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

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

(Stock Code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2016

§ 1 IMPORTANT

- 1.1 The board of directors (the “**Board**”) and supervisory committee of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management confirm that the this 2016 interim report (the “**Interim Report**”) does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents of this report.
- 1.2 The interim financial statements of the Company for the six months ended 30 June 2016 are unaudited.
- 1.3 Did the controlling shareholder of the Company or its connected persons misappropriate the Company’s funds?

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

No.
- 1.5 The person in charge of the Company, Mr. Liu Yujun, the person in charge of the accounting function, Ms. Peng Yilin, and the person in charge of the accounting department (the chief accountant), Mr. Liu Tao, have warranted the truthfulness and completeness of the financial statements in this Interim Report.

§ 2 COMPANY PROFILE

2.1 Basic Information

Short form of the A shares	創業環保
Stock code of the A shares	600874
Place for listing of the A shares	Shanghai Stock Exchange
Short form of the H shares	Tianjin Capital
Stock code of the H shares	1065
Place for listing of the H shares	The Stock Exchange of Hong Kong Limited (the “HKSE”)

	Secretary to the Board	Company Secretary in Hong Kong	Securities Affairs Representative
Name	Mr. Niu Bo	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
E-mail	niu_bo@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

2.2 Principal accounting data and financial highlights as prepared in accordance with the PRC Accounting Standards

2.2.1 Major accounting data and financial indicators

Major accounting data

Unit: 0'000 Currency: RMB

	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 (%)
Operating income	92,756.1	95,797.9	-3.18
Net profit attributable to the shareholders of the Company	23,668.3	18,143.5	30.45
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	22,898.1	17,996.6	27.24
Net cash flow from operating activities	24,556.3	195,269.7	-87.42
	As at the end of the current reporting period	As at the end of last year	Increase/decrease as at the end of the current reporting period as compared to the end of last year (%)
Net assets attributable to the shareholders of the Company	453,789.2	440,111.5	3.11
Total assets	1,031,425.4	1,004,930.2	2.64

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)	0.17	0.13	30.77
Diluted earnings per share (RMB/share)	0.17	0.13	30.77
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.16	0.13	23.08
Weighted average return on net assets ratio (%)	5.30	4.31	0.99
Weighted average return on net assets ratio after deduction of extraordinary items (%)	5.12	4.27	0.85

2.2.2 Extraordinary profit and loss items

Unit: 0'000 Currency: RMB

Extraordinary profit and loss items	Amount
Profit/loss from disposal of non-current assets	-2.0
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	1,667.2
Other non-operating income and expenses (excluding the above items)	-117.1
Effect on minority interests	-390.9
Income tax effect	-387.0
Total	770.2

2.2.3 Difference in accounting standards between the PRC and overseas

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

§ 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

Applicable Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of shareholders:

Total number of shareholders at the end of the reporting period 84,301, among which 71 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 (Full Name)	Increase/ decrease during the reporting period	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)	
Tianjin Municipal Investment Company Limited	0	715,565,186	50.14	0	Nil		State-owned legal person
HKSCC Nominees Limited	-200,000	337,724,900	23.66	0	Unknown		Unknown
Cental Huijin Investment Ltd.	0	14,169,800	0.99	0	Unknown		Unknown
Chen Hexiang	0	5,326,356	0.37	0	Unknown		Unknown
Daton Securities Co., Ltd.	0	4,523,374	0.32	0	Unknown		Unknown
Agricultural Bank of China Limite- CSI500 Index Open-ended Fund (中證500交易型開放式指數 證券投資基金)	-67,200	2,075,883	0.15	0	Unknown		Unknown
Guosen Securities Co., Ltd.-Qianhai Kaiyuan CSI Health Industry Index Classified Securities Investment Fund (前海開源中證健康產業指數 分級證券投資基金)	833,724	1,949,524	0.14	0	Unknown		Unknown
Hong Kong Securities Clearing Company Ltd.	188,956	1,583,546	0.11	0	Unknown		Unknown
Agricultural Bank of China Limited- SWS MU CSI Environmental Protection Industry Index Classified Securities Investment Fund	-158,396	1,566,988	0.11	0	Unknown		Unknown
Shenyang Railway Coal Group Co., Ltd.	0	1,500,000	0.11	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)
Tianjin Municipal Investment Company Limited	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,724,900	H Shares	337,724,900
Cental Huijin Asset Management Ltd.	14,169,800	Ordinary RMB Shares	14,169,800
Chen Hexiang	5,326,356	Ordinary RMB Shares	5,326,356
Daton Securities Co., Ltd.	4,523,374	Ordinary RMB Shares	4,523,374
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund	2,075,883	Ordinary RMB Shares	2,075,883
Guosen Securities Co., Ltd.-Qianhai Kaiyuan CSI Health Industry Index Classified Securities Investment Fund	1,949,524	Ordinary RMB Shares	1,949,524
Hong Kong Securities Clearing Company Ltd.	1,583,546	Ordinary RMB Shares	1,583,546
Agricultural Bank of China Limited-SWS MU CSI Environmental Protection Industry Index Classified Securities Investment Fund	1,566,988	Ordinary RMB Shares	1,566,988
Shenyang Railway Coal Group Co., Ltd.	1,500,000	Ordinary RMB Shares	1,500,000
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 single 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>		

3.3 Changes in the controlling shareholder and the actual controller of the Company

Applicable

Not Applicable

§ 4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

4.1 Changes in the shareholding of the Directors, Supervisors and senior management

Applicable Not Applicable

§ 5 REPORT OF THE BOARD

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

During the reporting period, the Company and its subsidiaries (the “**Group**”) strengthened operation management, enhanced market development and innovation of management according to the operating plan and strategy for 2016 as formulated by the Board, with focus on increasing economic benefit on the basis of enhancing operation and construction capacity, striving to build the overall strength of the Company and having better accomplished various work targets. Key works during the reporting period are as follows:

1. To ensure the smooth operation of all water utilities projects and new energy cooling and heating supply projects of the Group. To strengthen operation management of all water utilities projects and new energy cooling and heating supply projects of the Group to ensure that the effluent quality is persistently up to standard and the quality of operation continue to improve.
2. To continue to carry out maintenance for all water project according to agreements. The Company has entered into the “Supplemental Franchise Agreement for Upgrading and Reconstruction of Four Sewage Water Treatment Plants in Central Urban Area (《中心城區四座污水處理廠提標改造特許經營補充協議》) with Tianjin Water Bureau and TUCC. Pursuant to the agreement, the Company invested RMB1,293.86 million in the expansion and upgrading of the Jingu Sewage Water Treatment Plant and the Beicang Sewage Water Treatment Plant on the original sites, while the designated units of Tianjin Municipal Government invested in the relocation, construction and upgrading of the Xianyanglu Sewage Water Treatment Plant and the Dongjiao Sewage Water Treatment Plant. Upon completion of the upgrading and reconstruction of the four sewage water treatment plants mentioned above, the Company continued to secure the licensed operation right of the four sewage water plants. The subsidiaries of the Company (the “**Subsidiaries**”) including Xi’an Capital Water Company Limited (“**Xi’an Company**”), Fuyang Capital Water Company Limited and Baoying Capital Water Company Limited have completed water price adjustment of the licensed operation projects in the first half of 2016. The upgrading and reconstruction of the Qige Sewage Water Treatment Plant in Hangzhou has proceeded smoothly.

3. To restructure the market development division and enhance promotion of market development. During the reporting period, the Company has won the tender for the BOT project of Southern Sewage Water Treatment Plant (城南污水廠) in Yingshang County, Fuyang City, Anhui, as well as the tender for the PPP project of sewage water plant and associated pipeline network in the Ningxiang Economic and Technological Development Zone (寧鄉經濟技術開發區) in Hunan Province; newly constructed two sewage water treatment plants with additional scale of 190,000 cubic metres; newly constructed 83 km of supporting pipelines and a sewage pumping station; won the tender for BOT project of energy station in Binhai New Area Cultural Centre (Phase I) in Tianjin City; and added 195,000 square metres of area for heating and cooling supply service.
4. To strengthen R&D of technology, accelerate commercialization of scientific and technological achievements, propell the progress of industrial wastewater, hazardous waste treatment and disposal projects, and actively prepare for realizing construction of the R&D base.
5. To continue to strengthen management. During the reporting period, the organization structure of the Company was adjusted from a business divisions system to a linear functional system for the purpose of integrating the overall resources of the Group and improving management efficiency; the four major business lines of market development, project construction, operation and R&D have been strengthened; the three major management lines of business management, function management and supervision management of the Company have been clarified; and Subsidiaries of similar businesses have been further integrated to form regional management, hence playing a greater role in business development.

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

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

During the reporting period, the Group recorded an operating income of RMB927.561 million, representing a decrease of RMB30.418 million or 3.18% as compared to the same period last year. The decrease in operating income was mainly attributable to the influence of Notice on the Issuing of the Catalogue of Value-Added Tax Preference for Products and Labor Services Involving the Comprehensive Utilization of Resources issued by the Ministry of Finance and the State Administration of Taxation (“**Cai Shui No. 78**”) pursuant to which the incomes generated from sewage water treatment business and reclaimed water business were recognized based on prices excluding value-added tax during the reporting period.

During the reporting period, the Group’s operating costs amounted to RMB557.216 million, representing an increase of RMB20.373 million or 3.8% as compared to the same period last year. The increase in operating costs was mainly attributable to increased volume of sewage water treatment and higher effluent standard of sewage treatment for a number of projects of the Company after their upgrading and reconstruction, which led to increased sewage treatment costs.

During the reporting period, the Group recorded other gains of RMB83.266 million, representing an increase of RMB81.156 million or 3,846% as compared to the same period last year. The increase in other gains was mainly attributable to the influence of the Cai Shui No.78 as a result of which income generated from rebate of value-added tax during the reporting period increased significantly as compared to the same period last year.

During the reporting period, the Group recorded a net profit (net profit attributable to the shareholders of the Company) of RMB236.683 million, representing an increase of RMB55.248 million or 30.45% as compared to the same period last year. The increase was mainly attributable to the increased net profit from sewage water treatment business as compared to the same period last year on one hand, and on the other hand to significantly decreased outstanding borrowing of the Company as compared to the same period last year, which resulted in decreased financial expenses accordingly.

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 3,120,000 cubic metres per day, substantially the same as that at the beginning of the reporting period; the sewage water processing capacity of entrusted operation was approximately 658,000 cubic metres per day, representing a decrease of approximately 130,000 cubic metres per day as compared to that at the beginning of the reporting period. Under the above-mentioned two models, the Group processed a total of 620.37 million cubic metres of sewage water, substantially the same as that in the same period last year; and recorded a total sewage water treatment service fee income of RMB684.44 million, representing a decrease of 5% as compared to the same period 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 252.27 million cubic metres of sewage water, representing an increase of 4.7% as compared to the same period last year, and realized a sewage water treatment service income of RMB378.92 million, representing a decrease of 10% as compared to the same period last year, mainly due to the influence of the Cai Shui No.78 as a result of which sewage water treatment service income was recognized based on price excluding value-added tax.

- b. The Subsidiaries of the Group processed a total of 267.09 million cubic metres of sewage water, substantially the same as that of the same period last year, and recorded income from sewage water treatment service of RMB244.06 million, representing a decrease of 1% as compared to the same period last year, mainly due to the influence of the Cai Shui No.78 as a result of which the overall income from water treatment service of Subsidiaries decreased as compared to the same period last year, but the unit price of sewage water treatment of part of the Subsidiaries was higher after their upgrading and reconstruction resulting in increased income as compared to the same period last year which has significantly offset the influence on income by the Cai Shui No.78.
- c. The Group's entrusted operation projects processed a total of 101.01 million cubic metres of sewage water, representing a decrease of 11.4% as compared to the same period last year, mainly because the execution of part of the entrusted operation projects of sewage water treatment has expired resulting in decreased sewage processing volume of the entrusted operation; and realized an income from entrusted operation of RMB61.460 million, representing an increase of 19% as compared to the same period last year, mainly because income from new entrusted operation projects was higher than that of expired entrusted operation projects.

(2) Sewage treatment plant construction business

During the reporting period, the business recorded an income of RMB2 million, representing an increase of 62% as compared to the same period last year, mainly due to increased income from the Hangu project.

(3) Recycled water business

During the reporting period, the Group's sales volume of recycled water was 10.217 million cubic metres, representing an increase of 27.1% as compared to the same period last year, and recorded an income of RMB23.42 million, representing an increase of 7% as compared to the same period last year, which was mainly attributable to increased volume of recycled water used by the thermal power plants as the users of three recycled water plants.

During the reporting period, the recycled water pipeline connection business of the Group realized a total income of RMB76.68 million, representing an increase of 10% as compared to the same period last year, which was mainly due to increased settlement amount of pipeline network connection business.

(4) Tap water business

During the reporting period, the Group's tap water business recorded a water sales volume of 20.746 million cubic metres, representing an increase of 5.9% as compared to the same period last year, and realized an income of RMB33.55 million, representing an increase of 6% as compared to the same period last year.

(5) Cooling and heating supply service business

During the reporting period, total realized income from the Group's new energy cooling and heating supply service business was RMB28.64 million, representing a decrease of 3.7% as compared to the same period last year, which was mainly due to application by users for suspension of cooling supply service resulting in the decrease in cooling supply income accordingly.

(6) Scientific and technological achievements commercialization business

During the reporting period, the scientific and technological achievements commercialization business for the patented whole-process deodorization technology of the Group's Tianjin Kaiying Technology Development Company Limited recorded income of RMB8.91 million, representing a decrease of 55% as compared to the same period last year, mainly because part of the projects did not fulfil the condition for recognition of revenue due to the influence of project delivery cycle.

(7) 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.

(i) 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	92,756.1	95,797.9	-3.18
Costs of operations	55,721.6	53,684.3	3.80
Business tax and surcharges	1,848.3	857.0	115.67
Sales costs	512.3	177.9	187.97
Administrative expenses	5,440.3	5,445.4	-0.09
Financial costs	5,787.9	9,761.9	-40.71
Non-operating income	8,326.6	211.0	3,846.26
Non-operating expenses	272.7	8.8	2,998.86
Net cash flows from operating activities	24,556.3	195,269.7	-87.42
Net cash flows from investing activities	-15,430.0	-22,766.8	32.23
Net cash flows from financing activities	-12,077.7	-56,897.5	78.77
Research and development expenses	51.16	94.29	-45.74

Explanation of changes in income from operations: The decrease was mainly due to the influence of the Cai Shui No.78 as a result of which incomes from the sewage water treatment business and the recycled water business during the reporting period were recognized based on prices excluding value-added tax.

Explanation of changes in costs of operations: The increase was mainly due to increased volume of sewage water treatment during the reporting period, and higher effluent standard of sewage water treatment for a number of projects of the Company after their upgrading and reconstruction, which led to increased sewage water treatment costs.

Explanation of changes in sales costs: The increase was due to increased market development staff which led to increased costs accordingly.

Explanation of changes in financial costs: As the outstanding borrowing of the Company decreased substantially compared with the same period last year, financial costs decreased accordingly.

Explanation of changes in net cash flows from operating activities: The decrease in the reporting period as compared to the same period last year was mainly because the Company received the sewage water treatment service fees of RMB1.89 billion due from Tianjin Sewage Company in the same period last year, while in the reporting period there was no such item.

Explanation of changes in net cash flows from investing activities: The increase in the reporting period as compared to the same period last year was mainly because the Company received the fund raised for the project construction and the compensation for the relocation and construction of Jizhuangzi Sewage Water Treatment Plan during the reporting period.

Explanation of changes in net cash flows from financing activities: The increase in the reporting period as compared to the same period last year was mainly due to decreased repayment amount during the reporting period as compared to the same period last year, which led to a decrease in net cash outflows.

Explanation of changes in research and development expenses: The decrease was mainly because the Group's research projects was in a plan approval, proposal design and small trial stage in the first half of 2016, and therefore no large capital expenses for technology has occurred.

Explanation of changes in business tax and surcharges: The increase mainly represented increased surcharges of value-added tax.

Explanation of changes in non-operating income: The increase mainly represented increased income from tax rebate of value-added tax as compared to the same period last year.

Explanation of changes in non-operating expenses: The increase mainly represented expenses for tax rebate of Subsidiaries.

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 (%)
Notes receivables	6.0	0.001	109.4	0.01	-94.52
Trade receivables	162,776.5	15.78	123,835.2	12.32	31.45
Other receivables	4,177.1	0.40	7,453.1	0.74	-43.95
Projects under construction	1,843.0	0.18	294.3	0.03	526.23
Tax payables	6,093.4	0.59	9,638.7	0.96	-36.78
Dividend payables	13,232.9	1.28	3,242.6	0.32	308.10
Trade payables	10,797.0	1.05	8,259.9	0.82	30.72

Explanation of changes:

Notes receivables: The decrease was mainly because some of the Subsidiaries had recovered notes receivables expired.

Trade receivables: The increase was mainly due to increased sewage water treatment service fees receivable by the Company.

Other receivables: The decrease was mainly due to tax rebate of value-added tax for sewage treatment received by the Company.

Projects under construction: The increase was mainly due to increased investment in construction projects of the Company during the reporting period.

Tax payables: The decrease was mainly due to tax paid in the current period which was provided for in 2015.

Dividend payables: The increase was mainly due to dividend provided for in the reporting period which was payables in 2015.

Trade payables: The increase was mainly due to operating expenses (such as electricity charges) payable by the water plants of the Company.

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 and 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

The proposal of the Company to issue no more than RMB1.8 billion of corporate bonds to qualified investors has been approved at the general meeting of the Company, and is currently pending regulatory approval. Save as disclosed above, the Company did not have financing and major asset reorganization.

(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 2016.

(4) Others

None

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

1. Principal businesses by industry and product

Unit: 0'000 Currency: RMB

Principal businesses by industry						
By industry	Income from operations	Costs of Operations	Gross profit margin (%)	Increase/decrease in income from operations as compared to last year (%)	Increase/decrease in costs of operations as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)
Sewage water treatment andsewage water treatment plant construction business	68,644	42,247	38.46	-5.07	5.78	Decreased by 6.31 percentage points
Recycled water pipeline connection and water supply business	10,010	6,286	37.20	8.92	7.91	Increased by 0.59 percentage points
Toll collection business	3,351	356	89.38	0	0	0
Tap water supply business	3,355	2,438	27.34	6.08	9.23	Decreased by 2.09 percentage points
Cooling and heating supply business	2,864	1,995	30.34	-3.70	2.94	Decreased by 4.49 percentage points

2. Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

Region	Income from operations	Increase/ decrease in income from operations as compared to last year (%)
Tianjin	55,770	-7.57
Qijing	4,854	-3.40
Hangzhou (Note 1)	6,523	-24.75
Xi'an (Note 2)	6,811	73.40
Others	9,332	-6.52

Explanations of principal businesses by geographical regions

Note 1: Affected by the construction works for the upgrading and reconstruction project of Qige Sewage Water Treatment Plant, the processing volume of sewage water of Hangzhou Tianchuang Water Company Limited decreased as compared to the same period last year.

Note 2: The sewage water plant upgrading and reconstruction project of Xi'an Company has completed, resulting in increased processing volume of sewage water and upward adjustment to the unit price for sewage water treatment services.

(iv) Analysis of core competitiveness

During the reporting period, there has been no material change to the principal business of the Company and the external environment confronted by the Company. The core competitiveness of the Company remained principally 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

During the reporting period, the focus of equity investment of the Company remained on the development of new projects in areas of principal business with total investment of RMB92.6 million. Details are as follows:

- (1) The Company contributed RMB5 million to establish the wholly-owned Subsidiary Shandong Capital Environmental Protection Technology Development Company Limited (山東創業環保科技發展有限公司) for exploring the environment protection market of Linyi in Shandong province and providing third-parties governance over environment pollution in the Lushan Chemical Industry Park (廬山化工園區);
- (2) The Company contributed RMB34.6 million to establish the wholly-owned Subsidiary Tianjin Jiayuan Binchuang New Energy Technology Company Limited (天津佳源濱創新能源科技有限公司) for the investment in and construction and licensed operation of the energy station project in Binhai New Area Cultural Centre (Phase I);
- (3) The Company contributed RMB53 million to establish the wholly-owned Subsidiary Yingshang Capital Water Company Limited (穎上創業水務有限公司) for the investment in and construction and licensed operation of the BOT project of Southern Sewage Treatment Plant (城南污水廠) in Yingshang County.

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) Others

None

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
Tianjin Water Recycling Company Limited	Tianjin	Production and sales of recycled water; pipeline connection works for recycled water	10,000	Limited liability company	100%	147,430	25,609	2,733
Xi'an Company	Xi'an	Sewage water treatment	33,400	Limited liability company	100%	70,981	33,941	2,762

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
Expansion and upgrading of Jingu Sewage Treatment Plant	82,707	Currently preliminary works of the project is in progress	0	0	The project has not yet completed
Expansion and upgrading of Beicang Sewage Treatment Plant	46,679	Currently preliminary works of the project is in progress	0	0	The project has not yet completed
Total	129,386	/	0	0	/

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

(i) Implementation of or adjustment to the profit distribution plan during the reporting period

The profit distribution plan of the Company for the year 2015 was considered and approved at the 2015 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 2015 Profit Distribution for A Shares” in the PRC on 13 July 2016. The record date for the profit distribution was 19 July 2016. The Company published the “Announcement in respect of Dividend Distribution” and the “Announcement in respect of Dividend Payment” in Hong Kong on 7 April 2016 and 16 June 2016 respectively. Dividends were paid to the holders of A shares and H shares on 20 July 2016.

(ii) Profit distribution proposal and proposal for capital increase by way of transfer from reserves for the first half of 2016

Not applicable

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

(iii) Other Disclosures

None

§ 6 Guarantee

Unit 0'000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to Subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to Subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to Subsidiaries)	0
Guarantees provided to Subsidiaries of the Company	
Total amount of guarantees provided to Subsidiaries during the reporting period	42,710
Total balance of guarantees provided to Subsidiaries as at the end of the reporting period (B)	104,745
Total amount of guarantees provided by the Company (including guarantees provided to Subsidiaries)	
Total amount of guarantees (A+B)	104,745
Percentage of the total amount of guarantees to the net assets of the Company (%)	22.02
Of which:	
Amount of guarantees provided to shareholders, ultimate controller and their related 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

§ 7 FINANCIAL REPORTS

7.1 Audit opinion

Financial Report

unaudited

audited

7.2 Prepared in accordance with Hong Kong Financial Reporting Standards

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(All amounts in Rmb thousand unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2016	2015
Revenue	3(a)	832,900	879,436
Business tax		(18,483)	(8,570)
Cost of sales		<u>(505,406)</u>	<u>(478,393)</u>
Gross profit		309,011	392,473
Other income - net	3(a)	123,390	22,115
Administrative expenses		(54,403)	(54,454)
Distribution costs		<u>(5,123)</u>	<u>(1,779)</u>
Operating profit	4	372,875	358,355
Finance income		15,720	11,779
Finance costs		<u>(73,599)</u>	<u>(109,398)</u>
Finance costs - net	5	(57,879)	(97,619)
Share of (loss)/profit of an associate		<u>(2,126)</u>	<u>(2,987)</u>
Profit before income tax		312,870	257,749
Income tax expense	6	<u>(73,998)</u>	<u>(71,187)</u>
Profit for the period		<u>238,872</u>	<u>186,562</u>
Total comprehensive income for the period		<u><u>238,872</u></u>	<u><u>186,562</u></u>
Profit/Total comprehensive income attributable to:			
– Owners of the parent		236,683	181,435
– Non-controlling interests		<u>2,189</u>	<u>5,127</u>
		<u><u>238,872</u></u>	<u><u>186,562</u></u>

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2016	2015
Earnings per share for profit attributable to the owners of the parent (in Rmb per share)			
– basic		<u>RMB0.17</u>	<u>RMB0.13</u>
– diluted		<u>RMB0.17</u>	<u>RMB0.13</u>
Interim dividends	<i>7</i>	<u>—</u>	<u>—</u>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(All amounts in Rmb thousand unless otherwise stated)

		As at	
	<i>Note</i>	30 June 2016 Unaudited	31 December 2015 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		450,986	454,453
Investment property		99,427	101,263
Intangible assets		6,198,772	6,244,750
Land use rights		15,206	15,426
Investment in an associate		23,872	25,998
Available-for-sale financial assets		2,000	2,000
Long-term receivables		315,354	319,463
Other non-current assets		7,715	8,051
		<u>7,113,332</u>	<u>7,171,404</u>
Current assets			
Inventories		25,394	27,151
Trade receivables	8	1,627,825	1,239,446
Other current assets		47,168	47,168
Other receivables		41,771	74,531
Prepayments		142,903	139,727
Cash and cash equivalents		1,299,061	1,328,575
Restricted cash		16,800	21,300
		<u>3,200,922</u>	<u>2,877,898</u>
Total assets		<u><u>10,314,254</u></u>	<u><u>10,049,302</u></u>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(All amounts in Rmb thousand unless otherwise stated)

	<i>Note</i>	As at	31 December
		30 June	2015
		Unaudited	Audited
EQUITY			
Capital and reserves attributable to the			
Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		796,687	796,687
Retained earnings		2,313,977	2,177,200
		<hr/>	<hr/>
		4,537,892	4,401,115
Non-controlling interests		219,106	217,638
		<hr/>	<hr/>
Total equity		4,756,998	4,618,753
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings		1,619,748	1,543,433
Deferred revenue		1,177,686	1,145,674
Deferred income tax liabilities		104,925	105,810
Other non-current liabilities		44,000	44,093
		<hr/>	<hr/>
		2,946,359	2,839,010
		<hr/>	<hr/>
Current liabilities			
Trade payables	9	107,970	82,599
Advances from customers	9	926,008	874,880
Wages payables		20,904	21,809
Income tax and other taxes payables		60,934	96,387
Dividend payable		132,329	32,426
Other payables	9	475,245	476,440
Borrowings		887,507	1,006,998
		<hr/>	<hr/>
		2,610,897	2,591,539
		<hr/>	<hr/>
Total liabilities		5,557,256	5,430,549
		<hr/>	<hr/>
Total equity and liabilities		10,314,254	10,049,302
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with HKFRSs.

2 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 2015, as described in those annual financial statements.

Amendments to IFRSs/HKFRSs effective for the financial year ending 31 December 2016 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.

3 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 2016	30 June 2015
Revenue from principal operations	832,900	879,436
Other income - net	123,390	22,115
	<u>956,290</u>	<u>901,551</u>

(b) Operating segment analysis

The 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).

(i) For the period ended 30 June 2016(Unaudited)

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	Environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
Segment revenue	383,455	65,229	176,294	100,096	28,641	33,552	8,911	160,112	956,290
Segment expense	(218,134)	(55,931)	(125,116)	(73,549)	(23,581)	(27,899)	(16,705)	(100,379)	(641,294)
Results before share of profits of an associate	165,321	9,298	51,178	26,547	5,060	5,653	(7,794)	59,733	314,996
Share of profits of an associate									(2,126)
Profit before income tax									312,870
Income tax expense									(73,998)
Profit for the period									<u>238,872</u>
Segment assets	4,480,083	823,555	1,974,348	1,541,293	513,970	242,996	48,597	665,540	10,290,382
Investment in an associate	—	—	—	—	—	—	—	23,872	23,872
Total assets	4,480,083	823,555	1,974,348	1,541,293	513,970	242,996	48,597	689,412	10,314,254
Total liabilities	2,751,176	196,570	740,319	1,218,208	268,906	82,081	26,520	273,476	5,557,256
Other information									
- Interest income	7,376	305	881	1,656	25	8	28	5,441	15,720
- Interest expenses	(53,789)	(3,315)	(13,560)	(62)	(2,145)	(1,450)	—	(11)	(74,332)
- Depreciation	(270)	—	(26)	(18,255)	(125)	—	(401)	(2,993)	(22,070)
- Amortisation	(63,336)	(35,035)	(39,925)	(89)	(7,137)	(5,175)	—	(529)	(151,226)
- Capital expenditures	—	90,598	7,265	546	22,451	—	111	864	121,835

(ii) For the period ended 30 June 2015(Unaudited)

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	Environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
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

4 Operating profit

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

	Unaudited	
	For the six months ended	
	30 June 2016	30 June 2015
Crediting:		
Rental of investment properties	<u>(2,879)</u>	<u>(4,117)</u>
Charging:		
Depreciation and amortisation expenses	173,296	147,334
Staff costs	126,407	104,486
Raw materials and consumables used	23,442	22,217
Repair and maintenance expenses	<u>40,339</u>	<u>21,820</u>

5 Finance costs-net

	Unaudited	
	For the six months ended	
	30 June 2016	30 June 2015
Interest expenses of borrowings	<u>74,332</u>	<u>112,169</u>
Less: Interest income	(15,720)	(11,779)
– long-term receivables	(5,499)	(5,544)
– bank deposits	(10,221)	(6,235)
Others	<u>(733)</u>	<u>(2,771)</u>
	<u>57,879</u>	<u>97,619</u>

6 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 2016 (2015:Nil). PRC income tax is calculated at the statutory rate of 25% (2015: 25%).

Tax charge comprises:

	Unaudited	
	For the six months ended	
	30 June 2016	30 June 2015
Current income tax	74,883	61,298
Deferred income tax	(885)	9,889
	<u>73,998</u>	<u>71,187</u>

7 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2016 (30 June 2015: Nil).

8 Trade receivables

Details of the trade receivables are as follows:

	Unaudited	Audited
	30 June	31 December
	2016	2015
Receivables from third parties	1,566,355	1,200,167
Receivables from related parties	70,969	48,778
	<u>1,637,324</u>	<u>1,248,945</u>
Less: Bad debts provision	(9,499)	(9,499)
	<u>1,627,825</u>	<u>1,239,446</u>

(a) Aging of trade receivables is as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Within 1 year	1,182,142	1,108,109
1 to 2 years	434,740	124,862
2 to 3 years	6,797	15,974
Over 3 years	13,645	—
Total	<u>1,637,324</u>	<u>1,248,945</u>

9 Trade payables, Advances, Other payables and Tax payables

	<i>Notes</i>	Unaudited 30 June 2016	Audited 31 December 2015
Trade payables	(a)	107,970	82,599
Advances from customers	(b)	926,008	874,880
Other payables	(c)	475,245	476,440
Tax payables		60,934	96,387
		<u>1,570,157</u>	<u>1,530,306</u>

(a) As at 30 June 2016, the majority of trade payables are aged within one year.

(b) Advances from customers comprise:

	Unaudited 30 June 2016	Audited 31 December 2015
Recycled water pipeline connections	873,273	858,647
Heating and cooling services	1,068	6,720
Advances of Hangu project	5,267	5,267
Other advances	46,400	4,246
	<u>926,008</u>	<u>874,880</u>

(c) Other payables comprise:

	Unaudited 30 June 2016	Audited 31 December 2015
Construction costs payable	289,731	307,810
Payable for purchase of fixed assets and concession rights of plants	13,892	13,892
Long-term debenture interest	32,356	28,098
Others	139,266	126,640
	<u>475,245</u>	<u>476,440</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 2016, other payables of Rmb 73 million (31 December 2015: Rmb 205 million) are aged over one year, which mainly represent unsettled payables and deposits for upgrade projects.

§ 8 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.

§ 9 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 Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the HKSE.

§ 10 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 comprises the independent non-executive Directors, Mr. Guo Yongqing, Mr. Gao Zongze and Mr. Wang Xiangfei. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2016.

By order of the Board

Liu Yujun
Chairman

Tianjin, the PRC
26 August 2016

As at the date of this announcement, the Board comprises four executive Directors: Mr. Liu Yujun, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Peng Yilin; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Gao Zongze, Mr. Guo Yongqing and Mr. Wang Xiangfei.