



*Interim Report for the six  
months ended 30th June 2015*



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

## **IMPORTANT**

- I. The board of directors (the “Board”), supervisory committee (the “Supervisory Committee”), directors (the “Directors”), supervisors (the “Supervisors”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “Company”) confirm that the information in this 2015 interim report (the “Interim Report”) does not contain any false information, misleading statements or material omissions, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.**
  
- II. The interim financial statements of the Company for the six months ended 30 June 2015 are unaudited.**
  
- III. Mr. Liu Yujun, the person in charge 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 warranted the truthfulness, accuracy and completeness of the financial report contained in this Interim Report.**
  
- IV. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds?**  
No
  
- V. Did the Company provide external guarantees in violation of specified decision-making procedures?**  
No

## SECTION I DEFINITIONS

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

“Group”	the Company and its subsidiaries
“Subsidiaries”	subsidiaries of the Company
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Water Recycling Company”	Tianjin Water Recycling Company Limited
“TCCC”	Tianjin City Construction and Communication Committee
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Company Limited
“TLP”	Tianjin Lecheng Properties Company Limited
“TYCOM”	Tianjin Yuanyicheng Commercial Operation Management Company Limited
“Tianjin Haihe”	Tianjin Haihe Construction Development and Investment Company Limited
“TM Resources”	Tianjin Metro Resources Investment Company Limited
“TSC”	Tianjin Sewage Company
“Anguo Company”	Anguo Capital Water Company Limited
“Kaiying Company”	Tianjin Kaiying Technology Development Company Limited
“Qujing Company”	Qujing Capital Water Company Limited
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Company Limited
“TMICL”	Tianjin Municipal Investment Company Limited
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited
“Tianjin Infrastructure Consultant”	Tianjin City Infrastructure Construction Project Management & Consultant Company Limited
“Guizhou Company”	Guizhou Capital Water Company Limited

## SECTION II COMPANY PROFILE

### I. Information on the Company

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

### II. Contact Persons and Contact Details

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

### III. Basic Information

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

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

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

## V. Profile of the Shares of the Company

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

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

Date of registration	1 April 2015
Registered address	No. 45 Guizhou Road, Heping District, Tianjin, the PRC
Registration number of legal person business licence	120000400079927
Taxation registration number	120114103065501
Organization Code	10306550-1

Note: On 1 April 2015, the legal representative of the Company was changed to Mr. Liu Yujun and the Company has obtained the new business licence. During the reporting period, there was no change in other registration information of the Company.

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

**I. Major Accounting Data and Financial Indicators of the Company**

(i) Major accounting data

Unit: 0'000 Currency: RMB

	<b>During the reporting period (from January to June)</b>	<b>During the same period last year</b>	<b>Increase/decrease for the current reporting period as compared to the same period last year (%)</b>
Operating income	95,797.9	86,176.9	11.16
Net profit attributable to the shareholders of the Company	18,143.5	14,395.7	26.03
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	17,996.6	14,226.8	26.5
Net cash flow from operating activities	195,269.7	38,351.1	409.16
	<b>As at the end of the current reporting period</b>	<b>As at the end of last year</b>	<b>Increase/decrease as at the end of the current reporting period as compared to the end of last year (%)</b>
Net assets attributable to the shareholders of the Company	425,201.3	417,048.4	1.95
Total assets	1,046,973.2	1,085,948.2	-3.59

(ii) Major financial indicators

	During the reporting period (from January to June)	During the same period last year	Increase/decrease for the current reporting period as compared to the same period last year (%)
Basic earnings per share (RMB/share)	0.13	0.10	30
Diluted earnings per share (RMB/share)	0.13	0.10	30
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.13	0.10	30
Weighted average return on net assets ratio (%)	4.31	3.61	Increased by 0.7 percentage point
Weighted average return on net assets ratio after deduction of extraordinary items (%)	4.27	3.56	Increased by 0.71 percentage point

II. Differences in Accounting Data under the Domestic and Overseas Accounting Standards

Not applicable

III. Extraordinary Profit and Loss Items and Amounts

Unit: 0'000 Currency: RMB

Extraordinary profit and loss items	Amount
Profit/loss from disposal of non-current assets	1.1
Government grants recognized in current profit and loss, except for those closely relating to business operation of the Company, in compliance with national policy and settled in certain amount which are constantly granted by government	89.9
Other non-operating income and expenses	111.2
Effect on minority interests	-4.7
Income tax effect	-50.6
Total	146.9



## SECTION IV DIRECTORS' REPORT

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

During the reporting period, the Group conducted its businesses according to the operating plan and strategy for 2015 as formulated by the Board in an orderly manner:

During the reporting period, the Group made steady progress in its principal businesses under the overall requirements for lean management to enhance the quality and efficiency. In order to proactively deal with the stricter effluent requirements under the new Environmental Protection Law, each of our sewage water treatment plants and Subsidiaries deepened the operating management to ensure the effluent quality up to standard, while continuing to promote the agreement maintenance and the adjustment to service price;

During the reporting period, the upgrading and reconstruction projects of sewage water treatment plants of each Subsidiary underwent smooth progress. The upgrading and reconstruction projects of sewage water treatment plants in Beishiqiao and Dengjiacun of the Subsidiary in Xi'an, Xiaohe Plant in Guizhou and sewage water treatment plant in Wendeng have passed or entered into the acceptance procedures, and have commenced their commercial operation successively. The upgrading and reconstruction project of sewage water treatment plant (Phases I and II) in Qige of the Subsidiary in Hangzhou has officially commenced construction. The establishment of the Subsidiary to undertake the power station construction projects of Heiniucheng and Houtai won by the Group proceeded normally with preliminary work of such projects underway at present;

During the reporting period, the Group further strengthened the research and development of technologies. In the first half of the year, Kaiying Company has successfully passed the acceptance and listing of Tianjin Sewage and Waste Water Biochemical Treatment Technology Engineering Center, and also facilitated the development of the Group in the field of dying industrial wastewater through the promotion of bacteria preparation products project;

During the reporting period, the Company recovered the sewage water treatment service fees of RMB1.89 billion due from TSC in the years prior to 2014, which improved the Company's capital structure to some extent; and

During the reporting period, the Group has initiated the preparation of the Twelfth Five-Year Strategic Plan with its focus on transformation and development, in order to facilitate the achievement of the Company's strategic objectives through innovations in business, technology, financing, organization and management.

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

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

During the reporting period, the Group recorded an operating income of RMB957.98 million, representing an increase of RMB96.21 million or 11.16% as compared to the same period last year. The increase in operating income was mainly attributable to an increase in income generated from sewage water treatment business and scientific and technological achievements commercialization business, including the deodorization patent.

During the reporting period, the Group's operating costs amounted to RMB536.84 million, representing an increase of RMB49.60 million or 10.18% as compared to the same period last year, which was in line with the increase of operating income.

The Group recorded a net profit (attributable to the shareholders of the Company) of RMB181.44 million during the reporting period, representing an increase of RMB37.48 million or 26.03% as compared to the same period last year.

**2. Analysis of the principal businesses**

**(1) Sewage water treatment business**

As at the end of the reporting period, the sewage water processing capacity from licensed operation of the Group was approximately 3,080,000 cubic metres per day, substantially the same as the beginning of the reporting period; the sewage water processing capacity from entrusted operation was approximately 790,000 cubic metres per day, representing an increase of approximately 60,000 cubic metres per day as compared to the beginning of the reporting period.

The Group processed a total of 621.36 million cubic metres of sewage water during the reporting period, representing an increase of 13.3% as compared to last year, and realized a sewage water treatment service income of RMB721.87 million, representing an increase of 11% 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 240.93 million cubic metres of sewage water, representing an increase of 14.47% as compared to the same period last year, and realized a sewage water treatment service income of RMB422.79 million, representing an increase of 12.23% as compared to last year, mainly due to the increase in the scale and processing capacity of Jingu Sewage Water Treatment Plant constructed after the relocation of Jizhuangzi Sewage Treatment Water Plant.

- b. The Subsidiaries of the Group processed a total of 266.33 million cubic metres of sewage water, representing an increase of 8.8% as compared to the same period last year. Income from sewage water treatment services of RMB247.36 million was realized, representing an increase of 7.52% as compared to the same period last year, mainly due to the increase in processing capacity of some Subsidiaries as compared to the same period last year, and the upward adjustment to the unit price of sewage water treatment service fees charged by Wendeng Capital Water Company Limited as a result of upgrading.
- c. The Group's entrusted operation projects processed a total of 114.10 million cubic metres of sewage water, representing an increase of 33.4% as compared to the same period last year, and realized an income of RMB51.72 million, representing an increase of 25.47% as compared to the same period last year, mainly due to the increase in the scale of entrusted operation projects as compared to the same period last year.

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

During the reporting period, the Group's sales volume of recycled water was 8.038 million cubic metres, representing a decrease of 16.7% as compared to the same period last year, and recorded an income of RMB21.92 million, representing a decrease of 16.11% as compared to the same period last year, which was mainly attributable to the decrease in the volume of recycled water used by the key users.

During the reporting period, the recycled water pipeline connection business of the Group realized a total income of RMB69.98 million, representing an increase of 15.92% as compared to the same period last year, which was mainly attributable to the increase in settlement amount of ancillary business as compared to the same period last year.

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

During the reporting period, the Group's tap water business recorded a water sales volume of 19.59 million cubic metres, representing an increase of 1.6% as compared to the same period last year, and realized an income of RMB31.63 million, representing an increase of 3.23% as compared to the same period last year.

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

During the reporting period, a total realized income from the Group's new energy cooling and heating supply service business was RMB29.74 million, representing an increase of 15.49% as compared to the same period last year, which was mainly attributable to the early cooling supply to some users and thus increase the income.

## (5) Toll collection business

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

## (6) Scientific and technological achievements commercialization business

During the reporting period, in respect of the scientific and technological achievements commercialization business, Kaiying Company continued to promote the marketing of the sewage water treatment plant all-process deodorization patented technology, and realized a total income of RMB20.01 million, representing an increase of 124.46% as compared to the same period last year.

### (ii) Analysis of principal businesses

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

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	95,798	86,177	11.16
Costs of operations	53,684	48,725	10.18
Administrative expenses	5,445	5,645	-3.54
Financial costs	9,762	10,552	-7.49
Sales costs	178	0	—
Impairment losses of assets	—	690	-100
Investment income	-299	54	-653.70
Non-operating expenses	9	69	-86.96
Income tax	7,119	5,297	34.40
Minority interests	513	337	52.23
Net cash flows from operating activities	195,270	38,351	409.16
Net cash flows from investing activities	-22,767	-287	-7,832.75
Net cash flows from financing activities	-56,898	-31,838	-78.71
Research and development expenses	94.29	105	-10.2

Explanation of changes:

Sales costs: Kaiying Company increased its market development efforts and made special collection for the costs of marketing staff in the current year, which resulted in the newly added sales costs.

Impairment losses of assets: During the same period last year, the management, based on prudent considerations, made provision for impairment losses of RMB6.9 million in respect of the tap water project of Anguo Company, pursuant to the interlocutory judgement made by the China International Economic and Trade Arbitration Commission in respect of the Anguo projects, namely “Judgement in respect of the termination of the relevant agreements for Anguo Company’s tap water supply and sewage water projects, and completion of transfer before July 2014”. There were no impairment losses of assets in the current period.

Investment income: The decrease in the current period as compared to the same period last year was mainly because Tianjin International Machinery Company Limited, an associated company, recorded losses in the current period.

Non-operating expenses: The decrease in the current period as compared to the same period last year was mainly due to the great losses from the retirement of fixed assets of Hangzhou Tianchuang Capital Water Company Limited in the same period last year.

Income tax: The increase in the current period as compared to the same period last year was mainly due to the increase of profit as compared to the same period last year.

Minority interests: The increase in the current period as compared to the same period last year was mainly due to the increase of net profit of non wholly-owned Subsidiaries in the current period.

Net cash flows from operating activities: The increase in the current period as compared to the same period last year was mainly due to the Company’s receipt of the sewage water treatment service fees of RMB1.89 billion due from TSC in the years prior to 2014, which led to the increase of net cash inflow.

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

Net cash flows from financing activities: The repayment amount in the current period was substantially the same as the same period last year, while the borrowing amount for the current period was less than that of the same period last year, which led to an increase of net cash outflow.

## 2 Table 2 - Analysis of changes in relevant items in the financial statements

Unit: 0'000 Currency: RMB

Item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)
Cash and cash equivalents	198,525	18.96	82,009	7.55	142.08
Notes receivables	88	0.01	—	—	—
Trade receivables	109,429	10.45	256,311	23.60	-57.31
Short-term borrowings	—	—	5,000	0.46	-100
Trade payables	7,584	0.72	5,432	0.50	39.62
Dividend payable	12,224	1.17	6,034	0.56	102.58
Non-current liabilities due within one year	52,358	5.00	30,422	2.80	72.11
Long-term borrowings	95,882	9.16	156,457	14.41	-38.72

Explanation of changes:

Cash and cash equivalents: The significant increase in the balance as at the end of the period was because the Company recovered the sewage water treatment service fees of RMB1.89 billion due from TSC in the years prior to 2014.

Notes receivables: It was due to the new notes receivables of some Subsidiaries in the current period.

Trade receivables: The significant decrease in the balance of trade receivables as at the end of the period was because the Company recovered the sewage water treatment service fees of RMB1.89 billion due from TSC in the years prior to 2014.

Short-term borrowings: It was because the Company repaid the short-term borrowings due.

Trade payables: It was mainly due to the increased operating expenses (such as electricity charges) payable to the plants of the Company and increased water resource fees of tap water projects as compared with last year.

Dividend payable: It mainly represented the provision of dividend payable for 2014.

Non-current liabilities due within one year: It mainly represented the newly raised long-term borrowings due within one year.

Long-term borrowings: The significant decrease in the balance as at the end of the period was because the Company made an early repayment of part of long-term borrowings.

### **3 Others**

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

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

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

Not applicable

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

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

(iii) Analysis of the industry or regional operations

1、Principal businesses by industry

Unit: 0'000 Currency: RMB

	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 construction business	67,138	35,494	47.13	10.59	8.40	Increased by 1.07 percentage points
Recycled water pipeline connection and water supply business	9,190	5,825	36.62	6.24	5.11	Increased by 0.69 percentage point
Toll collection business	3,351	356	89.38	-	-	-
Tap water supply business	3,163	2,232	29.43	3.23	-11.85	Increased by 12.07 percentage points
Cold and heat supply business	2,974	1,938	34.84	15.5	-0.72	Increased by 10.64 percentage points
Scientific and technological achievements commercialization business <sup>(note 1)</sup>	2,001	1,477	26.19	124.46	95.63	Increased by 10.92 percentage points
Others <sup>(note 2)</sup>	127	517	-307.9	25.74	105.16	Decreased by 157.58 percentage points



Explanation of principal businesses by industry is as follows:

Note 1: Scientific and technological achievements commercialization business represented the businesses of the sewage water treatment plant all-process deodorization patented technology of Kaiying Company, the Subsidiary of the Group. During the reporting period, Kaiying Company continued to strengthen efforts in market development and recorded significant increase in both income and costs as compared to the same period last year.

Note 2: Others include other principal businesses excluding the above mentioned businesses. The Group's income was less than its costs after the reconciliation of internal revenues.

## 2 · Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

<b>Region</b>	<b>Income from operations</b>	<b>Increase/decrease in income from operations as compared to last year (%)</b>
Tianjin	60,340	13
Qujing	5,025	0
Guizhou	1,353	-5
Fuyang	3,537	7
Baoying	1,014	0
Hangzhou	8,668	15
Wendeng <sup>(note 1)</sup>	1,841	37
Xi'an	3,928	-3
Anguo	428	4
Wuhan	1,810	6
Hong Kong <sup>(note 2)</sup>	0	-100

Explanation of principal businesses by geographical regions is as follows:

Note 1: The sewage water plant upgrading and reconstruction project of Wendeng Capital Water Company Limited completed, leading to the increased processing volume of sewage water and upward adjustment to the unit price for sewage water treatment services.

Note 2: Hong Kong Company recorded no revenue in this period as the relevant contract was still under negotiation.

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

The Group has core competitiveness in the following four aspects: (1) safe, stable, standard-compliant and efficient operation capabilities; (2) practical, leading, flexible and continuous research and development capabilities; (3) professional, dedicated, cooperative and innovative staff team; (4) trustworthy, responsible, standardized and healthy corporate reputation. These four core competitiveness are complementary. Corporate integrity, diligent employees and technology innovation ultimately enable customers to be assured, thereby establishing good brand influence of environmental protection.

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

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

- (1) On 30 October 2014, the Board of the Company approved the capital increase of Guizhou Company, a Subsidiary of the Company. According to their shareholdings, the Company contributed RMB19 million and TMICL contributed RMB1 million, totaling RMB20 million. The increased capital would be used for the upgrading and reconstruction project of Xiaohe Sewage Water Treatment Plant of Guizhou Company. During the reporting period, the capital increase was completed. Upon completion, the registered capital of Guizhou Company increased to RMB120 million.
- (2) On 11 March 2015, the Board of the Company approved the capital increase of RMB15 million in Kaiying Company, a wholly-owned Subsidiary of the Company, which would be mainly used for the production and sale of new products, expansion of production capacity and supplementing liquidity. Such capital increase was completed during the reporting period. Upon completion of such capital increase, the registered capital of Kaiying Company increased to RMB20 million.
- (3) On 29 April 2015, the Board of the Company approved the establishment of Tianjin Jiayuan Tianchuang New Energy Technology Company Limited with a registered capital of RMB64 million in which the Company held 100% equity interest, for the licensed operation project of the No.1 and No.2 energy stations at Heiniucheng Road. The capital injection was not yet completed during the reporting period. Currently, the Company is undergoing the relevant procedures.
- (4) On 29 April 2015, the Board of the Company approved the establishment of Tianjin Jiayuan Shengchuang New Energy Technology Company Limited with a registered capital of RMB33 million in which the Company held 100% equity interest, for the licensed operation project of No.2 energy station in Houtai Scenic Spot. The capital injection was not yet completed during the reporting period. Currently, the Company is undergoing the relevant procedures.

- (5) On 29 May 2015, the Board of the Company approved the capital increase of RMB120 million in Hangzhou Tianchuang Water Company Limited (“**Hangzhou Tianchuang**”), a controlling Subsidiary of the Company, with capital contribution of RMB84 million and RMB36 million by the Company and Hangzhou Water Holding Group Company Limited, the other shareholder of Hangzhou Tianchuang, respectively according to their respective shareholdings in Hangzhou Tianchuang, for Phases 1&2 reconstruction project of Qige Sewage Water Treatment Plant of Hangzhou Tianchuang. The capital injection was not yet completed during the reporting period. Currently, the Company is undergoing the relevant procedures. Upon completion of the capital increase, the registered capital of Hangzhou Tianchuang increased to RMB377.445 million with the Company’s shareholding in Hangzhou Tianchuang unchanged.

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

**(1) Investment in Securities**

Not applicable

**(2) Equity Interest Held in Other Listed Companies**

Not applicable

**(3) Equity Interest Held in Financial Companies**

Not applicable

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

**(1) Entrusted Wealth Management**

Not applicable

**(2) Entrusted Loan**

Not applicable

**(3) Investment in other wealth management products and derivatives**

Not applicable

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

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

Not applicable

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

Not applicable

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

Not applicable

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

Unit: 0'000 Currency: RMB

Subsidiary	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Water Recycling Company	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacturing, installation, commissioning and operation of equipment for recycled water	10,000	Limited liability company	100%	123,599	20,986	2,041

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

Unit: 0'000 Currency: RMB

Project	Project amount	Project progress	Amount invested during the reporting period	Total actual amount invested	Project income
Construction of new sewage water treatment plant for Jizhuangzi relocation project	140,291	The main construction works have completed and the project has been put into operation	7,467.04	115,838.27	The project recorded an income of RMB 156.041 million during the reporting period
Total	140,291	/	7,467.04	115,838.27	/

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

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

The profit distribution plan of the Company for the year 2014 was considered and approved at the 2014 Annual General Meeting of the Company, pursuant to which the Company made a dividend payment of RMB0.07 (including tax) in cash per share to holders of A shares and RMB0.07 (equivalent to HK\$0.08870) (including tax) in cash per share to holders of H shares. The Company published the “Announcement on the Implementation of 2014 Profit Distribution for A Shares” in the PRC on 10 July 2015. The record date for the profit distribution was 16 July 2015. The Company published the “Announcement in respect of Dividend Distribution” and the “Announcement in respect of Dividend Payment” in Hong Kong on 2 April 2015 and 25 June 2015 respectively. Dividends were paid to the holders of A shares and H shares on 17 July 2015.

## III. Other Disclosures

- (i) **Prediction of possible loss incurred for the accumulated net profit from the beginning of the year to the end of the next reporting period, and statement of the reason and warning for material changes incurred as compared to the same period last year**

Not applicable

- (ii) **Explanation by the Board and the Supervisory Committee on “Qualified Audit Report” provided by Accountants**

Not applicable

## SECTION V IMPORTANT ISSUES

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

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

During the reporting period:									
Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particular of litigation (or arbitration)	Amount involved in litigation (or arbitration) (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 Company	Anguo Municipal Government	None	Arbitration	See Note 1	6,000	None	See Note 2	None	None
Huade Shunli (Tianjin) Investment Company Limited	Jiayuanxing	None	Civil litigation	See Note 3	1,029.23	None	The complaining party withdrew its lawsuit in May 2015.	None	None
Tianjin Dikang Golf Sports Company Limited	Company	None	Civil litigation	See Note 4	2,554	None	See Note 5	None	None
The Company	The committee of Xibeixie village, Zhongbei town, Xiqing district, Tianjin and Zhao Shuzhi	None	Litigation	See Note 6	None	None	The People's Court of Xiqing District is hearing the case.	None	None
The Company	Tianjin Junfeng Property Co., Ltd. and the third party Wang Jianzhong	None	Litigation	See Note 7	None	None	The People's Court of Xiqing District is hearing the case.	None	None
Gao Xuemin	Tianjin Jiasheng Labour Services Company Limited ("Jiasheng Company") and Kaiying Company	None	Litigation	See Note 8	12.6	None	—	On 27 July 2015, the court of First Instance disallowed all the claims from the applicant.	On 10 August 2015, the applicant appealed to the Tianjin No.1 Intermediate People's Court.

Note 1:

As Anguo Municipal Government failed to perform the relevant terms of the licensed operation agreement entered into between Anguo Company and Anguo Municipal Government, Anguo Company 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 in Anguo; claiming payment of service fees for water supply and compensation for investment owed to Anguo Company by Anguo Municipal Government in the amount of RMB60 million.

Note 2:

China International Economic and Trade Arbitration Commission has made an interlocutory judgement in April 2014. Pursuant to the interlocutory judgement, the tap water project has currently been transferred. Anguo Company will temporarily operate the sewage water project based on the original agreement, and the operations and charges of this project are under normal conditions. A third party appraising entity shall carry out appraisal and verification on the present value of assets invested by Anguo Company in the water project of this case, and the ruling results of arbitration have yet been made. As at the end of the reporting period, accumulative provision of RMB18.22 million for asset impairment losses of Anguo water project was made.

Note 3:

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” totaling 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.

Note 4:

The Company issued the Notice of Terminating the Lease Contract to Tianjin Dikang Golf Sports Company Limited (“**Tianjin Dikang**”) in March 2013. Since the plot involved was included in the roads plan of the government, the Company terminated the land lease contract with Tianjin Dikang in respect of the 31.5 mu of land located in the Jizhuangzi sewage water treatment plant according to the contract. The Company received the notice of response to action from the court in November 2014. Tianjin Dikang sued the Company, alleging that it suffered significant economic losses due to the early termination of the lease contract, and appealing compensation for all economic losses of RMB22.00 million, which increased to RMB25.54 million during the reporting period, by the Company according to law, and the litigation expenses being borne by the Company.

Note 5:

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. On 8 April 2015, Tianjin Superior People’s Court made a civil judgment ((2015) Jin Gao Li Min Zhong Zi No. 0060), pursuant to which the above judgment issued by Tianjin No. 1 Intermediate People’s Court has been upheld. This case is currently being processed by Tianjin Xiqing District People’s Court.

Note 6:

The defendants destroyed the wall and part of the land within the Xianyanglu Sewage Water Treatment Plant of the Company. The Company sued and applied to Tianjin Xiqing District People's Court to order the two defendants to stop violation and recover those destroyed.

Note 7:

The Company has entrusted the defendants to manage a building within the Jizhuangzi Plant. The entrustment agreement was expired and terminated at the end of 2012. The defendants have not yet returned the buildings to the Company. Therefore, the Company sued and applied to Tianjin Xiqing District People's Court to order the defendants and Wang Jianzhong (actual occupier) to return the occupied building immediately.

Note 8:

The contract regarding the applicant's work for Kaiying Company on 30 June 2013 expired and has not been renewed. The applicant sued and applied to the Tianjin Heping District People's Court on 5 June 2015, claiming (1) the two defendants to pay to the applicant the night working fees in the total amount of RMB126,000, (2) Jiasheng Company to pay to the applicant the outstanding pension loss of RMB198,000, and (3) the litigation costs to be borne by the two defendants.

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

Not applicable

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

Not applicable

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

Not applicable



## V. Material Connected Transactions

### Connected transactions in the ordinary course of business

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

On 30 January 2015, the Company renewed the Zhangguizhuang Sewage Water Plant Operation Agreement with Tianjin Investment Group, pursuant to which the Company shall continue to provide operation services for the Zhangguizhuang Sewage Water Plant which was invested and constructed by Tianjin Investment Group. The service period commenced from 1 February 2015 for a term of six months. The monthly service fees are RMB4.198 million.

On 30 January 2015, the Company renewed the Zhangguizhuang Sewage Water Plant Sludge Disposal Centre Operation Agreement with Tianjin Investment Group, pursuant to which the Company shall continue to provide Tianjin Investment Group with operation and maintenance services for the Zhangguizhuang Sludge Disposal Centre. The service period commenced from 1 February 2015 for a term of six months. The total service fees were expected to be not more than RMB4.24 million.

On 16 February 2015, Jiayuanxing, the Company's wholly-owned subsidiary, entered into the cold supply agreement with TLP and TYCOM to provide them with cold supply services. The total service area is 363,042 m<sup>2</sup>. The unit price for provision of cold supply services is RMB65 per m<sup>2</sup>. The total service fees for the cold supply are RMB23,597,730.

On 29 May 2015, Jiayuanxing, the Company's wholly-owned subsidiary, entered into the cold supply agreement with TM Resources to provide it with cold supply services. The total service area is 45,218 m<sup>2</sup>. The unit price for provision of cold supply services is RMB65 per m<sup>2</sup>. The total service fees for the cold supply are RMB2,939,170.

## 2. Transactions that were not disclosed in announcements

Connected party	Relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction (RMB)	Percentage of the amount of the transaction of the same nature (%)	Settlement method of connected transaction	Market price	Reasons for the significant difference between transaction price and market reference price
Tianjin Haihe	Affiliated company within the Group	Provision of labours	Tianjin Capital New Materials Co., Ltd., one of the subsidiaries of the Company, accepted the entrustment from Tianjin Haihe that Tianjin Capital New Materials Co., Ltd. shall supervise Lot 1 located in Zijinshang Road, Xiqing District, Tianjin for Tianjin Haihe.	The agreement was determined on arm's length basis by parties.	—	446,256	38.26	The term of the agreement was one year and the amount of transaction was settled in four installments and paid quarterly.	—	The agreement was determined on arm's length basis by parties, and there was no significant difference between transaction price and market reference price.
Tianjin Haihe	Affiliated company within the Group	Others	The Company accepted an entrustment from Tianjin Haihe to construct walls for Jizhuangzi sewage water treatment plant and water recycled plant.	The agreement was determined on arm's length basis by parties.	—	1,513,909	23.9	Tianjin Haihe paid 30% in advance after the execution of the agreement, paid 50% after the completion of relevant projects, and paid the remaining portion after the completion of the acceptance of the examination.	—	The agreement was determined on arm's length basis by parties, and there was no significant difference between transaction price and market reference price.
Tianjin Infrastructure Consultant	Affiliated company within the Group	Agency service	Tianjin Infrastructure Consultant provided bidding agent service to the Company regarding the earthwork and site preparation project of Jizhuangzi sewage water treatment plant and water recycled plant.	The agreement was determined on arm's length basis by parties.	—	49,821	1.2	The amount was paid in one lump sum after the completion of the tender.	—	The agreement was determined on arm's length basis by parties, and there was no significant difference between transaction price and market reference price.
Total	/	/	/	/	/	2,009,986	/	/	/	/

## VI. Material Contracts and their Performance

### 1 Custody, subcontracting and leasing

Not applicable

### 2 Guarantees

Unit: 0' 000 Currency: RMB

<b>Guarantees provided to external parties by the Company (excluding guarantees provided to the Subsidiaries)</b>	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to the Subsidiaries)	0
Total amount of guarantees as at the end of the reporting period (A) (excluding guarantees provided to the Subsidiaries)	0
<b>Guarantees provided to the Subsidiaries by the Company</b>	
Total amount of guarantees provided to the Subsidiaries during the reporting period	0
Total amount of guarantees provided to the Subsidiaries as at the end of the reporting period (B)	90,293
<b>Total amount of guarantees provided by the Company (including guarantees provided to the Subsidiaries)</b>	
Total amount of guarantees (A+B)	90,293
Percentage of the total amount of guarantees to the net assets of the Company (%)	21.23
Of which:	
Amount of guarantees provided to shareholders, ultimate controller and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to borrowers with a gearing ratio of over 70% (D)	0
Total amount of guarantees exceeding 50% of net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

## **VII. Performance of Commitments**

Not applicable

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

The Company's interim financial report for 2015 was not audited and the Company has not changed its accountants.

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

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

## **X. Corporate Governance**

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

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

## **XI. Corporate Governance Code**

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

## **XII. Audit Committee**

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee of this year comprises the independent non-executive Directors, Mr. Guan Yimin, Mr. Gao Zongze and Ms. Lee Kit Ying, Karen. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2015.

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

There were no seasonal changes in the Group's borrowings requirement. As at 30 June 2015, there were no outstanding bank loans and interests not being repaid upon maturity. Details of the bank borrowings of the Group are stated in the notes to the condensed consolidated financial statements of the Group as at 30 June 2015.

According to the accounting report prepared in accordance with the PRC Accounting Standards for Business Enterprises, the gearing ratio was 57.73% as at 30 June 2015.

## **XIV. Foreign Exchange Risk**

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

As at 30 June 2015, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of approximately RMB4 million (30 June 2014: RMB4 million) in the net profit of the Group. As at 30 June 2015, 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 (30 June 2014: RMB8 million) in the net profit of the Group.

- (2) Interest rate risk: The interest rate risk of the Group mainly came from cash and bank deposits, long-term receivables, borrowings and long-term payables. The Group has borrowings and long-term payables. Borrowings and long-term payables at floating rates expose the Group to interest rate risk on cash flows, while borrowings and long-term payables at fixed rates expose the Group to interest rate risk on fair value. As at 30 June 2015, if the bank loan interest rate increases/decreases by 1%, with other factors being constant, the net profit for the period will decrease/increase by RMB7 million (30 June 2014: RMB7million).

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

As at 30 June 2015, the Group had 1,420 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB115.85 million. The Group adopted a wage system in accordance with post ranks. The remuneration of the Company's employees under annual salary system is pegged with his/her post rank and the economic benefits to the Company. The remuneration of the Company's employees under monthly salary system is pegged with his/her post rank, length of service, education background and skills as well as the economic benefits to the Company.

## **XVI. Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2015.

## **XVII. Rights of Debt**

As at 30 June 2015, pursuant to the "Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants including Jizhuangzi of the Company" entered into between the Group, Tianjin Water Authority Bureau and TCCC which started to perform from 1 January 2014, the total receivables of the Group from TSC and Tianjin Water Authority Bureau amounted to RMB796 million, representing approximately 5% of the total market capital of the Group as at 30 June 2015.

## **XVIII. Charge on Assets**

During the reporting period, the Group did not create any charges on assets.

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

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

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

The Company had no preferred shares during the reporting period.

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

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

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

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

## SECTION VI DETAILS OF CHANGES IN SHARES AND SHAREHOLDERS

### I. Changes in Share Capital

#### (i) Changes in shares

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

#### (ii) Changes in restricted shares

Not applicable

### II. Details of Shareholders

#### Total number of shareholders:

Total number of shareholders at the end of the reporting period 85,699, among which 73 are shareholders of H shares

#### 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

Shareholdings of the top ten shareholders							
Name of shareholder	Increase/ decrease during the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Percentage (%)	Number of restricted shares held (shares)	Pledged or frozen		Nature of the shareholder
					Status of shares	Number(shares)	
TMICL	0	715,565,186	50.14	0	Pledged	116,300,000	State-owned legal person
HKSCC Nominees Limited	303,358,000	337,852,900	23.67	0	Unknown	—	Unknown
Chen Hexiang	951,033	5,506,842	0.39	0	Unknown	—	Unknown
Agricultural Bank of China Limited-SWS MU CSI Environmental Protection Industry Index Classified Securities Investment Fund	729,459	4,955,822	0.35	0	Unknown	—	Unknown
Daton Securities Co., Ltd.	2,623,374	2,623,374	0.18	0	Unknown	—	Unknown
Hong Kong Securities Clearing Company Ltd.	2,010,708	2,192,322	0.15	0	Unknown	—	Unknown
Zheng Bingfeng	289,320	1,749,320	0.12	0	Unknown	—	Unknown
Shenyang Railway Coal Group Co., Ltd.	-1,500,000	1,500,000	0.11	0	Unknown	—	Unknown
Yu Wencan	1,469,901	1,469,901	0.10	0	Unknown	—	Unknown
Huang Yisheng	1,262,323	1,262,323	0.09	0	Unknown	—	Unknown



Shareholdings of the top ten shareholders of non-restricted shares			
Name of shareholder	Number of non-restricted shares held (shares)	Type and number of shares	
		Type	Number (shares)
TMICL	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,852,900	H Shares	337,852,900
Chen Hexiang	5,506,842	Ordinary RMB Shares	5,506,842
Agricultural Bank of China Limited-SWS MU CSI Environmental Protection Industry Index Classified Securities Investment Fund	4,955,822	Ordinary RMB Shares	4,955,822
Daton Securities Co., Ltd.	2,623,374	Ordinary RMB Shares	2,623,374
Hong Kong Securities Clearing Company Ltd.	2,192,322	Ordinary RMB Shares	2,192,322
Zheng Bingfeng	1,749,320	Ordinary RMB Shares	1,749,320
Shenyang Railway Coal Group Co., Ltd.	1,500,000	Ordinary RMB Shares	1,500,000
Yu Wencan	1,469,901	Ordinary RMB Shares	1,469,901
Huang Yisheng	1,262,323	Ordinary RMB Shares	1,262,323
Notes on the connected relationship or parties acting in concert among the above shareholders	<p>It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted shares and the top 10 shareholders.</p> <p>Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company.</p> <p>(2) The top ten shareholders are not strategic investors of the Company.</p>		

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

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

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

As at 30 June 2015, the following entity, other than the Directors, Supervisors or chief executive of the Company, had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	65.82%	50.14%
UBS AG	Person having a security interest in shares	22,772,559 H Shares (L) 238,000 H Shares (short position)	6.70% 0.07%	1.60% 0.02%
ISIS Asset Management Plc.	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%
HSBC Asset Management (Hong Kong) Limited	Investment manager	20,000,000 H Shares (L)	5.88%	1.40%

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

Save as disclosed above, there is no person (other than the Directors, Supervisors or chief executive of the Company) who, as at 30 June 2015, had an interest and/or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. Changes in Shareholdings

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

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

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

As at 30 June 2015, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

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

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2015, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

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

<b>Name</b>	<b>Position held</b>	<b>Changes</b>	<b>Reason for Changes</b>
Zhang Wenhui	Directors	Retired	Retirement
Liu Yujun	Directors	Appointed	Work engagement
Shi Zhenjuan	Directors	Retired	Work re-allocation
Cao Shuo	Directors	Appointed	Work engagement

## SECTION VIII FINANCIAL REPORT

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

#### CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2015

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

	<i>Note</i>	<b>As at</b>	
		<b>30 June 2015 Unaudited</b>	<b>31 December 2014 Audited</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	474,586	492,661
Investment property	7	103,100	104,936
Intangible assets	7	6,222,296	6,306,097
Land use rights	7	15,726	15,866
Investment in an associate	8	28,360	31,347
Available-for-sale financial assets		2,000	2,000
Long-term receivables	10	322,804	326,147
Other non-current assets		6,738	8,461
		7,175,610	7,287,515
<b>Current assets</b>			
Inventories		13,443	14,392
Trade receivables	9	1,095,170	2,563,114
Other current assets		58,231	62,250
Other receivables		6,778	5,707
Prepayments		135,254	106,412
Cash and cash equivalents		1,970,946	814,892
Restricted cash		14,300	5,200
		3,294,122	3,571,967
Total assets		10,469,732	10,859,482

		As at	
	Note	30 June 2015 Unaudited	31 December 2014 Audited
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	11	1,427,228	1,427,228
Other reserves		777,374	777,374
Retained earnings		2,047,411	1,965,882
– Proposed final dividend		—	99,906
– Others		2,047,411	1,865,976
		4,252,013	4,170,484
<b>Non-controlling interests</b>		173,623	167,496
<b>Total equity</b>		4,425,636	4,337,980
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	2,614,575	3,223,722
Deferred revenue	13	1,206,368	1,209,201
Deferred income tax liabilities	14	96,667	86,778
Other non-current liabilities		46,000	46,000
		3,963,610	4,565,701
<b>Current liabilities</b>			
Trade payables	15	75,840	54,319
Advances from customers	15	809,826	776,190
Wages payables		12,619	13,650
Current income tax payable	15	18,564	21,990
Other taxes payable	15	8,149	4,410
Dividend payable		122,243	60,337
Other payables	15	506,230	666,433
Borrowings	12	527,015	358,472
		2,080,486	1,955,801
<b>Total liabilities</b>		6,044,096	6,521,502
<b>Total equity and liabilities</b>		10,469,732	10,859,482
<b>Net current assets</b>		1,213,636	1,616,166
<b>Total assets less current liabilities</b>		8,389,246	8,903,681

**Liu Yujun**  
*Director*

**Lin Wenbo**  
*Director*

The notes form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2015</b>	<b>2014</b>
Revenue	6(a)	879,436	793,398
Business tax		(8,570)	(8,057)
Cost of sales		(478,393)	(448,222)
<b>Gross profit</b>		<u>392,473</u>	<u>337,119</u>
Other income - net	6(a)	22,115	24,605
Administrative expenses		(54,454)	(56,446)
Distribution costs		(1,779)	—
<b>Operating profit</b>	16	<u>358,355</u>	<u>305,278</u>
Finance income		11,779	9,120
Finance costs		(109,398)	(114,636)
Finance costs - net	17	(97,619)	(105,516)
Share of (loss)/profits of an associate		(2,987)	540
<b>Profit before income tax</b>		<u>257,749</u>	<u>200,302</u>
Income tax expense	18	(71,187)	(52,972)
Profit for the period		<u>186,562</u>	<u>147,330</u>
<b>Total comprehensive income for the period</b>		<u><u>186,562</u></u>	<u><u>147,330</u></u>
<b>Profit/Total comprehensive income attributable to:</b>			
– Owners of the parent		181,435	143,957
– Non-controlling interests		5,127	3,373
		<u><u>186,562</u></u>	<u><u>147,330</u></u>
<b>Earnings per share for profit attributable to the owners of the parent (in Rmb per share)</b>			
– basic		<u>Rmb0.13</u>	<u>Rmb0.10</u>
– diluted		<u>Rmb0.13</u>	<u>Rmb0.10</u>
<b>Interim dividends</b>	19	<u>—</u>	<u>—</u>

The notes form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

	Note	Unaudited					
		Equity holders of the Company				Non- controlling interests	Total Equity
		Share capital	Other Reserves	Retained Earnings	Sub-total		
<b>Balance at 1 January 2015</b>		1,427,228	777,374	1,965,882	4,170,484	167,496	4,337,980
<b>Comprehensive income</b>							
– Profit for the period		—	—	181,435	181,435	5,127	186,562
Total comprehensive income		—	—	181,435	181,435	5,127	186,562
<b>Transactions with owners</b>							
– Capital contributions		—	—	—	—	1,000	1,000
– Dividends distributed		—	—	(99,906)	(99,906)	—	(99,906)
<b>Total transactions with owners</b>		—	—	(99,906)	(99,906)	1,000	(98,906)
<b>Balance at 30 June 2015</b>		<u>1,427,228</u>	<u>777,374</u>	<u>2,047,411</u>	<u>4,252,013</u>	<u>173,623</u>	<u>4,425,636</u>
<b>Balance at 1 January 2014</b>		1,427,228	755,567	1,793,699	3,976,494	158,050	4,134,544
<b>Comprehensive income</b>							
– Profit for the period		—	—	143,957	143,957	3,373	147,330
<b>Total comprehensive income</b>		—	—	143,957	143,957	3,373	147,330
<b>Transactions with owners</b>							
– Dividends distributed		—	—	(114,178)	(114,178)	—	(114,178)
<b>Total transactions with owners</b>		—	—	(114,178)	(114,178)	—	(114,178)
<b>Balance at 30 June 2014</b>		<u>1,427,228</u>	<u>755,567</u>	<u>1,823,478</u>	<u>4,006,273</u>	<u>161,423</u>	<u>4,167,696</u>

The notes form an integral part of this condensed consolidated interim financial information.



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Continuing operations	2,011,187	406,976
Income tax paid	(64,725)	(33,264)
Interest received	6,235	9,799
	<u>1,952,697</u>	<u>383,511</u>
<b>Cash flows from operating activities – net</b>		
<b>Cash flows from investing activities</b>		
– purchase property, plant and equipment, intangible assets and other long-term assets	(212,897)	(303,622)
– proceeds on disposal of property, plant and equipment	20	76
– net cash received from investment	219	676
– other cash paid relating to investing activities	(15,010)	—
– other cash received relating to investing activities	—	300,000
	<u>(227,668)</u>	<u>(2,870)</u>
<b>Cash flows from investing activities – net</b>		
<b>Cash flows from financing activities</b>		
– distribution of dividends of profits	(95,031)	(99,049)
– payments of interest expenses	(38,000)	—
– repayments of bank borrowings	(541,944)	(624,174)
– proceeds from bank borrowings	105,000	404,840
– proceeds from capital contributions	1,000	—
	<u>(568,975)</u>	<u>(318,383)</u>
<b>Cash flows from financing activities – net</b>		
<b>Net increase in cash and cash equivalents</b>	1,156,054	62,258
<b>Cash and cash equivalents at the beginning of the period</b>	814,892	994,982
	<u>1,970,946</u>	<u>1,057,240</u>
<b>Cash and cash equivalents</b>		

The notes form an integral part of this condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

### 1 Company profile and principal activities

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

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

#### (a) Processing of sewage water

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

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

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

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

Based on the 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.

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.

From October 2014, sewage water processing and water recycling services have been provided by Ji Gu instead of Jizhuangzi sewage water processing plant and water recycling plant.

*All other sewage water processing plants:*

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

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

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

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

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

**(c) Tap water supply**

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

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

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

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

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

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

**(f) Sales of environmental protection equipment**

Sales of the equipment are recognised when the Group has delivered the equipment to customers and completed installation, testing and received customers' confirmation.

This condensed consolidated interim financial information was approved for issue on 28 August 2015.

This condensed consolidated financial information has not been audited.

**2 Basis of preparation**

These condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with HKFRSs.

**3 Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

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

**4 Estimates**

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

## **5 Financial risk management**

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

The interim condensed consolidated financial statement do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

### **(a) Market risk:**

#### **(i) Foreign currency risk:**

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

As at 30 June 2015, if Rmb had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the period would have been Rmb 4 million (30 June 2014: Rmb 4 million) higher/lower. Similarly, if Rmb had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the period would have been Rmb 7 million (30 June 2014: Rmb 8 million) higher/lower.

#### **(ii) Interest rate risk**

The Group's interest rate risk arises mainly from borrowings and long-term payables.

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

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

	Fixed	Floating	Non- interest bearing	Total
<b>As at 30 June 2015 (Unaudited)</b>				
Assets				
Cash and cash equivalents	—	1,970,946	—	1,970,946
Restricted cash	14,300	—	—	14,300
Long-term receivables	322,804	—	—	322,804
	<u>322,804</u>	<u>—</u>	<u>—</u>	<u>322,804</u>
Liabilities				
Current borrowings	—	504,682	257	504,939
Non-current borrowings	—	958,816	—	958,816
Long-term payables due within 1 year	14,267	7,809	—	22,076
Long-term payables	171,019	87,318	—	258,337
Debentures payable	1,391,058	—	—	1,391,058
Others	—	6,364	—	6,364
	<u>—</u>	<u>6,364</u>	<u>—</u>	<u>6,364</u>
<b>As at 31 December 2014 (Audited)</b>				
Assets				
Cash and cash equivalents	—	814,892	—	814,892
Restricted cash	5,200	—	—	5,200
Long-term receivables	326,147	—	—	326,147
	<u>326,147</u>	<u>—</u>	<u>—</u>	<u>326,147</u>
Liabilities				
Current borrowings	—	334,512	1,069	335,581
Non-current borrowings	—	1,564,566	—	1,564,566
Long-term payables due within 1 year	15,136	7,755	—	22,891
Long-term payables	175,274	87,180	—	262,454
Debentures payable	1,388,975	—	—	1,388,975
Others	—	7,727	—	7,727
	<u>—</u>	<u>7,727</u>	<u>—</u>	<u>7,727</u>

As at 30 June 2015, if interest rates on borrowings had been 1% risen/fallen with all other variables held constant, net profit for the period would have been decreased/increased by Rmb7 million (30 June 2014: Rmb7 million).

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

**(b) Credit risk:**

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

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

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

The maximum credit risk of the Company includes the carrying value of its financial assets on books and the notional amount of financial guarantees issued for its subsidiaries. As at 30 June 2015, the amount of financial guarantee provided by the Company to its subsidiaries is Rmb 903 million (As at 30 June 2014: Rmb 1,004 million), of which Rmb 593 million has been withdrawn by its subsidiaries. The Board of Directors believes that the subsidiaries can take their own liabilities from varieties of financial resources.

**(c) Liquidity risk:**

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

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

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>As at 30 June 2015 (Unaudited)</b>					
Long-term bank borrowings	(577,058)	(490,205)	(460,803)	(120,681)	(1,648,747)
Long-term payables	(23,425)	(23,942)	(75,631)	(602,764)	(725,762)
Trade and other payables	(582,070)	—	—	—	(582,070)
Debentures payable	(84,630)	(784,630)	(738,150)	—	(1,607,410)
Others	(3,497)	(3,392)	(3,444)	—	(10,333)
<b>As at 31 December 2014 (Audited)</b>					
Long-term bank borrowings	(390,885)	(858,878)	(722,747)	(157,455)	(2,129,965)
Long-term payables	(23,595)	(24,079)	(75,807)	(364,661)	(488,142)
Trade and other payables	(720,752)	—	—	—	(720,752)
Short-term borrowings	(52,940)	—	—	—	(52,940)
Debentures payable	(84,630)	(784,630)	(776,300)	—	(1,645,560)
Others	(3,542)	(3,437)	(4,920)	—	(11,899)

**(d) Capital risk management**

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

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

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

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

	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Total borrowings	3,141,589	3,582,194
Less: Cash and cash equivalents	(1,970,946)	(814,892)
Net debt	<u>1,170,643</u>	<u>2,767,302</u>
Total equity	<u>4,425,636</u>	<u>4,337,980</u>
Total capital	<u>5,596,279</u>	<u>7,105,282</u>
Gearing ratio	<u>21%</u>	<u>40%</u>

As at 30 June 2015, the gearing ratio of the Group has been decreased significantly as the Group has repaid some borrowings with the trade receivables collected from TSC amounting to Rmb 1.89 billion.

**(e) Fair value estimation**

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



## 6 Revenue and segment information

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

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

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
Revenue from principal operations (Note 6(b))	879,436	793,398
Other income - net	22,115	24,605
	<u>901,551</u>	<u>818,003</u>

### (b) Operating segment analysis

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

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

## (i) For the period ended 30 June 2015 (Unaudited)

	Sewage processing and facility construction services								Group
	Tianjin plants	Hangzhou plant	Other plants	Recycle water and pipeline connection	Heating and cooling	Tap water	Scientific and technological achievements	All other segments	
Segment revenue	426,973	86,676	157,727	91,900	29,736	31,633	20,007	56,899	901,551
Segment expense	(286,189)	(72,268)	(129,254)	(64,240)	(24,255)	(26,077)	(18,018)	(20,514)	(640,815)
Results before share of profits of an associate	140,784	14,408	28,473	27,660	5,481	5,556	1,989	36,385	260,736
Share of profits of an associate									(2,987)
Profit before income tax									257,749
Income tax expense									(71,187)
Profit for the period									<u>186,562</u>
Segment assets	5,665,609	673,933	1,840,097	1,311,120	372,380	223,188	43,281	311,764	10,441,372
Investment in an associate	—	—	—	—	—	—	—	28,360	28,360
Total assets	5,665,609	673,933	1,840,097	1,311,120	372,380	223,188	43,281	340,124	10,469,732
Total liabilities	3,513,449	223,170	678,231	1,026,131	275,928	80,929	16,203	230,055	6,044,096
Other information									
– Interest income	2,838	199	847	2,208	38	4	46	5,599	11,779
– Interest expenses	(78,230)	(7,098)	(20,765)	(153)	(3,855)	(1,932)	—	(136)	(112,169)
– Depreciation	(355)	(110)	(2,089)	(18,058)	(200)	(90)	(260)	(1,217)	(22,379)
– Amortisation	(64,239)	(18,124)	(30,104)	(100)	(6,983)	(4,725)	—	(680)	(124,955)
– Capital expenditures	79	—	3	324	43	—	1,623	399	2,471

Sewage processing and facility construction services

	Tianjin plants	Hangzhou plant	Other plants	Recycle water and pipeline connection	Heating and cooling	Tap water	Scientific and technological achievements	All other segments	Group
Segment revenue	373,284	75,412	158,380	86,496	25,752	30,639	8,914	59,126	818,003
Segment expense	(272,460)	(68,885)	(131,590)	(59,843)	(24,819)	(35,662)	(9,013)	(15,969)	(618,241)
Results before share of profits of an associate	100,824	6,527	26,790	26,653	933	(5,023)	(99)	43,157	199,762
Share of profits of an associate									540
Profit before income tax									200,302
Income tax expense									(52,972)
Profit for the period									<u>147,330</u>
Segment assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	18,106	588,147	11,346,633
Investment in an associate	—	—	—	—	—	—	—	33,161	33,161
Total assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	18,106	621,308	11,379,794
Total liabilities	4,511,807	304,487	640,488	1,138,853	249,054	75,775	11,286	280,348	7,212,098
Other information									
– Interest income	645	288	918	2,337	52	6	27	4,847	9,120
– Interest expenses	(72,735)	(10,525)	(24,314)	(227)	(4,246)	(3,648)	—	—	(115,695)
– Depreciation	(37)	(217)	(1,114)	(14,112)	(29)	(187)	(130)	(2,849)	(18,675)
– Amortisation	(59,998)	(18,124)	(33,895)	(294)	(6,798)	(4,755)	—	(1,210)	(125,074)
– Capital expenditures	84,012	1,287	81,483	20,629	1,756	5	—	4,388	193,560

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

<b>Six months ended 30 June 2015 (Unaudited)</b>	<b>Property, plant and equipment</b>	<b>Investment properties</b>	<b>Intangible assets</b>	<b>Land use right</b>
<b>Net book value</b>				
<b>Opening amount as at 1 January 2015</b>	492,661	104,936	6,306,097	15,866
Additions	2,471	—	41,014	—
Disposals	(3)	—	—	—
Depreciation and amortisation	(20,543)	(1,836)	(124,815)	(140)
Transfer to concession rights	—	—	—	—
Impairment provision	—	—	—	—
	<u>474,586</u>	<u>103,100</u>	<u>6,222,296</u>	<u>15,726</u>
<b>Six months ended 30 June 2014 (Unaudited)</b>				
<b>Net book value</b>				
<b>Opening amount as at 1 January 2014</b>	4,240,202	108,609	2,648,476	426,349
Additions	114,892	—	82,387	—
Disposals	(11,503)	—	—	—
Depreciation and amortisation	(16,839)	(1,836)	(124,669)	(405)
Transfer to concession rights	(2,629,525)	—	3,031,572	(402,047)
Transfer to other current assets	—	—	(55,139)	—
Impairment provision	—	—	(6,900)	—
	<u>1,697,227</u>	<u>106,773</u>	<u>5,575,727</u>	<u>23,897</u>

Certain of the concession rights with net book value of Rmb 219 million (31 December 2014: Rmb 224 million) have been secured against loans.

## 8 Investment in an associate

	<b>Unaudited For the six months ended 30 June 2015</b>
Beginning of the period	31,347
Share of losses	(2,987)
	<hr/>
End of the period	<u>28,360</u>

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 value and activating device greater exchanger and the whole set of it environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.

## 9 Trade receivables

Details of the trade receivables are as follows:

	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Due from TSC:		
– Sewage processing services (note(1))	—	1,890,671
– Construction of sewage processing plants	—	422
	<hr/>	<hr/>
	—	1,891,093
Due from TWAB for:		
– Sewage processing service(note(2))	795,693	436,751
Less: Non-current portion	—	—
	<hr/>	<hr/>
	795,693	2,327,844
Receivables from related parties	27,796	40,186
Due from others – current	278,850	202,253
	<hr/>	<hr/>
	1,102,339	2,570,283
Less: Bad debts provision	(7,169)	(7,169)
	<hr/>	<hr/>
	<u>1,095,170</u>	<u>2,563,114</u>

(1) As at 30 June 2015, trade receivable generated from providing sewage processing services due from TSC amounting to Rmb1.89 billion has been fully collected.

(2) 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 sewage processing fee is charged to TWAB instead of TSC.

(a) Aging of trade receivables is as follows:

	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Within 1 year	1,072,397	649,382
1 to 2 years	12,203	786,811
2 to 3 years	17,739	795,627
Over 3 years	—	338,463
Total	<u>1,102,339</u>	<u>2,570,283</u>

## 10 Long-term receivables

	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Receivables from toll road concession	<u>322,804</u>	<u>326,147</u>

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

## 11 Share capital

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

	<b>“A” Circulating shares</b>	<b>“H” Circulating shares</b>	<b>Total</b>
At 31 December 2014 – Audited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>
At 30 June 2015 – Unaudited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

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

## 12 Borrowings

	Note	Unaudited 30 June 2015	Audited 31 December 2014
Non-current liabilities:			
Long-term bank borrowings	(a), (b)	1,460,316	1,845,896
Less: Current portion	(a), (b)	(501,500)	(281,330)
		<u>958,816</u>	<u>1,564,566</u>
Debentures payable	(c)	1,391,058	1,388,975
Long-term payables	(d)	258,337	262,454
Others		<u>6,364</u>	<u>7,727</u>
		<u>2,614,575</u>	<u>3,223,722</u>
Current liabilities:			
Current portion of long-term bank borrowings	(a)	501,500	281,330
Current portion of long-term payables	(d)	<u>22,076</u>	<u>22,891</u>
		523,576	304,221
Short-term bank borrowings	(b)	—	50,000
Others		<u>3,439</u>	<u>4,251</u>
		<u>527,015</u>	<u>358,472</u>

### (a) Long-term bank borrowings

Movement of bank borrowings is analyzed as follows:

	Unaudited
<b>Six months ended 30 June 2015</b>	
Opening amount as at 1 January 2015	1,845,896
Proceeds of new borrowings	105,000
Repayments of borrowings	(490,580)
	<u>1,460,316</u>
Closing amount as at 30 June 2015	<u>1,460,316</u>
<b>Six months ended 30 June 2014</b>	
Opening amount as at 1 January 2014	2,067,036
Proceeds of new borrowings	354,840
Repayments of borrowings	(622,810)
	<u>1,799,066</u>
Closing amount as at 30 June 2014	<u>1,799,066</u>

These borrowings mature as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>As at 30 June 2015 (Unaudited)</b>					
Long-term bank borrowings	<u>501,500</u>	<u>444,184</u>	<u>402,032</u>	<u>112,600</u>	<u>1,460,316</u>
<b>As at 31 December 2014 (Audited)</b>					
Long-term bank borrowings	<u>281,330</u>	<u>783,530</u>	<u>633,236</u>	<u>147,800</u>	<u>1,845,896</u>

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

	Unaudited 30 June 2015	Audited 31 December 2014
Long-term bank borrowings:		
Pledged	96,500	107,000
Guaranteed	837,216	944,546
Unsecured	<u>526,600</u>	<u>794,350</u>
	<u>1,460,316</u>	<u>1,845,896</u>
Short-term bank borrowings:		
Unsecured	<u>—</u>	<u>50,000</u>

**(c) Debentures payable**

	Audited 31 December 2014	Debits	Credits	Unaudited 30 June 2015
Debentures payable				
– par value	1,400,000	—	—	1,400,000
– transaction cost	<u>(11,025)</u>	<u>—</u>	<u>2,083</u>	<u>(8,942)</u>
	<u>1,388,975</u>	<u>—</u>	<u>2,083</u>	<u>1,391,058</u>

On 16 November 2011, the Company issued a long-term debenture at par value of Rmb 700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and bears fixed interest rate at 6.64% per annum. The principal will be repaid on maturity.

On 29 May 2013, the Company issued a long-term debenture at par value of Rmb 700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the date of issuance, and pays fixed interest rate at 5.45% annually. The principal will be repaid on maturity.



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

	Unaudited 30 June 2015		Audited 31 December 2014	
	Payable	Unrecognized financial charges	Payable	Unrecognized financial charges
Payable to TSC for assets acquisition	<u>467,426</u>	<u>(187,013)</u>	<u>488,144</u>	<u>(202,799)</u>

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Due within 1 year
TSC	20 March 2041	430,314	5.94%	258,337	22,076

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

Pursuant to “Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project” (the “Transfer Agreement”), TSC had transferred the related assets to the Group. The first instalment is Rmb 261 million, the balance of the consideration will be settled on quarterly basis in Rmb translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is based on discounting future cash payments using an agreed and fixed effective interest rate of 5.94%.

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

	Unaudited 30 June 2015	Audited 31 December 2014
JPY	336,247	352,902
US dollar	<u>131,179</u>	<u>135,242</u>
	<u>467,426</u>	<u>488,144</u>

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

### 13 Deferred 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 2014 Audited	Additions	Demolition costs	Recognised in Other gains-net	30 June 2015 Unaudited	Relating to assets/costs
Sewage water processing plants:						
– Xianyanglu (upgrading project)	68,531	—	—	—	68,531	assets
– Dongjiao (upgrading project)	48,088	—	—	—	48,088	assets
– Jin Gu	805,069	—	(7,149)	—	797,920	assets
Water recycling plants in:						
– Dongjiao	23,781	—	—	(338)	23,443	assets
– Bei Chen	20,212	—	—	(263)	19,949	assets
Others	1,486	—	—	(14)	1,472	costs
<b>Total-Company</b>	<b>967,167</b>	<b>—</b>	<b>(7,149)</b>	<b>(615)</b>	<b>959,403</b>	
Heating and cooling supply service project:	95,947	—	—	—	95,947	assets
Water recycling plants:						
– Xianyanglu (water recycling project)	14,341	—	—	—	14,341	assets
– Jin Gu	121,820	—	—	—	121,820	assets
Sewage water processing plants:						
– Bei Shi Qiao (upgrading project)	7,605	5,205	—	—	12,810	assets
Others	2,321	10	—	(284)	2,047	costs
<b>Total</b>	<b>1,209,201</b>	<b>5,215</b>	<b>(7,149)</b>	<b>(899)</b>	<b>1,206,368</b>	

### 14 Deferred income tax liabilities

	Unaudited Six months ended 30 June	
	2015	2014
Opening balance as at 1 January	86,778	68,977
Charged to profit or loss	9,889	12,733
Closing balance as at 30 June	<b>96,667</b>	<b>81,710</b>

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

	Notes	Unaudited 30 June 2015	Audited 31 December 2014
Trade payables	(a)	75,840	54,319
Advances from customers	(b)	809,826	776,190
Other payables	(c)	506,230	666,433
Tax payables		26,713	26,400
		<u>1,418,609</u>	<u>1,523,342</u>

(a) As at 30 June 2015, the majority of trade payables are aged within one year.

(b) Advances from customers comprise:

	Unaudited 30 June 2015	Audited 31 December 2014
Recycled water pipeline connections	797,885	762,622
Heating and cooling services	2,728	5,752
Advances of Hangu project	2,767	3,267
Other advances	6,446	4,549
	<u>809,826</u>	<u>776,190</u>

(c) Other payables comprise:

	Unaudited 30 June 2015	Audited 31 December 2014
Construction costs payable	365,884	493,812
Payable for purchase of fixed assets and concession rights of plants	13,892	22,745
Long-term debenture interest	31,915	28,098
Others	94,539	121,778
	<u>506,230</u>	<u>666,433</u>

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

As at 30 June 2015, other payables of Rmb 84 million (31 December 2014: Rmb 79 million) are aged over one year, which mainly represent unsettled payables and deposits for upgrade projects.

## 16 Operating profit

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

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
Crediting:		
Rental of investment properties	<u>(4,117)</u>	<u>(4,146)</u>
Charging:		
Depreciation and amortisation expenses	147,334	143,749
Staff costs	104,486	101,027
Raw materials and consumables used	22,217	20,330
Repair and maintenance expenses	<u>21,820</u>	<u>26,607</u>

## 17 Finance costs-net

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
Interest expenses of borrowings	<u>112,169</u>	<u>115,695</u>
Less: Interest income	(11,779)	(9,120)
– long-term receivables	(5,544)	(5,671)
– bank deposits	(6,235)	(3,449)
Others	<u>(2,771)</u>	<u>(1,059)</u>
	<u>97,619</u>	<u>105,516</u>

## 18 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2015 (30 June 2014: Nil). PRC income tax is calculated at the statutory rate of 25% (2014: 25%).

Tax charges comprises:

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
Current income tax	61,298	40,237
Deferred income tax	9,889	12,735
	<u>71,187</u>	<u>52,972</u>

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

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
Profit before income tax	<u>257,749</u>	<u>200,302</u>
Calculated at applicable income tax rate	64,437	47,814
Effect of preferential tax rate applicable to certain subsidiaries	(575)	—
Income not subject to tax	(1,895)	(653)
Expenses not deductible for taxation purposes	7,810	661
Utilisation of previously deductible tax losses for which no deferred income tax assets was recognized	(332)	(437)
Current year tax losses for which no deferred income tax asset was recognised	<u>1,742</u>	<u>5,587</u>
Income tax expense	<u>71,187</u>	<u>52,972</u>

## 19 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2015 (30 June 2014: Nil).

## 20 Commitments and contingent event

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

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2015 Rmb' million	Audited 31 December 2014 Rmb' million	Unaudited 30 June 2015 Rmb' million	Audited 31 December 2014 Rmb' million
Sewage water processing plants in:				
– Dengjiacun and Beishiqiao (upgrade project)	92	110	11	14
– Xiaohechang (upgrade project)	6	11	2	16
– Wendeng (upgrade project)	1	1	8	10
– Hangzhou (upgrade project)	—	—	427	—
– Ying Nan (upgrade project)	—	—	—	1
	<u>99</u>	<u>122</u>	<u>448</u>	<u>41</u>

## 21 Related party transactions

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

(i) Income:

Related parties	Nature of transaction	Unaudited	
		For the six months ended	
		30 June 2015	30 June 2014
TICIG	Commission income from contract operation	30,099	29,098
Tianjin Lecheng Properties Limited	Income from heat and cooling supply	16,503	12,209
Tianjin Metro Resources Investment Co.,Ltd.	Income from heat and cooling supply	1,986	1,173
Tianjin Zi Ya Recycled Economy Industry & Investment Development Co.,Ltd.	Income from construction supervision	365	780
Tianjin Zi Ya Recycled Economy Industry Investment & Development Co.,Ltd.	Income from serving as construction agency	250	—

(ii) Key management compensation for the six months ended 30 June 2015 is summarized as follows:

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
Salaries and other short-term employee benefits	4,797	5,391
Other long-term benefits	904	811
	5,701	6,202

(iii) Receivables from to related parties:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
TICIG	15,325	16,388
Tianjin Lecheng Properties Limited	12,070	18,422
Tianjin Metro Resources Investment Co.,Ltd.	4,094	4,975
Tianjin City Resource Operation Co., Ltd.	401	401
	<u>31,890</u>	<u>40,186</u>

(iv) Commitment

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
<b>Guarantee received</b>		
TICIG	<u>237,000</u>	<u>249,000</u>

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

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

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



## II. Prepared in accordance with the PRC Accounting Standards

### Balance Sheet

As at 30 June 2015

(All amounts in RMB thousand unless otherwise stated)

	Notes 6	Group		Company	
		Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	(1)	1,985,246	820,092	1,451,706	295,231
Notes receivables		880	—	—	—
Trade receivables	(2)	1,094,290	2,563,114	889,617	2,371,956
Prepayments	(3)	135,254	106,412	260	259
Other receivables	(4)	6,778	5,707	81,313	95,792
Inventories	(5)	13,443	14,392	4,502	4,336
Other current assets	(6)	58,231	62,250	136,590	77,380
<b>Total current assets</b>		<u>3,294,122</u>	<u>3,571,967</u>	<u>2,563,988</u>	<u>2,844,954</u>
<b>NON-CURRENT ASSETS</b>					
Available-for-sale financial assets	(7)	2,000	2,000	2,000	2,000
Long-term receivables	(8)	322,804	326,147	322,804	326,147
Long-term equity investments	(9)	28,360	31,347	1,387,236	1,353,236
Investment properties	(10)	103,100	104,936	80,571	82,154
Fixed assets	(11)	470,024	488,528	149,514	157,880
Construction in progress	(11)	4,562	4,133	197	197
Intangible assets	(12)	6,238,022	6,321,963	3,585,850	3,648,936
Other non-current assets	(6)	6,738	8,461	151,468	134,468
<b>Total non-current assets</b>		<u>7,175,610</u>	<u>7,287,515</u>	<u>5,679,640</u>	<u>5,705,018</u>
<b>TOTAL ASSETS</b>		<u><u>10,469,732</u></u>	<u><u>10,859,482</u></u>	<u><u>8,243,628</u></u>	<u><u>8,549,972</u></u>

	Notes 6	Group		Company	
		Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
<b>CURRENT LIABILITIES</b>					
Short-term borrowings	(16)	—	50,000	—	50,000
Trade payables	(14)	75,840	54,319	32,108	21,540
Advances	(14)	809,826	776,190	6,459	6,841
Wages payable	(15)	12,619	13,650	8,765	7,930
Taxes payable	(14)	26,713	26,400	14,839	14,987
Dividend payable	(20) (c)	122,243	60,337	122,243	60,337
Other payables	(14)	506,230	666,433	951,991	1,029,776
Other non-current liabilities					
due within one year	(16)	523,576	304,221	251,176	91,391
Other current liabilities	(16)	3,439	4,251	—	—
<b>Total current liabilities</b>		<u>2,080,486</u>	<u>1,955,801</u>	<u>1,387,581</u>	<u>1,282,802</u>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	(16)	958,816	1,564,566	297,500	725,850
Long-term debentures	(16)	1,391,058	1,388,975	1,391,058	1,388,975
Deferred revenue	(17)	1,206,368	1,209,201	959,403	967,167
Deferred income tax liabilities	(18)	96,667	86,778	41,285	36,584
Long-term payables	(16)	258,337	262,454	258,337	262,454
Other non-current liabilities	(16)	52,364	53,727	—	—
<b>Total non-current liabilities</b>		<u>3,963,610</u>	<u>4,565,701</u>	<u>2,947,583</u>	<u>3,381,030</u>
<b>TOTAL LIABILITIES</b>		<u>6,044,096</u>	<u>6,521,502</u>	<u>4,335,164</u>	<u>4,663,832</u>

	Notes 6	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2015	31 December 2014	30 June 2015	31 December 2014
<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	395,063	395,063	395,063
Undistributed profits	(20) (c)	2,047,411	1,965,882	1,705,385	1,683,061
<b>Equity attributable to owners of the parent</b>					
		4,252,013	4,170,484	3,908,464	3,886,140
<b>Minority Interests</b>	(21)	173,623	167,496	—	—
<b>Total shareholders' equity</b>		4,425,636	4,337,980	3,908,464	3,886,140
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
		10,469,732	10,859,482	8,243,628	8,549,972

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*

## Income Statement

For the six months ended 30 June 2015

(All amounts in RMB thousand unless otherwise stated)

		Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	Notes 6	2015	2014	2015	2014
<b>Income from operations</b>	(22)	957,979	861,769	517,242	464,154
Less: Cost for operations	(22)	(536,843)	(487,245)	(249,738)	(217,923)
Business tax and surcharges	(23)	(8,570)	(8,057)	(4,281)	(4,283)
Distribution costs	(24)	(1,779)	—	—	—
Administrative expenses	(24)	(54,454)	(56,446)	(31,105)	(32,102)
Financial expenses - net	(25)	(97,619)	(105,516)	(58,877)	(64,644)
Impairment of assets		—	(6,900)	—	(6,900)
Add: Investment (loss)/income	(9)	(2,987)	540	—	—
Including: Share of loss of an associate		(2,987)	540	—	—
<b>Operation profit</b>		255,727	198,145	173,241	138,302
Add: Non-operating income	(26)	2,110	2,847	615	2,154
Less: Non-operating expenses	(27)	(88)	(690)	—	—
Including: Loss on disposals of non-current assets		(1)	(615)	—	—
<b>Total profit</b>		257,749	200,302	173,856	140,456
Less: Income tax	(28)	(71,187)	(52,972)	(51,626)	(36,836)
<b>Net profit</b>		186,562	147,330	122,230	103,620
Attributable to owners of the parent		181,435	143,957	122,230	103,620
Minority interests		5,127	3,373	—	—

		<b>Group Unaudited Six months ended 30 June</b>		<b>Company Unaudited Six months ended 30 June</b>	
	Notes 6	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Earnings per share</b>					
<b>(in Rmb Yuan)</b>	(29)				
– Basic		0.13	0.10	—	—
– Diluted		<u>0.13</u>	<u>0.10</u>	<u>—</u>	<u>—</u>
<b>Other comprehensive income after deduction of impact of income tax</b>		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive income</b>		<u>186,562</u>	<u>147,330</u>	<u>122,230</u>	<u>103,620</u>
Attributable to owners of the parent		181,435	143,957	122,230	103,620
Minority interests		<u>5,127</u>	<u>3,373</u>	<u>—</u>	<u>—</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*

## Cash Flow Statement

For the six months ended 30 June 2015

(All amounts in RMB thousand unless otherwise stated)

	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	2015	2014	2015	2014
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods and rendering of services	2,471,507	673,123	2,005,445	265,452
Tax refunds received	252	215	—	—
Cash received relating to other operating activities	60,561	153,242	32,311	88,883
<b>Sub-total of cash inflows</b>	<b>2,532,320</b>	<b>826,580</b>	<b>2,037,756</b>	<b>354,335</b>
Cash paid for goods and services	(284,233)	(254,302)	(129,483)	(97,573)
Cash paid to and on behalf of employees	(117,734)	(116,086)	(51,928)	(57,200)
Payments of taxes and levies	(86,219)	(68,161)	(56,054)	(45,706)
Cash payments relating to other operating activities	(91,437)	(4,520)	(9,294)	(4,428)
<b>Sub-total of cash outflows</b>	<b>(579,623)</b>	<b>(443,069)</b>	<b>(246,759)</b>	<b>(204,907)</b>
<b>Net cash flows from operating activities</b>	<b>1,952,697</b>	<b>383,511</b>	<b>1,790,997</b>	<b>149,428</b>

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Six months</b>		<b>Six months</b>	
	<b>ended 30 June</b>		<b>ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>2. Cash flows from investing activities</b>				
Cash received from returns on investments	219	676	—	676
Other cash received relating to investing activities	—	—	—	6,750
Net cash received from disposals of fixed assets	20	76	6	—
Cash received from subsidiaries	—	—	59,026	209,384
Cash received from restricted bank deposits	—	300,000	—	300,000
<b>Sub-total of cash inflows</b>	<b>239</b>	<b>300,752</b>	<b>59,032</b>	<b>516,810</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(212,897)	(303,622)	(92,372)	(191,851)
Cash paid to acquire equity investments	—	—	(34,000)	(19,600)
Cash paid to subsidiaries	—	—	(142,007)	(79,113)
Other cash paid relating to investing activities	(15,010)	—	(5,910)	—
<b>Sub-total of cash outflows</b>	<b>(227,907)</b>	<b>(303,622)</b>	<b>(274,289)</b>	<b>(290,564)</b>
<b>Net cash flows from investing activities</b>	<b>(227,668)</b>	<b>(2,870)</b>	<b>(215,257)</b>	<b>226,246</b>

	<b>Group Unaudited Six months ended 30 June</b>		<b>Company Unaudited Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>3. Cash flows from financing activities</b>				
Cash received from borrowings	105,000	404,840	100,000	386,000
Cash received from debenture issuance	1,000	—	—	—
<b>Sub-total of cash inflows</b>	<u>106,000</u>	<u>404,840</u>	<u>100,000</u>	<u>386,000</u>
Repayments of amounts borrowed	(541,944)	(624,174)	(417,750)	(488,000)
Payments for interest expenses	(95,031)	(99,049)	(63,515)	(63,912)
Payments for distribution of dividends or profits or payments for interest expenses	(38,000)	—	(38,000)	—
<b>Sub-total of cash outflows</b>	<u>(674,975)</u>	<u>(723,223)</u>	<u>(519,265)</u>	<u>(551,912)</u>
<b>Net cash flows from financing activities</b>	<u>(568,975)</u>	<u>(318,383)</u>	<u>(419,265)</u>	<u>(165,912)</u>
<b>4. Effect of foreign exchange rate changes on cash</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>5. Net decrease in cash and cash equivalents</b>	1,156,054	62,258	1,156,475	209,762
Add: Cash and cash equivalents at beginning of the year	<u>814,892</u>	<u>994,982</u>	<u>292,731</u>	<u>342,090</u>
<b>6. Cash and cash equivalents at end of the year (note 6 (30) (b))</b>	<u><u>1,970,946</u></u>	<u><u>1,057,240</u></u>	<u><u>1,449,206</u></u>	<u><u>551,852</u></u>

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

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

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



## Consolidated statement of changes in equity

For the six months ended 30 June 2014

(All amounts in RMB thousand unless otherwise stated)

	Attributable to owners of the parent				Minority interests	Total shareholders' equity
	Share capital	Capital surplus	General reserve	Undistributed profits		
<b>Balance at 1 January 2014 (Audited)</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	—	—	—	143,957	3,373	147,330
Total comprehensive income						
Profit appropriation	—	—	—	143,957	3,373	147,330
Appropriation to statutory common reserves	—	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(114,178)	—	(114,178)
<b>Balance at 30 June 2014 (Unaudited)</b>	<u>1,427,228</u>	<u>382,311</u>	<u>373,256</u>	<u>1,823,478</u>	<u>161,423</u>	<u>4,167,696</u>
<b>Balance at 1 January 2015 (Audited)</b>	1,427,228	382,311	395,063	1,965,882	167,496	4,337,980
<b>Changes in 2015</b>						
Capital injection	—	—	—	—	1,000	1,000
Comprehensive income						
Net profit	—	—	—	181,435	5,127	186,562
Total comprehensive income	—	—	—	181,435	5,127	186,562
Profit appropriation						
Appropriation to statutory common reserves	—	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(99,906)	—	(99,906)
<b>Balance at 30 June 2015 (Unaudited)</b>	<u>1,427,228</u>	<u>382,311</u>	<u>395,063</u>	<u>2,047,411</u>	<u>173,623</u>	<u>4,425,636</u>

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

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## Company statement of changes in equity

For the six months ended 30 June 2015

(All amounts in RMB thousand unless otherwise stated)

	Share capital	Capital surplus	General reserves	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2014</b>	1,427,228	380,788	373,256	1,600,974	3,782,246
<b>Changes in 2014 (Audited)</b>					
Comprehensive income					
Net profit	—	—	—	103,620	103,620
Total comprehensive income	—	—	—	103,620	103,620
Profit appropriation					
Appropriation to statutory common reserves	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(114,178)	(114,178)
<b>Balance at 30 June 2014 (Unaudited)</b>	<u>1,427,228</u>	<u>380,788</u>	<u>373,256</u>	<u>1,590,416</u>	<u>3,771,688</u>
<b>Balance at 1 January 2015 (Audited)</b>	1,427,228	380,788	395,063	1,683,061	3,886,140
<b>Changes in 2015</b>					
Comprehensive income					
Net profit	—	—	—	122,230	122,230
Total comprehensive income	—	—	—	122,230	122,230
Profit appropriation					
Appropriation to statutory common reserves	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(99,906)	(99,906)
<b>Balance at 30 June 2015 (Unaudited)</b>	<u>1,427,228</u>	<u>380,788</u>	<u>395,063</u>	<u>1,705,385</u>	<u>3,908,464</u>

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

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## Notes to the Financial Statements

### For the six months ended 30 June 2015

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

*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, TWAB, TUCC and the Company signed an 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. The Company is held accountable for operation, maintenance and manages the above four sewage water processing plants. The service concession right is granted for 30 years. The Company exchanged the plant, property and equipment and land use right of the above four sewage water processing plants to obtain the intangible asset-service concession right. The above four sewage water processing plants will be handed over to Tianjin government in good conditions for free till the service concession right period is over. The original sewage water processing agreements was terminated at the same time. 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

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.

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.

*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.

**(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 research, development and technical consultation of processing technology and equipment of recycled water.

**(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 concession agreement with TUCC of providing heating and cooling supply services for Tianjin City Cultural Center's concentrated energy station project.

These consolidated financial statements were approved by the Directors of the Company on 28 August 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 the six months ended 30 June 2015 truly and completely present the financial position as of 30 June 2015 and the operating results, cash flows and other information for the six months ended 30 June 2015 of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

**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. These financial statements are prepared for the six-month period from 1 January to 30 June 2015.

**(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.

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.

**(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.

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.

## **(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.

**(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.

**(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.

**(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:

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

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

The estimated useful life, net residual value of the investment property and the depreciation (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)).

## (11) Fixed assets

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

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

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

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

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

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

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

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

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

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

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

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

## **(13) Borrowing costs**

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

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

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

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

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

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

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

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

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

The arrangement is governed by the relevant Sewage Water Processing Agreements that 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.

**(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, welfare workers, 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.

**(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.

**(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) Sales of environmental protection equipment**

Sales of the equipment, the achievement of scientific and technological research, is recognised when the Group has delivered the equipment to customers and completed installation, testing and received customers' confirmation.

**(h) Interest income**

Interest income is recognized using the effective interest method according to the time of other parties using monetary funds of the Group.

**(i) Dividend income**

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

**(19) Government grants**

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when:

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

## **(21) Segment information**

The Group 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 accounting policies change**

Nil

**(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.

## 5 TAXATION

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

<b>Tax by category</b>	<b>Basis of Tax</b>	<b>Tax rate</b>
Enterprise income tax	Taxable income	0% - 25%
Value Added Tax (VAT)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	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:

<b>Name of subsidiaries</b>	<b>Enterprise income tax rate of 2015</b>	<b>Preferential tax policy</b>
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.

## 6 NOTES TO THE FINANCIAL STATEMENTS

### (1) CASH AND CASH EQUIVALENTS

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Cash on hand	522	333	58	13
Cash in bank	1,984,724	819,759	1,451,648	295,218
	<u>1,985,246</u>	<u>820,092</u>	<u>1,451,706</u>	<u>295,231</u>
Including:				
Restricted bank deposits due within one year (note (a))	<u>14,300</u>	<u>5,200</u>	<u>2,500</u>	<u>2,500</u>

(a) The bank deposits represented projects deposits due within one year of Rmb 14,300 thousand (2014: Rmb 5,200 thousand).

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

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Cash and cash equivalents	1,985,246	820,092	1,451,706	295,231
Less: Restricted bank deposits	<u>(14,300)</u>	<u>(5,200)</u>	<u>(2,500)</u>	<u>(2,500)</u>
Cash and cash equivalents on cash flow statement (note 6(30))	<u>1,970,946</u>	<u>814,892</u>	<u>1,449,206</u>	<u>292,731</u>

(2) TRADE RECEIVABLES

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Trade receivable	1,101,459	2,570,283	889,617	2,371,956
Less: Provision for bad debts	(7,169)	(7,169)	—	—
	<u>1,094,290</u>	<u>2,563,114</u>	<u>889,617</u>	<u>2,371,956</u>

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

Aging	Group			
	Unaudited June 30 2015	Audited 31 December 2014		
	amount	% of total balance	amount	% of total balance
Within 1 year	1,071,517	98%	649,382	25%
1 to 2 years	12,203	1%	786,811	31%
Over 2 years	17,739	1%	1,134,090	44%
Total	<u>1,101,459</u>	<u>100%</u>	<u>2,570,283</u>	<u>100%</u>

Aging	Company			
	Unaudited June 30 2015	Audited 31 December 2014		
	amount	% of total balance	amount	% of total balance
Within 1 year	888,417	99%	477,430	20%
1 to 2 years	—	—	776,235	33%
Over 2 years	1,200	1%	1,118,291	47%
Total	<u>889,617</u>	<u>100%</u>	<u>2,371,956</u>	<u>100%</u>

The average credit period of about 30 days has been granted by the Group. As at 30 June 2015, 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							
	Unaudited 30 June 2015				Audited 31 December 2014			
	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	887,818	81%	7,169	100%	2,404,369	94%	7,169	100%
General credit portfolio	213,641	19%	—	—	165,914	6%	—	—
<b>Total</b>	<b>1,101,459</b>	<b>100%</b>	<b>7,169</b>	<b>100%</b>	<b>2,570,283</b>	<b>100%</b>	<b>7,169</b>	<b>100%</b>

Category	Company							
	30 June 2015				31 December 2014			
	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	795,693	89%	—	—	2,327,422	98%	—	—
General credit portfolio	93,924	11%	—	—	44,534	2%	—	—
<b>Total</b>	<b>889,617</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>2,371,956</b>	<b>100%</b>	<b>—</b>	<b>—</b>

- (c) As at 30 June 2015, 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:

	<b>Ending balance</b>	<b>Group Provision for bad debts</b>	<b>Ratio</b>
TSC (note(i))	—	—	—
TWAB (note(ii))	795,693	—	—
Qujing City Water General Company (note(iii))	92,125	7,169	8%
<b>Total</b>	<b>887,818</b>	<b>7,169</b>	

	<b>Ending Balance</b>	<b>Company Unaudited 30 June 2015 Provision for bad debts</b>	<b>Ratio</b>
TWAB (note(ii))	795,693	—	—

- (i) As at 30 June 2015, trade receivable generated from providing sewage processing services due from TSC amounting to Rmb1.89 billion has been fully collected.
- (ii) 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 sewage processing fee is charged to TWAB instead of TSC.
- (iii) As at 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 Rmb 92,125 thousand among which Rmb 16,539 thousand was aged over 2 years. According to management's analysis, impairment provision of Rmb 7,169 thousand was provided. The manager will enhance communication with government regarding the collection of trade receivables. Meanwhile, the management will timely update the assessment on impairment risk and adjust impairment provision if needed.



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

<b>Ageing</b>	<b>Group</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2015</b>		<b>31 December 2014</b>	
	<b>amount</b>	<b>% of total balance</b>	<b>amount</b>	<b>% of total balance</b>
Within 1 year	212,441	99%	162,059	98%
1 to 2 years	—	—	3,855	2%
Over 2 years	1,200	1%	—	—
<b>Total</b>	<b>213,641</b>	<b>100%</b>	<b>165,914</b>	<b>100%</b>

<b>Ageing</b>	<b>Company</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2015</b>		<b>31 December 2014</b>	
	<b>amount</b>	<b>% of total balance</b>	<b>amount</b>	<b>% of total balance</b>
Within 1 year	92,724	99%	40,679	91%
1 to 2 years	—	—	3,855	9%
Over 2 years	1,200	1%	—	—
<b>Total</b>	<b>93,924</b>	<b>100%</b>	<b>44,534</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:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
TICIG	15,325	16,388

(f) As at 30 June 2015, the trade receivables from the top five debtors are analyzed as below:

	relationship with the Group	amount	ageing	% of total balance
TWAB (note(i))	customer	795,693	Within 1 year	72.24%
Qijing City Water General Company	customer	63,383	Within 1 year	5.75%
		12,203	1 to 2 years	1.11%
		9,644	2 to 3 years	0.88%
		6,895	Over 3 years	0.63%
Tianjin Municipal Transportation Commission	agent	38,840	Within 1 year	3.53%
Hangzhou sewage company	customer	16,509	Within 1 year	1.50%
TICIG (note(ii))	ultimate holding company	15,325	Within 1 year	1.39%
Total		<u>958,492</u>		<u>87.03%</u>

(i) The amount of trade receivables from TWAB accounts for 72% out of total amount of the Group's trade receivables.

(ii) From 2015, road toll fee is charged to Tianjin Municipal Transportation Commission instead of Tianjin Municipal Highway Administration Bureau as government requires.

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

	relationship with the Group	Unaudited 30 June 2015		Audited 31 December 2014	
		amount	% of total balance	amount	% of total balance
TICIG	Ultimate holding company	15,325	1.39%	16,388	0.64%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	12,070	1.09%	18,422	0.72%
Tianjin Metro Resources Investment Co., Ltd.	Controlled by the same ultimate holding company	4,094	0.37%	4,975	0.19%
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company	401	0.04%	401	0.02%
Total		<u>31,890</u>	<u>2.89%</u>	<u>40,186</u>	<u>1.57%</u>

### (3) PREPAYMENTS

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

Aging	Group			
	Unaudited 30 June 2015		Audited 31 December 2014	
	amount	% of total balance	amount	% of total balance
Within 1 year	81,617	60%	54,987	52%
1 to 2 years	44,164	33%	48,348	45%
Over 2 years	9,473	7%	3,077	3%
Total	<u>135,254</u>	<u>100%</u>	<u>106,412</u>	<u>100%</u>

As at 30 June 2015, the prepayments aged over one year with amount of Rmb53,637 thousand (2014: Rmb 51,425 thousand) mainly for recycled water pipeline connection service for which the projects have not been completed and hence balances remain outstanding.

Aging	Company			
	Unaudited 30 June 2015		Audited 31 December 2014	
	amount	% of total balance	amount	% of total balance
Within 1 year	51	19.6%	8	3.1%
1 to 2 years	6	2.3%	48	18.5%
Over 2 years	203	78.1%	203	78.4%
Total	<u>260</u>	<u>100%</u>	<u>259</u>	<u>100%</u>

(b) As at 30 June 2015, the prepayments to the top five debtors are analyzed as below:

	amount	% of total balance
Total amounts of prepayments to the top five debtors	<u>35,757</u>	<u>27%</u>

(c) As at 30 June 2015, there were no prepayments to any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2014: 5% or more). As at 30 June 2015, there were no prepayments to any of the related parties of the Company (31 December 2014: Nil).

(4) OTHER RECEIVABLES

	Group		Company	
	Unaudited 30 June 2014	Audited 31 December 2014	Unaudited 30 June 2014	Audited 31 December 2014
Project deposits	2,718	2,840	1,699	1,135
Receivables from subsidiaries	—	—	78,358	92,883
Others	4,060	2,867	1,256	1,774
Less: provision for bad debts	—	—	—	—
	<u>6,778</u>	<u>5,707</u>	<u>81,313</u>	<u>95,792</u>

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

	Group			
	Unaudited 30 June 2015		Audited 31 December 2014	
	amount	% of total balance	amount	% of total balance
Within 1 year	1,714	25%	2,296	40%
1 to 2 years	1,738	26%	1,308	23%
2 to 3 years	1,422	21%	362	6%
Over 3 years	1,904	28%	1,741	31%
	<u>6,778</u>	<u>100%</u>	<u>5,707</u>	<u>100%</u>

	Company			
	Unaudited 30 June 2015		Audited 31 December 2014	
	amount	% of total balance	amount	% of total balance
Within 1 year	78,651	96.73%	93,913	98.04%
1 to 2 years	784	0.96%	1,051	1.10%
2 to 3 years	1,058	1.30%	11	0.01%
Over 3 years	820	1.01%	817	0.85%
	<u>81,313</u>	<u>100%</u>	<u>95,792</u>	<u>100%</u>

- (b) As at 30 June 2015, there were no receivables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2014: 5% or more). As at 30 June 2015, there were no receivables from any of the related parties of the Company (31 December 2014: Nil).
- (c) As at 30 June 2015, other receivables from the top five debtors are analyzed as below:

Entity Name	relationship with the Group	amount	ageing	% of total balance
Tianjin Construction Wastes Management Station	regulator	500	3 to 4 years	7%
		1,000	Within 1 year	15%
Tianjin Qinglong Construction and Installation Engineering Co., Ltd.	other	1,000	2 to 3 years	15%
Tianjin Power Co., Ltd. of State Grid Corporation of China	other	480	1 to 2 years	7%
天津市華水自來水建設有限公司	other	456	Within 1 year	7%
Xianning City Sewage Management Office	other	300	Over 5 years	4%
		3,736		55%

- (d) Other receivables are analyzed as below:

Category	Group							
	Unaudited 30 June 2015				Audited 31 December 2014			
	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	6,778	100%	—	—	5,707	100%	—	—

  

Category	Company							
	Unaudited 30 June 2015				Audited 31 December 2014			
	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	81,313	100%	—	—	95,792	100%	—	—

## (5) INVENTORIES

Inventories are summarized by categories as follows:

	Group					
	Unaudit 30 June 2015 Provision for decline in the Ending balance	value of inventories	Carrying amount	Audit 31 December 2014 Provision for decline in the Ending balance	value of inventories	Carrying amount
Raw materials	9,382	—	9,382	9,597	—	9,597
Finished goods	2,588	—	2,588	2,644	—	2,644
Spare parts and low cost consumables	291	—	291	472	—	472
Construction contract costs	1,182	—	1,182	1,679	—	1,679
	<u>13,443</u>	<u>—</u>	<u>13,443</u>	<u>14,392</u>	<u>—</u>	<u>14,392</u>

  

	Company					
	Unaudit 30 June 2015 Provision for decline in the Ending balance	value of inventories	Carrying amount	Audit 31 December 2014 Provision for decline in the Ending balance	value of inventories	Carrying amount
Raw materials	4,502	—	4,502	4,137	—	4,137
Spare parts and low cost consumables	—	—	—	199	—	199
Work in progress	—	—	—	—	—	—
	<u>4,502</u>	<u>—</u>	<u>4,502</u>	<u>4,336</u>	<u>—</u>	<u>4,336</u>

(6) OTHER ASSETS

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
<b>Current:</b>				
Receivables from subsidiaries	—	—	136,590	77,380
Assets of Anguo (note(i))	53,230	58,124	—	—
Others	5,001	4,126	—	—
	<u>58,231</u>	<u>62,250</u>	<u>136,590</u>	<u>77,380</u>
<b>Non-current:</b>				
Receivables from subsidiaries	—	—	151,000	134,000
Others	6,738	8,461	468	468
	<u>6,738</u>	<u>8,461</u>	<u>151,468</u>	<u>134,468</u>

(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 June 2015	Audited 31 December 2014
Measured at cost	35,757	27%
– Available for sale equity instruments	<u>2,000</u>	<u>2,000</u>

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

	Unaudited 30 June 2015	Audited 31 December 2014
Tianjin Beifang Rencaigang Company Limited		
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>

In order to measure the cost of available for sale financial assets mainly for private equity investments held by the group, these investments are not quoted in an active market, fair value changes in the estimation of the reasonable interval number is larger, and the various used to determine fair value estimates of the number of probability cannot be reasonably determined, so its fair value cannot be reliably measured. The group has no disposal of the investment plan.

(8) LONG-TERM RECEIVABLES

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Receivables from toll road concession	<u>322,804</u>	<u>326,147</u>	<u>322,804</u>	<u>326,147</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.

(9) LONG-TERM EQUITY INVESTMENTS

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Investment in subsidiaries (note (a))	—	—	1,458,755	1,424,755
Less: Impairment provision for long-term investment (note (b))	<u>—</u>	<u>—</u>	<u>(71,519)</u>	<u>(71,519)</u>
	—	—	1,387,236	1,353,236
Investment in an associate (note (c))	<u>28,360</u>	<u>31,347</u>	<u>—</u>	<u>—</u>
	<u>28,360</u>	<u>31,347</u>	<u>1,387,236</u>	<u>1,353,236</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
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Sewage processing, tap water supply	178,983	Limited Company	Zhao Yi
Guizhou Capital Water Co., Ltd.	A	Guizhou	Guizhou	Sewage processing	120,000	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	Niu Bo
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	Han Song
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	20,000	Limited Company	Li Yuqing
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	Wang Hong
Tianjin Zichuang Project Investment Co., Ltd.	B	Tianjin	Tianjin	Construction project investment	23,400	Limited Company	Wang Hong
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	Li Wei

A: Subsidiary

B: Wholly-owned subsidiaries

	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	30,592	—	—
Guizhou Capital Water Co., Ltd.	Cost method	95,000	95,000	19,000	114,000	95	Y	6,819	—	—
Baoying Capital Water Co., Ltd.	Cost method	37,100	37,100	—	37,100	70	Y	22,350	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	Cost method	180,212	180,212	—	180,212	70	Y	109,492	—	—
Tianjin Capital New Materials Co., Ltd. (note(ii))	Cost method	26,500	26,500	—	26,500	71	Y	373	(26,500)	—
Fuyang Capital Water Co., Ltd.	Cost method	107,302	107,302	—	107,302	100	Y	—	—	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd. (note(iv))	Cost method	62,987	62,987	—	62,987	100	Y	1,655	—	—
Wendeng Capital Water Co., Ltd. (note(ii) (iii))	Cost method	61,400	61,400	—	61,400	100	Y	—	—	—
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	—	—	—
Xi'an Capital Water Co., Ltd.	Cost method	334,000	334,000	—	334,000	100	Y	—	—	—
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	Cost method	5,000	5,000	15,000	20,000	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	2,342	—	—
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	—	—	—
<b>Total</b>		<u>1,424,755</u>	<u>1,424,755</u>	<u>34,000</u>	<u>1,458,755</u>		—	<u>173,623</u>	<u>(71,519)</u>	<u>—</u>

- (i) The Group is not exposed to significant restriction on recovery or remittance of return on investment in subsidiaries.
- (ii) As at 30 June 2015, the parent company increased registered capital of Guizhou Capital Water Co., Ltd. in cash of RMB19 million and of Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd. in cash of RMB15 million. Upon completion, there is no change in shareholding proportion.
- (iii) Minority interest in Sino Legend (Hong Kong) Limited (a subsidiary of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.) is RMB1,655 thousand as at 30 June 2015 (31 December 2014: RMB1,803 thousand). Minority interest in Honghu Capital Water Co., Ltd. (a subsidiary of Wuhan Tianchuang Capital Water Co., Ltd.) is RMB2,343 thousand as at 30 June 2015 (31 December 2014: RMB2,301 thousand).

## (b) Provisions

	31 December 2014	Additions	Decrease	30 June 2015
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	26,500
Anguo Capital Water Co., Ltd. (note(i))	30,019	—	—	30,019
Tianjin Jinning Capital Water Co., Ltd. (note(ii))	15,000	—	—	15,000
	<u>71,519</u>	<u>—</u>	<u>—</u>	<u>71,519</u>

## (c) Investment in an associate

	Registered capital	Interest & voting shares held	Total assets	31 December 2014		6 months ended 30 June 2015	
				Total liabilities	Net assets	Revenue	Share of loss
Tianjin international Machinery Co., Ltd.	<u>120,000</u>	<u>27.50%</u>	<u>758,893</u>	<u>592,824</u>	<u>166,069</u>	<u>1,001,416</u>	<u>(2,987)</u>

	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 2014	Share of loss	Cash dividends by the associate	30 June 20145	Share holding/ Voting rights (%)
TIMC	<u>33,000</u>	<u>31,347</u>	<u>(2,987)</u>	<u>—</u>	<u>28,360</u>	<u>27.50%</u>

Summarized financial information for TIMC:

	Unaudited 30 June 2015	Audited 31 December 2014
Cash and cash equivalents	226,502	201,841
Other current assets	345,673	341,471
Total current assets	<u>572,175</u>	<u>543,312</u>
Total non-current Assets	<u>186,718</u>	<u>190,715</u>
Trade payables	141,907	159,412
Other current liabilities	450,917	400,769
Total current liabilities	<u>592,824</u>	<u>560,181</u>
Net assets	<u>166,069</u>	<u>173,846</u>
Equity attributable to owners of the parent of TIMC	101,351	113,037
Adjustment made to reflect fair value of identifiable net assets of associate at acquisition date	<u>—</u>	<u>—</u>
Adjusted equity attributable to owners of the parent of TIMC	<u>101,351</u>	<u>113,037</u>
Voting shares held by the Group	27.50%	27.50%
Equity held by the Group	<u>27,872</u>	<u>31,085</u>
Long-term investment	<u>28,360</u>	<u>31,347</u>

	<b>Unaudited For the six months ended 30 June 2015</b>	<b>Audited For the six months ended 30 June 2014</b>
Revenue	1,001,416	1,209,036
Depreciation and amortization	(3,474)	(2,558)
Interest income	1,632	1,774
Interest expense	(12,768)	(11,055)
Total Profit	(9,979)	4,738
Income tax expense	(1,006)	(1,275)
Net (losses)/profit	(10,985)	3,463
Other comprehensive income	—	—
Total comprehensive loss	(10,985)	3,463
Equity attributable to owners of the parent of TIMC	(10,863)	1,956
Minority Interest	(122)	1,507

#### **(10) INVESTMENT PROPERTIES**

<b>Buildings</b>	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2014 (Audited) and 30 June 2015(Unaudited)	137,374	110,648
Accumulated depreciation		
At 31 December 2014(Audited)	(32,438)	(28,494)
Charge for the period	(1,836)	(1,583)
At 30 June 2015(Unaudited)	(34,274)	(30,077)
Net book value		
At 30 June 2015(Unaudited)	103,100	80,571
At 31 December 2014(Audited)	104,936	82,154

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 30 June 2015 was approximately Rmb151 million (2014: Rmb151 million) and its carrying value was approximately Rmb81 million.

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

(a) Group

	<b>Buildings &amp; structure (note (i))</b>	<b>Machinery &amp; equipment</b>	<b>Motor vehicles &amp; others</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2014 (Audited)	2,006,261	2,183,553	227,036	4,416,850
Transfer from construction in progress	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)
	<u>289,632</u>	<u>308,768</u>	<u>64,967</u>	<u>663,367</u>
At 31 December 2014 (Audited)	289,632	308,768	64,967	663,367
Additions	—	1,758	284	2,042
Disposals	—	—	(32)	(32)
	<u>—</u>	<u>—</u>	<u>(32)</u>	<u>(32)</u>
At 30 June 2015 (Unaudited)	<u>289,632</u>	<u>310,526</u>	<u>65,219</u>	<u>665,377</u>
<b>Accumulated depreciation</b>				
At 1 January 2014 (Audited)	(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
	<u>(40,991)</u>	<u>(85,619)</u>	<u>(48,229)</u>	<u>(174,839)</u>
At 31 December 2014 (Audited)	(40,991)	(85,619)	(48,229)	(174,839)
Charge for the period (note(ii))	(3,234)	(15,701)	(1,608)	(20,543)
Disposals	—	—	29	29
	<u>—</u>	<u>—</u>	<u>29</u>	<u>29</u>
At 30 June 2015 (Unaudited)	<u>(44,225)</u>	<u>(101,320)</u>	<u>(49,808)</u>	<u>(195,353)</u>
<b>Net book value</b>				
At 30 June 2015 (Unaudited)	<u>245,407</u>	<u>209,206</u>	<u>15,411</u>	<u>470,024</u>
At 31 December 2014 (Audited)	<u>248,641</u>	<u>223,149</u>	<u>16,738</u>	<u>488,528</u>

- (i) All of the Group's buildings, structures and plants are located in the PRC.
- (ii) The Group's depreciation expense of Rmb19 million (2014:Rmb13 million) has been included in cost of operations and Rmb3 million (2014: Rmb3million) in administrative expenses.
- (iii) As at 30 June 2015, 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 Rmb130 million (cost of Rmb175 million) (31 December 2014: carrying amount of Rmb132 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.
- (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

	<b>Buildings &amp; structure (note (i))</b>	<b>Machinery &amp; equipment</b>	<b>Motor vehicles &amp; others</b>	<b>Total</b>
Cost				
At 1 January 2014 (Audited)	1,834,017	2,017,845	186,889	4,038,751
Additions	—	373	966	1,339
Transfers to intangible assets (note (a) (iv))	(1,754,150)	(1,889,823)	(153,528)	(3,797,501)
Disposals	—	(13)	(4,037)	(4,050)
At 31 December 2014 (Audited)	79,867	128,382	30,290	238,539
Additions	—	47	32	79
Disposals	—	—	—	—
At 30 June 2015 (Unaudited)	79,867	128,429	30,322	238,618
Accumulated depreciation				
At 1 January 2014 (Audited)	(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 (Audited)	(16,817)	(40,376)	(23,466)	(80,659)
Charge for the period	(1,826)	(5,945)	(674)	(8,445)
Disposals	—	—	—	—
At 30 June 2015 (Unaudited)	(18,643)	(46,321)	(24,140)	(89,104)
Net book value				
At 30 June 2015 (Unaudited)	<u>61,224</u>	<u>82,108</u>	<u>6,182</u>	<u>149,514</u>
At 31 December 2014 (Audited)	<u>63,050</u>	<u>88,006</u>	<u>6,824</u>	<u>157,880</u>



(c) Movement of significant projects of construction in progress

Name	Audited 31 December 2014	Increase in current year	Transfer to fixed assets	Transfer to intangible assets	Other decrease	Unaudited 30 June 2015	Proportion of expenditures incurred to budgeted amount	Source of funds
Dong Jiao	3,078	4	—	—	—	3,082	80	Self-raised
Xian Yang Lu	634	—	—	—	—	634	80	Self-raised
Others	421	425	—	—	—	846		Self-raised
<b>Total - Group</b>	<b>4,133</b>	<b>429</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,562</b>		

As at 30 June 2015, no borrowing cost has been capitalized (2014: no borrowing cost has been capitalized).

**(12) INTANGIBLE ASSETS**

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Concession rights (note (a))	6,216,097	6,299,501	3,568,633	3,631,305
Land use rights (note (b))	15,726	15,866	11,637	11,721
Technical know-how and computer software (note (c))	6,199	6,596	5,580	5,910
	<b>6,238,022</b>	<b>6,321,963</b>	<b>3,585,850</b>	<b>3,648,936</b>

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

	<b>Group</b>	<b>Company</b>
Cost		
At 1 January 2014(Audited)	3,322,411	—
Transfers from property, plant and equipment	2,633,467	2,633,467
Transfers from land use right	402,047	402,047
Transfers from CIP	1,618,262	1,402,907
Transfer to other current assets	(76,348)	—
Additions	21,442	—
Disposals	(716,372)	(716,328)
	<hr/>	<hr/>
At 31 December 2014(Audited)	7,204,909	3,722,093
	<hr/>	<hr/>
Additions	41,014	—
Disposals	—	—
	<hr/>	<hr/>
At 30 June 2015(Unaudited)	7,245,923	3,722,093
	<hr/>	<hr/>
Accumulated amortization		
At 1 January 2014(Audited)	(669,970)	—
Charge for the year	(245,740)	(118,100)
Disposals	27,312	27,312
	<hr/>	<hr/>
At 31 December 2014(Audited)	(888,398)	(90,788)
Charge for the period	(124,418)	(62,672)
Disposals	—	—
	<hr/>	<hr/>
At 30 June 2015(Unaudited)	(1,012,816)	(153,460)
	<hr/>	<hr/>
Provision of Impairment		
At 31 December 2014(Audited)	(17,010)	—
Charge for the period	—	—
	<hr/>	<hr/>
At 30 June 2015(Unaudited)	(17,010)	—
	<hr/>	<hr/>
Net book value		
At 30 June 2015(Unaudited)	6,216,097	3,568,633
	<hr/>	<hr/>
At 31 December 2014(Audited)	<u>6,299,501</u>	<u>3,631,305</u>

- (i) As at 30 June 2015, certain of concession rights with net book value of Rmb206 million (Cost: Rmb302 million) (2014: carrying amount Rmb211 million; cost: Rmb302 million) have been secured against long-term borrowings of Rmb87 million (2014: Rmb97 million) (note 6(16) (a)). Certain of concession rights with net book value Rmb13 million (Cost: Rmb19 million) (31 December 2014: carrying amount Rmb13 million; cost: Rmb19 million) have been secured against long-term borrowings of Rmb10 million (2014: Rmb10 million) (note:6(16) (a)).
- (ii) For the six months ended 30 June 2015, there's no newly increased borrowing cost (2014: there's no newly increased borrowing cost).
- (iii) The remaining amortization period of concession rights range from 14 to 29 years.
- (b) The movements of land use rights are as follows:

	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2014 (Audited)	17,841	13,088
At 30 June 2015(Unaudited)	17,841	13,088
Accumulated amortization		
At 1 January 2014 (Audited)	(156,708)	(153,236)
Transfers to intangible assets	152,131	152,131
Charge for the year	(697)	(262)
Disposals	3,299	—
At 31 December 2014 (Audited)	(1,975)	(1,367)
Charge for the period	(140)	(84)
Disposals	—	—
At 30 June 2015(Unaudited)	(2,115)	(1,451)
Net book value		
At 30 June 2015(Unaudited)	<u>15,726</u>	<u>11,637</u>
At 31 December 2014 (Audited)	<u>15,866</u>	<u>11,721</u>

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

	<b>Group</b>	<b>Company</b>
Cost		
At 1 January 2014(Audited)	11,366	10,291
Additions	681	—
Disposals	(726)	—
At 31 December2014(audited)	<u>11,321</u>	<u>10,291</u>
At 30 June 2015(Unaudited)	<u>11,321</u>	<u>10,291</u>
Accumulated amortization		
At 1 January 2014(Audited)	(4,007)	(3,751)
Charge for the period	(857)	(630)
Disposals	139	—
At 31 December2014(audited)	<u>(4,725)</u>	<u>(4,381)</u>
Charge for the period	(397)	(330)
Disposals	—	—
At 30 June 2015(Unaudited)	<u>(5,122)</u>	<u>(4,711)</u>
Net book value		
At 30 June 2015(Unaudited)	<u><u>6,199</u></u>	<u><u>5,580</u></u>
At 31 December2014(audited)	<u><u>6,596</u></u>	<u><u>5,910</u></u>

(d) Amortization of Rmb126 million (2014: Rmb125 million) is included in the 'cost of sales' in the income statement and Rmb0.45 million (2014: Rmb0.5million) in 'administrative expenses' respectively.

**(13) PROVISION FOR ASSET IMPAIRMENT**

	31 December 2014	Increase in current period	Reclassification	2015 30 June
Provision for bad debts	7,169	—	—	7,169
Provision for impairment of intangible assets (note(a))	17,010	—	—	17,010
Provision for impairment of other current assets	18,224	—	—	18,224
	<u>42,403</u>	<u>—</u>	<u>—</u>	<u>42,403</u>

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

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Trade payables (note (a))	75,840	54,319	32,108	21,540
Advances (note (b))	809,826	776,190	6,459	6,841
Other payables (note (c))	506,230	666,433	951,991	1,029,776
Taxes payable (note (d))	26,713	26,400	14,839	14,987
	<u>1,418,609</u>	<u>1,523,342</u>	<u>1,005,397</u>	<u>1,073,144</u>

- (a) As at 30 June 2015, the majority of trade payables are aged within one year and mainly for raw materials purchase.

As at 30 June 2015, there were no trade payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2014: there were no trade payables from any of the shareholders of the Company who hold 5% or more of voting shares).

(b) Advances comprise:

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
For pipeline connection service	797,885	762,622	—	—
For heating service	2,728	5,752	—	—
Received from project of Han Gu	2,767	3,267	2,767	3,267
Other advances	6,446	4,549	3,692	3,574
	<u>809,826</u>	<u>776,190</u>	<u>6,459</u>	<u>6,841</u>

As at 30 June 2015, advances of Rmb619 million (31 December 2014: Rmb574 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.

(c) Other payables comprise:

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Construction costs payable	365,884	493,812	249,950	358,788
Payable for purchase of fixed assets and concession rights	13,892	22,745	—	—
Long-term debenture interests payables (note 6(16) (c))	31,915	28,098	31,915	28,098
Payables to subsidiaries	—	—	596,406	596,406
Others	94,539	121,778	73,720	46,484
	<u>506,230</u>	<u>666,433</u>	<u>951,991</u>	<u>1,029,776</u>

As at 30 June 2015, other payables of Rmb84 million (31 December 2014: Rmb79 million) are aged over year, which mainly represent unsettled payables and deposits for upgrade projects.

As at 30 June 2015, there were no other payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2014: there were no other payables from any of the shareholders of the Company who hold 5% or more of voting shares).

(d) The balances of taxes payable

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Income tax payable	18,564	21,990	11,640	11,923
Business tax payable	2,865	2,724	2,109	2,113
Value-added tax payable	1,495	674	550	366
Others	3,789	1,012	540	585
	<u>26,713</u>	<u>26,400</u>	<u>14,839</u>	<u>14,987</u>

#### (15) EMPLOYEE BENEFITS PAYABLE

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

	Audited	Increase in current period	Decrease in current period	Unaudited
	31 December 2014			30 June 2015
Wages and salaries, bonuses, allowances and subsidies	8,061	80,919	(85,933)	3,047
Staff welfare	—	1,980	(1,975)	5
Social security contributions	245	22,111	(19,122)	3,234
Including: Medical insurance	73	6,414	(6,437)	50
Basic pensions	146	14,311	(11,287)	3,170
Unemployment insurance	17	635	(645)	7
Work injury insurance	4	324	(325)	3
Maternity insurance	5	427	(428)	4
Housing funds	280	10,567	(10,546)	301
Labor union funds and employee education funds	5,064	2,537	(1,569)	6,032
	<u>13,650</u>	<u>118,114</u>	<u>(119,145)</u>	<u>12,619</u>

As at 30 June 2015, 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 the period ended 30 June 2015 is set out below:

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Liu Yujun	—	139	139
Lin Wenbo(note(i))	—	432	432
Fu Yana	—	346	346
Cao Shuo	—	303	303
Zhang Wenhui	—	293	293
<b>Non-executive Directors:</b>			
Li Jieying	110	—	110
Gao Zongze	110	—	110
Guan Yimin	110	—	110
An Pindong	—	—	—
Chen Yinxing	—	—	—
	<u>330</u>	<u>1,513</u>	<u>1,843</u>

(i) The Director is also the General Manager.

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

Name	Fees	Salaries and other emoluments	Total
<b>Executive Directors:</b>			
Zhang Wenhui	63	422	485
Lin Wenbo (note(i))	42	452	494
Fu Yana	42	378	420
Shi Zhenjuan	42	388	430
<b>Non-executive Directors:</b>			
Xie Rong	64	—	64
Di Xiaofeng	64	—	64
Li Jieying	110	—	110
Gao Zongze	46	—	46
Guan Yimin	46	—	46
An pindong	42	—	42
Chen Yingxin	42	—	42
	<u>603</u>	<u>1,640</u>	<u>2,243</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	
		Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
<b>Non-current:</b>					
Long-term bank borrowings	(a)	1,460,316	1,845,896	526,600	794,350
Less: current portion within one year	(a)	(501,500)	(281,330)	(229,100)	(68,500)
		958,816	1,564,566	297,500	725,850
Long-term debenture	(c)	1,391,058	1,388,975	1,391,058	1,388,975
Long-term payable	(d)	258,337	262,454	258,337	262,454
Other non-current liabilities	(e)	52,364	53,727	—	—
		<u>2,660,575</u>	<u>3,269,722</u>	<u>1,946,895</u>	<u>2,377,279</u>
<b>Current:</b>					
Current portion of long-term bank borrowings	(a)	501,500	281,330	229,100	68,500
Current portion of long-term payable	(d)	22,076	22,891	22,076	22,891
		523,576	304,221	251,176	91,391
Short-term borrowings	(b)	—	50,000	—	50,000
Other current liabilities	(e)	3,439	4,251	—	—
		<u>527,015</u>	<u>358,472</u>	<u>251,176</u>	<u>141,391</u>

(a) Long-term bank borrowings

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

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Borrowings from:				
China Construction Bank	466,600	489,600	142,600	143,600
Industrial and Commercial Bank of China	337,236	413,236	50,000	50,000
Agriculture Bank of China	126,080	275,110	50,000	199,000
State Development Bank	210,900	253,200	101,000	126,000
China Minsheng Bank	99,000	99,000	—	—
Tianjin Rural Cooperative Bank	96,000	97,000	96,000	97,000
China Ever bright Bank	—	85,000	—	85,000
China Merchants Bank	49,500	50,000	49,500	50,000
Bohai Bank	37,500	43,750	37,500	43,750
Bank of China	15,000	20,000	—	—
Baoying Rural Credit Cooperatives Union	17,500	20,000	—	—
Industrial Bank Co., Ltd	5,000	—	—	—
	<u>1,460,316</u>	<u>1,845,896</u>	<u>526,600</u>	<u>794,350</u>

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

	Note	Group		Company	
		Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Pledge	(i)	22,000	22,000	—	—
Guarantee	(iii)	250,400	190,830	—	—
Unsecured		229,100	68,500	229,100	68,500
		<u>501,500</u>	<u>281,330</u>	<u>229,100</u>	<u>68,500</u>

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

	Note	Group		Company	
		Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Pledge	(ii)	74,500	85,000	—	—
Guarantee	(iv)	586,816	753,716	—	—
Unsecured		297,500	725,850	297,500	725,850
		<u>958,816</u>	<u>1,564,566</u>	<u>297,500</u>	<u>725,850</u>

- (i) As at 30 June 2015, the current portion of bank pledge borrowings of Rmb22 million (31 December 2014: Rmb22 million), including Rmb22 million (2014: Rmb22 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 30 June 2015, non-current portion of bank pledge borrowings of Rmb75 million (31 December 2014: Rmb85 million), including Rmb65 million (2014: Rmb75 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 (2014: Rmb10 million) were secured by the concession services right of sewage processing fees of the Company's subsidiary, Baoying Capital Water Co. Ltd.
- (iii) As at 30 June 2015, current portion of bank guarantee borrowings of Rmb226 million (2014: Rmb167 million) and Rmb24 million (2014: Rmb24 million) were secured by the guarantee of the Company and TICIG respectively (note9 (5) (b)).
- (iv) As at 30 June 2015, non-current portion of bank guarantee borrowings of Rmb374 million (2014: Rmb529million) and Rmb213 million (2014: Rmb225 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 5.31% and 7.53% in 2015 (2014: between 5.535% and 7.530%).

(vi) These borrowings mature as follows:

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Within 1 year	501,500	281,330	229,100	68,500
1 to 2 years	444,184	783,530	237,900	494,250
2 to 5 years	402,032	633,236	59,600	231,600
Over 5 years	112,600	147,800	—	—
	<u>1,460,316</u>	<u>1,845,896</u>	<u>526,600</u>	<u>794,350</u>

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

	Grant date	Maturity date	Currency	Rate(%)	Group	
					Unaudited 30 June 2015	Audited 31 December 2014
TRC Bank Industrial and Commercial	2013-01-14	2016-01-03	RMB	6.15%	96,000	2,000
Bank of China	2014-05-16	2016-06-15	RMB	5.78%	50,000	—
China Bohai Bank Industrial and Commercial	2014-04-11	2016-04-10	RMB	6.04%	37,500	12,500
Bank of China	2006-11-23	2015-11-21	RMB	5.54%	30,000	30,000
Bank of China Industrial and Commercial	2008-01-31	2016-06-21	RMB	5.54%	26,200	22,400
					<u>239,700</u>	<u>66,900</u>

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

	Grant date	Maturity date	Currency	Rate (%)	Group	
					Unaudited 30 June 2015	Audited 31 December 2014
China Construction Bank	2008-09-28	2022-09-27	RMB	6.23%	213,000	225,000
China Construction Bank	2014-01-26	2017-01-26	RMB	6.30%	95,000	96,000
State Development Bank	2009-10-12	2019-10-11	RMB	6.15%	76,000	101,000
China Construction Bank	2006-05-26	2018-05-25	RMB	5.65%	65,000	75,000
China Merchants Bank	2014-11-07	2017-05-14	RMB	6.33%	48,500	49,500
					<u>497,500</u>	<u>546,000</u>

(ix) Long-term bank borrowings

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

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
6 months or less	—	99,000	—	99,000
6- 12 months	<u>1,460,316</u>	<u>1,746,896</u>	<u>526,600</u>	<u>695,350</u>
	<u>1,460,316</u>	<u>1,845,896</u>	<u>526,600</u>	<u>794,350</u>

(x) As at 30 June 2015, the Group has the following committed undrawn banking facilities:

	Group	
	Unaudited 30 June 2015	Audited 31 December 2014
Floating rate expiring within 1 year	—	—
Floating rate expiring over 1 year	<u>621,000</u>	<u>964,000</u>
	<u>621,000</u>	<u>964,000</u>

(b) Short-term borrowings

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Borrowings from:				
Postal Saving Bank Of China	—	50,000	—	50,000

Summary of terms of short-term borrowings:

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Unsecured	—	50,000	—	50,000

(c) Long-term debenture

	31 December 2014	Additions	Decrease	30 June 2015
Long-term Debenture				
Par value	1,400,000	—	—	1,400,000
Transaction cost	(11,025)	—	2,083	(8,942)
	<u>1,388,975</u>	<u>—</u>	<u>2,083</u>	<u>1,391,058</u>
General information on Long-term Debenture	<b>Book Value</b>	<b>Issuing Date</b>	<b>Maturity</b>	<b>Issue amount</b>
Corporate Debenture I(note(i))	700,000	2011-11-16	5 years	700,000
Corporate Debenture II(note(ii))	<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 2014	Interest accrued		30 June 2015
		Interest accrued in current year	Interest paid in current year	
Corporate Debenture I(i)	7,747	23,049	—	30,796
Corporate Debenture II(ii)	20,351	18,918	(38,150)	1,119
	<u>28,098</u>	<u>41,967</u>	<u>(38,150)</u>	<u>31,915</u>

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

	Group and Company					
	Unaudited 30 June 2015			Audited 31 December 2014		
	Payable	Unrecognized financial charges	Total	Payable	Unrecognized financial charges	Total
Payable for assets acquisition	467,426	(187,013)	280,413	488,144	(202,799)	285,345
	<u>467,426</u>	<u>(187,013)</u>	<u>280,413</u>	<u>488,144</u>	<u>(202,799)</u>	<u>285,345</u>

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

	<b>Maturity date</b>	<b>Original balance</b>	<b>Effective interest rate</b>	<b>Ending balance</b>	<b>Current portion</b>
TSC	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>258,337</u>	<u>22,076</u>

Balance of the long-term payable to TSC is the consideration payable as at 30 June 2015 in respect of the acquisition of sewage processing assets from TSC as at 30 June 2015, 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:

	<b>Group and Company</b>	
	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
JPY	336,247	352,902
US dollar	<u>131,179</u>	<u>135,242</u>
	<u>467,426</u>	<u>488,144</u>

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

- (iii) The long-term payable mature as follows, and as at 30 June 2015, the current portion of long-term payable of Rmb22 million was classified as current liabilities.

	<b>Group and Company</b>	
	<b>30 June 2015</b>	<b>31 December 2014</b>
Within 1 year	22,076	22,891
1 to 2 years	22,047	22,047
2 to 5 years	61,828	61,828
Over 5 years	<u>174,463</u>	<u>178,579</u>
	<u>280,414</u>	<u>285,345</u>



(e) Other liabilities

	Group		Company	
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Non-current:				
– Compensation fund for providing cooling service (notes(i))	46,000	46,000	—	—
– Government loan for water recycling plants construction (note(ii))	6,364	7,727	—	—
	<u>52,364</u>	<u>53,727</u>	<u>—</u>	<u>—</u>
Current:				
– Current portion of government loan for water recycling plants construction (note(ii))	3,182	3,182	—	—
– Others	257	1,069	—	—
	<u>3,439</u>	<u>4,251</u>	<u>—</u>	<u>—</u>

- (i) The fund received from TUCC as compensation to Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd for providing cooling service at a lower price and it will be recognized as revenue over the concession right period.
- (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 30 June 2015 (2014: 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:

	Audited		Unaudited			
	31 December 2014	Additions	Demolition costs (note(i))	Recognised in Other gains-net	30 June 2015	Relating to assets/costs
Sewage water processing plants:						
– Xianyanglu (upgrading project)	68,531	—	—	—	68,531	assets
– Dongjiao (upgrading project)	48,088	—	—	—	48,088	assets
– Jin Gu	805,069	—	(7,149)	—	797,920	assets
Water recycling plants in:						
– Dongjiao	23,781	—	—	(338)	23,443	assets
– Bei Chen	20,212	—	—	(263)	19,949	assets
Others	1,486	—	—	(14)	1,472	costs
Total-Company	<u>967,167</u>	<u>—</u>	<u>(7,149)</u>	<u>(615)</u>	<u>959,403</u>	
Heating and cooling supply service project:	95,947	—	—	—	95,947	assets
Water recycling plants:						
– Xianyanglu (water recycling project)	14,341	—	—	—	14,341	assets
– Jin Gu	121,820	—	—	—	121,820	assets
Sewage water processing plants:						
– Bei Shi Qiao (upgrading project)	7,605	5,205	—	—	12,810	assets
Others	2,321	10	—	(284)	2,047	costs
Total	<u>1,209,201</u>	<u>5,215</u>	<u>(7,149)</u>	<u>(899)</u>	<u>1,206,368</u>	

(i) Deferred revenue is used to offset demolition costs of Jizhuangzi sewage water processing plant.

## (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:

	<b>Unaudited 30June 2015</b>	<b>Audited 31December 2014</b>
Deductible temporary difference	—	23,910
Deductible loss carry-forwards	81,153	90,660
	<u>81,153</u>	<u>114,570</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	<b>Ending balance</b>	<b>Beginning balance</b>
2015	—	16,475
2016	27,553	27,553
2017	18,204	18,204
2018	10,372	10,372
2019	18,056	18,056
2020	6,968	—
	<u>81,153</u>	<u>90,660</u>

(b) Deferred income tax liabilities

	<b>Group</b>			
	<b>30 June 2015</b>		<b>31 December 2014</b>	
	<b>Deferred income tax liabilities</b>	<b>Taxable temporary differences</b>	<b>Deferred income tax liabilities</b>	<b>Taxable temporary differences</b>
Depreciation of fixed assets	<u>96,667</u>	<u>386,668</u>	<u>86,778</u>	<u>347,112</u>

	<b>Company</b>			
	<b>30 June 2015</b>		<b>31 December 2014</b>	
	<b>Deferred income tax liabilities</b>	<b>Taxable temporary differences</b>	<b>Deferred income tax liabilities</b>	<b>Taxable temporary differences</b>
Depreciation of fixed assets	<u>41,285</u>	<u>165,140</u>	<u>36,584</u>	<u>146,336</u>

**(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.

	<b>Circulating A shares</b>	<b>Circulating H shares</b>	<b>Total</b>
At 31 December 2014 and 30 June 2015	<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

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, was approved at the Annual General Meeting on 22 May 2015.

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2015 (30 June 2014: Nil).

## (21) MINORITY INTERESTS

	30 June 2015	For the six months ended 30 June 2015	For the six months ended 30 June 2015 Declared distribution of cash dividend this year
	Minority interest	Minority interest income	
Hangzhou Tianchuang Capital Water Co., Ltd. (Hangzhou Company)	109,492	3,289	—
Qujing Capital Water Co., Ltd. (Qujing Company)	30,592	1,056	—
Others	33,539	782	—
	<u>173,623</u>	<u>5,127</u>	<u>—</u>

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

### Summarized balance sheet

	Unaudited				Net assets
	current assets	non-current assets	current liability	non-current liability	
	<b>30 June 31 December 2015</b>				
Hangzhou Company	59,139	616,491	164,282	151,888	365,763
Qujing Company	93,241	311,863	66,224	120,595	223,944
	<u>152,380</u>	<u>928,354</u>	<u>230,506</u>	<u>272,483</u>	<u>589,707</u>
	<b>audited</b>				
	<b>31 December 2014</b>				
	current assets	non-current assets	current liability	non-current liability	Net assets
Hangzhou Company	45,483	641,176	99,746	232,903	354,010
Qujing 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>

### Summarized income statement

	Unaudited				Total comprehensive income
	Revenue	Profit before income tax	Income tax expense	Net profit	
	<b>For the six months ended 30 June 2015</b>				
Hangzhou Company	86,676	14,408	(2,798)	11,610	11,610
Qujing Company	51,345	11,649	(2,989)	8,660	8,660
	<u>138,021</u>	<u>26,057</u>	<u>(5,787)</u>	<u>208,270</u>	<u>208,270</u>

	Unaudited				Total comprehensive income
	For the six months ended 30 June 2014				
	Revenue	Profit before income tax	Income tax expense	Net profit	
Hangzhou Company	75,524	6,836	(1,597)	5,239	5,239
Qijing Company	51,406	11,682	(2,953)	8,729	8,729
	<u>126,930</u>	<u>18,518</u>	<u>(4,550)</u>	<u>13,968</u>	<u>13,968</u>

#### Summarized cash flows

	Unaudited				Cash and cash equivalents at end of the period
	For the six months ended 30 June 2015				
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at beginning of the period	
Hangzhou Company	33,745	(2,559)	(27,898)	27,716	31,004
Qijing Company	16,567	203	(14,799)	4,763	6,734
	<u>50,312</u>	<u>(2,356)</u>	<u>(42,697)</u>	<u>32,479</u>	<u>37,738</u>

	Unaudited				Cash and cash equivalents at end of the period
	For the six months ended 30 June 2014				
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at beginning of the period	
Hangzhou Company	35,357	(1,432)	(59,202)	45,148	19,871
Qijing Company	(13,573)	(9)	9,799	6,094	2,311
	<u>21,784</u>	<u>(1,441)</u>	<u>(49,403)</u>	<u>51,242</u>	<u>22,182</u>

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

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

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Income from operations</b>	<b>Cost of operations</b>	<b>Income from operations</b>	<b>Cost of operations</b>
Income from principal operations	879,436	478,393	793,398	441,322
Other operating income	78,543	58,450	68,371	45,923
	<u>957,979</u>	<u>536,843</u>	<u>861,769</u>	<u>487,245</u>

	<b>Company Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Income from operations</b>	<b>Cost of operations</b>	<b>Income from operations</b>	<b>Cost of operations</b>
Income from principal operations	457,533	212,835	410,548	187,523
Other operating income	59,709	36,903	53,606	30,400
	<u>517,242</u>	<u>249,738</u>	<u>464,154</u>	<u>217,923</u>



(a) Income from and cost of principal operations

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

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Income from operations</b>	<b>Cost of operations</b>	<b>Income from operations</b>	<b>Cost of operations</b>
Processing of sewage water and construction of related facility	671,376	354,940	607,076	327,428
Water recycling and connection project	91,900	58,247	86,496	55,420
Heating and cooling service	29,736	19,382	25,752	19,518
Tap water supplying	31,633	22,324	30,639	25,321
Scientific and technological achievements	20,007	14,767	8,914	7,550
Others	34,784	8,733	34,521	6,085
	<u>879,436</u>	<u>478,393</u>	<u>793,398</u>	<u>441,322</u>

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

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Income from operations</b>	<b>Cost of operations</b>	<b>Income from operations</b>	<b>Cost of operations</b>
Tianjin area	603,400	286,677	535,071	266,393
Hangzhou area	86,676	61,904	75,412	51,657
Xi'an area	39,276	31,825	40,523	29,924
Qujing area	50,248	34,272	50,452	32,699
Others	99,836	63,715	91,940	60,649
	<u>879,436</u>	<u>478,393</u>	<u>793,398</u>	<u>441,322</u>

- (b) Income from and cost of other operating

	<b>Group</b>			
	<b>Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Income from</b>	<b>Cost for</b>	<b>Income from</b>	<b>Cost for</b>
	<b>operations</b>	<b>operations</b>	<b>operations</b>	<b>operations</b>
Entrust operation income	56,352	49,697	43,405	37,832
Technical service	14,026	3,613	15,569	2,872
Rental of investment properties	4,117	2,420	3,979	2,020
Others	4,048	2,720	5,418	3,199
	<u>78,543</u>	<u>58,450</u>	<u>68,371</u>	<u>45,923</u>

- (c) As at 30 June 2015, the income from the top five customers is analyzed as below:

The total revenue of the Group's top 5 customers is Rmb618 million for the six months ended 30 June 2015, which account for about 64% of the Group's total revenue (for the six months ended 30 June 2014: Rmb 585 million and 69%).

	<b>Revenue</b>	<b>% of total balance</b>
TWAB(note(i))	422,786	44
Hangzhou Sewage Company	86,963	9
Qijing City Water General Company	39,277	4
Xi'an Urban Infrastructure Construction Investment Group Co., Ltd.	35,332	4
Tianjin Municipal Transportation Commission	33,513	3
	<u>617,871</u>	<u>64</u>

- (i) Operating revenue from customer TSC account for about 82% of the Group's total revenue, the rest is immaterial.

**(23) BUSINESS TAX AND SURCHARGES**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
Business tax	7,322	6,916	3,789	3,790
City construction and maintenance fee	691	626	265	265
Education fee surcharge and others	557	515	227	228
	<u>8,570</u>	<u>8,057</u>	<u>4,281</u>	<u>4,283</u>

**(24) Operating Cost, Administrative expenses and Distribution Costs**

	<b>Group Unaudited</b>					
	<b>For the six months ended</b>					
	<b>30 June 2015</b>				<b>30 June 2014</b>	
	<b>Operating</b>	<b>Administrative expenses</b>	<b>Distribution Costs</b>	<b>Operating Revenue</b>	<b>Administrative expenses</b>	<b>Distribution Costs</b>
Employee wages	68,683	35,803	1,227	63,772	37,255	—
Traveling and meeting expenses	1,904	1,971	36	1,386	2,360	—
Tax(Other tax)	4,083	3,943	—	2,548	3,737	—
Depreciation	19,464	2,552	13	15,806	2,869	—
Amortization	126,294	447	—	124,570	504	—
Auditors' remuneration	—	2,100	—	—	2,100	—
Expenses of Board of Directors	—	447	—	—	829	—
Repair and maintenance expenses	20,644	1,176	—	25,029	1,578	—
Office allowance	978	1,095	10	668	1,148	—
Power and gas	120,788	504	—	106,429	749	—
Consulting service fee	1,791	2,581	335	1,779	1,280	—
Sewage mud processing fee	23,431	—	—	20,682	—	—
Cost of recycled water pipeline connection service	20,415	—	—	19,922	—	—

	Group Unaudited					
	For the six months ended					
	30 June 2015			30 June 2014		
	Operating	Administrative expenses	Distribution Costs	Operating Revenue	Administrative expenses	Distribution Costs
Raw materials and consumables	22,217	—	—	20,330	—	—
Construction cost of sewage water plants	1,394	—	—	—	—	—
Factory environment, detection and fire prevention fee	10,310	—	—	8,554	—	—
Network Maintenance	7,421	—	—	6,480	—	—
Toll road management fee	3,560	—	—	3,560	—	—
Source water fee	11,908	—	63,772	12,005	—	—
Deodorant business	7,701	—	1,386	2,289	—	—
Others	5,405	1,835	158	5,513	2,037	—
	<u>478,393</u>	<u>54,454</u>	<u>1,779</u>	<u>441,322</u>	<u>56,446</u>	<u>—</u>

	Company Unaudited					
	For the six months ended					
	30 June 2015			30 June 2014		
	Operating	Administrative expenses	Distribution Costs	Operating Revenue	Administrative expenses	Distribution Costs
Employee wages	27,017	21,967	—	28,313	22,887	—
Meeting and traveling expenses	422	498	—	324	715	—
Tax(Other tax)	2,603	897	—	1,371	888	—
Depreciation	7,305	1,099	—	4,768	1,206	—
Amortization	62,672	413	—	60,054	460	—
Auditors' remuneration	—	2,100	—	—	2,100	—
Expenses of Board of Directors	—	447	—	—	829	—
Repair and maintenance expenses	7,698	1,047	—	9,642	911	—
Office allowance	274	308	—	282	208	—
Power and gas	55,680	333	—	44,179	560	—
Consulting service fee	908	1,853	—	1,360	684	—
Sewage mud processing fee	19,796	—	—	16,967	—	—
Raw materials and consumables	14,483	—	—	9,034	—	—
Construction cost of sewage water plants,	897	—	—	—	—	—
Factory environment, detection and fire prevention fee	4,668	—	—	3,612	—	—
Network Maintenance	4,670	—	—	3,500	—	—
Toll road management fee	3,560	—	—	3,560	—	—
Others	182	143	—	557	654	—
	<u>212,835</u>	<u>31,105</u>	<u>—</u>	<u>187,523</u>	<u>32,102</u>	<u>—</u>

**(25) FINANCIAL EXPENSES - NET**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
Interest expenses of borrowings	112,169	115,695	78,230	79,084
Less: Capitalized interest	—	—	—	—
Net interest expenses	112,169	115,695	78,230	79,084
Less: Interest income	(11,779)	(9,120)	(16,194)	(12,664)
– long-term receivables	(5,544)	(5,671)	(5,544)	(5,671)
– bank deposits	(6,235)	(3,449)	(2,684)	(643)
– interests from inter-company loan	—	—	(7,966)	(6,350)
Exchange loss/(gain) (note(i))	(5,412)	(3,906)	(5,412)	(3,906)
Others	2,641	2,847	2,253	2,130
	<u>97,619</u>	<u>105,516</u>	<u>58,877</u>	<u>64,644</u>

**(26) Non-operating income**

	<b>Group Unaudited</b>		<b>Amount recognized in non-recurring profit or loss</b>
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>	<b>for the six months ended 30 June 2015</b>
Gains on disposals of non-current assets	12	28	12
Government grants(note6(17))	899	2,643	899
Others	1,199	176	1,199
	<u>2,110</u>	<u>2,847</u>	<u>2,110</u>

(27) Non-operating expenses

	Group Unaudited		Amount recognized in non-recurring profit or loss for the six months ended 30 June 2014
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	
Loss on disposals of fixed assets	(1)	(615)	(1)
Others	(87)	(75)	(87)
	<u>(88)</u>	<u>(690)</u>	<u>(88)</u>

(28) INCOME TAX

	Group Unaudited		Company Unaudited	
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Current income tax	61,298	40,237	46,925	28,627
Deferred income tax	9,889	12,735	4,701	8,209
	<u>71,187</u>	<u>52,972</u>	<u>51,626</u>	<u>36,836</u>

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

	<b>Group Unaudited</b>	
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
Total profit	257,749	200,302
Calculated at applicable income tax rates (25%)	64,437	47,814
Effect of different income tax rates		
applicable to certain subsidiaries	(575)	—
Income not subject to tax	(1,895)	(653)
Expenses not deductible for taxation purposes	7,810	661
Utilization of previously deductible tax		
losses for which no deferred income tax was recognized	(332)	(437)
Current year tax losses for which no deferred income tax asset was recognized	1,742	5,587
	<u>71,187</u>	<u>52,972</u>
Income tax expenses	<u>71,187</u>	<u>52,972</u>

## **(29) EARNINGS PER SHARE**

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb181million (For the six months ended 30 June 2014: Rmb144million) and weighted average number of ordinary shares of 1427 million shares in issue during the year (2014: 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.

	<b>Group Unaudited</b>	
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
Profit attributable to owners of the parent	<u>181,435</u>	<u>143,958</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>0.13</u>	<u>0.10</u>

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

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

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net profit	186,562	147,330	122,230	103,620
Adjustments for:	—	—	—	—
Provision of impairment	—	6,900	—	6,900
Depreciation of fixed assets and investment properties	22,379	18,675	10,028	5,974
Amortization of intangible assets	124,955	125,074	63,086	60,515
Losses/(Gains) on disposals of fixed assets and intangible assets	(11)	587	—	(18)
Financial expenses-net	106,757	111,789	72,818	75,178
Investment losses/(income)	2,987	(540)	—	—
Amortization of deferred revenue	899	2,594	615	2,361
Increase in deferred tax liabilities	9,889	12,733	4,701	47
Decrease/(Increase) in inventories	949	39,655	(166)	(796)
(Increase)/decrease in operating receivables	1,399,296	(42,655)	1,501,207	(134,141)
Increase/(decrease) in operating payables	98,035	(38,631)	16,478	29,788
Net cash flows from operating activities	<u>1,952,697</u>	<u>383,511</u>	<u>1,790,997</u>	<u>149,428</u>
Net changes in cash and cash equivalents				
Cash at end of year	1,970,946	1,057,240	1,449,206	551,852
Less: cash at beginning of year	<u>(814,892)</u>	<u>(994,982)</u>	<u>(292,731)</u>	<u>(342,090)</u>
Net decrease in cash and cash equivalents	<u>1,156,054</u>	<u>62,258</u>	<u>1,156,475</u>	<u>209,762</u>



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

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

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
Cash				
Including: Cash in hand	522	318	58	68
Cash in bank available at anytime	<u>1,970,424</u>	<u>1,056,922</u>	<u>1,449,148</u>	<u>551,784</u>
Cash and cash equivalents shown in the cash flow statements	<u><u>1,970,946</u></u>	<u><u>1,057,240</u></u>	<u><u>1,449,206</u></u>	<u><u>551,852</u></u>

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

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>	<b>For the six months ended 30 June 2015</b>	<b>For the six months ended 30 June 2014</b>
Interest income from bank deposits	6,235	9,799	2,667	643
Collection of deposit on project bids	4,009	1,932	1,600	900
Subsidies received	5,281	2,643	—	2,136
Project fund on behalf of sewage mud project	27,789	82,000	27,789	82,000
Project deposit received	14,225	55,638	—	—
Others	<u>3,022</u>	<u>1,230</u>	<u>255</u>	<u>3,204</u>
	<u><u>60,561</u></u>	<u><u>153,242</u></u>	<u><u>32,311</u></u>	<u><u>88,883</u></u>

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

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Travelling, meeting and entertainment expenses	1,213	861	110	215
Expenses of Board of Directors	447	829	447	829
Consulting service fee	4,562	880	3,997	284
Repair and maintenance expenses	1,134	1,578	426	911
Deposits	4,065	—	70	—
Others	80,016	372	4,244	2,189
	<u>91,437</u>	<u>4,520</u>	<u>9,294</u>	<u>4,428</u>

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

	<b>Group</b>	
	<b>For the six</b>	<b>For the six</b>
	<b>months ended</b>	<b>months ended</b>
	<b>30 June 2015</b>	<b>30 June 2014</b>
Carrying value of disposals of fixed assets	2,286	667
Offset deferred revenue	(2,277)	(5)
Losses on disposals of fixed assets	11	(586)
	<u>20</u>	<u>76</u>

(f) Cash received relating to other investing activities mainly includes:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>six months</b>	<b>six months</b>	<b>six months</b>	<b>six months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land compensation fund received (note(i))	—	300,000	—	300,000

(i) The construction of Jin Gu sewage water processing plant and water recycling plant has been completed in Year 2014. As at 31 December 2014, total land compensation fund is RMB1.6 billion.

## 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).

(a) Segment information as at and for the year ended 30 June 2015 is as follows:

	Sewage processing and facility construction services					Tap water	Scientific and technological achievements	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling				
Income from third parties (note 6(22))	426,973	86,676	157,727	91,900	29,736	31,633	20,007	113,327	957,979
Cost of sales from third parties	(200,026)	(54,133)	(100,782)	(58,247)	(19,382)	(22,324)	(14,767)	(67,182)	(536,843)
Interest income (note 6(25))	2,838	199	847	2,208	38	4	46	5,599	11,779
Interest expenses (note 6(25))	(78,230)	(7,098)	(20,765)	(153)	(3,855)	(1,932)	—	(136)	(112,169)
Investment loss from associate	—	—	—	—	—	—	—	(2,987)	(2,987)
Depreciation and Amortization	(64,594)	(18,234)	(32,193)	(18,158)	(7,183)	(4,815)	(260)	(1,897)	(147,334)
Total profit	140,784	14,408	28,473	27,660	5,481	5,556	1,989	33,398	257,749
Income tax expense	(42,542)	(2,798)	(5,721)	(4,835)	(2,009)	(1,618)	(473)	(11,191)	(71,187)
Net profit	98,242	11,610	22,752	22,825	3,472	3,938	1,516	22,207	186,562
Segment assets	5,665,609	673,933	1,840,097	1,311,120	372,380	223,188	43,281	340,124	10,469,732
Segment liabilities	3,513,449	223,170	678,231	1,026,131	275,928	80,929	16,203	230,055	6,044,096
Long-term equity investment	—	—	—	—	—	—	—	28,360	28,360
Non-current assets addition other than related to long-term investment	79	—	3	324	43	—	1,623	399	2,471

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

	Sewage processing and facility construction services						Scientific and technological achievements	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling	Tap water			
Income from third parties (note 6(22))	373,284	75,412	158,380	86,496	25,752	30,639	8,914	102,892	861,769
Cost of sales from third parties	(183,225)	(51,657)	(92,546)	(55,420)	(19,518)	(25,321)	(7,550)	(52,008)	(487,245)
Interest income (note 6(25))	645	288	918	2,337	52	6	27	4,847	9,120
Interest expenses (note 6(25))	(72,735)	(10,525)	(24,314)	(227)	(4,246)	(3,648)	—	—	(115,695)
Investment profit from associate	—	—	—	—	—	—	—	540	540
Depreciation and Amortization	(60,035)	(18,341)	(35,009)	(14,406)	(6,827)	(4,942)	(130)	(4,059)	(143,749)
Total profit	100,824	6,527	26,790	26,653	933	(5,023)	(99)	43,697	200,302
Income tax expense	(33,207)	(1,596)	(6,938)	(5,265)	(1,706)	(985)	—	(3,275)	(52,972)
Net profit	67,617	4,931	19,852	21,388	(773)	(6,008)	(99)	40,323	147,330
Segment assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	18,106	621,308	11,379,794
Segment liabilities	4,511,807	304,487	640,488	1,138,853	249,054	75,775	11,286	280,348	7,212,098
Long-term equity investment	—	—	—	—	—	—	—	33,161	33,161
Non-current assets addition other than related to long-term investment	84,012	1,287	81,483	20,629	1,756	5	—	4,388	193,560

## 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 30 June 2015, 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 (2014: Rmb4 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the period would have been Rmb7 million (2014: Rmb8 million) higher/lower.

(ii) Interest rate risk:

The Group's interest rate risk arises mainly from 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.

	Group			Total	Company		
	Fixed	Floating	Non-interest bearing		Fixed	Floating	Total
At 30 June 2015(Unaudited)							
Assets							
Cash and cash equivalents	14,300	1,970,946	—	1,985,246	2,500	1,449,206	1,451,706
Long-term receivables	322,804	—	—	322,804	322,804	—	322,804
Liabilities							
Current borrowings	—	504,682	257	504,939	—	229,100	229,100
Non-current borrowings	—	958,816	—	958,816	—	297,500	297,500
Other non-current liability	—	6,364	—	6,364	—	—	—
Long-term payables due within 1 year	14,267	7,809	—	22,076	14,267	7,809	22,076
Long-term payables	171,019	87,318	—	258,337	171,019	87,042	258,061
Long-term debenture	1,391,058	—	—	1,391,058	1,391,058	—	1,391,058
At 31 December 2014(Audited)							
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	—	1,564,566	—	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 30 June 2015, 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 Rmb7 million (30 June 2014: Rmb7 million).

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

(b) Credit risk:

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

The Group manages credit risk on bank deposits by placing the majority of its cash and 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 30 June 2015, the Company had given guarantees of approximately Rmb903 million (2014: Rmb 1,004 million) to banks of certain subsidiaries in respect of their banking facilities, of which Rmb593 million of the facilities had been drawn by the subsidiaries. The Directors consider the subsidiaries to be financially resourceful to settle their obligations.

(c) Liquidity risk:

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



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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying value
At 30 June 2015(Unaudited)						
Long-term bank borrowings	(577,058)	(490,205)	(460,803)	(120,681)	(1,648,747)	(1,460,316)
Long-term payables	(23,425)	(23,942)	(75,631)	(602,764)	(725,762)	(280,413)
Other liabilities	(3,497)	(3,392)	(3,444)	—	(10,333)	(9,545)
Trade and other payables	(582,070)	—	—	—	(582,070)	(582,070)
Long-term debenture	(84,630)	(784,630)	(738,150)	—	(1,607,410)	(1,391,058)
At 31 December 2014(audited)						
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)

(d) Capital risk management

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

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

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

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

	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Total borrowings:	3,141,589	3,582,194
Short-term borrowings	—	50,000
Long-term borrowings	1,460,316	1,845,896
Long-term Debenture	1,391,058	1,388,975
Long-term Payables	280,413	285,345
Other non-current assets-Government loan and others	9,802	11,978
Less: Cash	<u>(1,970,946)</u>	<u>(814,892)</u>
Net debt	1,170,643	2,767,302
Total equity	<u>4,425,636</u>	<u>4,337,980</u>
Total capital	<u><u>5,596,279</u></u>	<u><u>7,105,282</u></u>
Gearing ratio	<u>21%</u>	<u>40%</u>

As at 30 June 2015, the gearing ratio of the Group has been decreased significantly as the Group has repaid some borrowings with the trade receivables collected from TSC amounting to Rmb 1.89 billion.

(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.

## 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 2014	Increase in current period	Decrease in current period	30 June 2015
TMICL	1,820,000	—	—	1,820,000

### (b) The percentages of shareholding and voting rights in the Company held by the parent company

	30 June 2015		31 December 2014	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
TMICL	50.14%	50.14%	50.14%	50.14%

### (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).

(4) Information of other related parties

	<b>Relationship with the Group</b>
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 Metro Resources Investment Co.,Ltd.	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	Unaudited		Unaudited	
		For the six months end 30 June 2015	% of total amount of the same transaction	For the six months end 30 June 2014	% of total amount of the same transaction
Tianjin Machinery & Electric Equipment Imp.&Exp. Co.,Ltd	Purchase of equipment	17,520	27%	44,029	42%

Sales of services

Related party	Nature of transaction	Unaudited		Unaudited	
		For the six months end 30 June 2015	% of total amount of the same transaction	For the six months end 30 June 2014	% of total amount of the same transaction
TICIG	Commission income from contract operation	30,099	53.41	29,098	67.04
Tianjin Lecheng Properties Limited	Income from heating and cooling supply	16,503	55.50	12,209	47.41
Tianjin Metro Resources Investment Co.,Ltd.	Income from heating and cooling supply	1,986	6.68	1,173	4.55
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Income from construction supervision	365	9.02	780	14.40
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Income from serving as construction agency	250	6.18	—	—

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	237,000	28 September 2008	27 September 2022	N

(c) Key management compensation

	<b>Unaudited For the six months ended 30 June 2015</b>	<b>Unaudited For the six months ended 30 June 2014</b>
Key management compensation	<u>5,701</u>	<u>6,202</u>

(6) Receivables from and payables to related parties

Receivables from related parties

<b>Project name</b>	<b>Trade receivables from related parties</b>	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Trade receivables	- TICIG	15,325	16,388
Trade receivables	- Tianjin Lecheng Properties Limited	12,070	18,422
Trade receivables	- Tianjin Metro Resources Investment Co., Ltd.	4,094	4,975
Trade receivables	- Tianjin City Resource Operation Co., Ltd.	<u>401</u>	<u>401</u>

Payables from related parties

<b>Project name</b>	<b>Payables from related parties</b>	<b>Unaudited 30 June 2015</b>	<b>Audited 31 December 2014</b>
Other payables	- Tianjin Machinery & Electric Equipment Imp.&Exp. Co.,Ltd	<u>6,107</u>	<u>3,221</u>

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

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

(7) Commitments

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

	<b>Unaudited 30 June</b>	<b>Audited 31 December</b>
<b>Guarantee Received</b>	2015	2014
TICIG	<u>237,000</u>	<u>249,000</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, 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:

	<b>Contracted but not provided for</b>		<b>Authorized but not contracted for</b>	
	<b>Unaudited 30 June 2015 Rmb' million</b>	<b>Audited 31 December 2014 Rmb' million</b>	<b>Audited 30 June 2015 Rmb' million</b>	<b>Unaudited 31 December 2014 Rmb' million</b>
Sewage water processing plants in:				
– Bei Shi Qiao and Deng Jia Cun	92	110	11	14
– Xiao He Chang	6	11	2	16
– Wen Deng	1	1	8	10
– Hang Zhou	—	—	427	—
– Ying Nan	—	—	—	1
	<u>99</u>	<u>122</u>	<u>448</u>	<u>41</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 2014.

## SUPPLEMENT OF THE FINANCIAL STATEMENT

For the year ended 30 June 2015

(All amounts in RMB thousand unless otherwise stated)

### (1) Extraordinary profit and loss statement

	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2014
Gains/(losses) on disposals of non-current assets	11	(587)
Government grants	899	2,643
Other non-operating income and expenses	1,112	101
	<u>2,022</u>	<u>2,157</u>
Effect amount of income tax	(506)	(539)
Effect amount of minority interest(after tax)	(47)	73
	<u>1,469</u>	<u>1,691</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 (%)		Earnings per share			
	rate of net assets		Basic earnings per share		Diluted earnings per share	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	For the six	For the six	For the six	For the six	For the six	For the six
	months ended	months ended	months ended	months ended	months ended	months ended
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net profit attribute to the ordinary shareholders of the company	4.31	3.61	0.13	0.10	0.13	0.10
Net profit exclude extraordinary profit and loss attribute to the ordinary shareholders of the company	4.27	3.56	0.13	0.10	0.13	0.10

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

#### (i) Consolidated balance sheet

Item	Unaudited	Audited	Variance	Percentage	Analysis
	30 June 2015	31 December 2014			
<b>Asset</b>					
Cash and Cash equivalents	1,985,246	820,092	1,165,154	142.08%	Was mainly attributable to the collection of accounts receivables generated from providing sewage processing services amounting to Rmb 1.89billion.
Accounts receivables	1,094,290	2,563,114	(1,468,824)	-57.31%	
Notes receivables	880	—	880	N/A	Was mainly attributable to the collection of subsidiaries' note receivables.
<b>Liability</b>					
Short-term borrowings	—	50,000	(50,000)	-100%	Repaid short-term borrowings.
Trade payables	75,840	54,319	21,521	39.62%	Mainly include operation fee and raw material fee incurred by daily operation of sewage water processing plants.
Dividend payable	122,243	60,337	61,906	102.60%	Was dividend payable of 2014.
Non-current liabilities due within 1 year	523,576	304,221	219,355	72.1%	Was mainly attributable to the newly obtained borrowings.
Long-term borrowings	958,816	1,564,566	(605,750)	-38.72%	Repaid some of long-term borrowings.

(ii) Consolidated income statement

Item	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2014	Variance	Percentage	Analysis
Distribution costs	1,779	—	1,779	N/A	Mainly include market development and research expenses from Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.
Impairment of assets	—	6,900	(6,900)	-100%	No impairment loss was charged for this period.
Investment income/(loss)	(2,987)	540	(3,527)	-652.83%	The associate company incurred losses in this period.
Non-operating income	88	690	(602)	-87.18%	Was mainly attributable to the loss of disposal property, plants and equipment from Hangzhou Tian Chuang Capital Water Co., Ltd. of last period.
Income taxes	71,187	52,970	18,217	34.39%	Was mainly attributable to the increase in profit.
Non-controlling interest	5,127	3,373	1,754	51.99%	Was mainly attributable to the increase in profit from associates.

(iii) Consolidated cash flow statement

Item	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2014	Variance	Percentage	Analysis
Net cash flows from operating activities	1,952,697	383,511	1,569,186	409.16%	Was mainly attributable to the collection of accounts receivables generated from providing sewage processing services amounting to Rmb 1.89billion, cash inflows.
Net cash flows from investing activities	(227,668)	(2,870)	(224,798)	7832.68%	Mainly due to the receipt of the Rmb 300 million land compensation for Jizhuangzi sewage water processing plant and recycled water plant during the last period, no compensation were received during this period.
Net cash flows from financing activities	(568,974)	(318,383)	(250,591)	78.71%	Mainly due to the fact that less amount of borrowings were obtained this period than last period.
Net increase in cash and bank balances	1,156,054	62,258	1,093,796	1,756.88%	Was mainly attributable to the collection of accounts receivables generated from providing sewage processing services amounting to Rmb 1.89billion, cash inflows.

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

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

Tianjin Capital Environmental Protection Group Company Limited  
Chairman: Liu Yujun