62,250</u>	<u>6,540</u>	<u>77,380</u>	<u>80,000</u>
Non-current:				
Receivables from subsidiaries	—	—	134,000	73,790
Others	8,461	7,250	468	819
	<u>8,461</u>	<u>7,250</u>	<u>134,468</u>	<u>74,609</u>

- (i) According to the arbitral award reached on 18 April 2014 by the China International Economic and Trade Arbitration Commission, the service concession right under the water supply and sewage agreements between Anguo Capital Water Co., Ltd (a subsidiary of the Company) and Anguo Government are to be terminated. Related assets will be handed over to Anguo Government at any time. Therefore management reclassified related concession rights from 'Intangible assets' to 'Other current assets'.



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

For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(7) AVAILIABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2014	31 December 2013
Measured at cost		
– Available for sale equity instruments	<u>2,000</u>	<u>2,000</u>

Available for sale financial assets related information analysis are as follows:

	31 December 2014	31 December 2013
<b>Tianjin Beifang Rencaigang Company Limited</b>		
Available for sale equity instrument – Cost	2,000	2,000
Available for sale equity instrument – Provision for impairment	—	—
Total	<u>2,000</u>	<u>2,000</u>

Available for sale financial assets are private equity investment held by the Group. They do not have a quoted market price in an active market. The reasonable estimates in fair value fall in a wider range and the probabilities of these estimates can not be reliably determined. As a result, the fair value of available for sale financial assets cannot be reliably measures. The Group has no disposal plan on these financial assets.

(8) LONG-TERM RECEIVABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Receivables from toll road concession	<u>326,147</u>	<u>333,607</u>	<u>326,147</u>	<u>333,607</u>

Receivables from toll road concession represent amortized cost using effective interest method, calculated with reference to a guaranteed future traffic flow over the concession period.

## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### (9) LONG-TERM EQUITY INVESTMENTS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Investment in subsidiaries (note (a))	—	—	1,424,755	1,331,755
Less: Impairment provision for long-term investment (note (b))	—	—	(71,519)	(49,619)
	—	—	1,353,236	1,282,136
Investment in an associate (note (c))	31,347	32,621	—	—
	<u>31,347</u>	<u>32,621</u>	<u>1,353,236</u>	<u>1,282,136</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	Enterprise type	Legal representative	Institution code
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Sewage processing, tap 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	
Baoying Capital Water Co., Ltd.	A	Baoying	Baoying	Sewage processing	53,000	Limited Company	Zhao Yi	
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Hangzhou	Sewage processing	257,445	Limited Company	Zhao Yi	
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Tianjin	Production and sales of new types of construction material	37,500	Limited Company	Zhang Qiang	
Fuyang Capital Water Co., Ltd.	B	Fuyang	Fuyang	Sewage processing	107,100	Limited Company	Zhao Yi	
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	B	Hong Kong	Hong Kong	Sewage processing	62,987	Limited Company	Tang Fusheng	
Wendeng Capital Water Co., Ltd.	B	Wendeng	Wendeng	Sewage processing	61,400	Limited Company	Zhao Yi	
Tianjin Jing Hai Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	12,000	Limited Company	Yang Guang	
Tianjin Water Recycling Co., Ltd.	B	Tianjin	Tianjin	Production and sales of recycled water and technical consulting for water recycling business	100,000	Limited Company	Tang Fusheng	
Xi'an Capital Water Co., Ltd.	B	Xi'an	Xi'an	Sewage processing	334,000	Limited Company	Zhao Yi	
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	B	Tianjin	Tianjin	Environmental engineering protection and technical consultation	5,000	Limited Company	Zhang Wenhui	
Anguo 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	
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Wuhan	Sewage processing and tap water supply	103,240	Limited Company	Zhao Yi	
Tianjin Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	10,000	Limited Company	Li Yuqing	
Tianjin Zichuang Project Investment Co., Ltd.	B	Tianjin	Tianjin	Construction project investment	23,400	Limited Company	Lin Wenbo	
Tianjin Jinning Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	15,000	Limited Company	Yang Guang	
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	

A: Subsidiary

B: Wholly-owned subsidiaries



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(9) LONG-TERM EQUITY INVESTMENTS (Continued)

(a) Subsidiaries (Continued)

	Accounting method	Investment cost	Investment cost at beginning of the year	Additions	Investment cost at end of the year	Share holding/ voting rights (%)	Consolidate financial statement (Y/N)	Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in the current year
Qijing Capital Water Co., Ltd.	Cost method	154,918	154,918	—	154,918	87	Y	29,536	—	—
Guizhou Capital Water Co., Ltd.	Cost method	95,000	95,000	—	95,000	95	Y	5,667	—	—
Baoying Capital Water Co., Ltd.	Cost method	37,100	37,100	—	37,100	70	Y	21,473	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	Cost method	180,212	180,212	—	180,212	70	Y	106,203	—	—
Tianjin Capital New Materials Co., Ltd. (note(ii))	Cost method	26,500	26,500	—	26,500	71	Y	513	(26,500)	—
Fuyang Capital Water Co., Ltd.	Cost method	107,302	87,702	19,600	107,302	100	Y	—	—	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd. (note(iv))	Cost method	62,987	62,987	—	62,987	100	Y	1,803	—	—
Wendeng Capital Water Co., Ltd. (note(ii) (iii))	Cost method	61,400	52,000	9,400	61,400	100	Y	—	—	2,000
Tianjin Jing Hai Capital Water Co., Ltd.	Cost method	12,000	12,000	—	12,000	100	Y	—	—	—
Tianjin Water Recycling Co., Ltd.	Cost method	100,436	100,436	—	100,436	100	Y	—	—	—
Xian Capital Water Co., Ltd.	Cost method	334,000	270,000	64,000	334,000	100	Y	—	—	—
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	Cost method	5,000	5,000	—	5,000	100	Y	—	—	—
Anguo Capital Water Co., Ltd. (note(ii))	Cost method	41,000	41,000	—	41,000	100	Y	—	(30,019)	—
Wuhan Tianchuang Capital Water Co., Ltd. (note(iv))	Cost method	98,500	98,500	—	98,500	100	Y	2,301	—	—
Tianjin Capital Water Co., Ltd.	Cost method	10,000	10,000	—	10,000	100	Y	—	—	—
Tianjin Zichuang Project Investment Co., Ltd.	Cost method	23,400	23,400	—	23,400	100	Y	—	—	—
Tianjin Jinning Capital Water Co., Ltd.	Cost method	15,000	15,000	—	15,000	100	Y	—	(15,000)	—
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	Cost method	60,000	60,000	—	60,000	100	Y	—	—	—
Total		<u>1,424,755</u>	<u>1,331,755</u>	<u>93,000</u>	<u>1,424,755</u>			<u>167,496</u>	<u>(71,519)</u>	<u>2,000</u>

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (9) LONG-TERM EQUITY INVESTMENTS (Continued)

#### (a) Subsidiaries (Continued)

- (i) The Group is not exposed to significant restriction on recovery or remittance of return on investment in subsidiaries.
- (ii) In 2014, the parent company increased registered capital of Xi'an Capital Water Co., Ltd. in cash of RMB 64 million, of Fuyang Capital Water Co., Ltd. in cash of RMB 19.6 million and of Wendeng Capital Water Co., Ltd. in cash of RMB 9.4 million.
- (iii) In 2014, the cash dividend declared by the subsidiaries was Rmb2 million.
- (vi) Minority interest in Honghu Capital Water Co., Ltd. (a subsidiary of Wuhan Tianchuang Capital Water Co., Ltd.) is RMB2,301 thousand as at 31 December 2014 (31 December 2013: RMB2,267 thousand). Minority interest in Sino Legend (Hong Kong) Limited (a subsidiary of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.) is RMB1,803 thousand as at 31 December 2014 (31 December 2013: RMB1,846 thousand).

#### (b) Provisions

	31 December 2013	Additions	Decrease	31 December 2014
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	26,500
Anguo Capital Water Co., Ltd. (note(i))	23,119	6,900	—	30,019
Tianjin Jinning Capital Water Co., Ltd. (note(ii))	—	15,000	—	15,000
	<u>49,619</u>	<u>21,900</u>	<u>—</u>	<u>71,519</u>

- (i) 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 Rmb 6,900 thousand was provided for the related assets of An Guo company based on the construction consideration (note 6(26) (b)).
- (ii) A provision has been made for investment in this subsidiary of approximately Rmb15 million as at 31 December 2014(31 December 2013: Nil) (note 6(26) (a)).



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(9) LONG-TERM EQUITY INVESTMENTS (Continued)

(c) Investment in an associate

	31 December 2014					2014	
	Registered capital	Interest & voting shares held	Total assets	Total liabilities	Net assets	Revenue	Share of loss
Tianjin international Machinery Co., Ltd.	120,000	27.50%	734,027	560,181	173,846	2,131,004	(1,274)

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

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 valve and actuating device; heater exchanger and the whole set of it; 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 loss	Cash dividends by the associate	31 December 2014	Share holding/ Voting rights (%)
TIMC	33,000	32,621	(1,274)	—	31,347	27.50%

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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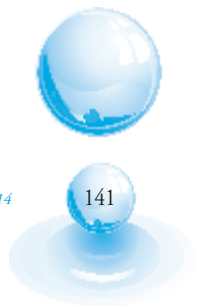
6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(9) LONG-TERM EQUITY INVESTMENTS (Continued)

(c) Investment in an associate (Continued)

Summarized financial information for TIMC:

	31 December 2014	31 December 2013
Cash and cash equivalents	201,841	152,132
Other current assets	341,471	370,587
Total current assets	<u>543,312</u>	<u>522,719</u>
Total non-current Assets	<u>190,715</u>	<u>194,054</u>
Trade payables	159,412	67,480
Other current liabilities	400,769	508,513
Total current liabilities	<u>560,181</u>	<u>575,993</u>
Net assets	<u>173,846</u>	<u>140,780</u>
Equity attributable to owners of the parent of TIMC	113,037	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 of TIMC	<u>113,037</u>	<u>117,684</u>
Voting shares held by the Group	27.50%	27.50%
Equity held by the Group	<u>31,085</u>	<u>32,363</u>
Long-term investment	<u>31,347</u>	<u>32,621</u>
	2014	2013
Revenue	2,631,004	2,512,282
Depreciation and amortization	(3,275)	(12,472)
Interest income	4,531	3,263
Interest expense	(21,758)	(17,855)
Total Profit	(3,069)	(4,176)
Income tax expense	238	(2,236)
Net Losses	<u>(2,831)</u>	<u>(6,412)</u>
Other comprehensive income	—	—
Total comprehensive loss	<u>(2,831)</u>	<u>(6,412)</u>
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:		
Non-controlling interests	(4,634)	(7,424)
Owners of the parent of TIMC	<u>1,803</u>	<u>1,012</u>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(10) INVESTMENT PROPERTIES

Buildings

At 1 January 2013, 31 December 2013 and 2014

Accumulated depreciation

1 January 2013

Charge for the year

At 31 December 2013

Charge for the year

At 31 December 2014

Net book value

At 31 December 2014

At 31 December 2013

	Group	Company
	137,374	110,648
	(25,092)	(22,157)
	(3,673)	(3,168)
	(28,765)	(25,325)
	(3,673)	(3,169)
	(32,438)	(28,494)
	104,936	82,154
	108,609	85,323

The Group's investment properties mainly represent the apportioned cost of its office building located in Tianjin held for long-term rental. Based on the Management's assessment, the fair value of leased building at 31 December 2014 was approximately Rmb151 million (2013: Rmb151 million) and its carrying value was approximately Rmb82 million.

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(11) FIXED ASSETS AND CONSTRUCTION IN PROGRESS

(a) Group

	Buildings & structure (note (i))	Machinery & equipment	Motor vehicles & others	Total
Cost				
At 1 January 2013	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)
At 31 December 2013	2,006,261	2,183,553	227,036	4,416,850
Transfer from construction in progress (note 6(11) (c))	108,553	97,293	7,833	213,679
Additions	14,625	4,142	271	19,038
Transfers to intangible assets(note(iv))	(1,754,150)	(1,889,823)	(153,528)	(3,797,501)
Disposals	(85,657)	(86,397)	(16,645)	(188,699)
At 31 December 2014	289,632	308,768	64,967	663,367
Accumulated depreciation				
At 1 January 2013	(636,360)	(455,682)	(83,981)	(1,176,023)
Charge for the year	(68,589)	(101,052)	(27,710)	(197,351)
Disposals	92	31,467	13,089	44,648
At 31 December 2013	(704,857)	(525,267)	(98,602)	(1,328,726)
Charge for the year(note(ii))	(22,067)	(48,270)	(12,911)	(83,248)
Transfers to intangible assets(note(iv))	664,970	445,811	53,253	1,164,034
Disposals	20,963	42,107	10,031	73,101
At 31 December 2014	(40,991)	(85,619)	(48,229)	(174,839)
Net book value				
At 31 December 2014	248,641	223,149	16,738	488,528
At 31 December 2013	1,301,404	1,658,286	128,434	3,088,124

- (i) All of the Group's buildings, structures and plants are located in the PRC.
- (ii) The Group's depreciation expense of Rmb77 million (2013:Rmb193 million) has been included in cost of operations and Rmb6 million (2013: Rmb4 million) in administrative expenses.
- (iii) As at 31 December 2014, the certificate of title to the building and land use rights included in property, plant and equipment, investment properties and land use rights with carrying amount of Rmb132 million (cost of Rmb175 million) (31 December 2013: carrying amount of Rmb138 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 managements believe that the titles will be received in due course without additional significant cost to the Group, if any.



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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(11) FIXED ASSETS AND CONSTRUCTION IN PROGRESS (Continued)

(a) Group (Continued)

(iv) On 18 February 2014, On 18 February 2014, TWAB, TUCC and the Company signed an agreement to grant concession services right Jizhuangzi, Xianyanglu, Dongjiao and Beicang sewage water processing plants to the Company. Therefore, the Company exchanged the above four sewage water processing plants' fixed assets and land use rights for intangible assets- service concession rights (Note 1(a)).

(b) Company

	Buildings & structure (note (i))	Machinery & equipment	Motor vehicles & others	Total
Cost				
At 1 January 2013	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)
At 31 December 2013	1,834,017	2,017,845	186,889	4,038,751
Transfer from construction in progress	—	373	966	1,339
Additions	(1,754,150)	(1,889,823)	(153,528)	(3,797,501)
Transfers to intangible assets (note (a) (iv))	—	(13)	(4,037)	(4,050)
Disposals				
At 31 December 2014	79,867	128,382	30,290	238,539
Accumulated depreciation				
At 1 January 2013	(612,747)	(403,488)	(73,422)	(1,089,657)
Charge for the year	(63,724)	(84,617)	(16,824)	(165,165)
Disposals	84	30,363	11,400	41,847
At 31 December 2013	(676,387)	(457,742)	(78,846)	(1,212,975)
Charge for the year	(5,400)	(28,455)	(1,781)	(35,636)
Transfers to intangible assets (note (a) (iv))	664,970	445,811	53,253	1,164,034
Disposals	—	10	3,908	3,918
At 31 December 2014	(16,817)	(40,376)	(23,466)	(80,659)
Net book value				
At 31 December 2014	63,050	88,006	6,824	157,880
At 31 December 2013	1,157,630	1,560,103	108,043	2,825,776

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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(11) FIXED ASSETS AND CONSTRUCTION IN PROGRESS (Continued)

(c) Movement of significant projects of construction in progress

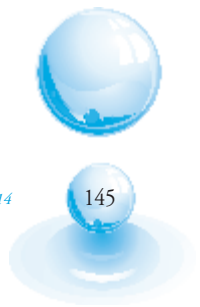
Name	31 December 2013	Increase in current year	Transfer to fixed assets	Transfer to intangible assets	Other decrease	31 December 2014	Proportion of expenditures incurred to budgeted amount	Source of funds
Sewage water processing plants:								
- Jin Gu	1,037,516	365,391	—	(1,402,907)	—	—	100%	Government grants
Others	4,789	253	—	—	(4,845)	197		Self-raised
<b>Total - Company</b>	<b>1,042,305</b>	<b>365,644</b>	<b>—</b>	<b>(1,402,907)</b>	<b>(4,845)</b>	<b>197</b>		
Water recycling plants:								
-Jin Gu	106,834	101,747	(208,581)	—	—	—	100%	Government grants
Others	2,939	222,409	(5,098)	(215,355)	(959)	3,936		Self-raised
<b>Total - Group</b>	<b>1,152,078</b>	<b>689,800</b>	<b>(213,679)</b>	<b>(1,618,262)</b>	<b>(5,804)</b>	<b>4,133</b>		

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

(d) As at 31 December 2014, the progress of significant projects of construction in progress:

	Construction progress	Remark
Sewage water processing plants - Jin Gu	100%	Estimated by percent of occurred cost amount to total project budget
Water recycling plants - Jin Gu	100%	Estimated by percent of occurred cost amount to total project budget

In order to improve the ecological city construction of Tianjin, Tianjin Government made a decision to relocate Tianjin Ji Zhuangzi sewage water processing plant and water recycling plant (the “Ji Zhuangzi Plants”) owned by the Group to Jinnan district of Tianjin. The Group was authorised to construct and operate the new Tianjin Jin Gu sewage water processing plant and water recycling plant (the “Jin Gu Plants”).



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(11) FIXED ASSETS AND CONSTRUCTION IN PROGRESS (Continued)

(d) As at 31 December 2014, the progress of significant projects of construction in progress: (Continued)

The total budget of the relocation project is about RMB2.33 billion. Under the instruction of Tianjin Government, the relocation project is funded by the land compensation from Tianjin Haihe Construction Developing Investment Co., Ltd (the “Haihe Company”). Haihe Company is the Company’s related party under common control of TICIG.

In October 2014, the constructions of Jin Gu plants were completed. After that, Jin Gu Plants took place of Ji Zhuangzi Plants to rendering related services. The Ji Zhuangzi Plants were demolished by the Group accordingly.

The actual construction cost of the Jin Gu sewage water processing plant and water recycling plant is RMB1.6 billion. The construction has been completed and transferred to fixed assets and intangible assets. As at 31 December 2014, the Group has received land compensation fund of RMB1.6 billion and recorded as deferred revenue.

(12) INTANGIBLE ASSETS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Concession rights (note (a))	6,299,501	2,641,117	3,631,305	—
Land use rights (note (b))	15,866	426,349	11,721	414,030
Technical know-how and computer software(note (c))	6,596	7,359	5,910	6,540
	<u>6,321,963</u>	<u>3,074,825</u>	<u>3,648,936</u>	<u>420,570</u>

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

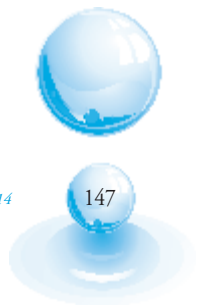
## 6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (12) INTANGIBLE ASSETS (Continued)

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

	Group	Company
Cost		
At 1 January 2013	3,290,910	—
Additions	31,501	—
At 31 December 2013	3,322,411	—
Transfers from property, plant and equipment(Note6(11) (a) (iv))	2,633,467	2,633,467
Transfers from land use right(Note6 (12) (b))	402,047	402,047
Transfers from CIP(Note6 (11) (c))	1,618,262	1,402,907
Transfer to other current assets(Note6 (6) (i))	(76,348)	—
Additions	21,442	—
Disposals	(716,372)	(716,328)
At 31 December 2014	7,204,909	3,722,093
Accumulated amortization		
At 1 January 2013	(545,178)	—
Charge for the year	(124,792)	—
At 31 December 2013	(669,970)	—
Charge for the year	(245,740)	(118,100)
Disposals	27,312	27,312
At 31 December 2014	(888,398)	(90,788)
Provision of Impairment		
At 31 December 2013	(11,324)	—
Charge for the year(Notes6 (26) (a))	(23,910)	—
Transfers to Other current assets(Note6 6(i))	18,224	—
At 31 December 2014	(17,010)	—
Net book value		
At 31 December 2014	6,299,501	3,631,305
At 31 December 2013	2,641,117	—

- (i) As at 31 December 2014, certain of concession rights with net book value of Rmb211 million (Cost: Rmb302 million) (2013: carrying amount Rmb221 million; cost: Rmb302 million) have been secured against long-term borrowings of Rmb97 million (2013: Rmb118 million) (note 6(16) (a)). Certain of concession rights with net book value Rmb13 million (Cost: Rmb19 million) (31 December 2013: carrying amount Rmb14 million; cost: Rmb19 million) have been secured against long-term borrowings of Rmb10 million (2013: Rmb10 million) (note:6(16) (a)).
- (ii) In 2014, there's no newly increased borrowing cost (2013: there's no newly increased borrowing cost).
- (iii) The remaining amortization period of concession rights range from 14 to 29 years.



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

For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(12) INTANGIBLE ASSETS (Continued)

(b) The movements of land use rights are as follows:

	Group	Company
Cost		
At 1 January 2013 and 31 December 2013	583,057	567,266
Transfers to intangible assets(Note6(11) (a) (iv))	(554,178)	(554,178)
Disposals	(11,038)	—
At 31 December 2014	<u>17,841</u>	<u>13,088</u>
Accumulated amortization		
At 1 January 2013	(145,404)	(142,431)
Charge for the year	(11,304)	(10,805)
At 31 December 2013	(156,708)	(153,236)
Transfers to intangible assets(Note6(11) (a) (iv))	152,131	152,131
Charge for the year	(697)	(262)
Disposals	3,299	—
At 31 December 2014	<u>(1,975)</u>	<u>(1,367)</u>
Net book value		
At 31 December 2014	<u>15,866</u>	<u>11,721</u>
At 31 December 2013	<u>426,349</u>	<u>414,030</u>

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

	Group	Company
Cost		
At 1 January 2013	11,059	10,211
Additions	307	80
At 31 December 2013	11,366	10,291
Additions	681	—
Disposals	(726)	—
At 31 December 2014	<u>11,321</u>	<u>10,291</u>
Accumulated amortization		
At 1 January 2013	(3,105)	(3,080)
Charge for the year	(902)	(671)
At 31 December 2013	(4,007)	(3,751)
Charge for the year	(857)	(630)
Disposals	139	—
At 31 December 2014	<u>(4,725)</u>	<u>(4,381)</u>
Net book value		
At 31 December 2014	<u>6,596</u>	<u>5,910</u>
At 31 December 2013	<u>7,539</u>	<u>6,540</u>

(d) Amortization of Rmb246 million (2013: Rmb136 million) is included in the 'cost of sales' in the income statement and Rmb1 million (2013: Rmb1million) in 'administrative expenses' respectively.

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

For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(13) PROVISION FOR ASSET IMPAIRMENT

	31 December 2013	Increase in current year	Reclassification	31 December 2014
Provision for bad debts	7,169	—	—	7,169
Provision for impairment of intangible assets (note(a))	11,324	23,910	(18,224)	17,010
Provision for impairment of other current assets	—	—	18,224	18,224
	<u>18,493</u>	<u>23,910</u>	<u>—</u>	<u>42,403</u>

- (a) The provision of impairment of intangible assets is Rmb23,910 thousand. Rmb18,224 thousand of it has been reclassified as other current assets. (Note6 12(a))

(14) TRADE PAYABLES, ADVANCES, TAXES PAYABLE AND OTHER PAYABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Trade payables (note (a))	54,319	21,099	21,540	5,042
Advances (note (b))	776,190	701,654	6,841	8,082
Other payables (note (c))	666,433	537,600	1,029,776	726,791
Taxes payable (note (d))	26,400	25,591	14,987	17,555
	<u>1,523,342</u>	<u>1,285,944</u>	<u>1,073,144</u>	<u>757,470</u>

- (a) As at 31 December 2014, the majority of trade payables are aged within one year and mainly for raw materials purchase.

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

- (b) Advances comprise:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
For pipeline connection service	762,622	685,875	—	—
For heating service	5,752	2,441	—	—
Received from project of Han Gu	3,267	3,536	3,267	3,536
Other advances	4,549	9,802	3,574	4,546
	<u>776,190</u>	<u>701,654</u>	<u>6,841</u>	<u>8,082</u>



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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(14) TRADE PAYABLES, ADVANCES, TAXES PAYABLE AND OTHER PAYABLES (Continued)

(b) Advances comprise: (Continued)

As at 31 December 2014, advances of Rmb574 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 31 December 2014, there were no advances from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2013: there were no advances from any of the shareholders of the Company who hold 5% or more of voting shares). And there were no advances from any of the related parties of the Group (31 December 2013: there were no advances from any of the related parties of the Group).

(c) Other payables comprise:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Construction costs payable	493,812	418,701	358,788	332,861
Payable for purchase of fixed assets and concession rights	22,745	32,493	—	11,600
Long-term debenture interests payables(note 6(16) (c))	28,098	28,063	28,098	28,063
Payables to subsidiaries	—	—	596,406	334,518
Others	121,778	58,343	46,484	19,749
	<u>666,433</u>	<u>537,600</u>	<u>1,029,776</u>	<u>726,791</u>

As at 31 December 2014, other payables of Rmb79 million (31 December 2013: Rmb112million) are aged over year, which mainly represent unsettled payables and deposits for upgrade projects.

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

(d) The balances of taxes payable

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Income tax payable	21,990	19,620	11,923	14,867
Business tax payable	2,724	3,094	2,113	2,092
Value-added tax payable	674	63	366	—
Others	1,012	2,814	585	596
	<u>26,400</u>	<u>25,591</u>	<u>14,987</u>	<u>17,555</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(15) EMPLOYEE BENEFITS PAYABLE

(a) Details of Employee benefits payable are set out below:

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Wages and salaries, bonuses, allowances and subsidies	5,067	133,215	(130,221)	8,061
Staff welfare	36	5,142	(5,178)	—
Social security contributions	1,507	38,134	(39,396)	245
Including: Medical insurance	481	9,805	(10,213)	73
Basic pensions	866	25,131	(25,851)	146
Unemployment insurance	54	1,858	(1,895)	17
Work injury insurance	16	612	(624)	4
Maternity insurance	90	728	(813)	5
Housing funds	868	19,933	(20,521)	280
Labor union funds and employee education funds	3,550	4,196	(2,682)	5,064
Others	94	—	(94)	—
	<u>11,122</u>	<u>200,620</u>	<u>(198,092)</u>	<u>13,650</u>

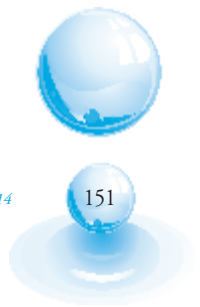
As at 31 December 2014, no defaulted payables are included in the balance of employee benefits payable and the balance is estimated to be used up in 2015.

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2014 is set out below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	—	701	701
Lin Wenbo(note(i))	—	731	731
Fu Yana	—	601	601
Shi Zhenjuan	—	462	462
<b>Non-executive Directors:</b>			
Xie Rong	64	—	64
Di Xiaofeng	64	—	64
Li Jieying	220	—	220
Gao Zongze	156	—	156
Guan Yimin	156	—	156
	<u>660</u>	<u>2,495</u>	<u>3,155</u>

(i) The Director is also the General Manager.





12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(15) EMPLOYEE BENEFITS PAYABLE (Continued)

(b) Directors' emoluments (Continued)

The remuneration of every director for the year ended 31 December 2013 is set out below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	150	698	848
Lin Wenbo(note(i))	100	703	803
Fu Yana	100	548	648
Shi Zhenjuan	100	548	648
<b>Non-executive Directors:</b>			
Xie Rong	220	—	220
Di Xiaofeng	220	—	220
Li Jieying	220	—	220
An Pindong	100	—	100
Chen Yinxing	100	—	100
	<u>1,310</u>	<u>2,497</u>	<u>3,807</u>

(ii) The Director is also the General Manager.

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES

	Note	Group		Company	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Non-current:					
Long-term bank borrowings	(a)	1,845,896	2,067,036	794,350	962,600
Less: current portion within one year	(a)	(281,330)	(853,750)	(68,500)	(652,000)
		<u>1,564,566</u>	<u>1,213,286</u>	<u>725,850</u>	<u>310,600</u>
Long-term debenture	(c)	1,388,975	1,384,775	1,388,975	1,384,775
Long-term payable	(d)	262,454	291,175	262,454	291,175
Other non-current liabilities	(e)	53,727	1,369,522	—	1,140,000
		<u>3,269,722</u>	<u>4,258,758</u>	<u>2,377,279</u>	<u>3,126,550</u>
Current:					
Current portion of long-term bank borrowings	(a)	281,330	853,750	68,500	652,000
Current portion of long-term payable	(d)	22,891	24,356	22,891	24,356
		<u>304,221</u>	<u>878,106</u>	<u>91,391</u>	<u>676,356</u>
Short-term borrowings	(b)	50,000	—	50,000	—
Other current liabilities	(e)	4,251	3,287	—	—
		<u>54,251</u>	<u>3,287</u>	<u>50,000</u>	<u>—</u>
		<u>358,472</u>	<u>881,393</u>	<u>141,391</u>	<u>676,356</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

(a) Long-term bank borrowings

The long-term bank borrowings are summarized by the bank names as below:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Borrowings from:				
China Construction Bank	489,600	540,600	143,600	151,600
Industrial and Commercial Bank of China	413,236	460,376	50,000	20,000
Agriculture Bank of China	275,110	258,060	199,000	200,000
State Development Bank	253,200	367,500	126,000	218,000
China Minsheng Bank	99,000	20,000	—	—
Tianjin Rural Cooperative Bank	97,000	99,000	97,000	99,000
China Ever bright Bank	85,000	86,000	85,000	86,000
China Merchants Bank	50,000	—	50,000	—
Bohai Bank	43,750	20,000	43,750	20,000
Bank of China	20,000	25,000	—	—
Baoying Rural Credit Cooperatives Union	20,000	22,500	—	—
PingAn Bank	—	152,000	—	152,000
Shanghai Bank	—	16,000	—	16,000
	<u>1,845,896</u>	<u>2,067,036</u>	<u>794,350</u>	<u>962,600</u>

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

	Note	Group		Company	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Pledge	(i)	22,000	21,000	—	—
Guarantee	(iii)	190,830	180,750	—	—
Unsecured		68,500	652,000	68,500	652,000
		<u>281,330</u>	<u>853,750</u>	<u>68,500</u>	<u>652,000</u>

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

	Note	Group		Company	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Pledge	(ii)	85,000	106,000	—	—
Guarantee	(iv)	753,716	796,686	—	—
Unsecured		725,850	310,600	725,850	310,600
		<u>1,564,566</u>	<u>1,213,286</u>	<u>725,850</u>	<u>310,600</u>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

(a) Long-term bank borrowings (Continued)

- (i) As at 31 December 2014, the current portion of bank pledge borrowings of Rmb22 million (31 December 2013: Rmb21 million), including Rmb22 million (2013: Rmb21 million) secured by the concession services right of tap water and sewage processing fees of the Company's subsidiary, Qujing Capital Water Co. Ltd. (note6 (12) (a)).
- (ii) As at 31 December 2014, non-current portion of bank pledge borrowings of Rmb85 million (31 December 2013: Rmb106 million), including Rmb75 million (2013: Rmb97 million) secured by the concession services right of tap water and sewage processing fees of the Company's subsidiary, Qujing Capital Water Co. Ltd. (note6 (12) (a)). The other Rmb10 million (2013: Rmb10 million) were secured by the land and buildings of the Company's subsidiary, Baoying Capital Water Co. Ltd.
- (iii) As at 31 December 2014, current portion of bank guarantee borrowings of Rmb167 million (2013: Rmb159 million) and Rmb24 million (2013: Rmb22 million) were secured by the guarantee of the Company and TICIG respectively (note9 (5) (b)).
- (iv) As at 31 December 2014, non-current portion of bank guarantee borrowings of Rmb529 million (2013: Rmb548million) and Rmb225 million (2013: Rmb249 million) were secured by the guarantee of the Company and TICIG respectively (note9 (5) (b)).
- (v) These long term bank borrowings bear interest rates between 5.535% and 7.530% in 2014 (2013: between 5.895% and 7.205%).
- (vi) These borrowings mature as follows:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	281,330	853,750	68,500	652,000
1 to 2 years	783,530	300,230	494,250	68,000
2 to 5 years	633,236	686,956	231,600	226,600
Over 5 years	147,800	226,100	—	16,000
	<u>1,845,896</u>	<u>2,067,036</u>	<u>794,350</u>	<u>962,600</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

(a) Long-term bank borrowings (Continued)

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

	Grant date	Maturity date	Currency	Rate(%)	Group	
					31 December 2014	31 December 2013
Industrial and Commercial Bank of China	2012-06-29	2015-07-15	RMB	7.21%	40,000	—
Industrial and Commercial Bank of China	2006-11-23	2016-11-22	RMB	5.54%	30,000	—
State Development Bank	2009-11-20	2019-10-11	RMB	6.15%	25,000	—
China Construction Bank	2008-09-28	2022-09-27	RMB	6.23%	24,000	—
Industrial and Commercial Bank of China	2008-01-31	2016-06-21	RMB	5.90%	22,400	—
					<u>141,400</u>	<u>—</u>

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

	Grant date	Maturity date	Currency	Rate(%)	Group	
					31 December 2014	31 December 2013
China Construction Bank	2008-09-28	2022-09-27	RMB	6.23%	225,000	249,000
State Development Bank	2009-10-12	2019-10-11	RMB	6.15%	101,000	126,000
Agriculture Bank of China	2014-11-28	2016-11-25	RMB	6.12%	98,000	—
Agriculture Bank of China	2014-03-27	2016-03-26	RMB	6.46%	97,000	—
China Construction Bank	2014-01-26	2017-01-26	RMB	6.30%	96,000	—
					<u>617,000</u>	<u>375,000</u>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

(a) Long-term bank borrowings (Continued)

(ix) Long-term bank borrowings

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

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
6 months or less	99,000	797,876	99,000	487,000
6- 12 months	1,746,896	1,269,160	695,350	475,600
	<u>1,845,896</u>	<u>2,067,036</u>	<u>794,350</u>	<u>962,600</u>

(x) As at year end, the Group has the following committed undrawn banking facilities:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Floating rate expiring within 1 year	—	948,500	—	948,500
Floating rate expiring over 1 year	964,000	—	964,000	—
	<u>964,000</u>	<u>948,500</u>	<u>964,000</u>	<u>948,500</u>

(b) Short-term borrowings

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Borrowings from: Postal Saving Bank Of China	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>—</u>

Summary of terms of short-term borrowings:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Unsecured	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>—</u>

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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

(c) Long-term debenture

Long-term Debenture	31 December 2013	Additions	Decrease	31 December 2014
Par value	1,400,000	—	—	1,400,000
Transaction cost	(15,225)	—	4,200	(11,025)
	<u>1,384,775</u>	<u>—</u>	<u>4,200</u>	<u>1,388,975</u>

General information on Long-term Debenture

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

Interest accrued of debentures is analyzed as follows:

	31 December 2013	Interest accrued		31 December 2014
		Interest accrued in current year	Interest paid in current year	
Corporate Debenture I(i)	7,747	46,480	(46,480)	7,747
Corporate Debenture II(ii)	<u>20,316</u>	<u>38,185</u>	<u>(38,150)</u>	<u>20,351</u>
	<u>28,063</u>	<u>84,665</u>	<u>(84,630)</u>	<u>28,098</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.



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

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

	Group and Company					
	31 December 2014			31 December 2013		
	Payable	Unrecognized financial charges	Total	Payable	Unrecognized financial charges	Total
Payable for assets acquisition	<u>488,144</u>	<u>(202,799)</u>	<u>285,345</u>	<u>556,716</u>	<u>(241,185)</u>	<u>315,531</u>

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Current portion
TSC	20 March 2041	430,314	5.94%	262,454	22,891

Balance of the long-term payable to TSC is the consideration payable 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 sold to the Company the certain sewage processing assets. The down payment is 261 million, and remaining payments will be settled in Renminbi 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 payable (including interest) are denominated in the following currencies:

	Group and Company	
	31 December 2014	31 December 2013
JPY	352,902	414,506
US dollar	<u>135,242</u>	<u>142,210</u>
	<u>488,144</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.

For the year ended 31 December 2014  
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**6 NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)**

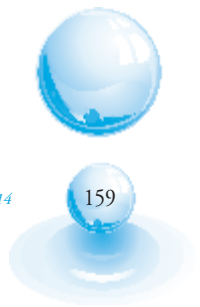
*(d) Long-term payable and current portion of long-term payable (Continued)*

(iii) The long-term payable mature as follows, and as at 31 December 2014, the current portion of long-term payable of Rmb23 million was classified as current liabilities.

	Group and Company	
	31 December 2014	31 December 2013
Within 1 year	22,891	24,356
1 to 2 years	22,047	23,361
2 to 5 years	61,828	64,931
Over 5 years	178,579	202,883
	285,345	315,531

*(e) Other liabilities*

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Non-current:				
– Land compensation fund for Ji Zhuang Zi sewage plant relocation	—	1,140,000	—	1,140,000
– Land compensation fund for Ji Zhuang Zi water recycling plants relocation	—	160,000	—	—
– Compensation fund for providing cooling service (notes(i))	46,000	48,000	—	—
– Government loan for water recycling plants construction (note(ii))	7,727	10,909	—	—
– Others	—	10,613	—	—
	53,727	1,369,522	—	1,140,000
Current:				
– Current portion of government loan for water recycling plants construction (note(ii))	3,182	3,182	—	—
– Others	1,069	105	—	—
	4,251	3,287	—	—





12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(16) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURE, LONG-TERM PAYABLE AND OTHER LIABILITIES (Continued)

(e) Other liabilities (Continued)

- (i) The fund received from TUCC in 2013 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.
- (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 Rmb 3 million at the end of 2014 (2013: Rmb 3 million). The interest is one-year deposit rate plus 0.3% premium.

(17) 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:

	31 December 2013	Additions	Demolition loss (note(ii))	Recognised in Other gains-net Reclassification	31 December 2014	Relating to assets/costs
Sewage water processing plants:						
- Xianyanglu (upgrading project)	70,894	—	—	(2,363)	68,531	assets
- Jizhuangzi (upgrading project)	41,760	—	—	(806)	—	assets
- Dongjiao (upgrading project)	49,746	—	—	(1,658)	48,088	assets
- Jin Gu	—	1,440,000	(669,110)	(6,775)	805,069	assets
Water recycling plants in:						
- Dongjiao	24,456	—	—	(675)	23,781	assets
- Bei Chen	20,737	—	—	(525)	20,212	assets
Others	3,813	215	—	(2,542)	1,486	costs
<b>Total-Company</b>	<b>211,406</b>	<b>1,440,215</b>	<b>(669,110)</b>	<b>(15,344)</b>	<b>967,167</b>	
Heating and cooling supply service project:	100,255	—	—	(4,308)	95,947	assets
Water recycling plants :						
- Jizhuangzi (sewage reusing project)	40,743	10,613	—	(1,570)	—	assets
- Jizhuangzi (expansion project)	19,800	—	—	—	—	assets
- Xianyanglu (water recycling project)	14,756	—	—	(415)	14,341	assets
- Jin Gu	—	160,000	(107,282)	(484)	121,820	assets
Sewage water processing plants:						
- Bei Shi Qiao (upgrading project)	7,605	—	—	—	7,605	assets
Others	1,882	1,487	—	(1,048)	2,321	costs
<b>Total</b>	<b>396,447</b>	<b>1,612,315</b>	<b>(776,392)</b>	<b>(23,169)</b>	<b>1,209,201</b>	

- (i) Sewage water processing and water recycling services have been provided by Jin Gu in 2014 and Jizhuangzi sewage water processing plant and water recycling plant has been demolished. Deferred revenue is used to offset the demolition loss of Jizhuangzi sewage water processing plant and water recycling plant.

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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(18) 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:

	31 December 2014	31 December 2013
Deductible temporary difference (Note6(26))	23,910	18,493
Deductible loss carry-forwards	90,660	84,416
	<u>114,570</u>	<u>102,909</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:

Year	Ending balance	Beginning balance
2014	—	11,812
2015	16,475	16,475
2016	27,553	27,553
2017	18,204	18,204
2018	10,372	10,372
2019	18,056	—
	<u>90,660</u>	<u>84,416</u>

(b) *Deferred income tax liabilities*

	Group			
	31 December 2014		31 December 2013	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of fixed assets	<u>86,778</u>	<u>347,112</u>	<u>68,977</u>	<u>275,908</u>

	Company			
	31 December 2014		31 December 2013	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of fixed assets	<u>36,584</u>	<u>146,336</u>	<u>22,674</u>	<u>90,696</u>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(19) SHARE CAPITAL

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

	Circulating A shares	Circulating H shares	Total
At 31 December 2013 and 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.

(20) CAPITAL RESERVES, SURPLUS RESERVES AND DIVIDEND

- (a) Capital reserve: capital reserve comprises share premium arising from the issuance of shares and adjustment from acquisition of shares from minority interests. This reserve can be utilized to offset prior years' losses or for issuance of bonus shares.
- (b) Surplus reserve: 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) Undistributed profits

	2014		2013	
	Amount	Appropriation/ distribution ratio	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year	1,793,699	—	1,619,785	—
Add: net profit attributable to owners of the parent for the current year	308,168	—	281,899	—
Less: appropriation for statutory surplus reserves	(21,807)	10%	(22,351)	10%
Ordinary share dividends payable	<u>(114,178)</u>	—	<u>(85,634)</u>	—
Undistributed profits at the end of the year	<u>1,965,882</u>		<u>1,793,699</u>	

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(20) CAPITAL RESERVES, SURPLUS RESERVES AND DIVIDEND (Continued)

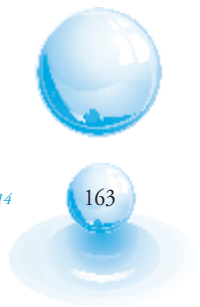
As at 31 December 2014, undistributed profits include Rmb32,695 thousand subsidiaries' common reserve attributable to the Company (31 December 2013: Rmb25,134 thousand), of which Rmb8,941 thousand has been appropriated for the current year (31 December 2013: Rmb8,116 thousand).

A dividend in respect of year ended 31 December 2013 of Rmb 0.8 (gross tax) every 10 shares, total shares of 1,427 million shares on 31 July 2014, amounting to a total dividend of Rmb 114 million, was approved at the Annual General Meeting on 5 June 2014.

On 26 March 2015, the Directors proposed a dividend of Rmb 0.7 (gross tax) for every 10 shares held, total shares of 1,427 million, amounting to a total dividend of Rmb 100 million. In 2014, capital reserve will not to be used to increase share capital. This proposed dividend is yet to be approved at the Annual General Meeting. These financial statements do not reflect this dividend payable.

(21) MINORITY INTERESTS

	31 December 2014 Minority interest	2014 Minority interest income	2014 Declared distribution of cash dividend this year
Hangzhou Tianchuang Capital Water Co., Ltd. (Hangzhou Company)	106,203	6,421	—
Qujing Capital Water Co., Ltd. (Qujing Company)	29,536	2,314	—
Others	31,757	809	—
	167,496	9,544	—



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(21) MINORITY INTERESTS (Continued)

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

Summarized balance sheet

	31 December 2014				Net assets
	current assets	non-current assets	current liability	non-current liability	
Hangzhou Company	45,483	641,176	99,746	232,903	354,010
Qijing Company	76,388	325,004	55,876	130,232	215,284
	<u>121,871</u>	<u>966,180</u>	<u>155,622</u>	<u>363,135</u>	<u>569,294</u>

	31 December 2013				Net assets
	current assets	non-current assets	current liability	non-current liability	
Hangzhou Company	60,511	672,547	94,839	305,614	332,605
Qijing Company	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

	2014				Total comprehensive income
	Revenue	Profit before income tax	Income tax expense	Net profit	
Hangzhou Company	164,278	25,646	(4,241)	21,405	21,405
Qijing Company	101,506	22,974	(5,761)	17,213	17,213
	<u>265,784</u>	<u>48,620</u>	<u>(10,002)</u>	<u>38,618</u>	<u>38,618</u>

	2013				Total comprehensive income
	Revenue	Profit before income tax	Income tax expense	Net profit	
Hangzhou Company	156,313	17,987	(3,606)	14,381	14,381
Qijing Company	71,554	1,839	(3,151)	(1,312)	(1,312)
	<u>227,867</u>	<u>19,826</u>	<u>(6,757)</u>	<u>13,069</u>	<u>13,069</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(21) MINORITY INTERESTS (Continued)

Summarized cash flows

	2014			Cash and cash equivalents at beginning of the year	Cash and cash equivalents at end of the year
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities		
Hangzhou Company	81,393	(9,905)	(88,920)	45,148	27,716
Qujing Company	5,222	(42)	(6,511)	6,094	4,763
	<u>86,615</u>	<u>(9,947)</u>	<u>(95,431)</u>	<u>51,242</u>	<u>32,479</u>
	2013			Cash and cash equivalents at beginning of the year	Cash and cash equivalents at end of the year
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities		
Hangzhou Company	79,567	(612)	(66,919)	33,112	45,148
Qujing Company	57,718	(3,160)	(51,874)	3,410	6,094
	<u>137,285</u>	<u>(3,772)</u>	<u>(118,793)</u>	<u>36,522</u>	<u>51,242</u>

Information presented above is the amounts before inter-company netting off.

(22) INCOME FROM AND COST FOR OPERATIONS

	Group			
	2014 Income from operations	Cost of operations	2013 Income from operations	Cost of operations
Income from principal operations	1,671,132	979,297	1,614,678	971,793
Other operating income	156,947	105,478	135,183	85,787
	<u>1,828,079</u>	<u>1,084,775</u>	<u>1,749,861</u>	<u>1,057,580</u>
	Company			
	2014 Income from operations	Cost of operations	2013 Income from operations	Cost of operations
Income from principal operations	867,593	427,341	855,167	450,255
Other operating income	115,594	64,808	97,496	53,590
	<u>983,187</u>	<u>492,149</u>	<u>952,663</u>	<u>503,845</u>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(22) INCOME FROM AND COST FOR OPERATIONS

(a) Income from and cost of principal operations

The income and cost categorized by the nature of service is analyzed as below:

	2014		Group		2013	
	Income from operations	Cost of operations	Income from operations	Cost of operations	Income from operations	Cost of operations
Processing of sewage water and construction of related facility	1,300,801	729,623	1,258,649	758,655		
Water recycling and connection project	164,734	129,658	164,889	116,789		
Heating and cooling service	67,570	40,424	71,227	41,966		
Tap water supplying	61,515	49,605	36,469	26,869		
Others	76,512	29,987	83,444	27,514		
	<u>1,671,132</u>	<u>979,297</u>	<u>1,614,678</u>	<u>971,793</u>		

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

	2014		Group		2013	
	Income from operations	Cost of operations	Income from operations	Cost of operations	Income from operations	Cost of operations
Tianjin area	1,136,504	604,086	1,141,553	645,909		
Hangzhou area	163,650	108,660	156,313	106,196		
Qijing area	99,755	64,579	71,554	47,147		
Xi'an area	81,887	67,921	78,676	59,611		
Others	189,336	134,051	166,582	112,930		
	<u>1,671,132</u>	<u>979,297</u>	<u>1,614,678</u>	<u>971,793</u>		

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(22) INCOME FROM AND COST FOR OPERATIONS

(b) *Income from and cost of other operating*

	Group			
	2014		2013	
	Income from operations	Cost for operations	Income from operations	Cost for operations
Entrust operation income	113,402	86,091	99,985	70,323
Technical service	25,786	7,819	19,596	3,320
Rental	10,624	5,179	8,178	5,219
Others	7,135	6,389	7,424	6,925
	<u>156,947</u>	<u>105,478</u>	<u>135,183</u>	<u>85,787</u>

(c) *As at 31 December 2014, the income from the top five customers is analyzed as below:*

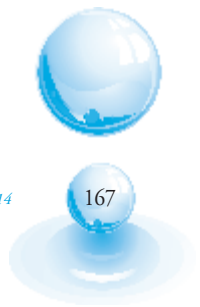
The total revenue of the Group's top 5 customers is Rmb1,201 million for the year ended 31 December 2014, which account for about 65% of the Group's total revenue (2013: Rmb1,164 million and 66%).

	Revenue	% of total balance
TWAB(note(i))	788,900	43%
Hangzhou Sewage Company	163,650	9%
Qijing City Water General Company	99,654	5%
Xi'an Urban Infrastructure Construction Investment Group Co., Ltd.	81,887	4%
Tianjin Municipal and Highway Management Bureau	67,027	4%
	<u>1,201,118</u>	<u>65%</u>

(i) Operating revenue from customer TSC account for about 80% of the Group's total revenue, the rest is immaterial.

(23) BUSINESS TAX AND SURCHARGES

	Group		Company	
	2014	2013	2014	2013
Business tax	13,980	13,439	7,770	7,312
City construction and maintenance fee	1,224	1,114	540	511
Education fee surcharge and others	1,015	921	467	438
	<u>16,219</u>	<u>15,474</u>	<u>8,777</u>	<u>8,261</u>





12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(24) ADMINISTRATIVE EXPENSES

	Group			
	2014 Operating	Administrative expenses	2013 Operating Revenue	Administrative expenses
Amortization	246,400	894	136,111	887
Utilities	212,110	1,926	209,684	1,910
Employee wages	120,649	62,730	116,660	60,551
Depreciation	81,347	5,574	196,638	4,386
Repair and maintenance expenses	78,094	4,275	64,844	4,625
Sewage mud processing fee	42,295	—	50,664	—
Raw materials and consumables used	43,828	—	45,952	—
Cost of recycling water pipeline connection service	35,358	—	48,766	—
Construction cost of sewage water plants	28,557	—	26,290	—
Network Maintenance	19,252	—	12,098	—
Factory environment, detection and fire prevention fee	20,842	—	17,880	—
Toll road management fee	7,120	—	7,120	—
Other taxes	5,381	5,939	4,887	5,727
Travelling, meeting and entertainment expenses	4,512	4,959	3,363	10,130
Consulting service fee	3,384	1,092	918	1,585
Office allowance	1,607	2,698	2,206	2,798
Auditors' remuneration	—	4,200	—	4,200
Expenses of Board of directors	—	3,642	—	3,175
Others	28,561	5,486	27,712	8,810
	<u>979,297</u>	<u>103,415</u>	<u>971,793</u>	<u>108,784</u>

	Company			
	2014 Operating	Administrative expenses	2013 Operating Revenue	Administrative expenses
Amortization	118,153	839	10,590	887
Utilities	84,189	1,565	86,501	1,562
Employee wages	50,435	38,402	49,647	36,595
Repair and maintenance expenses	43,744	2,812	24,805	2,925
Depreciation	36,443	2,362	165,821	2,512
Sewage mud processing fee	34,560	—	44,295	—
Raw materials and consumables used	19,770	—	24,168	—
Construction cost of sewage water plants	10,070	—	11,961	—
Factory environment, detection and fire prevention fee	7,283	—	8,731	—
Network Maintenance	9,340	—	2,820	—
Toll road management fee	7,120	—	7,120	—
Other taxes	2,633	2,122	2,584	1,985
Travelling, meeting and entertainment expenses	852	1,338	837	2,129
Consulting service fee	832	1,248	486	1,482
Office allowance	620	1,023	866	1,317
Auditors' remuneration	—	4,200	—	4,200
Expenses of Board of directors	—	3,642	—	3,175
Others	1,297	1,857	9,023	1,976
	<u>427,341</u>	<u>61,410</u>	<u>450,255</u>	<u>60,745</u>

12. Financial statements prepared in accordance with PRC Accounting  
Standards for Business Enterprises  
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For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(25) FINANCIAL EXPENSES - NET

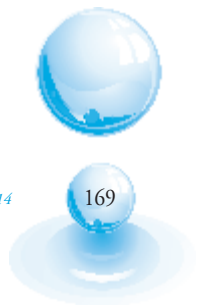
	Group		Company	
	2014	2013	2014	2013
Interest expenses of borrowings	229,122	259,295	164,258	178,467
Less: Capitalized interest	—	—	—	—
Net interest expenses	229,122	259,295	164,258	178,467
Less: Interest income	(18,660)	(19,331)	(28,165)	(24,763)
– long-term receivables	(11,343)	(11,480)	(11,343)	(11,480)
– bank deposits	(7,317)	(7,851)	(2,376)	(3,600)
– interests from inter-company loan	—	—	(14,446)	(9,683)
Exchange loss/(gain) (note(a))	(27,947)	(66,790)	(27,947)	(66,790)
Others	5,111	4,639	4,378	3,432
	<u>187,626</u>	<u>177,813</u>	<u>112,524</u>	<u>90,346</u>

- (a) As at 31 December 2014, the long-term payables denominated in Japanese Yen and USD are translated into Rmb at the stipulated exchange rates as at 31 December 2014 and recognized the unrealized exchange gains of about Rmb28 million (31 December 2013: exchange gains of about Rmb67 million).

(26) IMPAIRMENT OF ASSETS

	Group		Company	
	2014	2013	2014	2013
Impairment of intangible assets(note(a))	17,010	11,324	—	—
Impairment of other current assets(note(b))	6,900	—	2,010	—
Provision for bad debts	—	7,169	—	—
Provision of impairment for long-term investment(note(c))	—	—	21,900	23,119
	<u>23,910</u>	<u>18,493</u>	<u>23,910</u>	<u>23,119</u>

- (a) A provision of Rmb 17,010 thousand was provided for Tianjin Jinning Capital Water Co., Ltd.
- (b) A provision of Rmb 6,900 thousand was provided for the tap water supplying assets of Anguo Capital Water Co., Ltd.
- (c) A provision of Rmb 15,000 thousand was provided for the long-term investment of the Company for Tianjin Jinning Capital Water Co., Ltd and Rmb 6,900 thousand for Anguo Capital Water Co., Ltd.



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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(27) NON-OPERATING INCOME

	Group		Non-recurring Profit or Loss Recognized in 2014
	2014	2013	
Gains on disposals of non-current assets	64	6	64
Government grants(note6(17))	23,169	22,906	23,169
Offset demolition loss(note6(17))	776,392	–	776,392
Others	1,251	939	1,251
	<u>800,876</u>	<u>23,851</u>	<u>800,876</u>

(28) NON-OPERATING EXPENSES

	Group		Non-recurring Profit or Loss Recognized in 2014
	2014	2013	
Loss on disposals of fixed assets	1,876	4,857	1,876
Demolition loss(note6(17) (i))	776,392	–	776,392
Others	204	165	204
	<u>778,472</u>	<u>5,022</u>	<u>778,472</u>

(29) INCOME TAX

	Group		Company	
	2014	2013	2014	2013
Current income tax	97,751	90,827	69,755	74,301
Deferred income tax	17,801	8,332	14,093	953
	<u>115,552</u>	<u>99,159</u>	<u>83,848</u>	<u>75,254</u>

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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(29) INCOME TAX (Continued)

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

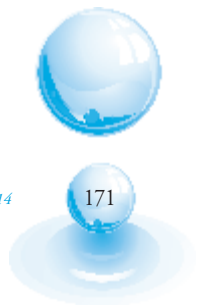
	Group	
	2014	2013
Total profit	433,264	387,516
Calculated at applicable income tax rates (25%)	108,316	96,879
Effect of different income tax rates applicable to certain subsidiaries	(1,856)	(3,842)
Income not subject to tax	(3,974)	(1,141)
Expenses not deductible for taxation purposes	11,287	6,996
Utilization of previously deductible tax losses for which no deferred income tax was recognized	(2,735)	(2,326)
Current year tax losses for which no deferred income tax asset was recognized	4,514	2,593
Income tax expenses	<u>115,552</u>	<u>99,159</u>

(30) EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb308 million (2013: Rmb282 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2013: 1,427 million shares).

As the Company has no related matters which have impact on the ordinary shares in issue, diluted earnings per share are calculated using the same bases as described above for calculating basic earnings per share.

	Group	
	2014	2013
Profit attributable to owners of the parent	308,168	281,899
Weighted average number of ordinary shares in issue (million shares)	1,427	1,427
Basic and diluted earnings per share (Rmb Yuan)	<u>0.22</u>	<u>0.20</u>



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(31) NOTES TO THE CASH FLOW STATEMENTS AND SUPPLEMENTARY INFORMATION

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

	Group		Company	
	2014	2013	2014	2013
Net profit	317,712	288,357	218,072	223,509
Adjustments for:				
Provision of impairment	23,910	18,493	23,910	23,119
Depreciation of fixed assets and investment properties	86,921	201,024	38,805	168,333
Amortization of intangible assets	247,294	136,998	118,992	11,476
Losses/(gains) on disposals of fixed assets and intangible assets	1,812	4,851	265	3,926
Financial expenses-net	201,175	192,505	121,865	101,994
Investment losses/(income)	1,274	3,030	(2,000)	(23,916)
Amortization of deferred revenue	(23,169)	(11,755)	(15,344)	(5,118)
Increase in deferred tax liabilities	17,801	8,332	13,910	953
Decrease/(increase) in inventories	43,643	34,474	3,530	3,331
Increase in operating receivables	(487,119)	(439,487)	(420,817)	(414,648)
Increase/(decrease) in operating payables	178,115	134,651	31,372	(1,581)
Net cash flows from operating activities	<u>609,369</u>	<u>571,473</u>	<u>132,560</u>	<u>91,378</u>
Net changes in cash and cash equivalents				
Cash at end of year	814,892	994,982	292,731	342,090
Less: cash at beginning of year	<u>(994,982)</u>	<u>(996,965)</u>	<u>(342,090)</u>	<u>(469,715)</u>
Net decrease in cash and cash equivalents	<u>(180,090)</u>	<u>(1,983)</u>	<u>(49,359)</u>	<u>(127,625)</u>

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

	Group		Company	
	2014	2013	2014	2013
Cash				
Including: Cash in hand	333	167	13	17
Cash in bank available at anytime	<u>814,559</u>	<u>994,815</u>	<u>292,718</u>	<u>342,073</u>
Cash and cash equivalents shown in the cash flow statements	<u>814,892</u>	<u>994,982</u>	<u>292,731</u>	<u>342,090</u>

12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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For the year ended 31 December 2014  
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6 NOTES TO THE FINANCIAL STATEMENTS (Continued)

(31) NOTES TO THE CASH FLOW STATEMENTS AND SUPPLEMENTARY INFORMATION (Continued)

(c) Cash received relating to other operating activities mainly includes:

	Group		Company	
	2014	2013	2014	2013
Interest income from bank deposits	7,317	7,851	2,376	3,600
Release of deposit on project bids	2,500	2,002	2,500	2,002
Subsidies received	1,487	6,200	50	561
Others	1,251	939	423	4
	<u>12,555</u>	<u>16,992</u>	<u>5,349</u>	<u>6,167</u>

(d) Cash paid relating to other operating activities includes:

	Group		Company	
	2014	2013	2014	2013
Travelling, meeting and entertainment expenses	4,958	10,130	1,338	2,129
Consulting service fee	6,687	5,786	5,519	5,682
Expense of board of directors	3,885	3,960	3,642	3,175
Repair and maintenance expenses	3,108	4,625	1,645	2,925
Others	17,724	19,243	16,953	7,353
	<u>36,362</u>	<u>43,744</u>	<u>29,097</u>	<u>21,264</u>

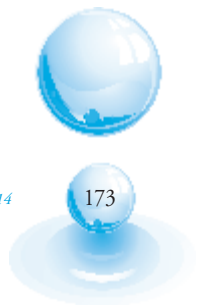
(e) Net cash received on disposals of fixed assets assets

	Group	
	2014	2013
Carrying value of disposals of fixed assets	115,598	8,791
Offset deferred revenue	(107,282)	—
Losses on disposals of fixed assets	(1,812)	(4,851)
Net cash received on disposals of fixed assets	<u>6,504</u>	<u>3,940</u>

(f) Cash received relating to other investing activities mainly includes:

	Group		Company	
	2014	2013	2014	2013
Land compensation fund received (note(i))	300,000	550,000	300,000	470,000
Received of government grants	—	27,492	—	21,387
	<u>300,000</u>	<u>577,492</u>	<u>300,000</u>	<u>491,387</u>

- (i) The construction of Jin Gu sewage water processing plant and water recycling plant has been completed in 2014. The Group received land compensation fund amounting to Rmb0.3 billion in 2014. As at 31 December 2014, the total land compensation fund received is Rmb1.6 billion (Note 6(11)(d)).



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

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### 7 SEGMENT REPORTING

Reportable segment of the Group was 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 a service perspective, 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).

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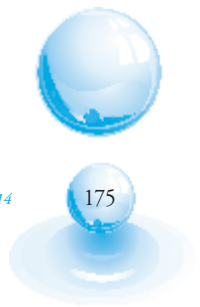
12. Financial statements prepared in accordance with PRC Accounting  
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For the year ended 31 December 2014  
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7 SEGMENT REPORTING (Continued)

(a) Segment information as at and for the year ended 31 December 2014 is as follows:

	Sewage processing and facility construction services						All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling	Tap water		
Income from third parties (note 6(22))	796,351	163,650	365,509	164,734	67,570	61,515	208,750	1,828,079
Cost of sales from third parties	<u>(379,724)</u>	<u>(108,660)</u>	<u>(241,239)</u>	<u>(129,658)</u>	<u>(40,424)</u>	<u>(49,605)</u>	<u>(135,465)</u>	<u>(1,084,775)</u>
Interest income (note 6(25))	2,372	464	1,924	2,351	121	18	11,410	18,660
Interest expenses (note 6(25))	<u>(146,979)</u>	<u>(20,792)</u>	<u>(43,432)</u>	<u>(434)</u>	<u>(8,167)</u>	<u>(7,463)</u>	<u>(1,855)</u>	<u>(229,122)</u>
Results before share of profits of an associate	250,640	25,129	44,967	27,380	21,651	2,229	62,542	434,538
Investment profit from associate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,274)</u>	<u>(1,274)</u>
Depreciation	(380)	(2,701)	(22,529)	(52,309)	(387)	(1,806)	(6,809)	(86,921)
Amortization	<u>(118,154)</u>	<u>(36,249)</u>	<u>(66,384)</u>	<u>(545)</u>	<u>(13,336)</u>	<u>(9,827)</u>	<u>(2,799)</u>	<u>(247,294)</u>
Total profit	250,640	25,129	44,967	27,380	21,651	2,229	61,268	433,264
Income tax expense	<u>(74,753)</u>	<u>(4,241)</u>	<u>(7,298)</u>	<u>(10,648)</u>	<u>(5,493)</u>	<u>(3,475)</u>	<u>(9,644)</u>	<u>(115,552)</u>
Net profit	<u>175,887</u>	<u>20,888</u>	<u>37,669</u>	<u>16,732</u>	<u>16,158</u>	<u>(1,246)</u>	<u>51,624</u>	<u>317,712</u>
Segment assets	5,774,822	677,996	2,057,979	1,284,451	398,570	25,372	640,292	10,859,482
Investment in an associate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,347</u>	<u>31,347</u>
Segment liabilities	<u>3,868,171</u>	<u>276,649</u>	<u>756,348</u>	<u>1,072,181</u>	<u>244,937</u>	<u>64,036</u>	<u>239,180</u>	<u>6,521,502</u>
Long-term equity investment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,347</u>	<u>31,347</u>
Non-current assets addition other than related to long-term investment	<u>365,582</u>	<u>844</u>	<u>218,885</u>	<u>119,437</u>	<u>15,934</u>	<u>—</u>	<u>4,475</u>	<u>725,157</u>





12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises  
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7 SEGMENT REPORTING (Continued)

(b) Segment information as at and for the year ended 31 December 2013 is as follows:

	Sewage processing and facility construction services						All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling	Tap water		
Income from third parties (note 6(22))	788,140	156,313	314,196	164,889	71,227	36,469	218,627	1,749,861
Cost of sales from third parties	(433,414)	(107,531)	(217,710)	(116,789)	(41,966)	(26,869)	(113,301)	(1,057,580)
Interest income (note 6(25))	3,592	419	1,430	2,249	94	12	11,535	19,331
Interest expenses (note 6(25))	(178,246)	(20,684)	(42,636)	(564)	(9,857)	(7,308)	—	(259,295)
Results before share of profits of an associate	197,050	17,805	28,450	43,232	22,255	(11,248)	91,979	389,523
Investment profit from associate	—	—	—	—	—	—	(2,007)	(2,007)
Depreciation	(157,552)	(1,336)	(9,171)	(25,329)	(349)	(706)	(6,581)	(201,024)
Amortization	(10,589)	(36,249)	(66,230)	(710)	(13,288)	(9,044)	(888)	(136,998)
Total profit	197,050	17,805	28,450	43,232	22,255	(11,248)	89,972	387,516
Income tax expense	(66,603)	(3,606)	(5,558)	(8,244)	(4,652)	(1,609)	(8,887)	(99,159)
Net profit	130,447	14,199	22,892	34,988	17,603	(12,857)	81,085	288,357
Segment assets	6,251,521	732,395	1,749,341	1,104,320	403,509	212,992	619,673	11,073,751
Investment in an associate	—	—	—	—	—	—	32,621	32,621
Segment liabilities	4,352,326	354,453	684,237	1,037,580	264,034	71,222	175,355	6,939,207
Long-term equity investment	—	—	—	—	—	—	32,621	32,621
Non-current assets addition other than related to long-term investment	622,497	85	34,649	68,102	364	2,412	9,297	737,406

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## 8 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group.

(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 pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from TSC (note 6(16) (d) (ii)).

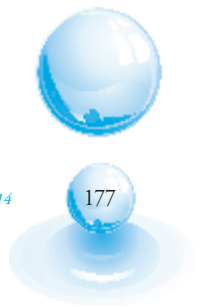
At 31 December 2014, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rmb4 million (2013: Rmb4 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the year would have been Rmb7 million (2013: Rmb8 million) higher/lower.

(ii) *Interest rate risk:*

The Group's interest rate risk arises mainly from cash and cash equivalents, long-term receivables, borrowings and long-term payable.

The Group has significant borrowings and long-term payable. 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, categorized by the maturity dates.



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8 FINANCIAL INSTRUMENT AND RISK (Continued)

The Group's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group.

(a) Market risk: (Continued)

(ii) Interest rate risk (Continued)

	Group			Total	Company		
	Fixed	Floating	Non-interest bearing		Fixed	Floating	Total
At 31 December 2014							
Assets							
Cash and cash equivalents	5,200	814,892	—	820,092	2,500	292,731	295,231
Long-term receivables	326,147	—	—	326,147	326,147	—	326,147
Liabilities							
Current borrowings	—	334,512	1,069	335,581	—	118,500	118,500
Non-current borrowings	—	1,564,466	—	1,564,566	—	725,850	725,850
Other non-current liability	—	7,727	—	7,727	—	—	—
Long-term payables due within 1 year	15,136	7,755	—	22,891	15,136	7,755	22,891
Long-term payables	175,274	87,180	—	262,454	175,274	87,180	262,454
Long-term debenture	1,388,975	—	—	1,388,975	1,388,975	—	1,388,975
At 31 December 2013							
Assets							
Cash and cash equivalents	7,267	994,982	—	1,002,249	—	342,090	342,090
Long-term receivables	333,607	—	—	333,607	333,607	—	333,607
Liabilities							
Current borrowings	—	856,932	105	857,037	—	652,000	652,000
Non-current borrowings	—	1,213,286	—	1,213,286	—	310,600	310,600
Other non-current liability	—	10,909	10,613	21,522	—	—	—
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
Long-term debenture	1,384,775	—	—	1,384,775	1,384,775	—	1,384,775

At 31 December 2014, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher by Rmb15 million (2013: Rmb18 million).

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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 8 FINANCIAL INSTRUMENT AND RISK (Continued)

### (b) Credit risk:

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

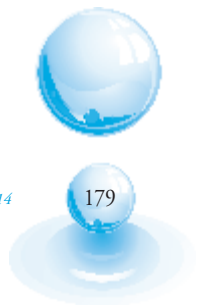
The Group manages credit risk on bank deposits by placing the majority of its cash and cash equivalents with state owned/listed banks in the PRC. The Group has not had any significant loss arising from non-performance by these parties in the past and management does not expect so in the future.

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 31 December 2014, the Company had given guarantees of approximately Rmb1,004 million (2013: Rmb792million) to banks of certain subsidiaries in respect of their banking facilities, of which Rmb688 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.



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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK (Continued)

(c) Liquidity risk: (Continued)

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	Carrying value
At 31 December 2014						
Cash and cash equivalents	820,092	—	—	—	820,092	820,092
Trade and other receivables	2,568,821	—	—	—	2,568,821	2,568,821
Long-term receivables	17,783	21,173	85,270	303,026	427,252	326,147
Long-term bank borrowings	(390,885)	(858,878)	(722,747)	(157,455)	(2,129,965)	(1,845,896)
Long-term payables	(23,595)	(24,079)	(75,807)	(364,661)	(488,142)	(285,345)
Other liabilities	(3,542)	(3,437)	(4,920)	—	(11,899)	(10,909)
Trade and other payables	(720,752)	—	—	—	(720,752)	(720,752)
Short-term borrowings	(52,940)	—	—	—	(52,940)	(50,000)
Long-term debenture	(84,630)	(784,630)	(776,300)	—	(1,645,560)	(1,388,975)
At 31 December 2013						
Cash and cash equivalents	1,002,249	—	—	—	1,002,249	1,002,249
Trade and other receivables	2,092,158	—	—	—	2,092,158	2,085,858
Long-term receivables	18,813	86,577	74,250	335,220	514,860	333,607
Long-term bank borrowings	(959,335)	(368,672)	(1,001,223)	—	(2,329,230)	(2,067,036)
Long-term payables	(25,096)	(25,504)	(79,563)	(426,553)	(556,716)	(315,531)
Other liabilities	(3,647)	(3,542)	(8,365)	(10,613)	(26,167)	(24,704)
Trade and other payables	(558,699)	—	—	—	(558,699)	(558,699)
Long-term debenture	(84,630)	(84,630)	(1,607,410)	—	(1,776,670)	(1,384,775)

(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.

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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

**8 FINANCIAL INSTRUMENT AND RISK (Continued)**

**(d) Capital risk management (Continued)**

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

	31 December 2014	31 December 2013
Total borrowings:	3,582,194	3,792,151
Short-term borrowings	50,000	—
Long-term borrowings	1,845,896	2,067,036
Long-term Debenture	1,388,975	1,384,775
Long-term Payables	285,345	315,531
Other non-current assets-Government loan and others	11,978	24,809
Less: Cash	<u>(814,892)</u>	<u>(994,982)</u>
Net debt	2,767,302	2,797,169
Total equity	<u>4,337,980</u>	<u>4,134,544</u>
Total capital	<u>7,105,282</u>	<u>6,931,713</u>
Gearing ratio	<u>40%</u>	<u>40%</u>

There is no significant change in gearing ratio of the Group during 2014.

**(e) Fair value estimation**

Long-term borrowings, long-term payable, and debentures 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.



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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) General information of the parent company

	Type	Place of registration	Legal representative	Nature of business
TMICL	Limited Company	Tianjin, the PRC	An Pin Dong	Development and management of municipal infrastructures

The Company's ultimate controlling party is company TICIG.

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

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
TMICL	1,820,000	—	—	1,820,000

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

	31 December 2014		31 December 2013	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
TMICL	50.14%	50.14%	51.58%	51.58%

(2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in note6 (9) (a).

(3) Information of associates

The general information and other related information of the associates is set out in note6 (9) (c).

## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (4) Information of other related parties

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

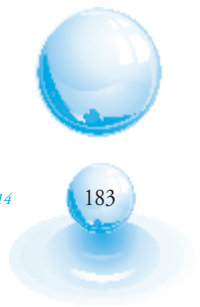
#### (5) Related party transactions

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, sales of services

##### Purchase of Goods

Related party	Nature of transaction	2014		2013	
		Amount	% of similar transactions	Amount	% of similar transactions
Tianjin Machinery & Electric Equipment Imp. & Exp. Co., Ltd	Purchase of equipment	26,544	12.12%	60,150	44.61%





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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase of Goods, sales of services (Continued)

Sales of services

Related party	Nature of transaction	2014		2013	
		Amount	% of similar transactions	Amount	% of similar transactions
TICIG	Commission income from contract operation	61,118	53.89%	53,676	53.68%
Tianjin Lecheng Properties Limited	Income from heating and cooling supply	33,718	49.90%	32,604	45.77%
Tianjin Metro Resources Investment Co., Ltd.	Income from heating and cooling supply	5,576	8.25%	4,663	6.55%

Rental income from related parties is negotiated by both parties involved in the lease and by making reference to the market price. Pricing on heating 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	249,000	28 September 2008	27 September 2022	N

(c) Key management compensation

	2014	2013
Key management compensation	10,128	10,479

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

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties

*Receivables from related parties*

Project name	Trade receivables from related parties	31 December 2014	31 December 2013
Trade receivables	- Tianjin Lecheng Properties Limited	18,422	17,600
Trade receivables	- TICIG	16,388	26,838
Trade receivables	- Tianjin Metro Resources Investment Co., Ltd.	4,975	3,914
Trade receivables	- Tianjin City Resource Operation Co., Ltd.	401	401
Prepayments	- Tianjin Machinery & Electric Equipment Imp.&Exp. Co.,Ltd	—	6,465
		<u>          </u>	<u>          </u>

*Payables from related parties*

Project name	Payables from related parties	31 December 2014	31 December 2013
Other payables	- Tianjin Machinery & Electric Equipment Imp.&Exp. Co.,Ltd	3,221	24,958
		<u>          </u>	<u>          </u>

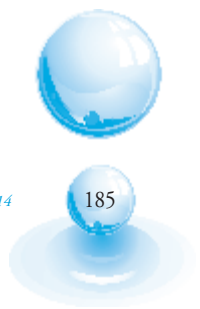
The receivables from related parties arise mainly from sale transactions and are due within one year after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties

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:

	31 December 2014	31 December 2013
Guarantee Received		
TICIG	<u>249,000</u>	<u>271,000</u>



## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Notes to the Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (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-controlled entities”).

During the year, the Group’s significant transactions with these state controlled entities include processing of sewage water and construction and management of related facility, supply of tap water and recycled water, and supply of heating and cooling service. As at year end, majority of the Group’s cash and cash equivalents and borrowings are with state controlled banks.

### 10 COMMITMENTS

#### (1) Capital commitments

The Group’s capital commitments at the balance sheet date are as follows:

	Contracted but not provided for		Authorized but not contracted for	
	31 December 2014 Rmb’ million	31 December 2013 Rmb’ million	31 December 2014 Rmb’ million	31 December 2013 Rmb’ million
Sewage water processing plants in:				
– Bei Shi Qiao and Deng Jia Cun	110	—	14	—
– Xiao He Chang	11	—	16	—
– Wen Deng	1	—	10	—
– Ji Zhuang Zi (relocation project)	—	287	—	741
– Ying Nan	—	13	1	40
– Yong An, Xian Ning	—	2	—	—
Water recycling plants in:				
– Ji Zhuang Zi water recycling plants (relocation project)	—	81	—	72
Others	—	4	—	6
	<u>122</u>	<u>387</u>	<u>41</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.

# 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Supplement of the Financial Statement

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## (1) EXTRAORDINARY PROFIT AND LOSS STATEMENT

	2014	2013
(Losses)/gains on disposals of non-current assets	(1,812)	(4,851)
Government grants	799,561	22,906
Demolition loss	(776,392)	—
Other non-operating income and expenses	1,047	774
	<u>22,404</u>	<u>18,829</u>
Effect amount of income tax	(5,601)	(4,707)
Effect amount of minority interest(after tax)	82	(708)
	<u>16,885</u>	<u>13,414</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 difference on inland and abroad financial statement.

## (3) RATE OF RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average income rate of net assets (%)		Basic/Diluted earnings per share	
	2014	2013	2014	2013
Net profit attribute to the ordinary shareholders of the company	7.57	7.27	0.22	0.20
Net profit exclude extraordinary profit and loss attribute to the ordinary shareholders of the company	7.15	6.92	0.20	0.19



12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Supplement of the Financial Statement

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

(4) STATEMENT OF THE ABNORMAL CONDITIONS AND THE REASON ON MAIN SUBJECTS OF THE FINANCIAL STATEMENT

(i) Consolidated balance sheet

Item	31 December 2014	31 December 2013	Variance	Percentage	Analysis
<b>Asset</b>					
Notes receivables	—	6,300	(6,300)	-100%	Was mainly attributable to the collection of subsidiaries' note receivables.
Inventories	14,392	58,035	(43,643)	-75%	Was mainly attributable to the settlements of BT project of Tianjin Zichuang Project Investment Co., Ltd.
Other current assets	62,250	6,540	55,710	852%	According to the interlocutory judgement reached on 18 April 2014, the water supply and sewage agreements under the dispute of service concession right between Anguo Capital Water Co., Ltd (a subsidiary of the Company) and Anguo Government are to be terminated. Related assets will be handed over to Anguo Government at any time. Therefore management reclassified related concession right from 'Intangible assets' to 'other current assets'.
Fixed assets	488,528	3,088,124	(2,599,596)	-84%	As a result of the newly signed service concession right agreement, related assets have been transferred to intangible assets. Therefore, the remaining balance of property, plant and equipment decreases, the remaining balance of intangible asset increases.
Construction in progress	4,133	1,152,078	(1,147,945)	-100%	As a result of Jin Gu sewage water processing water recycling plants came into operation, Jin Gu project's assets have been transferred from construction in progress to fixed asset.
Intangible assets	6,321,963	3,074,825	3,247,138	106%	Same as above.
<b>Liability</b>					
Short-term borrowings	50,000	—	50,000	N/A	Was mainly attributable to newly obtained short-term borrowings.
Trade payables	54,319	21,099	33,220	157%	Mainly include operation fee and raw material fee incurred by daily operation of sewage water processing plants.
Dividend payable	60,337	36,566	23,771	65%	Was dividend payable of 2013.
Other non-current liabilities due within one year	304,221	878,106	(573,885)	-65%	Repaid some of long-term borrowings.
Deferred revenue	1,209,201	396,447	812,754	205%	As a result of Jin Gu sewage water processing water recycling plants came into operation, received compensation fund has been transferred from "other non-current liabilities" to "deferred revenue".
Other non-current liabilities	<u>53,727</u>	<u>1,369,522</u>	<u>(1,315,795)</u>	<u>-96%</u>	Same as above.

## 12. Financial statements prepared in accordance with PRC Accounting Standards for Business Enterprises Supplement of the Financial Statement

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### (4) STATEMENT OF THE ABNORMAL CONDITIONS AND THE REASON ON MAIN SUBJECTS OF THE FINANCIAL STATEMENT (Continued)

#### (ii) Consolidated income statement

Item	31 December 2014	31 December 2013	Variance	Percentage	Analysis
Investment loss	(1,274)	(3,030)	1,756	58%	Was mainly attributable to the decrease in share of loss of a associate.
Non-operating income	800,876	23,851	777,025	3258%	Mainly include the compensation fund for relocating of Ji Zhuang Zi sewage water processing water recycling plants.
Non-operating expenses	(778,472)	(5,022)	(773,450)	15401%	Mainly include the demolition loss for relocating of Ji Zhuang Zi isewage water processing water recycling plants.
Minority interests	9,544	6,458	3,086	48%	Was mainly attributable to the increase in net profit of Hangzhou Tianchuang Capital Water Co., Ltd. and Qijing Capital Water Co., Ltd., accordingly the minority interest income of these two subsidiaries increase.

#### (iii) Consolidated cash flow statement

Item	31 December 2014	31 December 2013	Variance	Percentage	Analysis
Net cash flows from investing activities	(329,492)	(164,916)	(164,576)	-100%	Was mainly attributable to the decrease in land compensation fund received of RMB0.3 billion in 2014 (RMB0.55 billion in 2013) for Ji Zhuang Zi sewage water processing and water recycling plants, and the increase in investment cost.
Net increase in cash and cash equivalents	(180,090)	(1,983)	(178,107)	8982%	Was mainly influenced by cash flows generated from investing activities.



# 13. Independent Auditor's Report



羅兵咸永道

## Independent Auditor's Report

To the Shareholders of  
Tianjin Capital Environmental Protection Group Company Limited  
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Tianjin Capital Environmental Protection Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 192 to 263, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

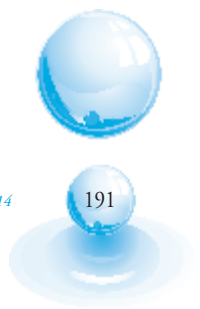
### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 26 March 2015





# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Consolidated Balance Sheet

As at 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	492,661	4,240,202
Intangible assets	7	6,306,097	2,648,476
Land use rights	8	15,866	426,349
Investment properties	9	104,936	108,609
Investment in an associate	11	31,347	32,621
Available-for-sale financial assets	12	2,000	2,000
Long-term receivables	13	326,147	333,607
Other non-current assets	14	8,461	7,250
		<u>7,287,515</u>	<u>7,799,114</u>
<b>Current assets</b>			
Inventories	15	14,392	58,035
Trade receivables	16	2,563,114	2,085,386
Prepayments	17	106,412	115,655
Other receivables	18	5,707	6,772
Other current assets	14	62,250	6,540
Restricted cash	19	5,200	7,267
Cash and cash equivalents	19	814,892	994,982
		<u>3,571,967</u>	<u>3,274,637</u>
<b>Total assets</b>		<u><u>10,859,482</u></u>	<u><u>11,073,751</u></u>

## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards Consolidated Balance Sheet

As at 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2014	2013
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	1,427,228	1,427,228
Other reserves	21	777,374	755,567
Retained earnings	21	1,965,882	1,793,699
– Proposed final dividend	35	99,906	114,178
– Others		1,865,976	1,679,521
		4,170,484	3,976,494
<b>Non-controlling interests</b>		167,496	158,050
<b>Total equity</b>		4,337,980	4,134,544
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	3,223,722	2,910,758
Deferred revenue	24	1,209,201	396,447
Deferred income tax liabilities	25	86,778	68,977
Other non-current liabilities	23	46,000	1,348,000
		4,565,701	4,724,182
<b>Current liabilities</b>			
Trade payables	26	54,319	21,099
Advances from customers	26	776,190	701,654
Wages payables		13,650	11,122
Taxes payables	26	26,400	25,591
Dividend payable		60,337	36,566
Other payables	26	666,433	537,600
Borrowings	22	358,472	881,393
		1,955,801	2,215,025
<b>Total liabilities</b>		6,521,502	6,939,207
<b>Total equity and liabilities</b>		10,859,482	11,073,751
<b>Net current assets</b>		1,616,166	1,059,612
<b>Total assets less current liabilities</b>		8,903,681	8,858,726

The notes on pages 199 to 263 are integral part of these consolidated financial statements.

The financial statements on page 192 to 263 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf:

Liu Yujun  
*Director*

Lin Wenbo  
*Director*



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Balance Sheet-Company

As at 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	158,077	3,868,081
Intangible assets	7	3,637,215	6,540
Land use rights	8	11,721	414,030
Investment properties	9	82,154	85,323
Investments in subsidiaries	10	1,353,236	1,282,136
Available-for-sale financial assets	12	2,000	2,000
Long-term receivables	13	326,147	333,607
Other non-current assets	14	134,468	74,609
		<u>5,705,018</u>	<u>6,066,326</u>
<b>Current assets</b>			
Inventories	15	4,336	7,866
Trade receivables	16	2,371,956	1,944,004
Prepayments	17	259	33,656
Other receivables	18	95,792	146,244
Other current assets	14	77,380	80,000
Restricted cash	19	2,500	—
Cash and cash equivalents	19	292,731	342,090
		<u>2,844,954</u>	<u>2,553,860</u>
<b>Total assets</b>		<u><u>8,549,972</u></u>	<u><u>8,620,186</u></u>

**14. Financial Statements prepared in accordance with Hong Kong  
Financial Reporting Standards  
Balance Sheet-Company**

As at 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

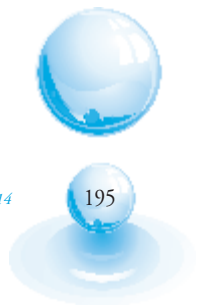
	Note	As at 31 December	
		2014	2013
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	1,427,228	1,427,228
Other reserves	21	775,851	754,044
Retained earnings	21	1,683,061	1,600,974
– Proposed final dividend	35	99,906	114,178
– Others		1,583,155	1,486,796
<b>Total equity</b>		<b>3,886,140</b>	<b>3,782,246</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	2,377,279	1,986,550
Deferred revenue	24	967,167	211,406
Deferred income tax liabilities	25	36,584	22,674
Other non-current liabilities	23	—	1,140,000
		<b>3,381,030</b>	<b>3,360,630</b>
<b>Current liabilities</b>			
Trade payables	26	21,540	5,042
Advances from customers	26	6,841	8,082
Wages payables		7,930	6,918
Taxes payable	26	14,987	17,555
Dividend payable		60,337	36,566
Other payables	26	1,029,776	726,791
Borrowings	22	141,391	676,356
		<b>1,282,802</b>	<b>1,477,310</b>
<b>Total liabilities</b>		<b>4,663,832</b>	<b>4,837,940</b>
<b>Total equity and liabilities</b>		<b>8,549,972</b>	<b>8,620,186</b>
<b>Net current assets</b>		<b>1,562,152</b>	<b>1,076,550</b>
<b>Total assets less current liabilities</b>		<b>7,267,170</b>	<b>7,142,876</b>

The notes on pages 199 to 263 are integral part of these consolidated financial statements.

The financial statements on page 192 to 263 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf:

Liu Yujun  
*Director*

Lin Wenbo  
*Director*



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Revenue	5(a)	1,671,132	1,614,678
Business tax expense and surcharge	27	(16,219)	(15,474)
Cost of sales	28	(1,003,207)	(990,286)
<b>Gross profit</b>		<b>651,706</b>	<b>608,918</b>
Administrative expenses	28	(103,415)	(108,784)
Other income	5(b)	51,469	48,373
Other gains - net	32	22,404	18,829
<b>Operating profit</b>		<b>622,164</b>	<b>567,336</b>
Finance income		46,607	86,121
Finance costs		(234,233)	(263,934)
Finance costs - net	30	(187,626)	(177,813)
Share of loss of an associate	11	(1,274)	(2,007)
<b>Profit before income tax</b>		<b>433,264</b>	<b>387,516</b>
Income tax expense	31	(115,552)	(99,159)
<b>Profit/total comprehensive income for the year</b>		<b>317,712</b>	<b>288,357</b>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		308,168	281,899
Non-controlling interests		9,544	6,458
		<b>317,712</b>	<b>288,357</b>
<b>Earnings per share for profit attributable to the owners of the Company (in RMB Yuan)</b>			
– basic	34	0.22	0.20
– diluted	34	0.22	0.20
<b>Proposed final dividends</b>	35	<b>99,906</b>	<b>114,178</b>

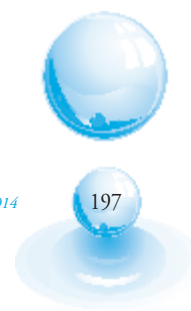
The notes on pages 199 to 263 are integral part of these consolidated financial statements.

# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards Consolidated Statement of Changes in Equity

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Note	Attributable to owners of the Company			Non-controlling interests	Total	
		Share capital	Other reserves	Retained earnings			Sub-total
Balance at 1 January 2013		1,427,228	733,216	1,619,785	3,780,229	152,442	3,932,671
<b>Comprehensive income</b>							
– Profit for the year		—	—	281,899	281,899	6,458	288,357
<b>Transactions with owners</b>							
– Profit appropriation to statutory reserves	21(a)	—	22,351	(22,351)	—	—	—
– Dividends relating to 2012		—	—	(85,634)	(85,634)	(850)	(86,484)
<b>Total transactions with owners</b>		—	22,351	(107,985)	(85,634)	(850)	(86,484)
Balance at 31 December 2013		1,427,228	755,567	1,793,699	3,976,494	158,050	4,134,544
<b>Comprehensive income</b>							
– Profit for the year		—	—	308,168	308,168	9,544	317,712
<b>Transactions with owners</b>							
– Profit appropriation to statutory reserves	21(a)	—	21,807	(21,807)	—	—	—
– Dividends relating to 2013		—	—	(114,178)	(114,178)	(98)	(114,276)
<b>Total transactions with owners</b>		—	21,807	(135,985)	(114,178)	(98)	(114,276)
Balance at 31 December 2014		1,427,228	777,374	1,965,882	4,170,484	167,496	4,337,980

The notes on pages 199 to 263 are integral part of these consolidated financial statements.



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Consolidated Statements of Cash Flow

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash generated from operations	36	697,433	657,730
Income tax paid		(95,381)	(94,108)
Interest received	30	7,317	7,851
Net cash generated from operating activities		<u>609,369</u>	<u>571,473</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(638,737)	(742,981)
Deposits for new project bids		—	(3,667)
Release of deposits on project bids		2,067	—
Land compensation fund received		300,000	550,000
Government grant received		—	27,492
Proceeds from disposal of property, plant and equipment	36	6,504	3,940
Dividends received		674	300
Net cash used in investing activities		<u>(329,492)</u>	<u>(164,916)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		829,651	136,160
Proceeds from issuance of bond		—	700,000
Repayment of borrowings		(1,004,903)	(950,180)
Interest paid		(194,211)	(213,673)
Dividends paid to Company's shareholders		(90,004)	(80,347)
Dividends paid to non-controlling interests		(500)	(500)
Net cash used in financing activities		<u>(459,967)</u>	<u>(408,540)</u>
Net decrease in cash and cash equivalents		<u>(180,090)</u>	<u>(1,983)</u>
Cash and cash equivalents at beginning of year		<u>994,982</u>	<u>996,965</u>
Cash and cash equivalents at end of year	19	<u><u>814,892</u></u>	<u><u>994,982</u></u>

The notes on pages 199 to 263 are integral part of these consolidated financial statements.

## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards Notes to the Consolidated Financial Statements

For the year ended 31 December 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, 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 (collectively the ‘Group’) include processing of sewage water and construction and management of related facility, supply of tap water and recycled water, supply of heating and cooling, and construction and management of related facility as described below:

#### (a) Processing of sewage water

Pursuant to relevant agreements (‘Service concession right agreements’), the Group currently provides sewage processing services via the following plants:

Plant	Location	Agreement date	Customer
Jizhuangzi	Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission (‘TUCC’) and Tianjin Water Authority Bureau (‘TWAB’)
Xianyanglu	Tianjin	18 February 2014	TUCC and TWAB
Dongjiao	Tianjin	18 February 2014	TUCC and TWAB
Beicang	Tianjin	18 February 2014	TUCC and TWAB
Guiyang	Guizhou	16 September 2004	Guiyang City Administration Bureau
Baoying	Jiangsu	13 June 2005	Baoying Construction Bureau
Chibi	Hubei	15 July 2005	Chibi Construction Bureau
Fuyang	Anhui	18 December 2005	Anhui Fuyang Construction Committee
Qujing	Yunnan	25 December 2005	Qujing City Water General Company
Honghu	Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou	Zhejiang	20 November 2006	Hangzhou Sewage Company
Jinghai	Tianjin	12 September 2007	Tianjin Tianyu Science Technology Park
Wendeng	Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an	Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo	Hebei	14 October 2008	An Guo Municipal Government
Xianning	Hubei	16 October 2008	Xianning Construction Committee
Yingdong	Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qujing	Yunnan	16 August 2011	Qujing Housing and Urban Construction Bureau
Chaohu	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:





# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES (Continued)

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

##### *Jizhuangzi, Xianyanglu, Dongjiao and Beicang:*

Based on the sewage water processing agreement and its supplemental agreement reached with Tianjin Sewage Company ("TSC") on 10 October 2000 and 10 March 2006 respectively, the Company provided sewage water processing service and was entitled to a pre-determined sewage processing fee.

On 18 February 2014, TWAB, TUCC and the Company signed a service concession right agreement, which came into effect on 1 January 2014, to grant service concession right of Jizhuangzi, Xianyanglu, Dongjiao and Beicang sewage water processing plants to the Company for 30 years. The previous sewage water processing agreements were naturally terminated. The Company is responsible for operation, maintenance and management of the above four sewage water processing plants. The Company exchanged the property, plant and equipment and land use rights of the above four sewage water processing plants to obtain service concession right and recorded as intangible assets. When the concession service period is over, the above four sewage water processing plants will be handed over to Tianjin government in good conditions for free. From October 2014, sewage water processing and water recycling services have been provided by Jin Gu instead of Jizhuangzi sewage water processing plant and water recycling plant (Note 6(d)).

The sewage water processing price is set at RMB1.77 per ton and RMB1.76 per ton in 2014 and 2015 respectively, which are to repriced based on contract terms every two years from 2014.

##### *Other sewage processing plants:*

Initial sewage water processing prices are predetermined, thereafter processing prices may be revised taking into account various factors including renovation of equipment, additional investment, power and energy and labour force, and significant changes in government policy.

All sewage processing plants, 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, the processing fee will be settled using the guaranteed volume.

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

## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES (Continued)

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

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

#### (c) Supply of tap water

Pursuant to the relevant agreements, the Group provides tap water supply service initially at pre-determined price and the prices as pre-determined may be revised subsequently taking into account various cost factors.

#### (d) Recycled water and pipeline connection

The Group's recycled water business includes developing, constructing and operating of recycled water projects, production and sale of recycled water, and provision of related research and development and technical consultation services.

#### (e) Heating and cooling supply services

The heating and cooling supply services include design, construction, operations and transfer of centralised heating and cooling infrastructures; and provision of heating and cooling supply services.

The Group has signed a service concession agreement with TUCC of providing heating and cooling supply services to Tianjin City Cultural Center.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS') and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policies and disclosures

(a) The following new standards and amendments to standards which are relevant to the Group and are mandatory for the first time for the financial year beginning 1 January 2014 but have no material impact on the Group:

- Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting
- Amendments to HKFRS 10, 12 and HKAS 27 'Consolidation for investment entities'
- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures
- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives'
- HKFRIC 21 'Levies'
- Annual improvements 2012– Amendment to HKFRS2, 'Share-based payment', HKFRS3, 'Business combinations' and consequential amendments to HKFRS9, 'Financial instruments', HKAS37, 'Provisions, contingent liabilities and contingent assets', and HKAS39, 'Financial instruments – Recognition and measurement'

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for the following set out below:

- Amendment to HKAS 19 regarding defined benefit plans: employee contributions<sup>1</sup>
- Annual improvements 2012– Amendment to HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related Party Disclosures'<sup>1</sup>
- Annual improvement 2013 – Amendment to HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'<sup>1</sup>

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policies and disclosures

##### (b) New standards and interpretations not yet adopted (Continued)

- HKFRS 14 ‘Regulatory Deferral Accounts’<sup>2</sup>
- Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations<sup>2</sup>
- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation<sup>2</sup>
- Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants<sup>2</sup>
- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture<sup>2</sup>
- Amendment to HKAS 27 on equity method in separate financial statements<sup>2</sup>
- Annual improvements 2014<sup>2</sup>
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception<sup>2</sup>
- HKFRS15 ‘Revenue from Contracts with Customers’<sup>3</sup>
- HKFRS 9 ‘Financial Instruments’<sup>4</sup>
  1. Changes effective for annual periods beginning on or after 1 July 2014
  2. Changes effective for annual periods beginning on or after 1 January 2016
  3. Changes effective for annual periods beginning on or after 1 July 2017
  4. Changes effective for annual periods beginning on or after 1 January 2018

The Group is in the process of assessing the impact of these new standards, interpretations and amendments. None of these is expected to have a significant effect on the results and financial position of the Group.

# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

##### (a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### (b) Changes in ownership interests in subsidiaries without changes of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management operation committee that makes strategic decisions.

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Renminbi ('RMB'), which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains – net'.





# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Foreign currency translation (Continued)

##### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### 2.6 Property, plant and equipment

Property, plant and equipment comprise buildings and structures, machinery and equipment, motor vehicles and others.

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives	Estimated rate of residual value	Annual rate of depreciation
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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the income statement.

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

### 2.7 Investment properties

Investment property, principally comprising buildings, is held for long-term rental yields and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

Investment properties are stated at cost less accumulated depreciation and impairment. Depreciation of investment properties are calculated to write-off that cost, less estimated net residual value and accumulated impairment losses, if any, on a straight-line basis over estimated useful lives ranging from 40 to 50 years.

If an item of property, plant and equipment becomes an investment property because its use has changed (other than that of temporary nature), it is reclassified as investment property at net book value and vice versa.

### 2.8 Intangible assets

#### (a) Service Concession right

As described in Note 1(a) and (e), the Group engages with government bodies and their subordinate enterprises and participates in the development, financing, operation and maintenance of infrastructure for public 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 Concession Services Agreements which set out performance standards and mechanisms for adjusting prices.



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## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.8 Intangible assets (Continued)

##### (a) Service Concession right (Continued)

The concession services arrangement is within the scope of HK (IFRIC) – Interpretation 12, and the Group recognises the related rights in the services concession arrangements as intangible assets or financial assets. The operator shall recognise 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 volume from the grantor. Therefore intangible assets - concession right is recognised for the right under these service concession arrangements by the Group, which are amortised on a straight-line basis over the terms of operation ranging from 25 to 30 years.

##### (b) Technical know-how and software

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

#### 2.9 Land use rights

Land use rights acquired are classified as operating lease, recorded at cost and presented net of accumulated amortisation and impairment provision. The prepaid lease payments are amortised on a straight-line basis over the lease period from 25 to 50 years.

#### 2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

For the year ended 31 December 2014  
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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets

#### 2.11.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables' and 'cash and cash equivalents' in the balance sheet (Note 2.15 and 2.16).

##### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### 2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, in the event of default, insolvency or bankruptcy of the company or the counterparty.

# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Impairment of financial assets

#### (a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

#### (b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For the year ended 31 December 2014  
(All amounts in RMB thousand unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Impairment of financial assets (Continued)

#### (b) Assets classified as available for sale (Continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.14 Inventories

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

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

Except for the inventory of construction contract, costs of raw materials, finished goods and low value consumables are determined using the weighted-average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Provision for decline in the value of inventories is determined at the excess amount of the carrying value of the inventories over their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.15 Trade receivables

Trade receivables are amounts due from customers for tap water or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.16 Cash and cash equivalents

In the consolidation statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 2.20 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Government grants

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

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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 costs are other government grants other than those relating to assets.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in deferred revenue as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

### 2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) Deferred income tax

##### Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014  
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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.22 Current and deferred income tax (Continued)

##### (b) *Deferred income tax (Continued)*

###### Inside basis differences (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

##### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.23 Employee benefits

The Group operates various post-employment schemes, including employee compensation, defined contribution pension plans and termination benefits.

##### (a) *Employee compensation*

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, labour union funds and employee education funds.

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Employee benefits (Continued)

#### (b) Pension obligation

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (c) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 2.24 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services provided, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sewage water processing and heating and cooling supply services*

Revenues from sewage water processing and heating and cooling supply services are recognised when services are rendered.

(b) *Construction contract*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred 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 recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised 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 recognised as an expense immediately.

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

Revenue from the sale of tap water and recycled water is recognised 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 operating income*

Revenue from contract operating income is recognised under the accrual basis according to the service agreement.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Revenue recognition (Continued)

#### (f) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the period of the lease.

### 2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

### 2.27 Dividend income

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

### 2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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.

### (a) Market risk

#### (i) Foreign exchange 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 ('USD') and Japanese Yen ('JPY') pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from TSC (Note 22(d)).

At 31 December 2014, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been RMB4 million (2013: RMB4 million) lower/higher. Similarly, if RMB had weakened/strengthened by 5% against JPY with all other variables held constant, post-tax profit for the year would have been RMB7 million (2013: RMB8 million) lower/higher.

14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards  
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3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

The Group has 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				Company		
	Fixed	Floating	Non-interest bearing	Total	Fixed	Floating	Total
<b>At 31 December 2014</b>							
<i>Assets</i>							
<i>Cash and cash equivalents</i>	—	814,892	—	814,892	—	292,731	292,731
<i>Restricted cash</i>	5,200	—	—	5,200	2,500	—	2,500
<i>Long-term receivables</i>	326,147	—	—	326,147	326,147	—	326,147
<i>Liabilities</i>							
<i>Current borrowings</i>	—	334,512	1,069	335,581	—	118,500	118,500
<i>Non-current borrowings</i>	—	1,564,466	—	1,564,466	—	725,850	725,850
<i>Other non-current liabilities</i>	—	7,727	—	7,727	—	—	—
<i>Long-term payables due within 1 year</i>	15,136	7,755	—	22,891	15,136	7,755	22,891
<i>Long-term payables</i>	175,274	87,180	—	262,454	175,274	87,180	262,454
<i>Long-term bond</i>	1,388,975	—	—	1,388,975	1,388,975	—	1,388,975
<b>At 31 December 2013</b>							
<i>Assets</i>							
<i>Cash and cash equivalents</i>	—	994,982	—	994,982	—	342,090	342,090
<i>Restricted cash</i>	7,267	—	—	7,267	—	—	—
<i>Long-term receivables</i>	333,607	—	—	333,607	333,607	—	333,607
<i>Liabilities</i>							
<i>Current borrowings</i>	—	856,932	105	857,037	—	652,000	652,000
<i>Non-current borrowings</i>	—	1,213,286	—	1,213,286	—	310,600	310,600
<i>Other non-current liabilities</i>	—	10,909	10,613	21,522	—	—	—
<i>Long-term payables due within 1 year</i>	17,166	7,190	—	24,356	17,166	7,190	24,356
<i>Long-term payables</i>	201,881	89,294	—	291,175	201,881	89,294	291,175
<i>Long-term bond</i>	1,384,775	—	—	1,384,775	1,384,775	—	1,384,775

At 31 December 2014, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher by RMB15 million (2013: RMB18 million).

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

# 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards Notes to the Consolidated Financial Statements

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## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (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 cash equivalents 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 the bodies with PRC government background. Thus, directors are of the view considers that the credit 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.

### (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	Carrying value
<b>At 31 December 2014</b>						
<i>Long-term bank borrowings</i>	(390,885)	(858,878)	(722,747)	(157,455)	(2,129,965)	(1,845,896)
<i>Long-term payables</i>	(23,595)	(24,079)	(75,807)	(364,661)	(488,142)	(285,345)
<i>Other non-current liabilities</i>	(3,437)	(3,332)	(1,476)	—	(8,245)	(10,909)
<i>Trade and other payables</i>	(720,752)	—	—	—	(720,752)	(720,752)
<i>Short-term borrowings</i>	(52,940)	—	—	—	(52,940)	(50,000)
<i>Long-term bond</i>	(84,630)	(784,630)	(776,300)	—	(1,645,560)	(1,388,975)
<b>At 31 December 2013</b>						
<i>Long-term bank borrowings</i>	(959,335)	(368,672)	(1,001,223)	—	(2,329,230)	(2,067,036)
<i>Long-term payables</i>	(25,096)	(25,504)	(79,563)	(426,553)	(556,716)	(315,531)
<i>Other non-current liabilities</i>	(3,647)	(3,542)	(8,365)	(10,613)	(26,167)	(24,704)
<i>Trade and other payables</i>	(558,699)	—	—	—	(558,699)	(558,699)
<i>Short-term borrowings</i>	—	—	—	—	—	—
<i>Long-term bond</i>	(84,630)	(84,630)	(1,607,410)	—	(1,776,670)	(1,384,775)



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3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital 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' as shown in the consolidated balance sheet) 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:

	As at 31 December	
	2014	2013
Total borrowings (Note 22)	3,582,194	3,792,151
Less: Unrestricted cash (Note 19)	(814,892)	(994,982)
Net debt	2,767,302	2,797,169
Total equity	4,337,980	4,134,544
Total capital	7,105,282	6,931,713
Gearing ratio	40%	40%

There were no significant changes in gearing ratio of the Group during 2014.

(e) Fair value estimation

The fair value of long-term borrowings, long-term payables and bond that is not traded in an active market 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.

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## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and judgements listed below will result in high risk of significant adjustments made to the carrying amount of assets and liabilities in the next accounting period.

### (a) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the year in which such estimate has been made.

### (b) Income taxes

The Group is subject to income taxes in numerous regions. There are many transactions and calculations 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 regions. 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 SEGMENT INFORMATION

An analysis of revenue and contributions to operating profit for the year by principal activities is as follows:

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

	2014	2013
Revenue	1,671,132	1,614,678
Other income	51,469	48,373
Total	<u>1,722,601</u>	<u>1,663,051</u>





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5 SEGMENT INFORMATION (Continued)

(b) Analysis of other income

	2014		2013	
	Income	Cost	Income	Cost
Contract operation service	113,402	(86,091)	99,985	(70,323)
Technical service	25,786	(7,819)	19,596	(3,320)
Rental	10,624	(5,179)	8,178	(5,219)
Other	7,135	(6,389)	6,401	(6,925)
	<u>156,947</u>	<u>(105,478)</u>	<u>134,160</u>	<u>(85,787)</u>

(c) Operating segment analysis

Management has determined the operating segments based on the reports reviewed by the managers operating meeting that are used to make strategic decisions.

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

Other services include contract operation services, lease of office building or apartments and other services. These are not separately presented within the reportable operating segments, but included in the 'all other segments' column.

The managers operating meeting assesses the performance of the operating segments based on a measure of net profit after tax, which is measured in a manner consistent with that in the financial statements.

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5 SEGMENT INFORMATION (Continued)

(c) Operating segment analysis (Continued)

The segment information provided to the managers operating meeting for the reportable segments for the year ended 31 December 2014 and 2013 respectively is as follows:

(i) For the year ended 31 December 2014

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and Cooling Services	Tap water operations	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	796,351	163,650	340,800	164,734	67,570	61,515	127,981	1,722,601
Segment expense	(545,711)	(138,521)	(295,833)	(137,354)	(45,919)	(59,286)	(65,439)	(1,288,063)
Results before share of profits of an associate	250,640	25,129	44,967	27,380	21,651	2,229	62,542	434,538
Share of loss of an associate (Note 11)								(1,274)
Profit before tax								433,264
Income tax expense								(115,552)
Profit for the year								317,712
Segment assets	5,774,822	677,996	2,057,979	1,284,451	398,570	25,372	608,945	10,828,135
Investment in an associate (Note 11)	—	—	—	—	—	—	31,347	31,347
Total assets	5,774,822	677,996	2,057,979	1,284,451	398,570	25,372	640,292	10,859,482
Total liabilities	3,868,171	276,649	756,348	1,072,181	244,937	64,036	239,180	6,521,502
Other information								
– Interest income (Note 30)	2,372	464	1,924	2,351	121	18	11,410	18,660
– Interest expenses (Note 30)	(146,979)	(20,792)	(43,432)	(434)	(8,167)	(7,463)	(1,855)	(229,122)
– Depreciation	(380)	(2,701)	(22,529)	(52,309)	(387)	(1,806)	(6,809)	(86,921)
– Amortization	(118,154)	(36,249)	(66,384)	(545)	(13,336)	(9,827)	(2,799)	(247,294)
– Capital expenditures	365,582	844	218,885	119,437	15,934	—	4,475	725,157



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5 SEGMENT INFORMATION (Continued)

(c) Operating segment analysis (Continued)

(ii) For the year ended 31 December 2013

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and Cooling Services	Tap water operations	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	788,140	156,313	314,196	164,889	71,227	36,469	131,817	1,663,051
Segment expense	(591,090)	(138,508)	(285,746)	(121,657)	(48,972)	(47,717)	(39,838)	(1,273,528)
Results before share of profits of an associate	197,050	17,805	28,450	43,232	22,255	(11,248)	91,979	389,523
Share of loss of an associate (Note 11)								(2,007)
Profit before tax								387,516
Income tax expense								(99,159)
Profit for the year								288,357
Segment assets	6,251,521	732,395	1,749,341	1,104,320	403,509	212,992	587,052	11,041,130
Investment in an associate (Note 11)	—	—	—	—	—	—	32,621	32,621
Total assets	6,251,521	732,395	1,749,341	1,104,320	403,509	212,992	619,673	11,073,751
Total liabilities	4,352,326	354,453	684,237	1,037,580	264,034	71,222	175,355	6,939,207
Other information								
– Interest income (Note 30)	3,592	419	1,430	2,249	94	12	11,535	19,331
– Interest expenses (Note 30)	(178,246)	(20,684)	(42,636)	(564)	(9,857)	(7,308)	—	(259,295)
– Depreciation	(157,552)	(1,336)	(9,171)	(25,329)	(349)	(706)	(6,581)	(201,024)
– Amortization	(10,589)	(36,249)	(66,230)	(710)	(13,288)	(9,044)	(888)	(136,998)
– Capital expenditures	622,497	85	34,649	68,102	364	2,412	9,297	737,406

- (iii) Revenue of approximate RMB789 million is derived from TWAB under the newly signed agreement to grant service concession right. In 2013, revenue RMB775 million was derived from TSC under sewage water processing agreements.

These revenues are attributable to the Sewage processing and facility construction services segment.

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## 6 PROPERTY, PLANT AND EQUIPMENT

### (a) Group

	Buildings and constructions (note (i))	Machinery and equipment	Motor vehicles and others	CIP	Total
<i>Cost</i>					
At 1 January 2013	2,004,972	2,212,574	239,736	459,487	4,916,769
Additions	2,257	3,097	5,295	694,949	705,598
Transfers(note(c))	—	2,172	186	(2,358)	—
Disposals	(968)	(34,290)	(18,181)	—	(53,439)
At 31 December 2013	2,006,261	2,183,553	227,036	1,152,078	5,568,928
Additions	14,625	4,142	271	689,800	708,838
Transfers(note(c))	108,553	97,293	7,833	(213,679)	—
Transfer to intangible assets (note(a) (iv))/(Note 7)	(1,754,150)	(1,889,823)	(153,528)	(1,618,262)	(5,415,763)
Disposals	(85,657)	(86,397)	(16,645)	(5,804)	(194,503)
At 31 December 2014	289,632	308,768	64,967	4,133	667,500
<i>Accumulated depreciation</i>					
At 1 January 2013	(636,360)	(455,682)	(83,981)	—	(1,176,023)
Charges for the year	(68,589)	(101,052)	(27,710)	—	(197,351)
Disposals	92	31,467	13,089	—	44,648
At 31 December 2013	(704,857)	(525,267)	(98,602)	—	(1,328,726)
Charges for the year	(22,067)	(48,270)	(12,911)	—	(83,248)
Transfer to intangible assets (note(a) (iv))/(Note 7)	664,970	445,811	53,253	—	1,164,034
Disposals	20,963	42,107	10,031	—	73,101
At 31 December 2014	(40,991)	(85,619)	(48,229)	—	(174,839)
<i>Net book value</i>					
At 31 December 2014	248,641	223,149	16,738	4,133	492,661
At 31 December 2013	1,301,404	1,658,286	128,434	1,152,078	4,240,202

- (i) All of the Group's buildings, constructions and plants are located in the PRC.
- (ii) The Group's depreciation expense of property, plant and equipment of RMB77 million (2013: RMB193 million) has been included in cost of sales and RMB6 million (2013: RMB4 million) in administrative expenses.



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6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group (Continued)

- (iii) As at 31 December 2014, the certificate of legal title to the building and land use rights included in property, plant and equipment, investment properties and land use rights with carrying amount of RMB132 million (cost of RMB175 million) (31 December 2013: carrying amount of RMB138 million and cost of RMB175 million) has yet to be obtained. As these assets are supported by legal sale and purchase agreements, the management in the view that the titles will be received in due course without additional significant cost to the Group.
- (iv) On 18 February 2014, TWAB, TUCC and the Company signed an agreement to grant service concession right of Jizhuangzi, Xianyanglu, Dongjiao and Beicang sewage water processing plants to the Company. Therefore, the Company exchanged the above four sewage water processing plants to obtain intangible assets-service concession right.

(b) Company

	Buildings and structures	Machinery and equipment	Motor vehicles and others	CIP	Total
<i>Cost</i>					
At 1 January 2013	1,834,101	2,047,483	200,614	419,507	4,501,705
Additions	—	119	1,605	625,156	626,880
Transfers(note(c))	—	2,172	186	(2,358)	—
Disposals	(84)	(31,929)	(15,516)	—	(47,529)
At 31 December 2013	1,834,017	2,017,845	186,889	1,042,305	5,081,056
Additions	—	373	966	365,644	366,983
Transfer to intangible assets (note(a) (iv))/(Note 7)	(1,754,150)	(1,889,823)	(153,528)	(1,402,907)	(5,200,408)
Disposals	—	(13)	(4,037)	(4,845)	(8,895)
At 31 December 2014	79,867	128,382	30,290	197	238,736
<i>Accumulated depreciation</i>					
At 1 January 2013	(612,747)	(403,488)	(73,422)	—	(1,089,657)
Charges for the year	(63,724)	(84,617)	(16,824)	—	(165,165)
Disposals	84	30,363	11,400	—	41,847
At 31 December 2013	(676,387)	(457,742)	(78,846)	—	(1,212,975)
Charges for the year	(5,400)	(28,455)	(1,781)	—	(35,636)
Transfer to intangible assets (note(a) (iv))/(Note 7)	664,970	445,811	53,253	—	1,164,034
Disposals	—	10	3,908	—	3,918
At 31 December 2014	(16,817)	(40,376)	(23,466)	—	(80,659)
<i>Net book value</i>					
At 31 December 2014	63,050	88,006	6,824	197	158,077
At 31 December 2013	1,157,630	1,560,103	108,043	1,042,305	3,868,081

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6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Movement of significant projects of CIP

Name	31 December 2013	Increase in current year	Transfer to property, plant and equipment	Transfer to intangible assets	Disposals	31 December 2014	Proportion of expenditures incurred to budgeted amount	Source of funds
Sewage water processing plants:								
– Jin Gu	1,037,516	365,391	—	(1,402,907)	—	—	100%	Land compensation fund Self-raised
– Others	4,789	253	—	—	(4,845)	197		
<b>Total – Company</b>	<b>1,042,305</b>	<b>365,644</b>	<b>—</b>	<b>(1,402,907)</b>	<b>(4,845)</b>	<b>197</b>		
Water recycling plants:								
– Jin Gu	106,834	101,747	(208,581)	—	—	—	100%	Land compensation fund Self-raised
– Others	2,939	222,409	(5,098)	(215,355)	(959)	3,936		
<b>Total – Group</b>	<b>1,152,078</b>	<b>689,800</b>	<b>(213,679)</b>	<b>(1,618,262)</b>	<b>(5,804)</b>	<b>4,133</b>		

(i) In 2014, no borrowing cost has been capitalised in the CIP (2013: nil).

(d) CIP

The progress of significant projects of CIP as at 31 December 2014, is analysed as follows:

	Construction progress	Remark
Sewage water processing plant - Jin Gu	100%	Estimated by percent of cost incurred to total project budget
Water recycling plant - Jin Gu	100%	Estimated by percent of cost incurred to total project budget

In order to improve the ecological city construction of Tianjin, Tianjin Government made a decision to relocate Tianjin Ji Zhuangzi sewage water processing plant and water recycling plant (the “Ji Zhuangzi Plants”) owned by the Group to Jinnan district of Tianjin. The Group was authorised to construct and operate the new Tianjin Jin Gu sewage water processing plant and water recycling plant (the “Jin Gu Plants”).

The total budget of the relocation project is about RMB2.33 billion. Under the instruction of Tianjin Government, the relocation project is funded by the land compensation from Tianjin Haihe Construction Developing Investment Co., Ltd (the “Haihe Company”). Haihe Company is the Company’s related party under common control of TICIG.



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6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) CIP (Continued)

In October 2014, the constructions of Jin Gu plants were completed. After that, Jin Gu Plants took place of Ji Zhuangzi Plants to rendering related services. The Ji Zhuangzi Plants were demolished by the Group accordingly.

The actual construction cost of the Jin Gu sewage water processing plant and water recycling plant is RMB1.6 billion. The construction has been completed and transferred to fixed assets and intangible assets. As at 31 December 2014, the Group has received land compensation fund of RMB1.6 billion and recorded as deferred revenue (Note 24).

7 INTANGIBLE ASSETS

The movements of the Group's intangible assets are as follows:

	Concession right	Technical know-how and Software	Total
<b>Cost</b>			
At 1 January 2013	3,290,910	11,059	3,301,969
Additions	31,501	307	31,808
At 31 December 2013	3,322,411	11,366	3,333,777
Transfer from property, plant and equipment(Note 6)	2,633,467	—	2,633,467
Transfer from land use rights(Note 8)	402,047	—	402,047
Transfers from CIP	1,618,262	—	1,618,262
Transfer to other current assets(Note 14(i))	(76,348)	—	(76,348)
Additions	21,442	681	22,123
Disposals	(716,372)	(726)	(717,098)
At 31 December 2014	7,204,909	11,321	7,216,230
<b>Amortisation</b>			
At 1 January 2013	(545,178)	(3,105)	(548,283)
Charges for the year	(124,792)	(902)	(125,694)
At 31 December 2013	(669,970)	(4,007)	(673,977)
Charges for the year	(245,740)	(857)	(246,597)
Disposals	27,312	139	27,451
At 31 December 2014	(888,398)	(4,725)	(893,123)
<b>Impairment</b>			
At 31 December 2013	(11,324)	—	(11,324)
Charges for the year(Note28(a))	(23,910)	—	(23,910)
Transfers to Other current assets(Note 14(i))	18,224	—	18,224
At 31 December 2014	(17,010)	—	(17,010)
<b>Net book value</b>			
At 31 December 2014	6,299,501	6,596	6,306,097
At 31 December 2013	2,641,117	7,359	2,648,476

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7 INTANGIBLE ASSETS (Continued)

The movements of the Group's intangible assets are as follows:

	Concession right	Technical know-how and Software	Total
<b>Cost</b>			
At 1 January 2013	—	10,211	10,211
Additions	—	80	80
At 31 December 2013	—	10,291	10,291
Transfer from property, plant and equipment (Note 6)	2,633,467	—	2,633,467
Transfer from land use rights (Note 8)	402,047	—	402,047
Transfers from CIP	1,402,907	—	1,402,907
Disposals	(716,328)	—	(716,328)
At 31 December 2014	3,722,093	10,291	3,732,384
<b>Amortisation</b>			
At 1 January 2013	—	(3,080)	(3,080)
Charges for the year	—	(671)	(671)
At 31 December 2013	—	(3,751)	(3,751)
Charges for the year	(118,100)	(630)	(118,730)
Disposals	27,312	—	27,312
At 31 December 2014	(90,788)	(4,381)	(95,169)
<b>Impairment</b>			
At 31 December 2013	—	—	—
Charges for the year (Note 28(a))	—	—	—
At 31 December 2014	—	—	—
<b>Net book value</b>			
At 31 December 2014	3,631,305	5,910	3,637,215
At 31 December 2013	—	6,540	6,540

- (i) On 31 December 2014, the concession right with a net book value of RMB211 million (original amount of RMB302 million) (2013: RMB221 million (original amount of RMB302 million)) has been used to secure the loan facility of RMB97 million (2013: RMB118 million). The concession right with a net book value of RMB13 million (original amount is RMB19 million) has been use to secure the loan facility of RMB10 million (2013: RMB10 million) (Note 22(a) (i)).
- (ii) In 2014, no borrowing cost has been capitalised in the concession right (2013: nil).
- (iii) The remaining amortisation period of concession right ranges from 14 to 29 years.
- (iv) Amortisation of RMB246 million (2013: RMB125 million) is included in the 'cost of sales' in the income statement and RMB1 million (2013: RMB1 million) in 'administrative expenses'.



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8 LAND USE RIGHTS

All the Group's and Company's land use rights are located in the PRC and are held on medium term leases of 25 to 50 years. The Group's and Company's interests in land use rights represent prepaid operating lease payments and their carrying values are analysed as follows:

	Group	Company
<b>Cost</b>		
At 1 January 2013 and 31 December 2013	583,057	567,266
Transfer to intangible assets(Note 6(a) (iv))/(Note 7)	(554,178)	(554,178)
Disposals	(11,038)	—
At 31 December 2014	<u>17,841</u>	<u>13,088</u>
<b>Amortisation</b>		
At 1 January 2013	(145,404)	(142,431)
Charges for the year	(11,304)	(10,805)
At 31 December 2013	(156,708)	(153,236)
Transfer to intangible assets(Note 6(a) (iv))/(Note 7)	152,131	152,131
Charges for the year	(697)	(262)
Disposals	3,299	—
At 31 December 2014	<u>(1,975)</u>	<u>(1,367)</u>
<b>Net book value</b>		
At 31 December 2014	<u>15,866</u>	<u>11,721</u>
At 31 December 2013	<u>426,349</u>	<u>414,030</u>

9 INVESTMENT PROPERTIES

	Group	Company
<b>Cost</b>		
At 31 December 2013 and 31 December 2014	<u>137,374</u>	<u>110,648</u>
<b>Accumulated depreciation</b>		
At 1 January 2013	(25,092)	(22,157)
Charges for the year	(3,673)	(3,168)
At 31 December 2013	(28,765)	(25,325)
Charges for the year	(3,673)	(3,169)
At 31 December 2014	<u>(32,438)</u>	<u>(28,494)</u>
<b>Net book value</b>		
At 31 December 2014	<u>104,936</u>	<u>82,154</u>
At 31 December 2013	<u>108,609</u>	<u>85,323</u>

The Group's investment properties include mainly certain office building with net book value of RMB82 million located in Tianjin, the PRC, owned by the Company and used for long-term lease. The fair value of the office building used for long-term lease at 31 December 2014 was approximately RMB151 million (2013: RMB151 million).

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### 10 INVESTMENTS IN SUBSIDIARIES - COMPANY

	31 December 2014	31 December 2013
Subsidiaries	1,424,755	1,331,755
Less: Impairment of subsidiaries	(71,519)	(49,619)
	1,353,236	1,282,136

The following is a list of the principal subsidiaries at 31 December 2014:

	Company type (note i)	Place of registration	Nature of business and Business Scope	Registered capital	Enterprise type	Legal representative
Qijing Capital Water Co., Ltd.	A	Qijing	Sewage processing, tap water supply	178,983	Limited company	Zhao Yi
Guizhou Capital Water Co., Ltd.	A	Guizhou	Sewage processing	100,000	Limited company	Zhao Yi
Baoying Capital Water Co., Ltd.	A	Baoying	Sewage processing	53,000	Limited company	Zhao Yi
Hang Zhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Sewage processing	257,445	Limited company	Zhao Yi
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Production and sales of new types of construction	37,500	Limited company	Zhang Qiang
Fuyang Capital Water Co., Ltd.	B	Fuyang	Sewage processing	107,100	Limited company	Zhao Yi
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	B	Hong Kong	Sewage processing	62,987	Limited company	Tang Fu Sheng
Wendeng Capital Water Co., Ltd.	B	Wendeng	Sewage processing	61,400	Limited company	Zhao Yi
Tianjin Jinghai Capital Water Co., Ltd.	B	Tianjin	Sewage processing	12,000	Limited company	Yang Guang
Tianjin Water Recycling Co., Ltd.	B	Tianjin	Production and sales of recycled water and technical consulting for water recycling business	100,000	Limited company	Tang Fu Sheng
Xi'an Capital Water Co., Ltd.	B	Xi'an	Sewage processing	334,000	Limited company	Zhao Yi
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	B	Tianjin	Environmental engineering, protection and technical consultation material	5,000	Limited company	Zhang Wen Hui
Anguo Capital Water Co., Ltd.	B	Anguo	Sewage and tap water	41,000	Limited company	Yang Guang
Wuhan Tianchuang Environmental Protection Co., Ltd.	B	Wuhan	Sewage and tap water processing	103,240	Limited company	Zhao Yi
Tianjin Capital Water Co., Ltd.	B	Tianjin	Sewage processing	10,000	Limited company	Li Yu Qing
Tianjin Zichuang Project Investment Co., Ltd.	B	Tianjin	Construction project investment	23,400	Limited company	Lin Wen Bo
Tianjin Jinning Capital Water Co., Ltd.	B	Tianjin	Sewage processing	15,000	Limited company	Yang Guang
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	B	Tianjin	Energy saving, innovative energy research, consulting and transfer service property management	60,000	Limited company	Tang Fu Sheng

(i) A: Majority controlling subsidiary

B: Wholly-owned subsidiary



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10 INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

	Investment	Investment cost at beginning of year	Additions	Investment cost at end of year	Equity interest holding/ Voting rights (%)	Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in current year
Qijing Capital Water Co., Ltd.	154,918	154,918	—	154,918	87	29,536	—	—
Guizhou Capital Water Co., Ltd.	95,000	95,000	—	95,000	95	5,667	—	—
Baoying Capital Water Co., Ltd.	37,100	37,100	—	37,100	70	21,473	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	180,212	180,212	—	180,212	70	106,203	—	—
Tianjin Capital New Materials Co., Ltd. (note(ii))	26,500	26,500	—	26,500	71	513	(26,500)	—
Fuyang Capital Water Co., Ltd.	107,302	87,702	19,600	107,302	100	—	—	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd. (note(vi))	62,987	62,987	—	62,987	100	1,803	—	—
Wendeng Capital Water Co., Ltd. (note(iii))	61,400	52,000	9,400	61,400	100	—	—	2,000
Tianjin Jing Hai Capital Water Co., Ltd.	12,000	12,000	—	12,000	100	—	—	—
Tianjin Water Recycling Co., Ltd.	100,436	100,436	—	100,436	100	—	—	—
Xi'an Capital Water Co., Ltd.	334,000	270,000	64,000	334,000	100	—	—	—
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	5,000	5,000	—	5,000	100	—	—	—
Anguo Capital Water Co., Ltd. (note(iv))	41,000	41,000	—	41,000	100	—	(30,019)	—
Wuhan Tianchuang Capital Water Co., Ltd. (note(vi))	98,500	98,500	—	98,500	100	2,301	—	—
Tianjin Capital Water Co., Ltd.	10,000	10,000	—	10,000	100	—	—	—
Tianjin Zichuang Project Investment Co., Ltd.	23,400	23,400	—	23,400	100	—	—	—
Tianjin Jinning Capital Water Co., Ltd. (note(v))	15,000	15,000	—	15,000	100	—	(15,000)	—
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	60,000	60,000	—	60,000	100	—	—	—
<b>Total</b>	<b>1,424,755</b>	<b>1,331,755</b>	<b>93,000</b>	<b>1,424,755</b>		<b>167,496</b>	<b>(71,519)</b>	<b>2,000</b>

- (i) The Group is not exposed to significant restriction on recovery or remittance of return on investment in subsidiaries.
- (ii) Full impairment of approximate RMB27 million has been made for investment in this subsidiary as at 31 December 2014 (31 December 2013: RMB27 million).
- (iii) In 2014, the cash dividend declared by subsidiary was RMB2 million (2013: Nil).
- (iv) A provision has been made for investment in this subsidiary of approximately RMB30 million as at 31 December 2014 (31 December 2013: RMB23 million).
- (v) A provision has been made for investment in this subsidiary of approximately RMB15 million as at 31 December 2014 (31 December 2013: nil).

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### 10 INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

- (vi) Minority interest in Honghu Capital Water Co., Ltd. (a fellow-subsiary Wuhan Tianchuang Capital Water Co., Ltd.) is RMB2.3 million as at 31 December 2014 (31 December 2013: RMB2.3 million). Minority interest in Sino Legend (Hong Kong) Limited (a fellow-subsiary of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.) is RMB1.8 million as at 31 December 2014 (31 December 2013: RMB1.8 million).
- (vii) Material non-controlling interests

	31 December 2014	2014	2014
	Minority interest	Minority interest income	Declared distribution of cash dividend this year
Hang Zhou Tianchuang Capital Water Co., Ltd.	106,203	6,421	—
Qujing Capital Water Co., Ltd.	29,536	2,314	—
Others	31,757	809	—
	<u>167,496</u>	<u>9,544</u>	<u>—</u>

Summarised financial information for each material subsidiary listed above is set out below:

#### Summarised balance sheet

	31 December 2014				Net assets
	current assets	non-current assets	current liability	non-current liability	
Hang Zhou Tianchuang Capital Water Co., Ltd.	45,483	641,176	99,746	232,903	354,010
Qujing Capital Water Co., Ltd.	76,388	325,004	55,876	130,232	215,284
	<u>121,871</u>	<u>966,180</u>	<u>155,622</u>	<u>363,135</u>	<u>569,294</u>

	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>



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10 INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

(vii) Material non-controlling interests (Continued)

Summarised income statement

	2014				Total comprehensive income
	Revenue	Profit before income tax	Income tax expense	Net profit	
Hang Zhou Tianchuang Capital Water Co., Ltd.	164,278	25,646	(4,241)	21,405	21,405
Qujing Capital Water Co., Ltd.	101,506	22,974	(5,761)	17,213	17,213
	<u>265,784</u>	<u>48,620</u>	<u>(10,002)</u>	<u>38,618</u>	<u>38,618</u>
	2013				Total comprehensive income
	Revenue	Profit before income tax	Income tax expense	Net profit	
Hang Zhou Tianchuang Capital Water Co., Ltd.	156,313	17,987	(3,606)	14,381	14,381
Qujing Capital Water Co., Ltd.	71,554	1,839	(3,151)	(1,312)	(1,312)
	<u>227,867</u>	<u>19,826</u>	<u>(6,757)</u>	<u>13,069</u>	<u>13,069</u>

Summarised cash flows

	2014				Cash and cash equivalents
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at beginning of year	
Hang Zhou Tianchuang Capital Water Co., Ltd.	81,393	(9,905)	(88,920)	45,148	27,716
Qujing Capital Water Co., Ltd.	5,222	(42)	(6,511)	6,094	4,763
	<u>86,615</u>	<u>(9,947)</u>	<u>(95,431)</u>	<u>51,242</u>	<u>32,479</u>
	2013				Cash and cash equivalents
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at beginning of year	
Hang Zhou Tianchuang Capital Water Co., Ltd.	79,567	(612)	(66,919)	33,112	45,148
Qujing Capital Water Co., Ltd.	57,718	(3,160)	(51,874)	3,410	6,094
	<u>137,285</u>	<u>(3,772)</u>	<u>(118,793)</u>	<u>36,522</u>	<u>51,242</u>

14. Financial Statements prepared in accordance with Hong Kong  
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11 INVESTMENT IN AN ASSOCIATE - GROUP

	2014	2013
Beginning of year	32,621	34,628
Share of loss	<u>(1,274)</u>	<u>(2,007)</u>
End of year	<u><u>31,347</u></u>	<u><u>32,621</u></u>

(a) The Group's shares of the results of its associate and its assets and liabilities, are as follows:

	Registered capital	Voting rights (%)	Assets	Liabilities	Net assets	Revenue	share of loss
<b>2014</b>							
Tianjin International Machinery Co., Ltd.	<u>120,000</u>	<u>27.5%</u>	<u>734,027</u>	<u>560,181</u>	<u>173,846</u>	<u>2,131,004</u>	<u>(1,274)</u>
<b>2013</b>							
Tianjin International Machinery Co., Ltd.	<u>120,000</u>	<u>27.5%</u>	<u>716,773</u>	<u>575,993</u>	<u>140,780</u>	<u>2,512,282</u>	<u>(2,007)</u>

(b) Tianjin International Machinery Co., Ltd. ('TIMC') is a Sino-foreign company registered in the Tianjin Economic-Technological Development Area. The principal activities of TIMC include research and development, production and sale of valve and actuating device; heater exchanger and the whole set of it; environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.



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11 INVESTMENT IN AN ASSOCIATE - GROUP (Continued)

(c) Summarised financial information for Tianjin International Machinery Co., Ltd

Summarised balance sheet

	31 December 2014	31 December 2013
<b>Current</b>		
– Cash and cash equivalents	201,841	152,132
– Other current assets	341,471	370,587
Total current assets	<u>543,312</u>	<u>522,719</u>
Total non-current Assets	<u>190,715</u>	<u>194,054</u>
– Trade payables	159,412	67,480
– Other current liabilities	400,769	508,513
Total current liabilities	<u>560,181</u>	<u>575,993</u>
Net assets	<u>173,846</u>	<u>140,780</u>
Equity attributable to owners of TIMC	113,037	117,684
Adjustment made to reflect fair value of identifiable net assets of associate at acquisition date	—	—
Adjusted equity attributable to owners of TIMC	<u>113,037</u>	<u>117,684</u>
Voting shares held by the Group	27.50%	27.50%
Equity held by the Group	<u>31,085</u>	<u>32,363</u>
Long-term investment	<u>31,347</u>	<u>32,621</u>

Summarised statement of comprehensive income

	2014	2013
Revenue	2,631,004	2,512,282
Depreciation and amortisation	(3,275)	(12,472)
Interest income	4,531	3,263
Interest expense	(21,758)	(17,855)
Loss from continuing operations	<u>(3,069)</u>	<u>(4,176)</u>
Income tax expense	238	(2,236)
Post-tax loss from continuing operations	<u>(2,831)</u>	<u>(6,412)</u>
Total comprehensive loss	<u>(2,831)</u>	<u>(6,412)</u>
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:		
Owners of TIMC	(4,634)	(7,424)
Non-controlling interests	<u>1,803</u>	<u>1,012</u>

## 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Unquoted equity investments	2,000	2,000	2,000	2,000

## 13 LONG-TERM RECEIVABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Receivables from toll road concession	326,147	333,607	326,147	333,607

Receivables from toll road concession represent amortised cost using effective interest method, calculated with reference to a guaranteed future traffic flow over the concession period till 2030.

## 14 OTHER ASSETS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Other current assets</b>				
Loan to subsidiaries(note(ii))	—	—	77,380	80,000
Anguo Capital Water Co., Ltd concession right (note(i))	58,124	—	—	—
Others	4,126	6,540	—	—
	<u>62,250</u>	<u>6,540</u>	<u>77,380</u>	<u>80,000</u>
<b>Other non-current assets</b>				
Loans to subsidiaries(note(ii))	—	—	134,000	73,790
Others	8,461	7,250	468	819
	<u>8,461</u>	<u>7,250</u>	<u>134,468</u>	<u>74,609</u>

- (i) According to the arbitral award reached on 18 April 2014 by the China International Economic and Trade Arbitration Commission, the service concession right under the water supply and sewage agreements between Anguo Capital Water Co., Ltd (a subsidiary of the Company) and Anguo Government are to be terminated. Related assets will be handed over to Anguo Government at any time. Therefore management reclassified related concession right from 'Intangible assets' to 'other current assets'.
- (ii) The loans to subsidiaries are unsecured, interest free and denominated in Renminbi.





## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

### 15 INVENTORIES

Inventories are summarised by categories as follows:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Raw materials	9,597	15,144	4,137	7,667
Finished goods	2,644	393	—	—
Spare parts and low value consumables	472	292	199	199
Construction contract costs	1,679	42,206	—	—
	<u>14,392</u>	<u>58,035</u>	<u>4,336</u>	<u>7,866</u>

### 16 TRADE RECEIVABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Due from TSC for (note(b)):				
– Sewage processing service	1,890,671	1,890,671	1,890,671	1,890,671
– Construction of sewage processing plants	422	—	422	—
	<u>1,891,093</u>	<u>1,890,671</u>	<u>1,891,093</u>	<u>1,890,671</u>
Due from TWAB for:				
– Sewage processing service	—	(68,794)	—	(68,794)
Less: Non-current portion	436,751	—	436,751	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,327,844</u>	<u>1,890,671</u>	<u>2,327,844</u>	<u>1,890,671</u>
Receivables from related parties	40,186	48,753	401	27,239
Due from others – current	202,253	153,131	43,711	26,094
	<u>2,570,283</u>	<u>2,092,555</u>	<u>2,371,956</u>	<u>1,944,004</u>
Less: allowance for impairment of trade receivables (note(c)):	(7,169)	(7,169)	—	—
	<u>2,563,114</u>	<u>2,085,386</u>	<u>2,371,956</u>	<u>1,944,004</u>

## 16 TRADE RECEIVABLES (Continued)

- (a) The ageing of trade receivables is analysed below:

	Group			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	649,382	25%	954,931	46%
1 to 2 years	786,811	31%	798,902	38%
2 to 3 years	795,627	31%	338,722	16%
Over 3 years	338,463	13%	—	—
Total	<u>2,570,283</u>	<u>100%</u>	<u>2,092,555</u>	<u>100%</u>

	Company			
	31 December 2014		31 December 2013	
	amount	% of total balance	amount	% of total balance
Within 1 year	477,430	20%	822,179	42%
1 to 2 years	776,235	33%	791,636	41%
2 to 3 years	788,102	33%	330,189	17%
Over 3 years	330,189	14%	—	—
Total	<u>2,371,956</u>	<u>100%</u>	<u>1,944,004</u>	<u>100%</u>

The average credit period of the Group is about 30 days. As at 31 December 2014, the ageing of trade receivables overdue but not impaired has no material difference from the ageing analysis above.

- (b) TSC has a good credit record in history, the outstanding trade receivables from TSC is collected on a continuous basis.

In March 2015, the Group received a repayment plan of Rmb1.89 billion from TSC. According to the repayment plan, TSC will settle Rmb500 million on 6 March 2015, and the remaining balances on 30 April 2015 and 15 June 2015 respectively. The first settlement was received by the Group on 6 March 2015. Management believes that TSC has capability to repay the outstanding amounts according to the repayment plan and there is no bad debt risk on the Group's account receivables as at 31 December 2014.

- (c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	2014	2013
At 1 January	(7,169)	—
Provision for impairment of receivables	—	(7,169)
At 31 December	<u>(7,169)</u>	<u>(7,169)</u>

On 31 December 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 RMB77 million, among which RMB16 million was aged over 2 years. According to the repayment plan drawn up by Qujing government on 30 September 2014, impairment provision of RMB7 million was provided.

## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

### 17 PREPAYMENTS

The ageing of prepayments is analysed below:

	Group			
	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	54,987	52%	64,948	56%
1 to 2 years	48,348	45%	49,097	43%
Over 2 years	3,077	3%	1,610	1%
	<u>106,412</u>	<u>100%</u>	<u>115,655</u>	<u>100%</u>

As at 31 December 2014, the prepayments with aging over one year amounting to RMB51 million (2013:RMB51 million) were mainly for plant construction projects and recycled water pipeline connection business.

	Company			
	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	8	3.1%	14,703	43.7%
1 to 2 years	48	18.5%	18,713	55.6%
Over 2 years	203	78.4%	240	0.7%
	<u>259</u>	<u>100%</u>	<u>33,656</u>	<u>100%</u>

### 18 OTHER RECEIVABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deposits	2,840	1,814	1,135	298
Amount due from subsidiaries	—	—	92,883	130,914
Others	2,867	4,958	1,774	15,032
	<u>5,707</u>	<u>6,772</u>	<u>95,792</u>	<u>146,244</u>

The ageing of the Group's other receivables is analysed below:

	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	2,296	40%	4,106	61%
1 to 2 years	1,308	23%	845	12%
2 to 3 years	362	6%	806	12%
Over 3 years	1,741	31%	1,015	15%
	<u>5,707</u>	<u>100%</u>	<u>6,772</u>	<u>100%</u>

## 18 OTHER RECEIVABLES (Continued)

The ageing of the Company's other receivables is analysed below:

	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	93,913	98.04%	145,402	99.43%
1 to 2 years	1,051	1.10%	45	0.03%
2 to 3 years	11	0.01%	500	0.34%
Over 3 years	817	0.85%	297	0.20%
	<u>95,792</u>	<u>100%</u>	<u>146,244</u>	<u>100%</u>

## 19 CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash on hand	333	167	13	17
Cash in bank	<u>819,759</u>	<u>1,002,082</u>	<u>295,218</u>	<u>342,073</u>
	820,092	1,002,249	295,231	342,090
Less:				
Restricted cash (note (a))	<u>(5,200)</u>	<u>(7,267)</u>	<u>(2,500)</u>	<u>—</u>
Total	<u>814,892</u>	<u>994,982</u>	<u>292,731</u>	<u>342,090</u>

(a) Restricted cash is deposits for project bids amount due within one year.

## 20 SHARE CAPITAL

Movement of the Company's authorised, issued and fully paid up capital is set out in below table. All of the Company's shares are ordinary shares with par value of RMB1.

	Circulating A shares	Circulating H shares	Total
At 31 December 2013 and 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.



## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

### 21 RESERVES AND RETAINED EARNINGS

The reconciliation and movement of other reserves and retained earnings are as follows:

#### (a) Group

	Capital reserve (note(i))	Statutory reserve	Subtotal	Retained earnings	Total
Balance at 1 January 2013	382,311	350,905	733,216	1,619,785	2,353,001
Profit for the year	—	—	—	281,899	281,899
Profit appropriation to statutory common reserves (note(ii))	—	22,351	22,351	(22,351)	—
Dividends relating to 2012	—	—	—	(85,634)	(85,634)
<b>Balance at 31 December 2013</b>	<b>382,311</b>	<b>373,256</b>	<b>755,567</b>	<b>1,793,699</b>	<b>2,549,266</b>
Profit for the year	—	—	—	308,168	308,168
Profit appropriation to statutory common reserve (note(ii))	—	21,807	21,807	(21,807)	—
Dividends relating to 2013	—	—	—	(114,178)	(114,178)
<b>Balance at 31 December 2014</b>	<b>382,311</b>	<b>395,063</b>	<b>777,374</b>	<b>1,965,882</b>	<b>2,743,256</b>

#### (b) Company

	Capital reserve (note(i))	Statutory reserve	Subtotal	Retained earnings	Total
Balance at 1 January 2013	380,788	350,905	731,693	1,485,450	2,217,143
Profit for the year	—	—	—	223,509	223,509
Profit appropriation to statutory reserves (note(ii))	—	22,351	22,351	(22,351)	—
Dividends declared for 2012	—	—	—	(85,634)	(85,634)
<b>Balance at 31 December 2013</b>	<b>380,788</b>	<b>373,256</b>	<b>754,044</b>	<b>1,600,974</b>	<b>2,355,018</b>
Profit for the year	—	—	—	218,072	218,072
Profit appropriation to statutory reserves (note(ii))	—	21,807	21,807	(21,807)	—
Dividends declared for 2013	—	—	—	(114,178)	(114,178)
<b>Balance at 31 December 2014</b>	<b>380,788</b>	<b>395,063</b>	<b>775,851</b>	<b>1,683,061</b>	<b>2,458,912</b>

- (i) Capital reserve comprises share premium arising from the issuance of shares and the adjustment arising from transaction with non-controlling interest of the subsidiaries.
- (ii) According to the PRC Companies Law and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit of each financial year to the statutory 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 registered capital of the Company upon approval from the shareholders.

## 22 BORROWINGS

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<i>Non-current:</i>				
Long-term bank borrowings(note(a))	1,845,896	2,067,036	794,350	962,600
Less: Current portion(note(a))	(281,330)	(853,750)	(68,500)	(652,000)
	<u>1,564,566</u>	<u>1,213,286</u>	<u>725,850</u>	<u>310,600</u>
Long-term bond (note(c))	1,388,975	1,384,775	1,388,975	1,384,775
Long-term payables (note(d))	262,454	291,175	262,454	291,175
Other non-current liabilities (note(e))	7,727	21,522	—	—
	<u>3,223,722</u>	<u>2,910,758</u>	<u>2,377,279</u>	<u>1,986,550</u>
<i>Current:</i>				
Current portion of long-term bank borrowings (note(a))	281,330	853,750	68,500	652,000
Current portion of long-term payables (note(d))	22,891	24,356	22,891	24,356
	<u>304,221</u>	<u>878,106</u>	<u>91,391</u>	<u>676,356</u>
Short-term bank borrowings (note(b))	50,000	—	50,000	—
Other current liabilities (note(e))	4,251	3,287	—	—
	<u>358,472</u>	<u>881,393</u>	<u>141,391</u>	<u>676,356</u>

## (a) Long-term bank borrowings

The long-term bank borrowings are summarised by the bank names as below:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Borrowings from:				
China Construction Bank	489,600	540,600	143,600	151,600
Industrial and Commercial Bank of China	413,236	460,376	50,000	20,000
Agriculture Bank of China	275,110	258,060	199,000	200,000
State Development Bank	253,200	367,500	126,000	218,000
China Minsheng Bank	99,000	20,000	—	—
Tianjin Rural Cooperative Bank	97,000	99,000	97,000	99,000
China Ever bright Bank	85,000	86,000	85,000	86,000
China Merchants Bank	50,000	—	50,000	—
Bohai Bank	43,750	20,000	43,750	20,000
Bank of China	20,000	25,000	—	—
Baoying Rural Credit Cooperatives Union	20,000	22,500	—	—
PingAn Bank	—	152,000	—	152,000
Shanghai Bank	—	16,000	—	16,000
	<u>1,845,896</u>	<u>2,067,036</u>	<u>794,350</u>	<u>962,600</u>

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### 22 BORROWINGS (Continued)

#### (a) Long-term bank borrowings (Continued)

Summary of terms of long-term bank borrowings:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Pledge (note(i))	107,000	127,000	—	—
Guarantee (note(ii))	944,546	977,436	—	—
Unsecured	794,350	962,600	794,350	962,600
	<u>1,845,896</u>	<u>2,067,036</u>	<u>794,350</u>	<u>962,600</u>

- (i) As at 31 December 2014, bank pledge borrowings included RMB97 million (31 December 2013: RMB118 million) secured by the concession services right of tap water and sewage processing fees of the Company's subsidiary, Qujing Capital Water Co., Ltd. (Note 7), and RMB10 million (31 December 2013: RMB10 million) secured by the land and buildings of the Company's subsidiary, Baoying Capital Water Co., Ltd.
- (ii) As at 31 December 2014, bank guarantee borrowings of RMB696 million (31 December 2013: RMB706 million) were secured by the guarantee of the Company for its subsidiaries. The remaining bank guarantee borrowings of RMB249 million (31 December 2013: RMB271 million) were guaranteed by TICIG (Note 38(5) (b)).
- (iii) These long term bank borrowings borne an interest rates ranging from 5.5% to 7.5% as at 31 December 2014 (31 December 2013: 5.9% to 7.2%).
- (iv) These borrowings' due dates are summarised as follows:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	281,330	853,750	68,500	652,000
1 to 2 years	783,530	300,230	494,250	68,000
2 to 5 years	633,236	686,956	231,600	226,600
Over 5 years	147,800	226,100	—	16,000
	<u>1,845,896</u>	<u>2,067,036</u>	<u>794,350</u>	<u>962,600</u>

## 22 BORROWINGS (Continued)

## (a) Long-term bank borrowings (Continued)

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

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
6 months or less	99,000	797,876	99,000	487,000
6- 12 months	<u>1,746,896</u>	<u>1,269,160</u>	<u>695,350</u>	<u>475,600</u>

(vi) The carrying amounts of long-term bank borrowings approximate their fair values as at 31 December 2014 because they bear interest at prevailing market rates throughout their maturity period.

## (b) Short-term bank borrowings

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Postal Saving Bank Of China	<u>50,000</u>	—	<u>50,000</u>	—
	<u>50,000</u>	—	<u>50,000</u>	—

Summary of terms of short-term bank borrowings:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Guaranteed	—	—	—	—
Unsecured	<u>50,000</u>	—	<u>50,000</u>	—
	<u>50,000</u>	—	<u>50,000</u>	—





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### 22 BORROWINGS (Continued)

#### (c) Long-term bond

	31 December 2013	Additions	Amortization	31 December 2014
Long-term bond				
Par value	1,400,000	—	—	1,400,000
Transaction cost	(15,225)	—	4,200	(11,025)
	<u>1,384,775</u>	<u>—</u>	<u>4,200</u>	<u>1,388,975</u>

Long term bond is analysed as follows:

	Par value	Issue date	Duration	Issue amount
Corporate bond I(i)	700,000	16 November 2011	5 years	700,000
Corporate bond II(ii)	700,000	29 May 2013	5 years	700,000

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

	31 December 2013	Interest accrued/paid		31 December 2014
		Interest accrued in current year	Interest paid in current year	
Corporate bond I(i)	7,747	46,480	(46,480)	7,747
Corporate bond II(ii)	20,316	38,185	(38,150)	20,351
	<u>28,063</u>	<u>84,665</u>	<u>(84,630)</u>	<u>28,098</u>

- (i) On 16 November 2011, the Company issued a long-term bond at par value of RMB700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The bond bears a fixed interest rate at 6.64% per annum and will mature on 16 November 2016. The principal will be repaid on maturity.
- (ii) On 29 May 2013, the Company issued a long-term bond at par value of RMB700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The bond bears a fixed interest rate at 5.45% per annum and will mature on 29 May 2018. The principal will be repaid on maturity.

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

	Group and Company			
	31 December 2014		31 December 2013	
	Payable	Unrecognised financing charges	Payable	Unrecognised f inancing charges
Payable to TSC for assets acquisition	<u>488,144</u>	<u>(202,799)</u>	<u>556,716</u>	<u>(241,185)</u>

## 22 BORROWINGS (Continued)

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

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Current portion
TSC	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>262,454</u>	<u>22,891</u>

Balance of the long-term payables to TSC is the consideration payable in respect of the acquisition of sewage processing assets from TSC, net of unrecognised financing charges.

Pursuant to 'Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project', TSC sold to the Company certain sewage processing assets. After the first instalment of RMB261 million in cash, the balance of the consideration will be settled on a quarterly basis in Renminbi translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance was at fair value assessed based on discounted 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.

	Group and Company	
	31 December 2014	31 December 2013
JPY	352,902	414,506
USD	<u>135,242</u>	<u>142,210</u>
	<u>488,144</u>	<u>556,716</u>

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

(iii) The long-term payables mature as follows, and as at 31 December 2014, the current portion of long-term payables of RMB23 million was classified as current liabilities.

	Group and Company	
	31 December 2014	31 December 2013
Within 1 year	22,891	24,356
1 to 2 years	22,047	23,361
2 to 5 years	61,828	64,931
Over 5 years	<u>178,579</u>	<u>202,883</u>
	<u>285,345</u>	<u>315,531</u>



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### 22 BORROWINGS (Continued)

#### (e) Other liabilities

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<i>Non-current:</i>				
– Government loan for water recycling plants construction (note(i))	7,727	10,909	—	—
– Others	—	10,613	—	—
	<u>7,727</u>	<u>21,522</u>	<u>—</u>	<u>—</u>
<i>Current:</i>				
– Current portion of government loan for water recycling plants construction (note(i))	3,182	3,182	—	—
– Others	1,069	105	—	—
	<u>4,251</u>	<u>3,287</u>	<u>—</u>	<u>—</u>

- (i) A loan was taken from TMEB by Tianjin Water Recycling Co., Ltd, the subsidiary of the Company during 2003 specifically for construction of water recycling plants. The current portion of the long-term loan is RMB3 million (2013: RMB3 million). The loan is repayable in equal instalments over eleven years from 2007. The interest will be based on the rate for deposits in RMB for period of one year on the quotation date plus 0.3% premium.

#### (f) As at year end, the Group has the following committed undrawn banking facilities:

	Group and Company	
	31 December 2014	31 December 2013
Floating rate expiring within 1 year	—	948,500
Floating rate expiring beyond 1 year	964,000	—
Total	<u>964,000</u>	<u>948,500</u>

## 23 OTHER NON-CURRENT LIABILITIES

	Group		Company	
	31 December	2013	31 December	2013
	2014		2014	
– Land compensation fund for Jizhuangzi sewage water processing plant (note(i))	—	1,140,000	—	1,140,000
– Land compensation fund for Jizhuangzi water recycling plant(note(i))	—	160,000	—	—
– Cooling compensation (note(ii))	46,000	48,000	—	—
	<u>46,000</u>	<u>1,348,000</u>	<u>—</u>	<u>1,140,000</u>

(i) As at 31 December 2014, land compensation fund received under Jizhuangzi sewage water processing plant and recycling plant have been classified to deferred revenue.

(ii) As at 31 December 2014, Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd, a subsidiary of the Company, had received compensation from TUCC for reducing the charge rate of cooling services. It will be recognised as revenue over the concession period.

## 24 DEFERRED REVENUE

Deferred revenue represents the subsidies received from governmental authorities with respects to Group's certain construction and research and development projects. The details of deferred revenue are as below:

	31 December		Loss on		Recognised in	31 December	Relating to
	2013	Additions	demolition	Reclassification	Other gains-net	2014	assets/costs
					(Note 32)		
Sewage water processing plants (Note 6(c)):							
– Xianyanglu (upgrading project)	70,894	—	—	—	(2,363)	68,531	assets
– Jizhuangzi (upgrading project)	41,760	—	—	(40,954)	(806)	—	assets
– Dongjiao (upgrading project)	49,746	—	—	—	(1,658)	48,088	assets
– Jin Gu	—	1,440,000	(669,110)	40,954	(6,775)	805,069	assets
Water recycling plants in:							
– Dongjiao	24,456	—	—	—	(675)	23,781	assets
– Bei Chen	20,737	—	—	—	(525)	20,212	assets
Others	3,813	215	—	—	(2,542)	1,486	costs
Total-Company	211,406	1,440,215	(669,110)	—	(15,344)	967,167	
Heating and cooling supply service project:	100,255	—	—	—	(4,308)	95,947	assets
Water recycling plants :	—						
– Jizhuangzi (sewage reusing project)	40,743	10,613	—	(49,786)	(1,570)	—	assets
– Jizhuangzi (expansion project)	19,800	—	—	(19,800)	—	—	assets
– Xianyanglu (water recycling project)	14,756	—	—	—	(415)	14,341	assets
– Jin Gu	—	160,000	(107,282)	69,586	(484)	121,820	assets
Sewage water processing plants:							
– Bei Shi Qiao (upgrading project)	7,605	—	—	—	—	7,605	assets
Others	1,882	1,487	—	—	(1,048)	2,321	costs
Total	<u>396,447</u>	<u>1,612,315</u>	<u>(776,392)</u>	<u>—</u>	<u>(23,169)</u>	<u>1,209,201</u>	

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### 25 DEFERRED INCOME TAX LIABILITIES

	Group			
	31 December 2014		31 December 2013	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of property, plant and equipment	<u>86,778</u>	<u>347,112</u>	<u>68,977</u>	<u>275,908</u>

	Company			
	31 December 2014		31 December 2013	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of Property, plant and equipment	<u>36,584</u>	<u>146,336</u>	<u>22,674</u>	<u>90,696</u>

- (a) Deferred income tax liabilities were recognised on temporary differences arising between the tax bases of concession right and their carrying amounts, which will be recovered within the concession period. The remaining concession period was over 12 months.
- (b) The movement in deferred income tax liabilities during the year is as follows:

Deferred tax liabilities	Group and Company Accelerated tax depreciation	
At 1 January 2013	60,645	21,721
Charged to the income statement	<u>8,332</u>	<u>953</u>
At 31 December 2013	68,977	22,674
Charged to the income statement	<u>17,801</u>	<u>13,910</u>
At 31 December 2014	<u>86,778</u>	<u>36,584</u>

- (c) Unrecognised deferred income tax assets

Deferred income tax assets were recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB23 million (2013: RMB21 million) in respect of losses amounting to RMB91 million (2013: RMB84 million) that can be carried forward against future taxable income.

The amount of tax loss carry-forward that no deferred income tax assets were recognised will expire in the following years:

Year	2014	2013
2014	—	11,812
2015	16,475	16,475
2016	27,553	27,553
2017	18,204	18,204
2018	10,372	10,372
2019	<u>18,056</u>	<u>—</u>
	<u>90,660</u>	<u>84,416</u>

Deferred income tax assets were recognised for impairment loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB6 million (2013: RMB5 million) in respect of losses amounting to RMB24 million (2013: RMB18 million) that can be carried forward against future taxable income.

## 26 TRADE PAYABLES, ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND TAX PAYABLES

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Trade payables (note(a))	54,319	21,099	21,540	5,042
Advances from customers (note(b))	776,190	701,654	6,841	8,082
Other payables (note(c))	666,433	537,600	1,029,776	726,791
Tax payables (note(d))	26,400	25,591	14,987	17,555
	<u>1,523,342</u>	<u>1,285,944</u>	<u>1,073,144</u>	<u>757,470</u>

(a) As at 31 December 2014, the majority trade payables were aged within one year.

(b) Advances from customers comprise:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
For pipeline connection services	762,622	685,875	—	—
For heating supply service	5,752	2,441	—	—
For project Han Gu	3,267	3,536	3,267	3,536
Others	4,549	9,802	3,574	4,546
	<u>776,190</u>	<u>701,654</u>	<u>6,841</u>	<u>8,082</u>

As at 31 December 2014, advances of RMB574 million (31 December 2013: RMB476 million) were aged over one year, which mainly represented advances relating to those projects of recycled water pipeline connection. The balances had yet to be settled as those projects have not been completed.

(c) Other payables comprise:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Construction costs payable	493,812	418,701	358,788	332,861
Payable for purchase of property, plant and equipment and concession right	22,745	32,493	—	11,600
Interest payable for long term bond (Note 22(c))	28,098	28,063	28,098	28,063
Payables to subsidiaries	—	—	596,406	334,518
Others	121,778	58,343	46,484	19,749
	<u>666,433</u>	<u>537,600</u>	<u>1,029,776</u>	<u>726,791</u>

The carrying value of other payables approximates their fair value due to their short-term maturities.

As at 31 December 2014, other payables of RMB79 million (31 December 2013: RMB112 million) were aged over one year, which mainly represented unsettled payables and deposits for upgrading projects.



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### 26 TRADE PAYABLES, ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND TAX PAYABLES

(Continued)

(d) Taxes payables were:

	Group		Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Income tax payables	21,990	19,620	11,923	14,867
Business tax payables	2,724	3,094	2,113	2,092
VAT payables	674	63	366	—
Others	1,012	2,814	585	596
	<u>26,400</u>	<u>25,591</u>	<u>14,987</u>	<u>17,555</u>

### 27 BUSINESS TAX EXPENSES AND SURCHARGES

	2014	2013
Business tax	13,980	13,439
City construction and maintenance fee	1,224	1,114
Surcharge and others	1,015	921
	<u>16,219</u>	<u>15,474</u>

### 28 EXPENSE BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2014	2013
Amortisation of intangible assets and land use rights	247,294	136,998
Utilities	214,036	211,594
Employee benefit expense (Note 29)	183,379	177,211
Depreciation of property, plant and equipment and investment properties	86,921	201,024
Repair and maintenance expenses	82,369	69,469
Raw materials and consumables used	43,828	45,952
Sewage mud processing fee	42,295	50,664
Cost of recycling water pipeline connection service	35,358	48,766
Construction cost of sewage water plants	28,557	26,290
Impairment of intangible assets (note(a))	23,910	11,324
Factory environment, detection and fire prevention fee	20,842	17,880
Network maintenance fee	19,252	12,098
Other taxes	11,320	10,614
Travel, meeting and business entertainment expenses	9,471	13,493
Toll road management fee	7,120	7,120
Consulting service fee	4,476	2,503
Office allowance	4,305	5,004
Auditors' remuneration	4,200	4,200
Expenses of board of directors	3,642	3,175
Allowance for impairment of trade receivables (Note16)	—	7,169
Others	34,047	36,522
	<u>1,106,622</u>	<u>1,099,070</u>

(a) A provision of RMB7 million was made in respect of the intangible assets of Anguo Capital Water Co., Ltd. and a provision of RMB17 million was made in respect of the intangible assets of Tianjin Jinning Capital Water Co., Ltd.

## 29 EMPLOYEE BENEFIT EXPENSE

(a) The analysis of employee benefits is as follows:

	2014	2013
Wages and salaries	126,624	121,238
Social security costs	34,647	30,664
Pension costs – defined contribution plans	18,071	16,447
Other benefits	9,037	8,862
	<u>183,379</u>	<u>177,211</u>

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2014 was set out below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	—	701	701
Lin Wenbo (i)	—	731	731
Fu Yana	—	601	601
Shi Zhenjuan	—	462	462
<b>Non-executive Directors:</b>			
Xie Rong	64	—	64
Di Xiaofeng	64	—	64
Li Jieying	220	—	220
Gao Zongze	156	—	156
Guan Yimin	156	—	156
	<u>660</u>	<u>2,495</u>	<u>3,155</u>

(i) The Director is also the General Manager.

The remuneration of every director for the year ended 31 December 2013 was set out below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	150	698	848
Lin Wenbo (i)	100	703	803
Fu Yana	100	548	648
Shi Zhenjuan	100	548	648
Zhong Huifang	100	—	100
<b>Non-executive Directors:</b>			
Xie Rong	220	—	220
Di Xiaofeng	220	—	220
Li Jieying	220	—	220
An Pindong	100	—	100
Chen Yinxing	100	—	100
	<u>1,310</u>	<u>2,497</u>	<u>3,807</u>

(i) The Director is also the General Manager.





## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

### 29 EMPLOYEE BENEFIT EXPENSE (Continued)

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2013: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2013: one) individuals during the year are as follows:

	2014	2013
Salaries and other emoluments	<u>1,339</u>	<u>679</u>

The emoluments fell within the following bands:

	2014	2013
Emolument bands (in HK dollar) HK\$500,000 – HK\$1,000,000	<u>2</u>	<u>1</u>

### 30 FINANCE COSTS – NET

	Group 2014	2013
Interest expenses of borrowings	229,122	259,295
Less: Capitalised interest	<u>—</u>	<u>—</u>
Net interest expenses	229,122	259,295
Less: Interest income	(18,660)	(19,331)
– long-term receivables	(11,343)	(11,480)
– bank deposits	(7,317)	(7,851)
Exchange gains (note(a))	(27,947)	(66,790)
Others	<u>5,111</u>	<u>4,639</u>
	<u>187,626</u>	<u>177,813</u>

(a) Exchange gains of the long-term payables denominated in JPY and USD were about RMB28 million (31 December 2013: about RMB67 million).

### 31 INCOME TAX EXPENSE

	Group 2014	2013
Current income tax	97,751	90,827
Deferred income tax	<u>17,801</u>	<u>8,332</u>
	<u>115,552</u>	<u>99,159</u>

**31 INCOME TAX EXPENSE (Continued)**

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

	2014	2013
Profit before income tax	<u>433,264</u>	<u>387,516</u>
Calculated at applicable income tax rates (25%)	108,316	96,879
Effect of preferential tax rate applicable to certain subsidiaries	(1,856)	(3,842)
Income not subject to tax	(3,974)	(1,141)
Expenses not deductible for taxation purposes	11,287	6,996
Utilisation of previously deductible tax losses for which no deferred income tax assets was recognized	(2,735)	(2,326)
Current year tax losses for which no deferred income tax asset was recognized	<u>4,514</u>	<u>2,593</u>
Income tax expense	<u><u>115,552</u></u>	<u><u>99,159</u></u>

**32 OTHER GAINS - NET**

	Group	
	2014	2013
Loss on disposal of property, plant and equipment	(1,812)	(4,851)
Government grants(Note 24)	23,169	22,906
Others	<u>1,047</u>	<u>774</u>
	<u><u>22,404</u></u>	<u><u>18,829</u></u>

**33 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The profit attributable to equity holders of the Company for the year is dealt with in the financial statements of the Company to the extent of approximately RMB218 million (2013: RMB224 million).

**34 EARNINGS PER SHARE**

Basic earnings per share is calculated based on the profit attributable to owners of the Company of RMB308 million (2013: RMB282 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2013: 1,427 million shares).

Diluted earnings per share are calculated using the same bases as described above for calculating basic earnings per share.

	2014	2013
Profit attributable to owners of the Company	<u>308,168</u>	<u>281,899</u>
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>0.22</u></u>	<u><u>0.20</u></u>



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### 35 DIVIDENDS

A dividend in respect of the year ended 31 December 2013 of RMB0.08(gross including tax) per share, amounting to a total dividend of RMB114 million, was approved at the Annual General Meeting on 5 June 2014.

A dividend in respect of the year ended 31 December 2014 of RMB0.07(gross including tax) per share, amounting to a total dividend of RMB100 million, is to be approved at the annual general meeting. These financial statements do not reflect this dividend payable.

### 36 CASH GENERATED FROM OPERATIONS

	2014	2013
Profit for the year	317,712	288,357
Adjustments for:		
– Taxation	115,552	99,159
– Amortisation of deferred revenue(Note 24)	(23,169)	(11,755)
– Depreciation and amortisation	334,215	338,022
– Share of loss of an associate	1,274	2,007
– Investment loss from available-for- sale financial assets	—	1,023
– Loss on disposal of property, plant and equipment	1,812	4,851
– Impairment of assets	23,910	18,493
– Interest income (Note 30)	(7,317)	(7,851)
– Interest expense-net (Note 30)	201,175	192,505
Changes in working capital		
– Decrease in inventories	43,643	34,474
– Increase in trade receivables, other receivables and prepayments	(487,119)	(445,296)
– Increase in trade payables, advance from customers and other payables	175,745	143,741
Cash generated from operations	<u>697,433</u>	<u>657,730</u>

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2014	2013
Net book amount	115,598	8,791
Offset deferred revenue (note(a))	(107,282)	—
Loss on disposal of property, plant and equipment (Note 32)	(1,812)	(4,851)
Proceeds from sale of property, plant and equipment	<u>6,504</u>	<u>3,940</u>

(a) The loss on disposal of Jizhuangzi water recycling plants was offset the remaining balance of deferred revenue.

## 37 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	
	31 December 2014 RMB 'million	31 December 2013 RMB 'million	31 December 2014 RMB 'million	31 December 2013 RMB 'million
Sewage water processing plants in:				
– Dengjiacun and Beishiqiao (upgrade aproject)	110	—	14	—
– Xiaohechang (upgrade project)	11	—	16	—
– Wendeng (upgrade project)	1	—	10	—
– Jinnan project	—	287	—	741
– Ying Nan (upgrade project)	—	13	1	40
– Yong An	—	2	—	—
Water recycling plants in:				
– Jinnan project	—	81	—	72
Others	—	4	—	6
	<u>122</u>	<u>387</u>	<u>41</u>	<u>859</u>

## 38 RELATED PARTY TRANSACTIONS

## (1) Information of the parent of the Company

## (a) General information of the parent company

	Type	Place of registration	Legal representative	Nature of business
TMICL	Limited Company	Tianjin, the PRC	An Pingdong	Development and management of municipal infrastructures

The Company's ultimate controlling party is TICIG

## (b) Registered capital and changes in registered capital of the parent company

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
TMICL	<u>1,820,000</u>	<u>—</u>	<u>—</u>	<u>1,820,000</u>

## (c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2014		31 December 2013	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
TMICL	<u>50.14%</u>	<u>50.14%</u>	<u>51.58%</u>	<u>51.58%</u>



## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (2) Information of subsidiaries

The information of the subsidiaries is set out in Note 10.

#### (3) Information of associate

The information of an associate is set out in Note 11.

#### (4) Information of other related parties

	Relationship with the Group
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Controlled by TICIG
Tianjin Lecheng Properties Limited	Controlled by TICIG
Tianjin City Resource Operation Co., Ltd.	Controlled by TICIG
Tianjin Environment Construction Investment Company Limited	Controlled by TICIG
Tianjin Metro Resources Investment Co.,Ltd.	Controlled by TICIG
Tianjin City Infrastructure Construction Project Management & Consultant Co., Ltd.	Controlled by TICIG
Tianjin Haihe Construction Developing Investment Co.,Ltd.	Controlled by TICIG
Tianjin Machinery &Electric Equipment Imp.& Exp. Co.,Ltd.	Subsidiary of associate
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 entered into in the ordinary course of the business between the Group and its related parties during the year:

##### (a) Purchases of goods and sales of services

###### Purchases of goods

Related party	Nature of transaction	2014	2013
Tianjin Machinery & Electric Equipment Imp.& Exp. Co.,Ltd.	Purchase of equipment	26,544	60,150

###### Sales of services

Related party	Nature of transaction	2014	2013
TICIG(note(i))	Commission income from contract operation	61,118	53,676
Tianjin Lecheng Properties Limited	Income from heating and cooling supply	33,718	32,604
Tianjin Metro Resources Investment Co.,Ltd.	Income from heating and cooling supply	5,576	4,663
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Management fee from construction projects	506	1,430
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Construction revenue from sewage water processing plant	—	10,436
Tianjin Environment Construction Investment Company Limited	Rental income from TCEP building	—	943

## 38 RELATED PARTY TRANSACTIONS (Continued)

## (5) Related party transactions (Continued)

## (a) Purchases of goods and sales of services (Continued)

The Group's pricing on construction contract service with related parties is based on the reference price for construction market stipulated by the local 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 heating and cooling supply with related parties is based on the reference price stipulated by the government. Other transactions were entered into at terms as agreed with the related parties in the ordinary course of business.

- (i) Related parties listed above are continuing connected transactions under the Listing Rule 14A of the Main Board of The Stock Exchange of Hong Kong.

## (b) Guarantee:

Guarantor	Guarantee	Amount	Starting date	Due date	Completed (Y/N)
TICIG	Xi'an Capital Water Co., Ltd	249,000	28 September 2008	27 September 2022	N

## (c) Key management compensation:

	31 December 2014	31 December 2013
Key management compensation	<u>10,128</u>	<u>10,479</u>



## 14. Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (6) Year-end balances arising from sales/purchases of services/goods

	31 December 2014	31 December 2013
Receivables from related parties		
– Tianjin Lecheng Properties Limited	18,422	17,600
– TICIG	16,388	26,838
– Tianjin Metro Resources Investment Co., Ltd.	4,975	3,914
– Tianjin City Resource Operation Co., Ltd.	401	401
– Tianjin Machinery & Electric Equipment Imp.& Exp. Co., Ltd	—	6,465
Payables to related parties		
– Tianjin Machinery & Electric Equipment Imp.& Exp. Co., Ltd.	3,221	24,958
	<u>3,221</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) Related parties' commitments

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

	31 December 2014	31 December 2013
Guarantee Received		
TICIG	249,000	271,000
	<u>249,000</u>	<u>271,000</u>

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

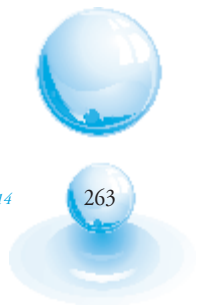
The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as 'state-controlled entities').

During the year, the Group's significant transactions with these state controlled entities include processing of sewage water and construction and management of related facility and processing of tap water and supply of heating. As at year end, majority of the Group's cash and cash equivalents and borrowings are with state controlled banks.

39 FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2014, the Company had given guarantees of RMB1,004 million (2013: RMB792 million) to banks of certain subsidiaries in respect of their bank facilities, of which RMB688 million had been drawn down by the subsidiaries.

The Directors are of the view that the subsidiaries to be financially resourceful to settle their obligations in due course.





## 15. List of Documents Available for Inspection

1. The financial statements signed and sealed by the legal representative, the chief accountant and the officer-in-charge of the accounting department of the Company.
2. Original of the report of the auditor sealed by the certified public accountants, signed and sealed by the auditor.
3. Originals of all documents and announcements of the Company publicly disclosed in newspapers designated by the CSRC during the reporting period.
4. The annual report released in other stock markets.