



*Interim Report for the six
months ended 30th June 2016*



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 2016 interim report (the “Interim Report”) contains no false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.**
- II. The Interim Report of the Company for the six months ended 30 June 2016 is unaudited.**
- III. Mr. Liu Yujun, the officer in charge of the Company, Ms. Peng Yilin, the officer in charge of the accounting function, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have declared that they are responsible for the truthfulness, accuracy and completeness of the financial report contained in the Interim Report.**
- IV. The proposal on profit appropriation or transfer of capital reserve fund to share capital for the reporting period as reviewed by the Board:**
Not applicable
- V. Risk statements for the forward-looking statement**
No
- VI. Did the controlling shareholder of the Company and its related parties misappropriate the Company’s funds for non-operating purposes?**
No
- VII. Did the Company provide external guarantees in violation of any specified decision-making procedures**
No
- VIII. Others**
Special Note: financial figures in this interim report, unless otherwise noted, are denominated in RMB.

SECTION I DEFINITIONS

In this Interim 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
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group 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
“TSC”	Tianjin Sewage Company
“TM Resources”	Tianjin Metro Resources Investment Company Limited
“Water Recycling Company”	Tianjin Water Recycling Company Limited
“Guizhou Company”	Guizhou Capital Water Company Limited
“Capital Materials Company”	Tianjin Capital New Materials Company Limited
“Baoying Company”	Baoying Capital Water Company Limited
“Qujing Company”	Qujing Capital Water Company Limited
“Fuyang Company”	Fuyang Capital Water Company Limited
“Hangzhou Company”	Hangzhou Tianchuang Water Company Limited
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Company Limited
“Wendeng Company”	Wendeng Capital Water Company Limited

“Jing Hai Company”	Tianjin Jing Hai Capital Water Company Limited
“Xi’an Company”	Xi’an Capital Water Company Limited
“Kaiying Company”	Tianjin Kaiying Technology Development Company Limited
“Anguo Company”	Anguo Capital Water Company Limited
“Wuhan Company”	Wuhan Tianchuang Environmental Protection Company Limited
“Capital Environmental Company”	Tianjin Capital Environmental Water Company Limited
“Zichuang Company”	Tianjin Zichuang Engineering Investment Company Limited
“Jinning Capital Environmental Company”	Tianjin Jinning Capital Environmental Water Company Limited
“Jiayuan Tianchuang”	Tianjin Jiayuan Tianchuang New Energy Technology Company Limited
“Tianjin Dikang”	Tianjin Dikang Golf Sports Company Limited
“Committee of Xibeixie Village”	The committee of Xibeixie village, Zhongbei town, Xiqing district, Tianjin
“Junfeng Property”	Tianjin Junfeng Property Company Limited
“Xinghe Company”	Tianjin Xinghe Paper Products Industry Co., Limited
“Tianjin Infrastructure Consultant”	Tianjin Investment Group Infrastructure Management and Consultant Company Limited
“Cai Shui No.78”	“Notice on the Issuing of the Catalogue of Value-Added Tax Preferences for Products and Labor Services Involving the Comprehensive Utilization of Resources” issued by the Ministry of Finance and the State Administration of Taxation

SECTION II COMPANY PROFILE

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT DETAILS

	Company Secretary to the Board	Hong Kong 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
Email address	niu_bo@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	http://www.tjcep.com
Email address	tjcep@tjcep.com

IV. PLACES WHERE THE COMPANY INFORMATION IS DISCLOSED AND AVAILABLE FOR INSPECTION

Name of the media designated by the Company for the disclosure of information	Shanghai Securities News
Website designated by China Securities Regulatory Committee (“CSRC”) for the disclosure of Interim Report	www.sse.com.cn
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

Shares	Stock Exchange for listing shares	Stock short name	Stock code	Stock short name before its change
A Shares	Shanghai Stock Exchange (the “SSE”)	創業環保	600874	渤海化工
H Shares	The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)	Tianjin Capital	01065	Tianjin Bohai

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

Date of registration	2 March 2016
Registered address	No. 45 Guizhou Road, Heping District, Tianjin, the PRC
Registration number of legal person business licence	91120000103065501J
Taxation registration number	91120000103065501J
Organization Code	91120000103065501J

Note: On 2 March 2016, the Company filed the “Three in one” application for the original business license, certificate of organization code and tax registration certificate, the related registration information is as follows:

Uniform Social Credit Code: 91120000103065501J

VII. OTHER RELEVANT INFORMATION

No

SECTION III SUMMARY OF 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

	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

(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)	0.17	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

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	-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

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 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 including Xi'an Company, Fuyang Company and Baoying Company 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 the 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 Kaiying Company 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 TSC 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.

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 and sewage 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 Company 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 RMB34.60 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 RMB53.00 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
Water Recycling Company	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

SECTION V IMPORTANT ISSUES

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WHICH THE GENERAL MEDIA IS INTERESTED IN

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

Unit 0'000 Currency: RMB

During the reporting period:									
Plaintiff (Applicant)	Defendant (Respondent)	Party to bear joint liability	Type of litigation or arbitration	Particulars of litigation (or arbitration)	Amount involved in litigation (or arbitration)	Whether litigation (or arbitration) forms predicted liability and its amount	Progress of litigation (or arbitration)	Ruling results of litigation (or arbitration) and its effect	Execution of litigation judgment (arbitral award)
Anguo Company	Anguo Municipal Government	None	Arbitration	Note 1	6,000	No	Note 2	None	Note 2
Tianjin Dikang	The Company	None	Civil litigation	Note 3	967.88	Yes	Note 3	Note 3	Note 3
The Company	The Committee of Xibeixie Village, and Zhao Shuzhi	None	Litigation	Note 4	0	No	Note 4	Note 4	Note 4
The Company	Junfeng Property and Wang Jianzhong	None	Litigation	Note 5	0	No	Note 5	Note 5	Note 5
Kaiying Company	Xinghe Company	None	Litigation	Note 6	522.6387		Note 6	None	None

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 the 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 transfer of tap water project has been completed. Anguo Company will temporarily operate the sewage project based on the original agreement, and the operations and charges of this project are under normal conditions. A third party appraisal entity has been conducting appraisal and verification on the relevant assets to ascertain the present value of the assets invested by Anguo Company in the water supply project of this case, now an initial appraisal report on the relevant assets has been issued, both parties are raising objections to the appraisal result and no arbitral award has been made. As at the end of the reporting period, accumulative provision of RMB29.20 million was made for asset impairment losses of the Anguo water project.

Note 3:

The Company issued the Notice of Terminating the Lease Contract to Tianjin Dikang in March 2013. Since the land involved was included in the road plans of the government, the Company terminated the land lease contract with Tianjin Dikang in respect of the 31.5 acres of land located in the courtyard of the Jizhuangzi Sewage Treatment Plant according to the terms of 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 has suffered significant economic losses due to the early termination of the lease contract, requesting compensation for all economic losses of RMB25.54 million, with litigation costs being borne by the Company. According to the ruling of the second trial, the Company was ordered to pay RMB9.6788 million as compensation and bear the trial acceptance fee of RMB36,000. The Company has paid the compensation. The Company will settle the amount from the Jizhuangzi's relocation compensation fees. It is expected to reduce the Company's deferred income from Jizhuangzi's relocation, which will not have material effect on the Company. The Company has also applied to the High People's Court of Tianjin for a re-trial on the case, and is pending for the ruling of the re-trial.

Note 4:

The defendants destroyed the wall and part of the land within the Xianyanglu Sewage Treatment Plant of the Company. The Company petitioned to the People's Court of Xiqing District, Tianjin, for a court order to stop the tortious conduct of the two defendants and to reinstate the original condition. The ruling of the trial at first instance supported the Company's claims and is now in force. The Company has applied to the People's Court of Xiqing District to execute the ruling and execution is now in progress.

Note 5:

The Company has entrusted the defendant to manage a dormitory building within the Jizhuangzi Plant. The entrustment agreement was expired and terminated at the end of 2012. The defendant has not yet returned the entire property to the Company. Therefore, the Company petitioned to the People's Court of Xiqing District, Tianjin, for a ruling to order the defendant and a third party, Wang Jianzhong (actual occupier), to return the occupied property immediately. The ruling of the trial at first instance ordered both defendants to return the property. Wang Jianzhong, the third party, appealed to The First Intermediate People's Court of Tianjin against the first instance ruling. The case entered into the second trial proceedings. As at the end of June 2016, a verdict in favor of the Company was returned by the second trial, which is now in the process of execution.

Note 6:

Kaiying Company provided operation management and technical services for a wastewater treatment project to Xinghe Company according to an agreement. However, Xinghe Company has been in default of payment of operation fees without a fair reason. Therefore, Kaiying Company petitioned to the People's Court of Ninghe District for a ruling to order Xinghe Company to pay a total amount of RMB5,226,387 to the plaintiff. The case is now in trial proceedings and pending for the judgment at first instance.

II. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not applicable

III. MATTERS RELATING TO ASSET TRANSACTIONS AND CORPORATE MERGERS

Not applicable

IV. THE COMPANY'S SHARE INCENTIVE SCHEME AND ITS EFFECT

Not applicable

V. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions in the ordinary course of business

1. Transactions which were disclosed in the Company's announcements without subsequent progress or changes in their implementation

Summary of transaction	Enquiry index
On 31 December 2015, the Company renewed the Zhangguizhuang Sewage Water Treatment Plant Entrusted Operation Agreement with Tianjin Investment Group, pursuant to which the Company will continue to provide operation service to the Zhangguizhuang Sewage Water Treatment Plant invested and constructed by Tianjin Investment Group for a service period of six months from 1 January 2016 to 30 June 2016 at the operation service fees of RMB4.198 million per month, the total amount of operation service fees was expected to be RMB25.188 million.	<p>The "Announcement on connected transactions in the ordinary course of business relating to the renewal of the Zhangguizhuang Sewage Water Treatment Plant Entrusted Operation Agreement with connected parties" published by the Company in the Shanghai Securities News and on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 4 January 2016.</p> <p>The Announcement on continuing connected transactions published by the Company on the website of the Stock Exchange (http://www.hkexnews.hk) on 31 December 2015.</p>
On 31 December 2015, the Company renewed the Zhangguizhuang Sewage Water Treatment Plant Sludge Disposal Centre Entrusted Operation Agreement with Tianjin Investment Group, pursuant to which the Company will operate and maintain the Zhangguizhuang Sewage Water Treatment Plant Sludge Disposal Centre for Tianjin Investment Group for a service period of six months from 1 January 2016 to 30 June 2016, the total amount of service fees was expected to be not more than RMB4.67 million.	<p>The "H-share Announcement" published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 4 January 2016.</p> <p>The Announcement on continuing connected transactions published by the Company on the website of the Stock Exchange (http://www.hkexnews.hk) on 31 December 2015.</p>

Summary of transaction	Enquiry index
<p>On 24 May 2016, Jiayuanxing, a wholly-owned subsidiary of the Company, entered into the Cold Supply Agreement with TLP and TYCOM for the provision of cold supply service to TLP for a service area of 363,042 m², at the unit price of RMB65 per square meter, and the cold supply service fees will be RMB23,597,730.</p>	<p>The “Announcement on the Cold Supply Agreement entered into between the subsidiary and connected parties” published by the Company in the Shanghai Securities News and on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 25 May 2016.</p> <p>The Announcement on continuing connected transactions-provision of cold supply services published by the Company on the website of the Stock Exchange (http://www.hkexnews.hk) on 25 May 2016.</p>
<p>On 30 June 2016, the Company renewed the Zhangguizhuang Sewage Water Treatment Plant Entrusted Operation Agreement with Tianjin Investment Group, pursuant to which the Company will continue to provide operation service to the Zhangguizhuang Sewage Water Treatment Plant invested and constructed by Tianjin Investment Group for a service period of 12 months from 1 July 2016 to 30 June 2017 at the operation service fees of RMB4.198 million per month, the total amount of operation service fees was expected to be RMB50.376 million.</p>	<p>The “Announcement on related party transactions in daily operations relating to the renewal of the Zhangguizhuang Sewage Water Treatment Plant Entrusted Operation Agreement with related parties” published by the Company in the Shanghai Securities News and on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 1 July 2016.</p> <p>The Announcement on continuing connected transactions published by the Company on the website of the Stock Exchange (http://www.hkexnews.hk) on 30 June 2016.</p>
<p>On 30 June 2016, the Company renewed the Zhangguizhuang Sewage Water Treatment Plant Sludge Disposal Centre Entrusted Operation Agreement with Tianjin Investment Group, pursuant to which the Company will operate and maintain the Zhangguizhuang Sewage Water Treatment Plant Sludge Disposal Centre for Tianjin Investment Group for a service period of 12 months from 1 July 2016 to 30 June 2017, the total amount of service fees is expected to be not more than RMB9.34 million.</p>	<p>The “H-share Announcement” published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 1 July 2016.</p> <p>The Announcement on continuing connected transactions published by the Company on the website of the Stock Exchange (http://www.hkexnews.hk) on 30 June 2016.</p>

2. TRANSACTIONS THAT WERE NOT DISCLOSED IN ANNOUNCEMENTS

Unit 0'000 Currency: RMB

Related Party	Relationship	Type of related party transaction	Content of connected transaction	Pricing principle of connected party transaction	Price of connected party transaction	Amount of connected party transaction	Percentage of the amount in comparable transaction (%)	Settlement method for connected party transaction	Market price	Reasons for relatively large discrepancy between transaction price and market reference price
TM Resources	Brother company of the Group	Provision of labour services	In 2016, TM Resources applied to suspend cold supply services, and paid a compensation amount of RMB782,834 to Jiayuanxing for loss of cold energy in accordance with the agreement. Date of signing the agreement: 1 June 2016.	Agreed in licensed operation agreements	/	782,834	0.91	By one-off payment before 30 October 2016.	/	Agreement was determined by arm's length negotiations between both parties, no relatively large discrepancy with market price
Tianjin Infrastructure Consultant	Brother company of the Group	Provision of labour services	Tianjin Infrastructure Consultant provided bidding agent service for the upgrading and reconstruction projects of the Company's Jingu and Beicang sewage water plants for a service period from 16 June 2016 to 31 December 2017. There were two agreements. The total amount of entrusted agent service fees paid for the two agreements by the Company did not exceed RMB2.40 million, and the amount will not exceed RMB0.90 million in 2016 and will not exceed RMB1.50 million in 2017.	Two bidding agent service agreements (for two plants) were signed respectively, the bidding agent service fees were calculated by progressive rate on ascending range.	/	2,400,000	2.77	After Tianjin Infrastructure Consultant provided complete bidding information for a single bidding stage of a bidding project and settled bidding agent fees, the Company will make one-off payment to Tianjin Infrastructure Consultant to pay for the bidding agent service fees of such single bidding stage of the bidding project.	/	The agreements were determined by arm's length negotiations between both parties, no relatively large discrepancy with market price.
Total			/		/	3,182,834	3.68	/	/	/

VI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1 Custody, subcontracting and leasing

Not applicable

2 Guarantees

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

3 Other material contracts or transactions

Nil

VII. PERFORMANCE OF COMMITMENT

Not applicable

VIII. APPOINTMENT AND REMOVAL OF ACCOUNTANTS

Not applicable

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

Not applicable

X. CONVERTIBLE BONDS

Not applicable

XI. CORPORATE GOVERNANCE OF THE COMPANY

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 of the Company 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.

XII. EXPLANATION ON OTHER IMPORTANT MATTERS

(I) Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method

Not applicable

(II) Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period

Not applicable

(III) Others

The following matters are disclosed and explained according to the relevant rules of the Stock Exchange:

1. 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**”).

2. 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. 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 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.

3. Liquidity and Financial Resources

There were no seasonal changes in the Group’s borrowings requirement. As at 30 June 2016, 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 2016.

According to the accounting report prepared in accordance with the PRC Accounting Standards for Business Enterprises, the gearing ratio was 53.88% as at 30 June 2016.

4. Foreign Exchange 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 2016, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of RMB4 million (30 June 2015: RMB4 million) in the net profit of the Group. As at 30 June 2016, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase or decrease of RMB9 million (30 June 2015: RMB7 million) in the net profit of the Group.

The interest rate risk of the Group mainly came from interest-bearing debts such as borrowings, long-term payables and debentures. The Group has borrowings, long-term payables and debentures. Borrowings and long-term payables at floating rates expose the Group to interest rate risk on cash flows, while borrowings, long-term payables and debentures at fixed rates expose the Group to interest rate risk on fair value. As at 30 June 2016, if the loan interest rate increases/decreases by 1%, with other factors being constant, the net profit of the Group for the year will decrease/increase by RMB7 million (30 June 2015: RMB7 million). The Group also considers to minimize its interest rate exposure monthly by way of refinancing, renewal of existing positions and alternative financing.

5. Employee and Emolument Policy

As at 30 June 2016, the Group had 1,505 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB127.312 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.

6. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2016.

7. Rights of Debt

As at 30 June 2016, 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 Tianjin Water Authority Bureau amounted to RMB1,271 million, representing approximately 13.42% of the total market capital of the Group as at 30 June 2016.

8. Charge on Assets

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

9. Acquisition and Disposal of Subsidiaries

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

10. Details of Preferred Shares

The Company had no preferred shares during the reporting period.

11. 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.

12. 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

(i) Total number of shareholders:

Total number of shareholders at the end of the reporting period 84,301

Note: As of 30 June 2016, the total number of shareholders of the Company is 84,301, among which 71 are shareholders of H shares.

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

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>		

(iii) Strategic investors or general legal persons becoming the top ten shareholders by placing of new shares

Not applicable

III. Changes in the Controlling Shareholder or the Ultimate Controller

Not applicable

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

As at 30 June 2016, the following entity, other than the Directors, Supervisors or chief executive of the Company, had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
Tianjin Municipal Investment Company Limited	Beneficial owner	715,565,186 A Shares (L)	65.82%	50.14%
UBS AG	Person having a security interest in shares	20,990,530 H Shares (L)	6.17%	1.47%
		514,000 H Shares(S)	0.15%	0.04%
UBS Group AG	Interest in corporations controlled by substantial shareholders	20,146,061 H Shares (L)	5.93%	1.41%
		1,176,000 H Shares (S)	0.35%	0.08%
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%
BlackRock, Inc.	Interest in corporations controlled by substantial shareholders	20,387,918 H Shares (L)	6.00%	1.43%

Note: The letter "L" represents the entity's long positions in the shares. The letter "S" represents the entity's short 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 2016, 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) Equity Incentives granted to Directors, Supervisors and senior management of the Company during the reporting period

Not applicable

(iii) 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 2016, 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
Supervisor 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 2016, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

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

Name	Position held	Changes	Reason for Changes
Cao Shuo	Chief accountant	Retired	Personal reasons
Fu Yana	Secretary to the Board	Retired	Work re-allocation
Peng Yilin	Chief accountant	Appointed	Work engagement
Niu Bo	Secretary to the Board	Appointed	Work engagement

SECTION VIII FINANCIAL REPORT

I. Prepared in accordance with Hong Kong Financial Reporting Standards

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 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	7	450,986	454,453
Investment property	7	99,427	101,263
Intangible assets	7	6,198,772	6,244,750
Land use rights	7	15,206	15,426
Investment in an associate	8	23,872	25,998
Available-for-sale financial assets		2,000	2,000
Long-term receivables	10	315,354	319,463
Other non-current assets		7,715	8,051
		7,113,332	7,171,404
Current assets			
Inventories		25,394	27,151
Trade receivables	9	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
		3,200,922	2,877,898
Total assets		10,314,254	10,049,302

		As at	
	<i>Note</i>	30 June 2016	31 December 2015
		Unaudited	Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	1,427,228	1,427,228
Other reserves		796,687	796,687
Retained earnings		2,313,977	2,177,200
		<u>4,537,892</u>	<u>4,401,115</u>
Non-controlling interests		<u>219,106</u>	<u>217,638</u>
Total equity		<u>4,756,998</u>	<u>4,618,753</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,619,748	1,543,433
Deferred revenue	13	1,177,686	1,145,674
Deferred income tax liabilities	14	104,925	105,810
Other non-current liabilities		44,000	44,093
		<u>2,946,359</u>	<u>2,839,010</u>

		As at	
	<i>Note</i>	30 June 2016	31 December 2015
		Unaudited	Audited
Current liabilities			
Trade payables	15	107,970	82,599
Advances from customers	15	926,008	874,880
Wages payables		20,904	21,809
Income tax and other taxes payables	15	60,934	96,387
Dividend payable		132,329	32,426
Other payables	15	475,245	476,440
Borrowings	12	887,507	1,006,998
		<u>2,610,897</u>	<u>2,591,539</u>
Total liabilities		<u>5,557,256</u>	<u>5,430,549</u>
Total equity and liabilities		<u><u>10,314,254</u></u>	<u><u>10,049,302</u></u>

Liu Yujun
Director

Lin Wenbo
Director

The notes on pages 44 to 65 form an integral part of this condensed consolidated interim financial information.

**INTERIM CONDENSED CONSOLIDATED 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	6(a)	832,900	879,436
Business tax		(18,483)	(8,570)
Cost of sales		(505,406)	(478,393)
		<hr/>	<hr/>
Gross profit		309,011	392,473
Other income - net	6(a)	123,390	22,115
Administrative expenses		(54,403)	(54,454)
Distribution costs		(5,123)	(1,779)
		<hr/>	<hr/>
Operating profit	16	372,875	358,355
Finance income		15,720	11,779
Finance costs		(73,599)	(109,398)
		<hr/>	<hr/>
Finance costs - net	17	(57,879)	(97,619)
Share of loss of an associate		(2,126)	(2,987)
		<hr/>	<hr/>
Profit before income tax		312,870	257,749
Income tax expense	18	(73,998)	(71,187)
		<hr/>	<hr/>
Profit for the period		238,872	186,562
		<hr/>	<hr/>
Total comprehensive income for the period		<u>238,872</u>	<u>186,562</u>

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2016	2015
Profit/Total comprehensive income attributable to:			
– Owners of the parent		236,683	181,435
– Non-controlling interests		2,189	5,127
		<u>238,872</u>	<u>186,562</u>
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	19	<u>—</u>	<u>—</u>

The notes on pages 44 to 65 form an integral part of this condensed consolidated interim financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(All amounts in Rmb thousand unless otherwise stated)

	Note	Unaudited				Non- controlling interests	Total Equity
		Equity holders of the Company			Sub-total		
		Share capital	Other Reserves	Retained Earnings			
Balance at 1 January 2016		<u>1,427,228</u>	<u>796,687</u>	<u>2,177,200</u>	<u>4,401,115</u>	<u>217,638</u>	<u>4,618,753</u>
Comprehensive income							
– Profit for the period		<u>—</u>	<u>—</u>	<u>236,683</u>	<u>236,683</u>	<u>2,189</u>	<u>238,872</u>
Total comprehensive income		<u>—</u>	<u>—</u>	<u>236,683</u>	<u>236,683</u>	<u>2,189</u>	<u>238,872</u>
Transactions with owners							
– Capital contributions		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
– Dividends distributed		<u>—</u>	<u>—</u>	<u>(99,906)</u>	<u>(99,906)</u>	<u>(721)</u>	<u>(100,627)</u>
Total transactions with owners		<u>—</u>	<u>—</u>	<u>(99,906)</u>	<u>(99,906)</u>	<u>(721)</u>	<u>(100,627)</u>
Balance at 30 June 2016		<u>1,427,228</u>	<u>796,687</u>	<u>2,313,977</u>	<u>4,537,892</u>	<u>219,106</u>	<u>4,756,998</u>
Balance at 1 January 2015		<u>1,427,228</u>	<u>777,374</u>	<u>1,965,882</u>	<u>4,170,484</u>	<u>167,496</u>	<u>4,337,980</u>
Comprehensive income							
– Profit for the period		<u>—</u>	<u>—</u>	<u>181,435</u>	<u>181,435</u>	<u>5,127</u>	<u>186,562</u>
Total comprehensive income		<u>—</u>	<u>—</u>	<u>181,435</u>	<u>181,435</u>	<u>5,127</u>	<u>186,562</u>
Transactions with owners							
– Capital contributions		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>1,000</u>
– Dividends distributed		<u>—</u>	<u>—</u>	<u>(99,906)</u>	<u>(99,906)</u>	<u>—</u>	<u>(99,906)</u>
Total transactions with owners		<u>—</u>	<u>—</u>	<u>(99,906)</u>	<u>(99,906)</u>	<u>1,000</u>	<u>(98,906)</u>
Balance at 30 June 2015		<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>

The notes on pages 44 to 65 form an integral part of this condensed consolidated interim financial information.

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

(All amounts in Rmb thousand unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
Continuing operations	273,590	2,011,187
Income tax paid	(38,248)	(64,725)
Interest received	10,221	6,235
	<u>245,563</u>	<u>1,952,697</u>
Cash flows from operating activities – net		
Cash flows from investing activities		
– purchase property, plant and equipment, intangible assets and other long-term assets	(199,029)	(212,897)
– proceeds on disposal of property, plant and equipment	54	20
– net cash received from investment	—	219
– other cash paid relating to investing activities	(25,715)	(15,010)
– other cash received relating to investing activities	70,390	—
	<u>(154,300)</u>	<u>(227,668)</u>
Cash flows from investing activities – net		
Cash flows from financing activities		
– distribution of dividends of profits	(3)	(95,031)
– payments of interest expenses	(60,953)	(38,000)
– repayments of bank borrowings	(222,764)	(541,944)
– proceeds from bank borrowings	162,943	105,000
– proceeds from capital contributions	—	1,000
	<u>(120,777)</u>	<u>(568,975)</u>
Cash flows from financing activities – net		
Net increase in cash and cash equivalents	(29,514)	1,156,054
Cash and cash equivalents at the beginning of the period	1,328,575	814,892
	<u>1,299,061</u>	<u>1,970,946</u>
Cash and cash equivalents		

The notes on pages 44 to 65 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 (“Municipal Investment”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“City Infrastructure Construction and Investment”) respectively. The address of its registered office is No.45 Guizhou Road, Heping District, Tianjin. The Company’s H-shares are listed on The Stock Exchange of Hong Kong Limited and the A-shares are listed on The Shanghai Stock Exchange.

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	Agreement date	Customer
Guiyang	Guizhou	16 September 2004	Guiyang City Administration Bureau
Baoying	Jiangsu	13 June 2005	Baoying Construction Bureau
Chibi	Hubei	15 July 2005	Chibi Construction Bureau
Fuyang	Anhui	18 December 2005	Anhui Fuyang Construction Committee
Qujing	Yunnan	25 December 2005	Qujing City Water General Company
Honghu	Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou	Zhejiang	20 November 2006	Hangzhou Sewage Company
Jinghai	Tianjin	12 September 2007	Tianjin Tianyu Science Technology Park
Wendeng	Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an	Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo	Hebei	14 October 2008	An Guo Municipal Government
Xianning	Hubei	16 October 2008	Xianning Construction Committee
Yingdong	Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qujing	Yunnan	16 August 2011	QuJing Housing and Urban Construction Bureau
Chaohu	Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau
Jingu	Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission (‘TUCC’) and Tianjin Water Authority Bureau (‘TWAB’)
Xianyanglu	Tianjin	18 February 2014	TUCC and TWAB
Dongjiao	Tianjin	18 February 2014	TUCC and TWAB
Beicang	Tianjin	18 February 2014	TUCC and TWAB
Yingshang	Anhui	16 June 2016	Yingshang Housing and Urban-rural Construction Bureau

Based on the sewage water processing agreements and the supplemental agreements, initial prices for sewage water processing are predetermined, thereafter processing prices may be revised taking into account various factors including renovation of equipment, additional investment, power and energy and labour force, and significant changes in government policy.

(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.

This condensed consolidated interim financial information was approved for issue on 26 August 2016.

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 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.

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 2015, as described in those annual financial statements.

Amendments to 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 expect 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 2015.

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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

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 2015.

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 2016, if Rmb had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the period would have been Rmb4 million (30 June 2015: 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 Rmb9 million (30 June 2015: Rmb7 million) higher/lower.

(ii) Interest rate risk

The Group's interest rate risk arises mainly from 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, categorized by the maturity dates.

	Fixed	Floating	Total
As at 30 June 2016 (Unaudited)			
Other current liabilities			
– Current portion of long-term bank borrowings	—	159,200	159,200
– Current portion of long-term bonds	699,294	—	699,294
– Current portion of long-term payables	17,216	8,615	25,831
Long-term borrowings	—	658,878	658,878
Long-term payables	172,068	89,645	261,713
Long-term bonds	695,975	—	695,975
	<hr/>	<hr/>	<hr/>
Total	1,584,553	916,338	2,500,891
As at 31 December 2015 (Audited)			
Other current liabilities			
– Current portion of long-term bank borrowings	—	282,350	282,350
– Current portion of long-term bonds	698,250	—	698,250
– Current portion of long-term payables	14,854	8,362	23,216
Long-term borrowings	—	574,186	574,186
Long-term payables	180,134	89,643	269,777
Long-term bonds	694,925	—	694,925
	<hr/>	<hr/>	<hr/>
Total	<u>1,588,163</u>	<u>954,541</u>	<u>2,542,704</u>

As at 30 June 2016, 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 2015: Rmb7 million).

The Group analyses its interest rate exposure monthly 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 2016, the amount of financial guarantee provided by the Company to its subsidiaries is Rmb1,037 million (As at 30 June 2015: Rmb903 million), of which Rmb540 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:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying value
As at 30 June 2016						
(Unaudited)						
Long-term bank borrowings	224,530	320,434	358,446	93,161	996,571	818,078
Long-term payables	29,022	29,629	93,363	395,093	547,107	287,544
Other current and non-current liabilities	3,392	3,287	—	—	6,679	6,364
Trade and other payables	583,215	—	—	—	583,215	583,215
Debentures payable	757,517	38,150	715,896	—	1,511,563	1,395,269
Dividend payable	<u>132,329</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>132,329</u>	<u>132,329</u>
As at 31 December 2015						
(Audited)						
Long-term bank borrowings	321,396	260,559	280,867	95,950	958,772	856,536
Long-term payables	23,216	22,414	63,177	183,656	292,463	292,993
Other current and non-current liabilities	3,437	4,695	—	—	8,132	7,727
Trade and other payables	558,411	—	—	—	558,411	558,411
Debentures payable	780,757	38,150	715,896	—	1,534,803	1,393,175
Dividend payable	<u>32,426</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,426</u>	<u>32,426</u>

(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 20% - 60%. The gearing ratio of the Group is as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Total borrowings	2,507,255	2,550,431
Less: Cash and cash equivalents	(1,299,061)	(1,328,575)
Net debt	<u>1,208,194</u>	<u>1,221,856</u>
Total equity	<u>4,756,998</u>	<u>4,618,753</u>
Total capital	<u>5,965,192</u>	<u>5,840,609</u>
Gearing ratio	<u>20%</u>	<u>21%</u>

As at 30 June 2016, the gearing ratio of the Group has been decreased as the Group has repaid some borrowings.

(e) Fair value estimation

Financial instruments carried at fair value as at 30 June 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 2016	30 June 2015
Revenue from principal operations (Note 6(b))	832,900	879,436
Other income - net	123,390	22,115
	<u>956,290</u>	<u>901,551</u>

(b) Operating segment analysis

Management has determined the operating segments based on the reports reviewed by the managers operating meeting that are used to make strategic decisions for the purpose of allocating resources and assessing performance.

The meeting considers the business from both service and geographical perspectives. From a service perspective, management assesses the performance of processing of sewage water and construction of related facilities, recycled water and pipeline connection, heating and cooling services, tap water operations and sale of environmental protection equipment. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). The environmental protection equipment is mainly the achievement of technology research. From the year of 2015, sale of environmental protection equipment segment was separately disclosed and disclosure information for the corresponding period was re-presented accordingly. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

Other services include contract operation services, lease of office building or apartments and provide technical services etcetera. These are not separately presented within the reportable operating segments, but included in the 'all other segments' column.

The managers operating meeting assesses the performance of the operating segments based on a measure of net profit after tax, which is measured in the approach consistent with that in the financial statements.

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

	Sewage processing and facility construction services								Group
	Tianjin plants	Hangzhou plant	Other plants	Recycle water and pipeline connection	Heating and cooling	Tap water	Environmental protection equipment	All other segments	
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)	(100,380)	(641,294)
Results before share of profits of an associate	165,321	9,298	51,178	26,547	5,060	5,653	(7,794)	59,732	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								Group
	Tianjin plants	Hangzhou plant	Other plants	Recycle water and pipeline connection	Heating and cooling	Tap water	Environmental protection equipment	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

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

Six months ended 30 June 2016 (Unaudited)	Property, plant and equipment	Investment properties	Intangible assets	Land use right
Net book value				
Opening amount as at 1 January 2016	454,453	101,263	6,244,750	15,426
Additions	114,670	—	7,165	—
Disposals	(40)	—	—	—
Depreciation and amortisation	(20,234)	(1,836)	(151,006)	(220)
Transfer to concession rights	(97,863)	—	97,863	—
Impairment provision	—	—	—	—
Closing amount as at 30 June 2016	<u>450,986</u>	<u>99,427</u>	<u>6,198,772</u>	<u>15,206</u>
Six months ended 30 June 2015 (Unaudited)				
Net book value				
Opening amount as at 1 January 2015	492,661	104,936	6,306,097	15,866
Additions	43,485	—	—	—
Disposals	(3)	—	—	—
Depreciation and amortisation	(20,543)	(1,836)	(124,815)	(140)
Transfer to concession rights	(41,014)	—	41,014	—
Impairment provision	—	—	—	—
Closing amount as at 30 June 2015	<u>474,586</u>	<u>103,100</u>	<u>6,222,296</u>	<u>15,726</u>

Concession rights with net book value of Rmb65 million (31 December 2015: Rmb201 million) have been secured against loans.

8 Investment in an associate

	Unaudited For the six months ended 30 June 2016
Beginning of the period	25,998
Share of losses	<u>(2,126)</u>
End of the period	<u>23,872</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 environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.

9 Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2016	Audited 31 December 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	<u>(9,499)</u>	<u>(9,499)</u>
	<u><u>1,627,825</u></u>	<u><u>1,239,446</u></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><u>1,637,324</u></u>	<u><u>1,248,945</u></u>

10 Long-term receivables

	Unaudited 30 June 2016	Audited 31 December 2015
Receivables from toll road concession	<u><u>315,354</u></u>	<u><u>319,463</u></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.

	“A” Circulating shares	“H” Circulating shares	Total
At 31 December 2015			
– Audited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>
At 30 June 2016			
– 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 2016	Audited 31 December 2015
Non-current liabilities:			
Long-term bank borrowings	(a), (b)	818,078	856,536
Less: Current portion	(a), (b)	<u>(159,200)</u>	<u>(282,350)</u>
		658,878	574,186
Long-term debentures payable	(c)	1,395,269	1,393,175
Less: Current portion	(c)	<u>(699,294)</u>	<u>(698,250)</u>
		695,975	694,925
Long-term payables	(d)	287,544	292,993
Less: Current portion	(d)	<u>(25,831)</u>	<u>(23,216)</u>
		261,713	269,777
Other liabilities		<u>3,182</u>	<u>4,545</u>
Total non-current borrowings		<u>1,619,748</u>	<u>1,543,433</u>
Current liabilities:			
Current portion of long-term bank borrowings	(a)	159,200	282,350
Current portion of long-term debentures payable	(c)	699,294	698,250
Current portion of long-term payables	(d)	<u>25,831</u>	<u>23,216</u>
		884,325	1,003,816
Current portion of other liabilities		<u>3,182</u>	<u>3,182</u>
Total current borrowings		<u>887,507</u>	<u>1,006,998</u>

(a) Long-term bank borrowings

Movement of bank borrowings is analyzed as follows:

	Unaudited
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	856,536
Proceeds of new borrowings	170,200
Repayments of borrowings	<u>(208,658)</u>
Closing amount as at 30 June 2016	<u><u>818,078</u></u>
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	1,845,896
Proceeds of new borrowings	105,000
Repayments of borrowings	<u>(490,580)</u>
Closing amount as at 30 June 2015	<u><u>1,460,316</u></u>

These borrowings mature as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 30 June 2016 (Unaudited)					
Long-term bank borrowings	<u>159,200</u>	<u>258,278</u>	<u>311,600</u>	<u>89,000</u>	<u>818,078</u>
As at 31 December 2015 (Audited)					
Long-term bank borrowings	<u>282,350</u>	<u>235,650</u>	<u>245,536</u>	<u>93,000</u>	<u>856,536</u>

(b) Summary of terms of bank borrowings:

	Unaudited 30 June 2016	Audited 31 December 2015
Long-term bank borrowings:		
Pledged	65,000	75,000
Guaranteed	213,000	225,000
Unsecured	<u>540,078</u>	<u>556,536</u>
	<u><u>818,078</u></u>	<u><u>856,536</u></u>

(c) **Debentures payable**

	Audited 31 December 2015	Debits	Credits	Bond payable due within 1 year	Unaudited 30 June 2016
Debentures payable					
– par value	700,000	—	—	—	700,000
– transaction cost	(5,075)	—	1,050	—	(4,025)
	<u>694,925</u>	<u>—</u>	<u>1,050</u>	<u>—</u>	<u>695,975</u>

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

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

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

	Unaudited 30 June 2016		Audited 31 December 2015	
	Payable	Unrecognized financial charges	Payable	Unrecognized financial charges
Payable to TSC for assets acquisition	<u>476,166</u>	<u>(188,622)</u>	<u>488,779</u>	<u>(195,786)</u>

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Due within 1 year
TSC	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>261,713</u>	<u>25,831</u>

Balance of the long-term payable to TSC is the consideration payable as at 30 June 2016 in respect of the acquisition of sewage processing assets from TSC, net of unrecognized financing charges.

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

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

	Unaudited 30 June 2016	Audited 31 December 2015
JPY	345,687	353,791
US dollar	130,479	134,988
	<u>476,166</u>	<u>488,779</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 2015 Audited	Additions	Demolition costs	Recognised in Other gains-net	30 June 2016 Unaudited	Relating to assets/costs
Sewage water processing plants:						
– Xianyanglu (upgrading project)	66,168	—	—	(1,182)	64,986	assets
– Project of the solution and maintainance of water pollution	4,187	6,685	—	(8)	10,864	costs
– Dongjjiao (upgrading project)	46,430	—	—	(829)	45,601	assets
– Jin Gu	744,683	—	—	(13,689)	730,994	assets
Water recycling plants in:						
– Dongjjiao	23,106	—	—	(337)	22,769	assets
– Bei Chen	19,687	—	—	(263)	19,424	assets
Heating and cooling supply service project:	91,639	—	—	—	91,639	assets
Water recycling plants:						
– Xianyanglu (water recycling project)	14,109	—	—	—	14,109	assets
– Jin Gu	118,297	42,000	—	—	160,297	assets
Sewage water processing plants:						
– Bei Shi Qiao (upgrading project)	12,810	—	—	—	12,810	assets
Others	4,558	—	—	(365)	4,193	costs
Total	<u>1,145,674</u>	<u>48,685</u>	<u>—</u>	<u>(16,673)</u>	<u>1,177,686</u>	

14 Deferred income tax liabilities

	Unaudited Six months ended 30 June	
	2016	2015
Opening balance as at 1 January	105,810	86,778
Charged to profit or loss	(885)	9,889
Closing balance as at 30 June	<u>104,925</u>	<u>96,667</u>

15 Trade payables, Advances, Other payables and Tax payables

	Notes	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 Rmb73 million (31 December 2015: Rmb205 million) are aged over one year, which mainly represent payables and deposits for construction projects.

16 Operating profit

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

	Unaudited	
	For the six months ended	
	30 June	30 June
	2016	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>

17 Finance costs-net

	Unaudited	
	For the six months ended	
	30 June	30 June
	2016	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>

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 2016 (30 June 2015: Nil). PRC income tax is calculated at the statutory rate of 25% (2015: 25%).

Tax charges 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>

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 2016	30 June 2015
Profit before income tax	<u>312,870</u>	<u>257,749</u>
Calculated at applicable income tax rate	78,218	64,437
Effect of preferential tax rate applicable to certain subsidiaries	(1,732)	(575)
Income not subject to tax	(3,190)	(1,895)
Expenses not deductible for taxation purposes	7,619	7,810
Utilisation of previously deductible tax losses for which no deferred income tax assets was recognized	(8,214)	(332)
Current year tax losses for which no deferred income tax asset was recognised	<u>1,297</u>	<u>1,742</u>
Income tax expense	<u>73,998</u>	<u>71,187</u>

19 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).

20 Commitments and contingent event

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 2016 Rmb' million	Audited 31 December 2015 Rmb' million	Unaudited 30 June 2016 Rmb' million	Audited 31 December 2015 Rmb' million
Sewage water processing plants in:				
– Dengjiacun and Beishiqiao (upgrade project)	—	—	5	10
– Hangzhou (upgrade project)	92	170	156	165
	<u>92</u>	<u>170</u>	<u>161</u>	<u>175</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 2016	30 June 2015
City Infrastructure Construction and Investment	Commission income from contract operation	29,833	30,099
Tianjin Lecheng Properties Limited	Income from heat and cooling supply	15,945	16,503
Tianjin Metro Resources Investment Co., Ltd.	Income from heat and cooling supply	<u>1,049</u>	<u>1,986</u>

(ii) Key management compensation for the six months ended 30 June 2016 is summarized as follows:

	Unaudited	
	For the six months ended	
	30 June	30 June
	2016	2015
Salaries and other short-term employee benefits	2,623	4,797
Other long-term benefits	1,212	904
	<u>3,835</u>	<u>5,701</u>

(iii) Receivables from to related parties:

	Unaudited	Audited
	30 June	31 December
	2016	2015
Tianjin Lecheng Properties Limited	23,613	12,539
City Infrastructure Construction and Investment	41,589	28,489
Tianjin Metro Resources Investment Co., Ltd.	5,063	7,349
Tianjin City Resource Operation Co., Ltd.	401	401
Tianjin Haihe Construction Developing Investment Co., Ltd.	<u>303</u>	<u>303</u>

(iv) Commitment

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
Guarantee received		
City Infrastructure Construction and Investment	<u>213,000</u>	<u>225,000</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 2016

(All amounts in RMB thousand unless otherwise stated)

	Notes 4	Group		Company	
		Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	(1)	1,315,861	1,349,875	376,649	604,199
Notes receivables		60	1,094	60	—
Trade receivables	(2)	1,627,765	1,238,352	1,383,217	1,024,181
Prepayments	(3)	142,903	139,727	149	172
Dividend receivables		—	—	10,393	8,713
Other receivables	(4)	41,771	74,531	121,079	151,549
Inventories	(5)	25,394	27,151	3,961	3,697
Other current assets	(6)	47,168	47,168	113,043	124,043
Total current assets		<u>3,200,922</u>	<u>2,877,898</u>	<u>2,008,551</u>	<u>1,916,554</u>
NON-CURRENT ASSETS					
Available-for-sale financial assets	(7)	2,000	2,000	2,000	2,000
Long-term receivables	(8)	315,354	319,463	315,354	319,463
Long-term equity investments	(9)	23,872	25,998	1,649,855	1,557,255
Investment properties	(10)	99,427	101,263	77,402	78,986
Fixed assets	(11)	432,556	451,510	133,327	141,424
Construction in progress	(11)	18,430	2,943	—	—
Intangible assets	(12)	6,213,978	6,260,176	3,448,455	3,511,540
Other non-current assets	(6)	7,715	8,051	209,480	181,580
Total non-current assets		<u>7,113,332</u>	<u>7,171,404</u>	<u>5,835,873</u>	<u>5,792,248</u>
TOTAL ASSETS		<u>10,314,254</u>	<u>10,049,302</u>	<u>7,844,424</u>	<u>7,708,802</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes 4	Group		Company	
		Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
CURRENT LIABILITIES					
Trade payables	(14)	107,970	82,599	40,544	26,193
Advances	(14)	926,008	874,880	47,770	7,666
Taxes payable	(14)	60,934	96,387	32,099	71,522
Dividend payable	(14)	132,329	32,426	132,329	32,426
Other payables	(14)	475,245	475,812	915,229	941,483
Wages payable	(15)	20,904	21,809	17,620	12,667
Other non-current liabilities					
due within one year	(16)	884,325	1,003,816	725,125	721,466
Other current liabilities	(16)	3,182	3,810	—	—
Total current liabilities		<u>2,610,897</u>	<u>2,591,539</u>	<u>1,910,716</u>	<u>1,813,423</u>
NON-CURRENT LIABILITIES					
Long-term borrowings	(16)	658,878	574,186	—	—
Long-term debentures	(16)	695,975	694,925	695,975	694,925
Long-term payables	(16)	261,713	269,777	261,713	269,777
Other non-current liabilities	(16)	47,182	48,638	—	—
Deferred revenue	(17)	1,177,686	1,145,674	895,559	905,198
Deferred income tax liabilities	(18)	104,925	105,810	50,449	46,104
Total non-current liabilities		<u>2,946,359</u>	<u>2,839,010</u>	<u>1,903,696</u>	<u>1,916,004</u>
TOTAL LIABILITIES		<u>5,557,256</u>	<u>5,430,549</u>	<u>3,814,412</u>	<u>3,729,427</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes 4	Group		Company	
		Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
SHAREHOLDERS' EQUITY					
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)	414,376	414,376	414,376	414,376
Undistributed profits	(20) (c)	<u>2,313,977</u>	<u>2,177,200</u>	<u>1,807,620</u>	<u>1,756,983</u>
Equity attributable to owners of the parent		4,537,892	4,401,115	4,030,012	3,979,375
Minority Interests	(21)	<u>219,106</u>	<u>217,638</u>	<u>—</u>	<u>—</u>
Total shareholders' equity		<u>4,756,998</u>	<u>4,618,753</u>	<u>4,030,012</u>	<u>3,979,375</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>10,314,254</u>	<u>10,049,302</u>	<u>7,844,424</u>	<u>7,708,802</u>

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

Liu Yujun
Company Representative

Peng Yilin
*Person in charge of
accounting function*

Liu Tao
*Person in charge of
accounting department*

Income Statement

For the six months ended 30 June 2016

(All amounts in RMB thousand unless otherwise stated)

		Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	Notes 4	2016	2015	2016	2015
Income from operations	(22)	927,561	957,979	479,469	517,242
Less: Cost for operations	(22)	(557,216)	(536,843)	(266,344)	(249,738)
Business tax and surcharges	(23)	(18,483)	(8,570)	(10,135)	(4,281)
Selling expenses	(24)	(5,123)	(1,779)	—	—
Administrative expenses	(24)	(54,403)	(54,454)	(30,549)	(31,105)
Financial expenses - net	(26)	(57,879)	(97,619)	(30,611)	(58,877)
Add: Investment (loss)/income	(9)	(2,126)	(2,987)	1,680	—
Including: Share of loss of an associate		(2,126)	(2,987)	—	—
Operation profit		232,331	255,727	143,510	173,241
Add: Non-operating income	(28)	83,266	2,110	56,654	615
Including: Gain on disposals of non-current assets		1	12	1	—
Less: Non-operating expenses	(29)	(2,727)	(88)	—	—
Including: Loss on disposals of non-current assets		(21)	(1)	—	—
Total profit		312,870	257,749	200,164	173,856
Less: Income tax	(30)	(73,998)	(71,187)	(49,621)	(51,626)
Net profit		238,872	186,562	150,543	122,230
Attributable to owners of the parent		236,683	181,435	150,543	122,230
Minority interests		2,189	5,127	—	—

		Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	Notes 4	2016	2015	2016	2015
Earnings per share					
(in Rmb Yuan)	(31)				
– Basic		0.17	0.13	—	—
– Diluted		<u>0.17</u>	<u>0.13</u>	<u>—</u>	<u>—</u>
Other comprehensive income after deduction of impact of income tax		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income		<u>238,872</u>	<u>186,562</u>	<u>150,543</u>	<u>122,230</u>
Attributable to owners of the parent		236,683	181,435	150,543	122,230
Minority interests		<u>2,189</u>	<u>5,127</u>	<u>—</u>	<u>—</u>

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

Liu Yujun
Company Representative

Peng Yilin
*Person in charge of
accounting function*

Liu Tao
*Person in charge of
accounting department*

Cash Flow Statement

For the six months ended 30 June 2016

(All amounts in RMB thousand unless otherwise stated)

		Group		Company	
		Unaudited		Unaudited	
		Six months		Six months	
		ended 30 June		ended 30 June	
	Notes 4	2016	2015	2016	2015
1. Cash flows from					
operating activities					
Cash received from sales of					
goods and rendering of services		706,258	2,471,507	236,299	2,005,445
Cash received from tax refunds		94,115	252	68,653	—
Cash received relating to					
other operating activities	(32) (c)	134,560	60,561	75,644	32,311
		<u>934,933</u>	<u>2,532,320</u>	<u>380,596</u>	<u>2,037,756</u>
Sub-total of cash inflows					
Cash paid for goods and services		(288,515)	(284,233)	(129,650)	(129,483)
Cash paid to and on					
behalf of employees		(127,312)	(117,734)	(57,390)	(51,928)
Payments of taxes and levies		(236,599)	(86,219)	(158,264)	(56,054)
Cash payments relating to other					
operating activities	(32) (d)	(36,944)	(91,437)	(35,986)	(9,294)
		<u>(689,370)</u>	<u>(579,623)</u>	<u>(381,290)</u>	<u>(246,759)</u>
Sub-total of cash outflows					
Net cash flows from					
operating activities	32	<u>245,563</u>	<u>1,952,697</u>	<u>(694)</u>	<u>1,790,997</u>

		Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	Notes 4	2016	2015	2016	2015
2. Cash flows from investing activities					
Cash received from returns on investments		—	219	—	—
Net cash received from disposals of fixed assets	(32) (e)	54	20	—	6
Cash received from subsidiaries		—	—	113,238	59,026
Other cash received relating to investing activities	(32) (f)	70,390	—	—	—
		<u>70,444</u>	<u>239</u>	<u>113,238</u>	<u>59,032</u>
Sub-total of cash inflows					
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(199,029)	(212,897)	(60,226)	(92,372)
Cash paid to acquire equity investments		—	—	(92,600)	(34,000)
Cash paid to subsidiaries		—	—	(120,900)	(142,007)
Other cash paid relating to investing activities	(32) (g)	(25,715)	(15,010)	(25,715)	(5,910)
		<u>(224,744)</u>	<u>(227,907)</u>	<u>(299,441)</u>	<u>(274,289)</u>
Sub-total of cash outflows					
Net cash flows from investing activities					
		<u>(154,300)</u>	<u>(227,668)</u>	<u>(186,203)</u>	<u>(215,257)</u>

	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
Notes 4	2016	2015	2016	2015
3. Cash flows from financing activities				
Cash received from borrowings	162,943	105,000	—	100,000
Cash received by investors	—	1,000	—	—
	<u>162,943</u>	<u>106,000</u>	<u>—</u>	<u>100,000</u>
Sub-total of cash inflows	162,943	106,000	—	100,000
Repayments of amounts borrowed	(222,764)	(541,944)	—	(417,750)
Payments for interest expenses	(60,953)	(95,031)	(38,150)	(63,515)
Payments for distribution of dividends or profits	(3)	(38,000)	(3)	(38,000)
	<u>(283,720)</u>	<u>(674,975)</u>	<u>(38,153)</u>	<u>(519,265)</u>
Sub-total of cash outflows	(283,720)	(674,975)	(38,153)	(519,265)
Net cash flows from financing activities	(120,777)	(568,975)	(38,153)	(419,265)
4. Effect of foreign exchange rate changes on cash				
	—	—	—	—
5. Net increase/(decrease) in cash and cash equivalents				
	(29,514)	1,156,054	(225,050)	1,156,475
Add: Cash and cash equivalents at beginning of the year	1,328,575	814,892	596,699	292,731
	<u>1,328,575</u>	<u>814,892</u>	<u>596,699</u>	<u>292,731</u>
6. Cash and cash equivalents at end of the year	(32) (b) <u>1,299,061</u>	<u>1,970,946</u>	<u>371,649</u>	<u>1,449,206</u>

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

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Liu Tao
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accounting department*

Consolidated statement of changes in equity

For the six months ended 30 June 2016

(All amounts in RMB thousand unless otherwise stated)

	Attributable to owners of the parent				Minority interests	Total shareholders' equity
	Share capital	Capital surplus	General reserve	Undistributed profits		
Balance at 1 January 2015 (Audited)	1,427,228	382,311	395,063	1,965,882	167,496	4,337,980
Changes in 2015						
Comprehensive income						
Net profit	—	—	—	181,435	5,127	186,562
Total comprehensive income	—	—	—	181,435	5,127	186,562
Investment from shareholders	—	—	—	—	1,000	1,000
Profit appropriation						
Appropriation to statutory common reserves	—	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(99,906)	—	(99,906)
Balance at 30 June 2015 (Unaudited)	1,427,228	382,311	395,063	2,047,411	173,623	4,425,636
Balance at 1 January 2016 (Audited)	1,427,228	382,311	414,376	2,177,200	217,638	4,618,753
Changes in 2016						
Comprehensive income						
Net profit	—	—	—	236,683	2,189	238,872
Total comprehensive income				236,683	2,189	238,872
Investment from shareholders						
Profit appropriation						
Appropriation to statutory common reserves	—	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(99,906)	(721)	(100,627)
Balance at 30 June 2016 (Unaudited)	<u>1,427,228</u>	<u>382,311</u>	<u>414,376</u>	<u>2,313,977</u>	<u>219,106</u>	<u>4,756,998</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 2016

(All amounts in RMB thousand unless otherwise stated)

	Share capital	Capital surplus	General reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2015	1,427,228	380,788	395,063	1,683,061	3,886,140
Changes in 2015					
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)
Balance at 30 June 2015	1,427,228	380,788	395,063	1,705,385	3,908,464
Balance at 1 January 2016	1,427,228	380,788	414,376	1,756,983	3,979,375
Changes in 2016					
Comprehensive income					
Net profit	—	—	—	150,543	150,543
Total comprehensive income	—	—	—	150,543	150,543
Profit appropriation					
Appropriation to statutory common reserves	—	—	—	—	—
Dividend appropriation to shareholders	—	—	—	(99,906)	(99,906)
Balance at 30 June 2016	<u>1,427,228</u>	<u>380,788</u>	<u>414,376</u>	<u>1,807,620</u>	<u>4,030,012</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 2016

(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 the basis of Tianjin Bohai Chemical Industry (Group) Company Limited (“TBCIG”). TBCIG was established on 8 June 1993 in Tianjin, the People’s Republic of China (the ‘PRC’), listed in Hong Kong Stock Exchange (“H share”) in May 1994 and Shanghai Stock Exchange (“A share”) in June 1995. TBCIG appeared significant losses in 1998 and 1999. Approved by Tianjin Government, the Company had completed the equity and assets reorganization of TBCIG at the end of year 2000. The address of the Company’s registered office is No.45 Guizhou Road, Heping District, Tianjin. The parent 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. As at June 30, 2016, the Company’s total share capital is RMB1.427 billion yuan, RMB1 yuan per share value.

For the detailed information of subsidiaries which are in scope and new in scope this year, see Note 4(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	Authorizer
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

Plant	Location	Agreement date	Authorizer
Chaohu	Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau
Jingu	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
Yingshang	Anhui	16 June 2016	Yingshang County Housing and Urban Construction Bureau

Based on the sewage water processing agreements, the Group provide sewage water processing services and are entitled to a pre-determined sewage processing fee.

(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 26 August 2016.

2 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 2(9)), valuation method of investment properties (Note 2(12)), amortization and depreciation of intangible assets and fixed assets (Note 2(13) (16)), recognition and amortization of concession rights (Note 2(16) (b)), revenue recognition (Note 2(20)) and so on.

The significant accounting policy adopted by the group see note 2(25).

(1) Basis of preparation of financial statement

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.

(2) Statement of compliance with CAS

The financial statements of the Company for the six months ended 30 June 2016 truly and completely present the financial position as of 30 June 2016 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

(3) 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 2016.

(4) Recording currency

The recording currency is Renminbi (“Rmb”).

(5) Preparation of consolidated financial statements

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

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as non-controlling interests, net profit attributed to non-controlling interests and total comprehensive incomes attributed to non-controlling interests, and presented separately in the consolidated financial statements under owners' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to non-controlling interests in accordance with the allocation proportion of the parent in the 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.

(6) 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.

(7) Foreign currency translation

(a) Foreign currency transactions

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.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(8) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets at initial recognition are classified as follows: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the holding intention and ability of the Group. The Group's financial assets are represented as available-for-sale assets and receivables.

Receivables

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.

Available-for-sale financial assets (AFS)

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.

(ii) 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.

(iii) 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.

(iv) 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.

Borrowings and debentures are initially recognized at its fair value net of transaction costs, and subsequently measured at amortized cost using effective interest method.

Financial liabilities with maturity within one year (including one year) are included in short-term liabilities. Financial liabilities 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 liabilities.

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.

(9) 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.

Basis of the groups and methods to determine the impairment losses:

	Basis	Methods
General credit portfolio	Trade receivables besides that are individually significant and subject to separate impairment assessment	Aging
Project deposits	Project deposits	None
VAT refunds	VAT refunds	None
Receivables from subsidiaries	Receivables from subsidiaries	None
Others	Other receivables besides above	Aging

A general provision is made for based on the ageing of receivables, at the following percentages:

	Trade receivables	Other receivables
Within 2 years	0%	0%
2-3 years	0%	100%
Over 2 years	100%	100%

(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.

(10) Inventories

(a) Classification

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.

(b) Measurement

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.

(c) Basis of net realisable value and provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts perpetual inventory system.

(e) Amortization method of spare parts and low value articles

Spare parts and low value articles are one-time write-off.

(11) 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 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.

(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 2(17)).

(12) Investment properties

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

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

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

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

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

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

When the recoverable amount of an investment property is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (note 2(17)).

(13) Fixed assets

(a) Recognition and measurement

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.

(b) Depreciation method

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

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

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

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

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

(c) 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 2(17)).

(d) Disposal

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.

(14) 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 2(17)).

(15) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an 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 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 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.

(16) 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 software

Separately acquired technical know-how and software are shown at historical cost. Technical know-how and software 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 software 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 2 (17)).

(17) 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.

(18) 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) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which belong to defined contribution plans.

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.

(19) Dividend distribution

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

(20) 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) Sales of environmental protection equipment

Revenue is recognised when the Group has delivered the equipment to the location specified in the sales contract and the customer has confirmed the acceptance of the equipment. The environmental protection equipment is mainly the achievement of technology research.

(f) Contract operation income

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

(g) Sales of technical services

The Group sells technical services to other companies. For sales of technical services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(21) Government grants

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

Grants from the government are 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.

(22) 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.

(23) Leases

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Others are classified as operating leases.

(a) Operating leases

Cost of operating lease is recognized on a straight-line basis over the period of the lease as asset costs or current losses.

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

(24) 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.

(25) 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.

(a) Critical accounting estimates and key assumptions

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:

(i) Bad debt provisions of 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.

(ii) Income Tax

The Group is subject to income taxes in numerous regions. There are partial 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.

3 TAXATION

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

Tax by category	Basis of Tax	Tax rate
Enterprise income tax	Taxable income	0% - 25%
Value Added Tax (VAT)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	3%-17%
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%

(2) Preferential tax policies for enterprise income tax

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

Name of subsidiaries	Enterprise income tax rate of 2016	Preferential tax policy
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 Guoshuihan [2011] No.19 from 2012 to 2020.
Xi'an Capital Water Co., Ltd.	15%	According to Ministry of Finance State Administration of Taxation General Administration of Customs on Further Implementation of the Western Development Strategy on Tax Policy Issues Notice, Cai Shui [2011] No.58
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	15%	High tech enterprises entitle to preferential tax policy from 2015 to 2018.
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.

4 NOTES TO THE FINANCIAL STATEMENTS

(1) CASH AND CASH EQUIVALENTS

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Cash on hand	245	128	27	13
Cash in bank	1,315,616	1,349,747	376,622	604,186
	<u>1,315,861</u>	<u>1,349,875</u>	<u>376,649</u>	<u>604,199</u>
Including:				
Bank deposits overseas	<u>8,355</u>	<u>8,276</u>	<u>—</u>	<u>—</u>

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

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Cash and cash equivalents (note (i))	1,315,861	1,349,875	376,649	604,199
Less: Restricted bank deposits	<u>(16,800)</u>	<u>(21,300)</u>	<u>(5,000)</u>	<u>(7,500)</u>
Cash and cash equivalents on cash flow statement (note 4(32))	<u>1,299,061</u>	<u>1,328,575</u>	<u>371,649</u>	<u>596,699</u>

(i) The restricted bank deposits are all represented as projects deposits due within one year.

(2) TRADE RECEIVABLES

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Trade receivable	1,637,264	1,247,851	1,383,217	1,024,181
Less: Provision for bad debts	(9,499)	(9,499)	—	—
	<u>1,627,765</u>	<u>1,238,352</u>	<u>1,383,217</u>	<u>1,024,181</u>

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

	Group			
	Unaudited 30 June 2016		Audited 31 December 2015	
	amount	% of total balance	amount	% of total balance
Within 1 year	1,182,082	72%	1,107,015	89%
1 to 2 years	434,740	27%	124,862	10%
Over 2 years	20,442	1%	15,974	1%
Total	<u>1,637,264</u>	<u>100%</u>	<u>1,247,851</u>	<u>100%</u>

	Company			
	Unaudited 30 June 2016		Audited 31 December 2015	
	amount	% of total balance	amount	% of total balance
Within 1 year	984,859	71%	922,273	90%
1 to 2 years	398,358	29%	101,908	10%
Total	<u>1,383,217</u>	<u>100%</u>	<u>1,024,181</u>	<u>100%</u>

The average credit period of about 30 days has been granted by the Group. As of 30 June 2016, 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 2016				Audited 31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Trade receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	1,380,155	84%	9,499	100%	1,055,573	85%	9,499	100%
General credit portfolio	257,109	16%	—	—	192,278	15%	—	—
Total	1,637,264	100%	9,499	100%	1,247,851	100%	9,499	100%

Category	Company							
	Unaudited 30 June 2016				Audited 31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Trade receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	1,270,522	92%	—	—	952,839	93%	—	—
General credit portfolio	112,695	8%	—	—	71,342	7%	—	—
Total	1,383,217	100%	—	—	1,024,181	100%	—	—

- (c) 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:

	Group		
	30 June 2016 (Unaudited)		
	Ending balance	Provision for bad debts	Ratio
TWAB (note (i))	1,270,522	—	—
Qujing City Water General Company (note (ii))	109,633	(9,499)	9%
	<u>1,380,155</u>	<u>(9,499)</u>	

	Company		
	30 June 2016 (Unaudited)		
	Ending balance	Provision for bad debts	Ratio
TWAB (note (i))	<u>1,270,522</u>	<u>—</u>	<u>—</u>

- (i) The outstanding trade receivables from TWAB of the Company is collected on a continuous basis. So there's no impairment risk identified.
- (ii) On 30 June 2016, the total amount of trade receivables due from Qujing City Water General Company, in respect of sewage processing fee and tap water fee was Rmb109,633,000. The management estimated and provided RMB9,499,000 bad debt provision for those foreseeable uncollectible receivables with ageing over 2 years.
- (d) The ageing of general credit portfolios analyzed below:

	Group			
	Unaudited		Audited	
	30 June 2016		31 December 2015	
	amount	% of total balance	amount	% of total balance
Within 1 year	246,639	96%	180,381	94%
1 to 2 years	10,470	4%	11,897	6%
Total	<u>257,109</u>	<u>100%</u>	<u>192,278</u>	<u>100%</u>

	Company			
	Unaudited		Audited	
	30 June 2016		31 December 2015	
	amount	% of total balance	amount	% of total balance
Within 1 year	102,225	91%	59,445	83%
1 to 2 years	10,470	9%	11,897	17%
Total	<u>112,695</u>	<u>100%</u>	<u>71,342</u>	<u>100%</u>

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

	Unaudited 30 June 2016	Audited 31 December 2015
TICIG	<u>41,589</u>	<u>28,489</u>

- (f) As at 30 June 2016, the trade receivables from the top five debtors are analyzed as below:

	relationship with the Group	amount	ageing	% of total balance
		882,634	Within 1 year	53.91%
TWAB (note (i))	Third party	387,888	1 to 2 years	23.69%
Qujing City Water General Company	Third party	45,789	Within 1 year	2.80%
		43,402	1 to 2 years	2.65%
		20,442	Over 2 years	1.25%
TICIG (note (i))	Ultimate holding company	41,589	Within 1 year	2.54%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	23,613	Within 1 year	1.44%
Hangzhou Sewage Company	Third party	<u>20,335</u>	Within 1 year	<u>1.24%</u>
Total		<u>1,465,692</u>		<u>89.52%</u>

- (i) As at 30 June 2016, the amount of trade receivables from the top five debtors of the Company is Rmb1,372,147 thousand which is 99.20% of the balance.

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

	relationship with the Group	Unaudited 30 June 2016		Audited 31 December 2015	
		amount	% of total balance	amount	% of total balance
TICIG	Ultimate holding company	41,589	2.54%	28,489	2.30%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	23,613	1.44%	12,539	1.01%
Tianjin Metro Resources Investment Co., Ltd.	Controlled by the same ultimate holding company	5,063	0.31%	7,349	0.59%
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company	401	0.02%	401	0.03%
Tianjin Haihe Construction Developing Investment Co., Ltd.	Controlled by the same ultimate holding company	303	0.02%	303	0.02%
Total		<u>70,969</u>	<u>4.33%</u>	<u>49,081</u>	<u>3.95%</u>

(3) PREPAYMENTS

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

	Group			
	Unaudited 30 June 2016		Audited 31 December 2015	
	amount	% of total balance	amount	% of total balance
Within 1 year	79,166	55%	74,919	54%
1 to 2 years	43,989	31%	46,007	33%
Over 2 years	19,748	14%	18,801	13%
Total	<u>142,903</u>	<u>100%</u>	<u>139,727</u>	<u>100%</u>

As at 30 June 2016, the prepayments aged over one year with amount of Rmb63,737 thousand (2015: Rmb64,808 thousand) mainly for recycled water pipeline connection service for which the projects have not been completed and hence balances remain outstanding.

	Company			
	Unaudited		Audited	
	30 June 2016		31 December 2015	
	amount	% of total balance	amount	% of total balance
Within 1 year	143	95.97%	66	38.37%
1 to 2 years	6	4.03%	6	3.49%
Over 2 years	—	—	100	58.1%
Total	149	100%	172	100%

(b) As at 30 June 2016, the prepayments to the top five debtors are analyzed as below:

	amount	% of total balance
Total amounts of prepayments to the top five debtors	23,871	17%

(c) As at 30 June 2016, there were no prepayments to any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2015: Nil). As at 30 June 2016, there were no prepayments to any of the related parties of the Company (31 December 2015: Nil).

(4) OTHER RECEIVABLES

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Receivables from VAT refunds	24,837	57,071	16,358	44,681
Project deposits	9,313	9,301	6,213	6,613
Receivables from subsidiaries	—	—	94,554	93,852
Others	7,621	8,159	3,954	6,403
Less: provision for bad debts	—	—	—	—
	41,771	74,531	121,079	151,549

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

	Group			
	Unaudited		Audited	
	30 June2016		31 December2015	
	% of total		% of total	
	amount	balance	amount	balance
Within 1 year	36,865	88%	69,833	94%
1 to 2 years	1,273	3%	1,445	2%
2 to 3 years	484	1%	1,179	1%
Over 3 years	3,149	8%	2,074	3%
	<u>41,771</u>	<u>100%</u>	<u>74,531</u>	<u>100%</u>

	Company			
	Unaudited		Audited	
	30 June2016		31 December2015	
	% of total		% of total	
	amount	balance	amount	balance
Within 1 year	27,583	22.78%	59,052	38.97%
1 to 2 years	1,002	0.83%	4	0.00%
2 to 3 years	4	0.00%	1,051	0.69%
Over 3 years	92,490	76.39%	91,442	60.34%
	<u>121,079</u>	<u>100%</u>	<u>151,549</u>	<u>100%</u>

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

Category	Group							
	Unaudited 30 June 2016				Audited 31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Portfolio for impairment assessment								
VAT refunds	24,837	60%	—	—	57,071	77%	—	—
Project deposits	9,313	22%	—	—	9,301	12%	—	—
Others	7,621	18%	—	—	8,159	11%	—	—
Total	<u>41,771</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>74,531</u>	<u>100%</u>	<u>—</u>	<u>—</u>

Category	Company							
	Unaudited 30 June 2016				Audited 31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Portfolio for impairment assessment								
VAT refunds	16,358	14%	—	—	44,681	29%	—	—
Receivables from subsidiaries	94,554	78%	—	—	93,852	62%	—	—
Project deposits	6,213	5%	—	—	6,613	5%	—	—
Others	3,954	3%	—	—	6,403	4%	—	—
Total	<u>121,079</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>151,549</u>	<u>100%</u>	<u>—</u>	<u>—</u>

(c) Portfolio for impairment assessment with aging are analyzed as below:

Category	Group							
	Unaudited 30 June 2016				Audited 31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Within 1 year	7,621	18%	—	—	8,159	11%	—	—

Category	Company							
	Unaudited 30 June 2016				Audited 31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Within 1 year	3,954	3%	—	—	6,403	4%	—	—

(d) As at 30 June 2016, there were no receivables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2015: Nil). As at 30 June 2016, there were no receivables from any of the related parties of the Company (31 December 2015: Nil).

(e) As at 30 June 2016, other receivables from the top five debtors are analyzed as below:

		Group		
	Nature	amount	ageing	% of total balance
Tianjin Municipal Office, SAT	Receivables from VAT refunds	17,508	Within 1 year	42%
Xi'an Municipal Office, SAT	Receivables from VAT refunds	4,526	Within 1 year	11%
Hunan Golden-Prized Project Management Co., LTD	Project deposits	2,000	Within 1 year	5%
Tianjin Management Station of Construction Waste	Project deposits	1,500	1 to 4 years	4%
Tianjin Dragon Construction and Installation Engineering Co., Ltd.	Deposits	1,000	Over 3 years	2%
		<u>26,534</u>		<u>64%</u>

				% of total balance
	Nature	amount	ageing	
Xi'an Capital Water Co., Ltd.	Receivables from subsidiaries	60,000	Over 3 years	50%
Tianjin Water Recycling Co., Ltd.	Receivables from subsidiaries	17,616	Over 3 years	15%
Tianjin Municipal Office, SAT	Receivables from VAT refunds	16,358	Within 1 year	14%
Chibi Capital Water Co., Ltd.	Receivables from subsidiaries	13,000	Over 3 years	11%
Tianjin Dragon Construction and Installation Engineering Co., Ltd.	Deposits	1,000	Over 3 years	1%
		<u>107,974</u>		<u>91%</u>

(f) According to No.78 (Note 3 (1)(a)), the amount of receivables from government grants (VAT refunds) is Rmb24,837 thousand which due in 1 year and to be collected during the third quarter of 2016. This amount will be collected in the third quarter of 2016.

(5) INVENTORIES

Inventories are summarized by categories as follows:

	Group					
	Ending balance	Unaudit 30 June 2016 Provision for decline in the value of inventories	Carrying amount	Ending balance	Audit 31 December 2015 Provision for decline in the value of inventories	Carrying amount
Raw materials	9,124	—	9,124	9,237	—	9,237
Finished goods	753	—	753	2,340	—	2,340
Spare parts and low cost consumables	397	—	397	522	—	522
Construction contract costs	15,120	—	15,120	15,052	—	15,052
	<u>25,394</u>	<u>—</u>	<u>25,394</u>	<u>27,151</u>	<u>—</u>	<u>27,151</u>

	Company					
	Ending balance	Unaudit 30 June 2016 Provision for decline in the value of inventories	Carrying amount	Ending balance	Audit 31 December 2015 Provision for decline in the value of inventories	Carrying amount
Raw materials	3,642	—	3,642	3,498	—	3,498
Spare parts and low cost consumables	199	—	199	199	—	199
Construction contract costs	120	—	120			
	<u>3,961</u>	<u>—</u>	<u>3,961</u>	<u>3,697</u>	<u>—</u>	<u>3,697</u>

(6) OTHER CURRENT AND NON-CURRENT ASSETS

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Other current asset:				
Receivables from subsidiaries	—	—	113,043	124,043
Assets of Anguo	47,143	47,143	—	—
Others	25	25	—	—
	<u>47,168</u>	<u>47,168</u>	<u>113,043</u>	<u>124,043</u>
Other non-current asset:				
Receivables from subsidiaries	—	—	209,480	181,580
Others	7,715	8,051	—	—
	<u>7,715</u>	<u>8,051</u>	<u>209,480</u>	<u>181,580</u>

(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 June 2016	Audited 31 December 2015
Measured at cost		
– Available for sale equity instruments	<u>2,000</u>	<u>2,000</u>

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

	Unaudited 30 June 2016	Audited 31 December 2015
Available for sale equity instrument		
– Cost	2,000	2,000
– Provision for impairment	—	—
	<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 of Tianjin Beifang Rencaigang Company Limited 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 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Receivables from toll road concession	<u>315,354</u>	<u>319,463</u>	<u>315,354</u>	<u>319,463</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 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Investment in subsidiaries (note (a))	—	—	1,732,355	1,639,755
Less: Impairment provision for long-term investment (note (b))	<u>—</u>	<u>—</u>	<u>(82,500)</u>	<u>(82,500)</u>
	—	—	1,649,855	1,557,255
Investment in an associate (note (c))	<u>23,872</u>	<u>25,998</u>	<u>—</u>	<u>—</u>
	<u>23,872</u>	<u>25,998</u>	<u>1,649,855</u>	<u>1,557,255</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
Xi'an Capital Water Co., Ltd.	B	Xi'an	Xi'an	Sewage processing	334,000	Limited Company	Li Yang
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Hangzhou	Sewage processing	377,445	Limited Company	Zhang Jian
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Sewage processing, tap water supply	178,983	Limited Company	Wang Hui
Guizhou Capital Water Co., Ltd.	A	Guizhou	Guizhou	Sewage processing	120,000	Limited Company	Wang Hui
Fuyang Capital Water Co., Ltd.	B	Fuyang	Fuyang	Sewage processing	107,100	Limited Company	Zhou Jingdong
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
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Wuhan	Sewage processing and tap water supply	103,240	Limited Company	Zhou Jingdong
Tianjin Jiayuantian Innovative Energy Technology Co., Ltd	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer service property management	64,000	Limited Company	Li Wei
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 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
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
Baoying Capital Water Co., Ltd.	A	Baoying	Baoying	Sewage processing	53,000	Limited Company	Zhang Jian

	Company type	Place of registration	Place of operation	Nature of business and business activity	Registered capital	Enterprise type	Legal representative
Tianjin Jiayuansheng Innovative Energy Technology Co., Ltd	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer service property management	33,000	Limited Company	Li Wei
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Tianjin	Production and sales of new types of construction material	37,500	Limited Company	Zhang Qiang
Tianjin Zichuang Project Investment Co., Ltd.	B	Tianjin	Tianjin	Construction project investment	23,400	Limited Company	Wang Hong
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	B	Tianjin	Tianjin	Environmental engineering protection and technical consultation	20,000	Limited Company	Li Yuqing
Tianjin Jinning Capital Water Co., Ltd	B	Tianjin	Tianjin	Sewage processing	15,000	Limited Company	Yang Guang
Tianjin Jing Hai Capital Water Co., Ltd	B	Tianjin	Tianjin	Sewage processing	12,000	Limited Company	Yang Guang
Tianjin Capital Water Co., Ltd.	B	Tianjin	Tianjin	Sewage processing	10,000	Limited Company	Wang Hong
Tianjin Jiayuanbin Innovative Energy Technology Co., Ltd	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer service property management	34,600	Limited Company	Li Wei
Shandong Capital Environmental Protection Co., Ltd	B	Shandong	Shandong	Detection, evaluation and consultation service for environmental engineering; Design, contracting construction and operation service for environmental engineering	5,000	Limited Company	Zhang Jian
Yingshang Capital Water Co., Ltd	B	Yingshang	Yingshang	Investment, construction, design, management, operation and technical consultation service of water facilities for sewage, industrial wastewater and tap water; Design, construction, management, construction and operation of municipal infrastructure	53,000	Limited Company	Zhou Jingdong

A: Subsidiary

B: Wholly-owned subsidiaries

	Investment cost	31 December 2015	Additions	Provision	30 June 2016	Share-holding/ voting rights (%)	Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in the current year
Xi'an Capital Water Co., Ltd.	334,000	334,000	—	—	334,000	100/100	—	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	264,212	264,212	—	—	264,212	70/70	153,911	—	—
Qijing Capital Water Co., Ltd.	154,918	154,918	—	—	154,918	87/87	32,398	—	—
Guizhou Capital Water Co., Ltd.	114,000	114,000	—	—	114,000	95/95	7,115	—	—
Fuyang Capital Water Co., Ltd.	107,302	107,302	—	—	107,302	100/100	—	—	—
Tianjin Water Recycling Co., Ltd.	100,436	100,436	—	—	100,436	100/100	—	—	—
Wuhan Tianchuang Capital Water Co., Ltd.	98,500	98,500	—	—	98,500	100/100	2,367	—	—
Tianjin Jiayuantian Innovative Energy Technology Co., Ltd.	64,000	64,000	—	—	64,000	100/100	—	—	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	62,987	62,987	—	—	62,987	100/100	1,257	—	—
Wendeng Capital Water Co., Ltd.	61,400	61,400	—	—	61,400	100/100	—	—	—
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	60,000	60,000	—	—	60,000	100/100	—	—	—
Anguo Capital Water Co., Ltd.	41,000	—	—	—	—	100/100	—	(41,000)	—
Baoying Capital Water Co., Ltd.	37,100	37,100	—	—	37,100	70/70	22,039	—	1,680
Tianjin Jiayuansheng Innovative Energy Technology Co., Ltd.	33,000	33,000	—	—	33,000	100/100	—	—	—
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	—	—	71/71	19	(26,500)	—
Tianjin Zichuang Project Investment Co., Ltd.	23,400	23,400	—	—	—	100/100	—	—	—
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	20,000	20,000	—	—	20,000	100/100	—	—	—
Tianjin Jinning Capital Water Co., Ltd.	15,000	—	—	—	—	100/100	—	(15,000)	—
Tianjin Jing Hai Capital Water Co., Ltd.	12,000	12,000	—	—	12,000	100/100	—	—	—
Tianjin Capital Water Co., Ltd.	10,000	10,000	—	—	10,000	100/100	—	—	—
Tianjin Jiayuanbin Innovative Energy Technology Co., Ltd.	34,600	—	34,600	—	34,600	100/100	—	—	—
Shandong Capital Environmental Protection Co., Ltd.	5,000	—	5,000	—	5,000	100/100	—	—	—
Yingshang Capital Water Co., Ltd.	53,000	—	53,000	—	53,000	100/100	—	—	—
Total	1,732,355	1,557,255	92,600	—	1,649,855		219,106	(82,500)	1,680

- (i) The Group is not exposed to significant restriction on recovery or remittance of return on investment in subsidiaries.
- (ii) As at 30 June 2016, the parent company has newly established Tianjin Jiayuanbin Innovative Energy Technology Co., Ltd. in cash of RMB34.6 million, in Shandong Capital Environmental Protection Co., Ltd. in cash of RMB5 million and in Yingshang Capital Water Co., Ltd. in cash of RMB53 million.
- (iii) As at 30 June 2016, the cash dividend declared by the subsidiary Baoying Capital Water Co., Ltd. was RMB2 million.
- (iv) Minority interest in Honghu Capital Water Co., Ltd. (a subsidiary of Wuhan Tianchuang Capital Water Co., Ltd.) is RMB2,367 thousand as at 30 June 2016 (31 December 2015: RMB2,264 thousand). Minority interest in Sino Legend (Hong Kong) Limited (a subsidiary of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.) is RMB1,257 thousand as at 30 June 2016 (31 December 2015: RMB1,368 thousand).
- (b) Provisions

	Audited			Unaudited
	31 December			30 June
	2015	Additions	Decrease	2016
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	26,500
Anguo Capital Water Co., Ltd. (note (i))	41,000	—	—	41,000
Tianjin Jinning Capital Water Co., Ltd.	15,000	—	—	15,000
	<u>82,500</u>	<u>—</u>	<u>—</u>	<u>82,500</u>

(c) Investment in an associate

	Type	Place of registration	Registered capital	Interest & voting shares held
Tianjin international Machinery Co., Ltd.	Limited Company	Tianjin	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	Audited 31 December 2015	Share of loss	Cash dividends by the associate	Unaudited 30 June 2016	Share holding/ Voting rights (%)
TIMC	33,000	25,998	(2,126)	—	23,872	27.50%

Summarised financial information for insignificant associate

	TIMC	
	Unaudited 30 June 2016	Audited 31 December 2015
Aggregated carrying amount of investment	23,872	25,998
Aggregate of the following items in proportion	(2,126)	(5,349)
Net loss (note (i))	—	—
Other comprehensive income (note (i))	—	—
Total comprehensive income	(2,126)	(5,349)

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in associate and the unification of accounting policies adopted by the associate to those adopted by the Company.

(10) INVESTMENT PROPERTIES

Buildings	Group	Company
Cost		
At 1 31 December 2015(Audited) and 30 June 2016 (Unaudited)	<u>137,374</u>	<u>110,648</u>
Accumulated depreciation		
31 December 2014(Audited)	(32,438)	(28,494)
Charge for the year	<u>(3,673)</u>	<u>(3,168)</u>
At 31 December 2015(Audited)	(36,111)	(31,662)
Charge for the year	(1,836)	(1,584)
At 30 June 2016(Unaudited)	(37,947)	(33,246)
Net book value		
At 30 June 2016(Unaudited)	<u>99,427</u>	<u>77,402</u>
At 31 December 2015(Audited)	<u>101,263</u>	<u>78,986</u>

The Group's investment properties mainly represent the apportioned cost of its office building of the Company and property of Tianjin Water Recycling Co., Ltd. located in Tianjin held for long-term rental. Based on the Management's assessment, the fair value of leased office building of the Company at 30 June 2016 was approximately Rmb158 million (2015: Rmb158 million) and its carrying value was approximately Rmb77 million. The fair value of leased property of Tianjin Water Recycling Co., Ltd. at 30 June 2016 was approximately Rmb52 million (2015: Rmb52 million) and its carrying value was approximately Rmb22 million.

(11) FIXED ASSETS AND CONSTRUCTION IN PROGRESS

(a) Group

	Buildings & structure (note (i))	Machinery & equipment	Motor vehicles & others	Total
Cost				
At 1 January 2015(Audited)	289,632	308,768	64,967	663,367
Transfer from construction in progress	—	7,040	—	7,040
Additions	—	4,228	1,633	5,861
Adjustment for estimated carrying amounts	(8,773)	—	—	(8,773)
Disposals	—	(27)	(1,009)	(1,036)
At 31 December 2015(Audited)	280,859	320,009	65,591	666,459
Transfer from construction in progress (note 4 (11) (c))	—	—	—	—
Additions	—	440	872	1,313
Disposals	—	(54)	(134)	(188)
At 30 June 2016(Unaudited)	280,859	320,395	66,329	667,583
Accumulated depreciation				
At 1 January 2015(Audited)	(40,991)	(85,619)	(48,229)	(174,839)
Charge for the year (note (ii))	(12,506)	(25,389)	(3,160)	(41,055)
Disposals	—	27	918	945
At 31 December 2015 (Audited)	(53,497)	(110,981)	(50,471)	(214,949)
Charge for the year (note (ii))	(8,566)	(10,479)	(1,189)	(20,234)
Disposals	—	44	112	156
At 30 June 2016 (Unaudited)	(62,063)	(121,416)	(51,548)	(235,027)
Net book value				
At 30 June 2016 (Unaudited)	<u>218,796</u>	<u>198,979</u>	<u>14,781</u>	<u>432,556</u>
At 31 December 2015 (Audited)	<u>227,362</u>	<u>209,028</u>	<u>15,120</u>	<u>451,510</u>

- (i) All of the Group's buildings, structures and plants are located in the PRC.
- (ii) The Group's depreciation expense of Rmb18 million (2015: Rmb19 million) has been included in cost of operations and Rmb2 million (2015: Rmb3 million) in administrative expenses.
- (iii) As at 30 June 2016, 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 Rmb175 million and cost of Rmb125 million (31 December 2015: carrying amount of Rmb127 million and cost of Rmb175 million) has yet to be or is in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, the managements believe that the titles will be received in due course without additional significant cost to the Group, if any.

(b) Company

	Buildings & structure	Machinery & equipment	Motor vehicles & others	Total
Cost				
At 1 January 2015(Audited)	79,867	128,382	30,290	238,539
Additions	—	54	331	385
Disposals	—	(27)	(836)	(863)
At 31 December 2015(Audited)	79,867	128,409	29,785	238,061
Additions	—	9	170	179
Disposals	—	—	—	—
At 30 June 2016(Unaudited)	79,867	128,418	29,955	238,240
Accumulated depreciation				
At 1 January 2015(Audited)	(16,817)	(40,376)	(23,466)	(80,659)
Charge for the year	(3,652)	(11,784)	(1,362)	(16,798)
Disposals	—	27	793	820
At 31 December 2015(Audited)	(20,469)	(52,133)	(24,035)	(96,637)
Charge for the year	(1,826)	(5,885)	(565)	(8,276)
Disposals	—	—	—	—
At 30 June 2016(Unaudited)	(22,295)	(58,018)	(24,600)	(104,913)
Net book value				
At 30 June 2016(Unaudited)	<u>57,572</u>	<u>70,400</u>	<u>5,355</u>	<u>133,327</u>
At 31 December 2015(Audited)	<u>59,398</u>	<u>76,276</u>	<u>5,750</u>	<u>141,424</u>

(c) Movement of significant projects of construction in progress:

Name	Budget	Group					Unaudited 30 June 2016	Proportion of expenditures incurred to budgeted amount (%)	Source of funds
		Audited 31 December 2015	Increase	Transfer to intangible assets	Transfer to fixed assets	Other Disposals			
Hangzhou									
- Qi Ge	430,000	—	90,598	—	(90,598)	—	37.37	Self-raised	
Jiayuantian									
- Hei Niucheng Road	241,950	1,219	15,011	—	—	—	6.71	Self-raised	
Others		1,724	7,749	—	(7,265)	(8)	2,200		
Total - Group		<u>2,943</u>	<u>113,358</u>	<u>—</u>	<u>(97,863)</u>	<u>(8)</u>	<u>18,430</u>		

During the six months ended 30 June 2016, there's no significant increase and decrease of construction in progress of the Company.

During the six months ended 30 June 2016, no borrowing cost has been capitalized (2015: no borrowing cost has been capitalized).

(d) Construction in progress

As at 30 June 2016, the progress of significant projects of construction in progress:

	Construction progress	Remark
Hangzhou	37.37%	Estimated by percent of occurred cost amount to total project budget
- Qi Ge		
Jiayuantian	6.71%	Estimated by percent of occurred cost amount to total project budget
- Hei Niucheng Road		

(12) INTANGIBLE ASSETS

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Concession rights (note (a))	6,192,844	6,238,611	3,432,065	3,494,736
Land use rights (note (b))	15,206	15,426	11,230	11,394
Technical know-how and computer software (note (c))	5,928	6,139	5,160	5,410
	<u>6,213,978</u>	<u>6,260,176</u>	<u>3,448,455</u>	<u>3,511,540</u>

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

	Group	Company
Cost		
At 1 January 2015 (Audited)	7,204,909	3,722,093
Transfers from CIP	228,030	—
Additions	987	—
	<u>7,433,926</u>	<u>3,722,093</u>
At 31 December 2015 (Audited)	7,433,926	3,722,093
Transfers from CIP (Note 4 (11) (c))	97,863	—
Additions	7,067	—
	<u>7,538,856</u>	<u>3,722,093</u>
At 30 June 2016 (Unaudited)	7,538,856	3,722,093
Accumulated amortization		
At 1 January 2015 (Audited)	(888,398)	(90,788)
Charge for the year	(271,629)	(136,569)
	<u>(1,160,027)</u>	<u>(227,357)</u>
At 31 December 2015 (Audited)	(1,160,027)	(227,357)
Charge for the year	(150,697)	(62,671)
	<u>(1,310,724)</u>	<u>(290,028)</u>
At 30 June 2016 (Unaudited)	(1,310,724)	(290,028)
Provision of Impairment		
At 31 December 2015 (Audited)	(35,288)	—
Charge for the year (Notes 4(27))	—	—
	<u>(35,288)</u>	<u>—</u>
At 30 June 2016 (Unaudited)	(35,288)	—
Net book value		
At 30 June 2016 (Unaudited)	<u>6,192,844</u>	<u>3,432,065</u>
At 31 December 2015 (Audited)	<u>6,238,611</u>	<u>3,494,736</u>

- (i) As at 30 June 2016, certain of concession rights with net book value of Rmb196 million (Cost: Rmb302 million) (2015: carrying amount Rmb201 million; cost: Rmb302 million) have been secured against long-term borrowings of Rmb65 million (2015: Rmb75 million) (note 4(16) (a)).
- (ii) The remaining amortization period of concession rights range from 13 to 28 years.
- (b) The movements of land use rights are as follows:

	Group	Company
Cost		
At 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	<u>17,841</u>	<u>13,088</u>
Accumulated amortization		
At 1 January 2015 (Audited)	(1,975)	(1,367)
Charge for the year	<u>(440)</u>	<u>(327)</u>
At 31 December 2015 (Audited)	(2,415)	(1,694)
Charge for the year	<u>(220)</u>	<u>(164)</u>
At 30 June 2016 (Unaudited)	<u>(2,635)</u>	<u>(1,858)</u>
Net book value		
At 30 June 2016 (Unaudited)	<u><u>15,206</u></u>	<u><u>11,230</u></u>
At 31 December 2015 (Audited)	<u><u>15,426</u></u>	<u><u>11,394</u></u>

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

	Group	Company
Cost		
At 1 January 2015 (Audited)	11,321	10,291
Additions	141	—
	<hr/>	<hr/>
At 31 December 2015 (Audited)	11,462	10,291
Additions	98	—
	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	<u>11,560</u>	<u>10,291</u>
Accumulated amortization		
At 1 January 2015 (Audited)	(4,725)	(4,381)
Charge for the year	(598)	(500)
	<hr/>	<hr/>
At 31 December 2015 (Audited)	(5,323)	(4,881)
Charge for the year	(309)	(250)
	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	<u>(5,632)</u>	<u>(5,131)</u>
Net book value		
At 30 June 2016 (Unaudited)	<u>5,928</u>	<u>5,160</u>
	<hr/>	<hr/>
At 31 December 2015 (Audited)	<u>6,139</u>	<u>5,410</u>

(d) Amortization of Rmb150 million (2015: Rmb126 million) is included in the ‘cost of sales’ in the income statement and Rmb61 million (2015: Rmb45 million) in ‘administrative expenses’ respectively.

(13) PROVISION FOR ASSET IMPAIRMENT

	Audited		Unaudited
	31 December	Increase in	30 June
	2015	current year	2016
Provision for bad debts (note (i))	9,499	—	9,499
Provision for impairment of intangible assets (note (i))	35,288	—	35,288
Provision for impairment of other current assets (note (i))	29,205	—	29,205
	<u>73,992</u>	<u>—</u>	<u>73,992</u>

- (i) The provisions for bad debts and for impairment of intangible assets and of other current assets have been made by the Group, see Note 4(27).

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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
Trade payables (note (a))	107,970	82,599	40,544	26,193
Advances (note (b))	926,008	874,880	47,770	7,666
Other payables (note (c))	475,245	475,812	915,229	941,483
Taxes payable (note (d))	60,934	96,387	32,099	71,522
Dividend payable (note (e))	132,329	32,426	132,329	32,426
	<u>1,702,486</u>	<u>1,562,104</u>	<u>1,167,971</u>	<u>1,079,290</u>

- (a) As at 30 June 2016, the majority of trade payables are aged within one year and mainly for raw materials purchase.

As at 30 June 2016, there were no trade payables from an of the shareholders of the Company who hold 5% or more of voting shares (31 December 2015: Nil). And there were no trade payables from any of the related parties of the Company (31 December 2015: Nil).

(b) Advances comprise:

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
For pipeline connection service	873,273	858,647	—	—
For heating service	1,068	6,720	—	—
Received from project of Han Gu	5,267	5,267	5,267	5,267
Other advances	46,400	4,246	42,503	2,399
	<u>926,008</u>	<u>874,880</u>	<u>47,770</u>	<u>7,666</u>

As at 30 June 2016, advances of Rmb654 million (31 December 2015: Rmb625 million) are aged over one year, which mainly represent advances in relation to those projects of recycled water pipeline connection. The balances are yet to be settled as those projects have not been completed.

As at 30 June 2016, there were no advances from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2015: Nil). And there were no advances from any of the related parties of the Group (31 December 2015: Nil).

(c) Other payables comprise:

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Construction costs payable	289,731	307,810	160,003	170,639
Payable for purchase of fixed assets and concession rights	13,892	13,892	—	—
Long-term debenture interests payables (note 4(16) (b))	32,356	28,098	32,356	28,098
Payables to subsidiaries	—	—	666,406	666,406
Others	139,266	126,012	56,464	76,340
	<u>475,245</u>	<u>475,812</u>	<u>915,229</u>	<u>941,483</u>

As at 30 June 2016, other payables of Rmb73 million (31 December 2015: Rmb205 million) are aged over year, which mainly represent unsettled payables and deposits for upgrade projects.

As at 30 June 2016, there were no other payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2015: Nil). And the other payables from the related parties of the Group were Rmb16 million (31 December 2015: Rmb12 million).

(d) The balances of taxes payable

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Income tax payable	38,316	2,237	21,650	(4,523)
Value-added tax payable	17,101	78,493	9,066	63,981
Business tax payable	—	3,783	—	2,687
Others	5,517	11,874	1,383	9,377
	<u>60,934</u>	<u>96,387</u>	<u>32,099</u>	<u>71,522</u>

(e) Dividend payable

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Dividend payable for common shares	<u>132,329</u>	<u>32,426</u>	<u>132,329</u>	<u>32,426</u>

(15) EMPLOYEE BENEFITS PAYABLE

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Short-term Employee benefits	20,827	21,682	17,614	12,667
Defined contribution plans	77	127	6	—
	<u>20,904</u>	<u>21,809</u>	<u>17,620</u>	<u>12,667</u>

(a) Short-term Employee benefits

	Audited			Unaudited
	31 December			30 June
	2015	Increase	Decrease	2016
Wages and salaries, bonuses, allowances and subsidies	15,184	82,110	(83,739)	13,555
Staff welfare	—	4,629	(4,629)	—
Social security contributions	65	7,372	(7,338)	99
Including: Medical insurance	59	6,798	(6,783)	74
Work injury insurance	1	267	(260)	8
Maternity insurance	5	307	(295)	17
Housing funds	277	14,416	(14,392)	301
Labor union funds and employee education funds	6,156	2,689	(1,973)	6,872
	<u>21,682</u>	<u>111,216</u>	<u>(112,071)</u>	<u>20,827</u>

As at 30 June 2016, no defaulted payables are included in the balance of employee benefits payable.

(b) Defined contribution plans

	Audited			Unaudited
	31 December			30 June
	2015	Increase	Decrease	2016
Basic pensions	118	14,557	(14,606)	69
Unemployment insurance	9	634	(635)	8
	<u>127</u>	<u>15,191</u>	<u>(15,241)</u>	<u>77</u>

(c) Directors' emoluments

The remuneration of every director for the six months ended 30 June 2016 is set out below:

Name	Fees	Salaries and other emoluments	Total
Executive Directors:			
Liu Yujun	—	252	252
Lin Wenbo (note (i))	—	193	193
Fu Yana	—	193	193
Peng Yilin (note (ii))	—	325	325
Non-executive Directors:			
Guan Yimin	110	—	110
Wang Xiangfei	110	—	110
Guo Yongqing	110	—	110
	<u>330</u>	<u>963</u>	<u>1,293</u>

(i) In 2016, Lin Wenbo served as the chairman and executive director of the company.

(ii) On March 16, 2016, after the authorization of the first temporary shareholder meeting, Peng Yilin takes the place of executive director of the company.

The remuneration of every director for the year ended 30 June 2015 is set out below:

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

- (i) On January 23, 2015, after the authorization of the twenty-sixth meeting of the sixth board of directors, Zhang Wenhui is no longer the chairman of the company since he has achieved the legal retirement age. On March 13, 2015, after the authorization of the first temporary shareholder meeting, Liu Yujun takes the place of chairman.
- (ii) In 2015, Lin Wenbo served as the chairman and executive director of the company.
- (iii) On March 13, 2015, after the authorization of the first temporary shareholder meeting, Cao Shuo takes the place of executive director of the company. On January 29, 2016, after the authorization of the third meeting of the seventh board of directors, Cao Shuo is no longer the executive director of the company for personal reason.
- (iv) On December 17, 2015, after the authorization of the second temporary shareholder meeting, Gao Zongze, Wang Xiangfei and Guo Yongqing take places of non-executive directors. Li Jieying and Guan Yimin are no longer the non-executive directors of the company.

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

	Note	Group		Company	
		Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Non-current:					
Long-term bank borrowings	(a)	818,078	856,536	—	—
Less: current portion within one year	(a)	(159,200)	(282,350)	—	—
		<u>658,878</u>	<u>574,186</u>	<u>—</u>	<u>—</u>
Long-term debenture	(b)	1,395,269	1,393,175	1,395,269	1,393,175
Less: current portion within one year	(b)	(699,294)	(698,250)	(699,294)	(698,250)
		<u>695,975</u>	<u>694,925</u>	<u>695,975</u>	<u>694,925</u>
Long-term payable	(c)	287,544	292,993	287,544	292,993
Less: current portion within one year	(c)	(25,831)	(23,216)	(25,831)	(23,216)
		<u>261,713</u>	<u>269,777</u>	<u>261,713</u>	<u>269,777</u>
Other non-current liabilities	(d)	<u>47,182</u>	<u>48,638</u>	<u>—</u>	<u>—</u>
Current:					
Current portion of long-term bank borrowings	(a)	159,200	282,350	—	—
Current portion of long-term debenture	(b)	699,294	698,250	699,294	698,250
Current portion of long-term payable	(c)	25,831	23,216	25,831	23,216
		<u>884,325</u>	<u>1,003,816</u>	<u>725,125</u>	<u>721,466</u>
Other current liabilities	(d)	<u>3,182</u>	<u>3,810</u>	<u>—</u>	<u>—</u>

(a) Long-term bank borrowings

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

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Borrowings from:	132,329	32,426	132,329	32,426
China Construction Bank	278,000	300,000	—	—
Industrial and Commercial				
Bank of China	137,078	237,236	—	—
State Development Bank	91,600	109,900	—	—
China Minsheng Bank	209,200	99,000	—	—
Agriculture Bank of China	47,200	50,400	—	—
Industrial Bank	45,000	45,000	—	—
Bank of China	10,000	15,000	—	—
	<u>818,078</u>	<u>856,536</u>	<u>—</u>	<u>—</u>

Summary of current portion of long-term bank borrowings:

	Note	Group		Company	
		Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Pledge	(i)	25,000	25,000	—	—
Guarantee	(iii)	26,000	25,000	—	—
Unsecured		108,200	232,350	—	—
		<u>159,200</u>	<u>282,350</u>	<u>—</u>	<u>—</u>

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

	Note	Group		Company	
		Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Pledge	(ii)	40,000	50,000	—	—
Guarantee	(iv)	187,000	200,000	—	—
Unsecured		431,878	324,186	—	—
		<u>658,878</u>	<u>574,186</u>	<u>—</u>	<u>—</u>

- (i) As at 30 June 2016, the current portion of bank pledge borrowings of Rmb25 million (31 December 2015: Rmb25 million, secured by the concession services right of tap water and sewage processing fees (note 4(12) (a)).
- (ii) As at 30 June 2016, non-current portion of bank pledge borrowings of Rmb40 million (31 December 2015: Rm50 million), secured by the concession services right of tap water and sewage processing fees (note 4(12) (a)).
- (iii) As at 30 June 2016, current portion of bank guarantee borrowings of Rmb26 million (31 December 2015: Rmb25 million) was secured by the guarantee of TICIG (note 6 (5) (b)).
- (iv) As at 30 June 2016, non-current portion of bank guarantee borrowings of Rmb187 million (31 December 2015: Rmb200 million) was secured by the guarantee of TICIG (note 6 (5) (b)).
- (v) These long term bank borrowings bear interest rates between 4.275% and 5.4% as at 30 June 2016 (31 December 2015: between 4.410% and 6.150%).
- (vi) These borrowings mature as follows:

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Within 1 year	159,200	282,350	—	—
1 to 2 years	258,278	235,650	—	—
2 to 5 years	311,600	245,536	—	—
Over 5 years	89,000	93,000	—	—
	<u>818,078</u>	<u>856,536</u>	<u>—</u>	<u>—</u>

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

	Grant date	Maturity date	Currency	Rate (%)	Group 30 June 2016
Industrial and Commercial					
Bank of China	2012.06.09	2017.01.15	RMB	4.4100%	40,000
China Construction Bank	2008.09.28	2017.06.27	RMB	4.8925%	26,000
China Construction Bank	2006.05.26	2017.05.26	RMB	4.9000%	25,000
China Minsheng Bank	2016.06.17	2017.06.17	RMB	4.2750%	16,800
Agriculture Bank of China	2014.09.11	2017.06.30	RMB	4.9000%	6,400
					<u>114,200</u>

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

	Grant date	Maturity date	Currency	Rate (%)	Group 30 June 2016
China Construction Bank	2008.09.28	2022.09.27	RMB	4.8925%	187,000
China Minsheng Bank	2016.06.17	2021.06.17	RMB	4.2750%	67,400
China Minsheng Bank	2016.06.27	2019.06.27	RMB	4.2750%	54,000
China Minsheng Bank	2014.11.14	2017.11.21	RMB	4.2750%	40,000
China Construction Bank	2006.05.26	2018.05.26	RMB	4.9000%	40,000
					<u>388,400</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 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
6 months or less	—	—	—	—
6- 12 months	<u>818,078</u>	<u>856,536</u>	<u>—</u>	<u>—</u>
	<u>818,078</u>	<u>856,536</u>	<u>—</u>	<u>—</u>

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

	Group and Company	
	Unaudited 30 June 2016	Audited 31 December 2015
Floating rate expiring within 1 year	1,700,000	1,250,000
Floating rate expiring over 1 year	<u>1,877,800</u>	<u>265,000</u>
	<u>3,577,800</u>	<u>1,515,000</u>

(b) Long-term debenture

Long-term Debenture	Audited	Additions	Decrease	Transfer to current portion	Unaudited
	31 December 2015				31 June 2015
Par value	700,000	—	—	—	700,000
Transaction cost	(5,075)	—	1,050	—	(4,025)
	<u>694,925</u>	<u>—</u>	<u>1,050</u>	<u>—</u>	<u>695,975</u>

General information on Long-term Debenture:

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

Interest accrued of debentures is analyzed as follows:

	Audited	Interest accrued		Unaudited
	31 December 2014	Interest accrued	Interest paid	31 June 2015
Corporate Debenture I (i)	7,747	23,176	—	30,923
Corporate Debenture II (ii)	<u>20,351</u>	<u>19,232</u>	<u>(38,150)</u>	<u>1,433</u>
	<u>28,098</u>	<u>42,408</u>	<u>(38,150)</u>	<u>32,356</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.

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

	Group and Company					
	Unaudited 30 June 2016			Audited 31 December 2015		
	Payable	Unrecognized financial charges	Total	Payable	Unrecognized financial charges	Total
Payable for assets acquisition	476,166	(188,622)	287,544	488,779	(195,786)	292,993

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Current portion
Tianjin Sewage Compant (“TSC”)	20 March 2041	430,314	5.94%	261,713	25,831

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

Pursuant to “Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project” (the “Transfer Agreement”), TSC sold to the Company the certain sewage processing assets. The down payment is 261 million, and remaining payments will be settled in Renminbi translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is based on discounting future cash payments using an effective interest rate of 5.94%.

(ii) The balance of long-term payable are denominated in the following currencies:

	Group and Company	
	Unaudited 30 June 2016	Audited 31 December 2015
JPY	191,323	194,989
US dollar	96,221	98,004
	287,544	292,993

- (iii) The payable amounts of long-term payable (including interest) are denominated in the following currencies:

	Group and Company	
	Unaudited 30 June 2016	Audited 31 December 2015
JPY	345,687	353,791
US dollar	130,479	134,988
	<u>476,166</u>	<u>488,779</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.

- (iv) The long-term payable mature as follows, and as at 30 June 2016, the current portion of long-term payable of RMB34 million was classified as current liabilities.

	Group and Company	
	Unaudited 30 June 2016	Audited 31 December 2015
Within 1 year	25,831	23,216
1 to 2 years	22,054	22,414
2 to 5 years	62,309	63,177
Over 5 years	177,350	184,186
	<u>287,544</u>	<u>292,993</u>

(e) Other liabilities

	Group		Company	
	Unaudited 30 June 2016	Audited 31 December 2015	Unaudited 30 June 2016	Audited 31 December 2015
Non-current:				
– Cooling service fee	44,000	44,000	—	—
– Government loan for water recycling plants construction (note (i))	3,182	4,545	—	—
– Others	—	93	—	—
	<u>47,182</u>	<u>48,638</u>	<u>—</u>	<u>—</u>
Current:				
– Current portion of government loan for water recycling plants construction (note (i))	3,182	3,182	—	—
– Others	—	628	—	—
	<u>3,182</u>	<u>3,810</u>	<u>—</u>	<u>—</u>

- (i) A loan was taken from Tianjin Municipal and Highway Management Bureau by Tianjin Recycled Water Co., Ltd, the subsidiary of the Company during 2003 specifically for construction of recycled water plants. The loan is repayable in equal installments over eleven years from 2007. The current portion of the long-term loan is Rmb3 million at the end of 2016 (2015: Rmb3 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 31 December 2015	Additions	Recognised in other gains-net	30 June 2016	Unaudited Relating to assets/costs
Sewage water processing plants:					
– Xianyanglu (upgrading project)	66,168	—	(1,182)	64,986	assets
– Project of the solution and maintainness of water pollution	4,187	6,685	(8)	10,864	costs
– Dongjiao (upgrading project)	46,430	—	(829)	45,601	assets
– Jin Gu	744,683	—	(13,689)	730,944	assets
Water recycling plants in:					
– Dongjiao	23,106	—	(337)	22,769	assets
– Bei Chen	19,687	—	(263)	19,424	assets
Others	937	—	(16)	921	costs
Total-Company	<u>905,198</u>	<u>6,685</u>	<u>(16,324)</u>	<u>895,559</u>	
Heating and cooling supply service project:	91,639	—	—	91,639	assets
Water recycling plants:					
– Xianyanglu (water recycling project)	14,109	—	—	14,109	assets
– Jin Gu	118,297	42,000	—	160,297	assets
Sewage water processing plants:					
– Bei Shi Qiao (upgrading project)	12,810	—	—	12,810	assets
Others	3,621	—	(349)	3,272	costs
Total	<u>1,145,674</u>	<u>48,685</u>	<u>(16,673)</u>	<u>1,177,686</u>	

(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:

	Unaudited 30 June 2016	Audited 31 December 2015
Deductible temporary difference (Note 4 (13))	73,992	73,992
Deductible loss carry-forwards	58,062	77,351
	<u>132,054</u>	<u>151,343</u>

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

Year	Ending balance	Beginning balance
2016	—	24,476
2017	18,204	18,204
2018	10,372	10,372
2019	18,056	18,056
2020	6,243	6,243
2021	5,187	—
	<u>58,062</u>	<u>77,351</u>

(b) Deferred income tax liabilities

	Group			
	Unaudited 30 June 2016		Audited 31 December 2015	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of fixed assets	<u>104,925</u>	<u>419,700</u>	<u>105,810</u>	<u>423,240</u>
Revised within 1 year	—	—	—	—
Revised over 1 year	<u>104,925</u>	—	<u>105,810</u>	—

	Company			
	Unaudited 30 June 2016		Audited 31 December 2015	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of fixed assets	<u>50,449</u>	<u>201,796</u>	<u>46,104</u>	<u>184,416</u>
Revised within 1 year	—	—	—	—
Revised over 1 year	<u>50,449</u>	—	<u>46,104</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.

	Circulating A shares	Circulating H shares	Total
At 30 June 2016 and 31 December 2015	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

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

	Unaudited For the six months ended 30 June 2016		Audited 31 December 2015	
	Amount	Appropriation/ distribution ratio	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year	2,177,200	—	1,965,882	—
Add: net profit attributable to owners of the parent for the current year	236,683	—	330,537	—
Less: appropriation for statutory surplus reserves	—	—	(19,313)	10%
Ordinary share dividends payable	(99,906)	—	(99,906)	—
Undistributed profits at the end of the year	<u>2,313,977</u>		<u>2,177,200</u>	

A dividend in respect of year ended 31 December 2015 of Rmb0.70 (gross tax) every 10 shares, total shares of 1,427 million shares on 19 July 2016, amounting to a total dividend of Rmb0.1 billion, was approved at the Annual General Meeting on 24 May 2016.

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).

(21) MINORITY INTERESTS

		Unaudited	Unaudited	Unaudited
			For the	For the
			six months	six months
			ended	ended
		30 June 2016	30 June 2016	30 June 2016
				Declared
	Minority		Minority	of cash
	interest	interest	interest	dividend
	ratio	income	income	this year
Hangzhou Tianchuang Capital Water Co., Ltd. (Hangzhou Company)	30%	153,911	497	—
Qujing Capital Water Co., Ltd. (Qujing Company)	13.45%	32,398	870	—
Others		32,797	822	721
		<u>219,106</u>	<u>2,189</u>	<u>721</u>

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

Summarized balance sheet

		Unaudited		30 June 2016		
	current	non-current	current	non-current		
	assets	assets	liability	liability		Net assets
Hangzhou Company	90,902	704,703	31,101	275,370		525,084
Qujing Company	108,211	301,547	78,483	95,655		235,620
	<u>199,113</u>	<u>1,042,200</u>	<u>109,584</u>	<u>371,025</u>		<u>760,704</u>
		Audited		31 December 2015		
	current	non-current	current	non-current		
	assets	assets	liability	liability		Net assets
Hangzhou Company	128,623	686,510	183,911	119,844		511,378
Qujing Company	102,396	310,004	76,471	105,818		230,111
	<u>231,019</u>	<u>996,514</u>	<u>260,382</u>	<u>225,662</u>		<u>741,489</u>

Summarized income statement

	Unaudited				Total comprehensive income
	For the six months ended 30 June 2016				
	Revenue	Profit before income tax	Income tax expense	Net profit	
Hangzhou Company	65,469	8,106	(6,448)	1,658	1,658
Qujing Company	49,618	9,409	(2,942)	6,467	6,467
	<u>115,087</u>	<u>17,515</u>	<u>(9,390)</u>	<u>8,125</u>	<u>8,125</u>

	Unaudited				Total comprehensive income
	For the six months ended 30 June 2015				
	Revenue	Profit before income tax	Income tax expense	Net profit	
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>

Summarized cash flows

	Unaudited				Cash and cash equivalents at end of the year
	For the six months ended 30 June 2016				
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at beginning of the year	
Hangzhou Company	30,049	(92,200)	27,728	80,701	46,278
Qujing Company	15,320	(776)	(13,777)	7,413	8,180
	<u>45,369</u>	<u>(92,976)</u>	<u>13,951</u>	<u>88,114</u>	<u>54,458</u>

	Unaudited				
	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 year	Cash and cash equivalents at end of the year
Hangzhou Company	33,745	(2,559)	(27,898)	27,716	31,004
Qujing 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>

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

(22) INCOME FROM AND COST FOR OPERATIONS

	Group			
	Unaudited For the six months ended 30 June 2016		Unaudited For the six months ended 30 June 2015	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Income from principal operations	832,900	505,406	879,436	478,393
Other operating income	94,661	51,810	78,543	58,450
	<u>927,561</u>	<u>557,216</u>	<u>957,979</u>	<u>536,843</u>

	Company			
	Unaudited For the six months ended 30 June 2016		Unaudited For the six months ended 30 June 2015	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Income from principal operations	414,430	232,252	457,533	212,835
Other operating income	65,039	34,092	59,709	36,903
	<u>479,469</u>	<u>266,344</u>	<u>517,242</u>	<u>249,738</u>

(a) Income from and cost of principal operations

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

	Group			
	Unaudited		Unaudited	
	For the six months ended		For the six months ended	
	30 June 2016		30 June 2015	
	Income from	Cost of	Income from	Cost of
	operations	operations	operations	operations
Processing of sewage water and construction of related facility	624,978	380,449	671,376	354,940
Water recycling and connection project	100,096	62,856	91,900	58,247
Heating and cooling service	28,641	19,951	29,736	19,382
Tap water supplying	33,552	24,379	31,633	22,324
Sale of environmental protection equipment	8,911	9,077	20,007	14,767
Others	36,722	8,694	34,784	8,733
	<u>832,900</u>	<u>505,406</u>	<u>879,436</u>	<u>478,393</u>

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

	Group			
	Unaudited		Unaudited	
	For the six months ended		For the six months ended	
	30 June 2016		30 June 2015	
	Income from	Cost of	Income from	Cost of
	operations	operations	operations	operations
Tianjin	557,697	317,229	603,400	286,677
Xi'an	68,114	40,348	39,276	31,825
Hangzhou	65,229	48,253	86,676	61,904
Qujing	48,541	34,810	50,248	34,272
Others	93,319	64,766	99,836	63,715
	<u>832,900</u>	<u>505,406</u>	<u>879,436</u>	<u>478,393</u>

- (b) Income from and cost of other operating

	Group			
	Unaudited		Unaudited	
	For the six months ended		For the six months ended	
	30 June 2016		30 June 2015	
	Income from	Cost for	Income from	Cost for
	operations	operations	operations	operations
Entrust operation income	66,581	46,729	56,352	49,697
Technical service	23,063	1,806	14,026	3,613
Rental	2,879	2,165	4,117	2,420
Others	2,138	1,110	4,048	2,720
	<u>94,661</u>	<u>51,810</u>	<u>78,543</u>	<u>58,450</u>

- (c) As at 31 December 2015, the income from the top five customers is analyzed as below:

The total revenue of the Group's top 5 customers is Rmb594 million for the six months ended 30 June 2016, which account for about 64% of the Group's total revenue (2015: Rmb618 million and 64%).

	Revenue	% of total balance
TWAB	378,916	41%
Xi'an Urban Infrastructure Construction Investment Group Co., Ltd.	68,114	7%
Hangzhou Sewage Company	65,229	7%
Qijing City Water General Company	48,541	5%
Tianjin Municipal and Highway Management Bureau	33,513	4%
	<u>594,313</u>	<u>64%</u>

- (i) Operating revenue from customer TSC account for about 79% of the Group's total revenue, the rest is immaterial.

(23) BUSINESS TAX AND SURCHARGES

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Business tax	4,805	7,322	2,129	3,789
City construction and maintenance fee	7,468	691	4,227	265
Education fee surcharge and others	6,210	557	3,779	227
	<u>18,483</u>	<u>8,570</u>	<u>10,135</u>	<u>4,281</u>

(24) SELLING EXPENSES AND ADMINISTRATIVE EXPENSES

	Group			
	Unaudited For the six months ended 30 June 2016		Unaudited For the six months ended 30 June 2015	
	Administrative expenses	Selling expenses	Administrative expenses	Selling expenses
Employee wages	35,713	4,487	35,803	1,227
Other taxes	3,963	—	3,943	—
Consulting service fee	3,015	—	2,581	335
Depreciation	2,447	16	2,552	13
Auditors' remuneration	2,100	—	2,100	—
Travelling, meeting and entertainment expenses	1,857	325	1,971	36
Office allowance	1,177	54	1,095	10
Repair and maintenance expenses	1,107	—	1,176	—
Utilities	644	—	504	—
Expenses of Board of directors	629	—	447	—
Amortization	607	—	447	—
Others	1,144	241	1,835	158
	<u>54,403</u>	<u>5,123</u>	<u>54,454</u>	<u>1,779</u>

- (i) (i) As at 30 June 2016, the Group's selling expenses were RMB5.1 million and most of them were employee wages for deodorant equipment marketing.

	Company	
	Unaudited	Unaudited
	For the six	For the six
	months ended	months ended
	30 June 2016	30 June 2015
	Administrative	Administrative
	expenses	expenses
Employee wages	21,391	21,967
Auditors' remuneration	2,100	2,100
Consulting service fee	1,940	1,853
Depreciation	961	1,099
Other taxes	875	897
Expenses of Board of directors	629	447
Repair and maintenance expenses	588	1,047
Amortization	550	413
Travelling, meeting and entertainment expenses	516	498
Utilities	493	333
Office allowance	300	308
Others	206	143
	30,549	31,105
	30,549	31,105

(25) COST AND EXPENSES BY NATURE

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Amortization	151,226	124,955	63,085	63,086
Utilities	131,634	139,554	63,244	66,779
Employee wages	126,407	118,114	67,719	55,502
Repair and maintenance expenses	40,339	29,502	21,967	14,928
Sewage mud processing fee	32,446	26,508	25,850	20,759
Cost of recycling water pipeline connection service	24,396	20,415	—	—
Raw materials and consumables used	23,442	29,598	17,358	20,987
Depreciation	22,070	22,379	9,860	10,028
Factory environment, detection and fire prevention fee	10,843	10,989	3,651	5,250
Other taxes	8,436	9,414	3,982	4,646
Network Maintenance	6,971	7,421	5,270	4,670
Consulting service fee	6,156	4,707	2,876	2,761
Travelling, meeting and entertainment expenses	5,028	4,409	1,245	1,209
Toll road management fee	3,560	3,560	3,560	3,560
Construction cost of sewage water plants	3,229	1,394	2,000	897
Office allowance	2,163	2,216	621	630
Auditors' remuneration	2,100	2,100	2,100	2,100
Expenses of Board of directors	629	447	629	447
Others	15,667	35,394	1,876	2,604
	<u>616,742</u>	<u>593,076</u>	<u>296,893</u>	<u>280,843</u>

(26) FINANCIAL EXPENSES - NET

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Interest expenses of borrowings	74,332	112,169	53,789	78,230
Less: Capitalized interest	—	—	—	—
Net interest expenses	74,332	112,169	53,789	78,230
Less: Interest income	(15,720)	(11,779)	(22,174)	(16,194)
– long-term receivables	(5,499)	(5,544)	(5,499)	(5,544)
– bank deposits	(10,221)	(6,235)	(7,204)	(2,684)
– interests from inter-company loan	—	—	(9,471)	(7,966)
Exchange loss/(gain) (note (a))	(3,212)	(5,412)	(3,212)	(5,412)
Others	2,479	2,641	2,208	2,253
	<u>57,879</u>	<u>97,619</u>	<u>30,611</u>	<u>58,877</u>

(a) As at 30 June 2016, the long-term payables denominated in Japanese Yen and USD are translated into Rmb at the stipulated exchange rates and recognized the unrealized exchange gains of about Rmb3.2 million (30 June 2015: exchange gains of about Rmb5 million).

(27) IMPAIREMENT LOSS

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Impairment of intangible assets	—	—	—	—
Impairment of other current assets	—	—	—	—
Provision for bad debts	—	—	—	—
Provision of impairment for long-term investment	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(28) NON-OPERATING INCOME

	Unaudited	Group Unaudited	Unaudited Non-recurring Profit or Loss Recognized
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	for the six months ended 30 June 2015
Government grants (note (a))	81,730	899	16,672
Gains on disposals of non-current assets	1	12	1
Others	1,535	1,199	1,535
	<u>83,266</u>	<u>2,110</u>	<u>18,208</u>

	Unaudited	Company Unaudited	Unaudited Non-recurring Profit or Loss Recognized
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	for the six months ended 30 June 2015
Government grants (note (a))	56,653	615	16,324
Gains on disposals of non-current assets	1	—	1
Others	—	—	—
	<u>56,654</u>	<u>615</u>	<u>16,325</u>

(a) Government grants

	Unaudited For the six months ended 30 June 2016	Group Unaudited For the six months ended 30 June 2015	Relating to assets/costs
VAT refunds (note 3)	65,058	—	costs
Offset of demolition loss (note 4 (17))	13,689	—	costs
Grant of sewage water processing plants (note 4 (17))	2,011	—	assets
Grant of water recycling plants (note 4 (17))	600	600	assets
Others (note 4 (17))	372	299	costs
	<u>81,730</u>	<u>899</u>	

	Unaudited For the six months ended 30 June 2016	Company Unaudited For the six months ended 30 June 2015	Relating to assets/costs
VAT refunds (note 3)	40,329	—	costs
Offset of demolition loss (note 4 (17))	13,689	—	costs
Grant of sewage water processing plants (note 4 (17))	2,011	—	assets
Grant of water recycling plants (note 4 (17))	600	600	assets
Others (note 4 (17))	24	15	costs
	<u>56,653</u>	<u>615</u>	

(29) NON-OPERATING EXPENSES

	Unaudited For the six months ended 30 June 2016	Group Unaudited For the six months ended 30 June 2015	Unaudited Non-recurring Profit or Loss Recognized for the six months ended 30 June 2015
Loss on disposals of fixed assets	21	1	21
Others	2,706	87	2,706
	<u>2,727</u>	<u>88</u>	<u>2,727</u>

(30) INCOME TAX

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Current income tax	74,883	61,298	45,276	46,925
Deferred income tax	(885)	9,889	4,345	4,701
	<u>73,998</u>	<u>71,187</u>	<u>49,621</u>	<u>51,626</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:

	Group	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Total profit	<u>312,870</u>	<u>257,749</u>
Calculated at applicable income tax rates (25%)	78,218	64,437
Effect of different income tax rates applicable to certain subsidiaries	(1,732)	(575)
Income not subject to tax	(3,190)	(1,895)
Expenses not deductible for taxation purposes	7,619	7,810
Utilization of previously deductible tax losses for which no deferred income tax was recognized	(8,214)	(332)
Current year tax losses for which no deferred income tax asset was recognized	<u>1,297</u>	<u>1,742</u>
Income tax expenses	<u>73,998</u>	<u>71,187</u>

(31) EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb237 million (For the six months ended 30 June 2015: Rmb181 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (For the six months ended 30 June 2015: 1,427 million shares).

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

	Group	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Profit attributable to owners of the parent	236,683	181,435
Weighted average number of ordinary shares in issue (thousand shares)	1,427,228	1,427,228
Basic and diluted earnings per share (Rmb Yuan)	<u>0.17</u>	<u>0.13</u>

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

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

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Net profit	238,872	186,562	150,543	122,230
Adjustments for:				
Provision of impairment	—	—	—	—
Depreciation of fixed assets and investment properties	22,070	22,379	9,860	10,028
Amortization of intangible assets	151,226	124,955	63,085	63,086
(Gains)/losses on disposals of fixed assets and intangible assets	20	(11)	(1)	—
Financial expenses-net	71,120	106,757	50,577	72,818
Investment losses/(income)	2,126	2,987	(1,680)	—
Demolition loss	—	—	—	—
Amortization of deferred revenue	(16,672)	899	(16,324)	615
Increase in deferred tax liabilities	(855)	9,889	4,395	4,701
(Increase)/decrease in inventories	1,757	949	(264)	(166)
Decrease/(Increase) in operating receivables	(204,893)	1,399,296	(300,576)	1,501,207
Increase in operating payables	(19,178)	98,035	39,741	16,478
Net cash flows from operating activities	<u>245,563</u>	<u>1,952,697</u>	<u>(694)</u>	<u>1,790,997</u>
Net changes in cash and cash equivalents				
Cash at end of year	1,296,061	1,970,946	371,649	1,449,206
Less: cash at beginning of year	<u>(1,328,575)</u>	<u>(814,892)</u>	<u>(569,699)</u>	<u>(292,731)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(29,514)</u>	<u>1,156,054</u>	<u>(227,050)</u>	<u>1,156,475</u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Cash				
Including: Cash in hand	245	522	27	58
Cash in bank available at anytime	<u>1,298,816</u>	<u>1,970,424</u>	<u>371,622</u>	<u>1,449,148</u>
Cash and cash equivalents shown in the cash flow statements	<u><u>1,299,061</u></u>	<u><u>1,970,946</u></u>	<u><u>371,649</u></u>	<u><u>1,449,206</u></u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Project deposit received	51,334	14,225	—	—
Project fund on behalf of sewage mud project	33,125	27,789	33,125	27,789
Collection of deposit on project bids	27,299	4,009	24,761	1,600
Interest income from bank deposits	10,288	6,235	7,273	2,667
Subsidies received	7,307	5,281	6,707	—
Others	<u>5,207</u>	<u>3,022</u>	<u>3,778</u>	<u>255</u>
	<u><u>134,560</u></u>	<u><u>60,561</u></u>	<u><u>75,644</u></u>	<u><u>32,311</u></u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Deposits	21,750	4,065	21,750	70
Consulting service fee	2,257	4,562	1,617	3,997
Travelling, meeting and entertainment expenses	1,000	1,213	174	110
Expense of board of directors	629	447	629	447
Repair and maintenance expenses	1,107	1,134	588	426
Others	10,201	80,016	11,228	4,244
	<u>36,944</u>	<u>91,437</u>	<u>35,986</u>	<u>9,294</u>

(e) Net cash received on disposals of fixed assets

	Group	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Carrying value of disposals of fixed assets	74	2,286
Offset deferred revenue	—	(2,277)
Losses on disposals of fixed assets	(20)	11
	<u>54</u>	<u>20</u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Ji Zhuang Zi Land compensation fund received	42,000	—	—	—
Funds for Project Construction received	28,390	—	—	—
	<u>70,390</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Payment of relocation expenses	25,715	5,910	25,715	5,910
Payment for deposit	—	9,100	—	—
	<u>25,715</u>	<u>15,010</u>	<u>25,715</u>	<u>5,910</u>

5 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, tap water operations and sale of environmental protection equipment. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). Other services include contract operation services, lease of office building or apartments and provide technical services etcetera. These are not separately presented within the reportable operating segments, but included in the ‘all other segments’ column. The environmental protection equipment is mainly the achievement of technology research. From the year of 2015, sale of environmental protection equipment segment was separately disclosed and disclosure information for the corresponding period of time was represented accordingly. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment’s revenue.

(a) Segment information as at and for the six months ended 30 June 2016 (Unaudited) is as follows:

	Sewage processing and facility construction services						Sale of environment- al protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling	Tap water			
Income from third parties (note 4 (22))	383,455	65,229	176,294	100,096	28,641	33,552	8,911	131,383	927,561
Cost of sales from third parties	(223,529)	(48,253)	(108,667)	(62,856)	(19,951)	(24,379)	(9,077)	(60,504)	(557,216)
Interest income (note 4 (26))	7,376	305	881	1,656	25	8	28	5,441	15,720
Interest expenses (note 4 (26))	(53,789)	(3,315)	(13,560)	(62)	(2,145)	(1,450)	—	(11)	(74,332)
Results before share of profits of an associate	165,321	9,298	51,178	26,547	5,060	5,653	(7,794)	59,732	314,995
Investment loss from associate (note 4 (9) (c))	—	—	—	—	—	—	—	(2,126)	(2,126)
Depreciation	(270)	—	(26)	(18,255)	(125)	—	(401)	(2,993)	(22,070)
Amortization	(63,336)	(35,035)	(39,925)	(89)	(7,137)	(5,175)	—	(529)	(151,226)
Total profit	165,321	9,298	51,178	26,547	5,060	5,653	(7,794)	57,606	312,869
Income tax expense	(41,666)	(6,448)	(8,104)	(5,488)	(1,749)	(1,413)	1,169	(10,299)	(73,998)
Net profit	123,655	2,850	43,074	21,059	3,311	4,240	(6,625)	47,308	238,872
Segment assets	4,480,083	823,555	1,974,348	1,541,293	513,970	242,996	48,597	689,412	10,314,254
Segment liabilities	2,751,176	196,570	740,319	1,218,208	268,906	82,081	26,520	273,476	5,557,256
Long-term equity investment	—	—	—	—	—	—	—	23,872	23,872
Non-current assets addition other than related to long-term investment	—	90,598	7,265	546	22,451	—	111	864	121,835

(b) Segment information as at and for the six months ended 30 June 2015(Unaudited) is as follows:

	Sewage processing and facility construction services					Sale of environme- ntal protection equipment		All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling	Tap water			
Income from third parties (note 4(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 4(26))	2,838	199	847	2,208	38	4	46	5,599	11,779
Interest expenses (note 4(26))	(78,230)	(7,098)	(20,765)	(153)	(3,855)	(1,932)	—	(136)	(112,169)
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
Investment loss from associate (note 4(9)(c))	—	—	—	—	—	—	—	(2,987)	(2,987)
Depreciation	(355)	(110)	(2,089)	(18,058)	(200)	(90)	(260)	(1,217)	(22,379)
Amortization	(64,239)	(18,124)	(30,104)	(100)	(6,983)	(4,725)	—	(680)	(124,955)
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
	3,513,449	223,170	678,231	1,026,131	275,928	80,929	16,203	230,055	6,044,096
Segment liabilities									
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

The Group's revenue from external customers comes from China.

The non-current assets are located within China.

The revenue from sewage processing and facility construction services segment of RMB379 million is derived from a single customer, accounting for 41% of the Group's total revenue (For the six months ended 30 June 2015: RMB423 million, 44%).

6 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

	Audited 31 December 2015	Increase in current year	Decrease in current year	Unaudited 30 June 2016
TMICL	1,820,000	—	—	1,820,000

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

	Unaudited 30 June 2016		Audited 31 December 2015	
	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 note 4 (9) (a).

(3) Information of associates

The general information and other related information of the associates is set out in note 4 (9) (c).

(4) Information of other related parties

	Relationship with the Group
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Controlled by the same ultimate parent company
Tianjin Environment Construction Investment Company Limited	Controlled by the same ultimate parent company
Tianjin Lecheng Properties Limited	Controlled by the same ultimate parent company
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate parent company
Tianjin Subway Group Limited company	Controlled by the same ultimate parent company
Tianjin Haihe Construction Developing Investment Co., Ltd.	Controlled by the same ultimate parent company
Tianjin City Infrastructure Investment Construction Consulting 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 ended 30 June 2016	% of similar transactions	For the six months ended 30 June 2015	% of similar transactions
Tianjin Machinery & Electric Equipment Imp. & Exp. Co., Ltd	Purchase of equipment	11,129	15.66%	17,520	27%

Sales of services

Related party	Nature of transaction	Unaudited For the six months ended 30 June 2016		Unaudited For the six months ended 30 June 2015	
		Amount	% of similar transactions	Amount	% of similar transactions
TICIG	Commission income from contract operation	29,833	44.81	30,099	53.41
TICIG	Commission income from agent construction	—	—	1,500	37.06
Tianjin Lecheng Properties Limited	Income from heating and cooling supply	15,945	55.67	16,503	55.50
Tianjin Metro Resources Investment Co., Ltd.	Income from heating and cooling supply	1,049	3.66	1,986	6.68

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	213,000	28 September 2008	27 September 2022	N

(c) Key management compensation:

	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Key management compensation	3,835	5,701

(6) Receivables from and payables to related parties

Receivables from related parties

Project name	Trade receivables from related parties	Unaudited	Audited
		30 June 2016	31 December 2015
Trade receivables	- Tianjin Lecheng Properties Limited	23,613	12,539
Trade receivables	- TICIG	41,589	28,489
Trade receivables	- Tianjin Metro Resources Investment Co., Ltd.	5,063	7,349
Trade receivables	- Tianjin City Resource Operation Co., Ltd.	401	401
Trade receivables	- Tianjin Haihe Construction Developing Investment Co., Ltd.	303	303
		<u> </u>	<u> </u>

Payables from related parties

Project name	Payables from related parties	Unaudited	Audited
		30 June 2016	31 December 2015
Other payables	- Tianjin Machinery & Electric Equipment Imp. & Exp. Co., Ltd	15,694	11,715
		<u> </u>	<u> </u>

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

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

(7) Commitments

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

	Unaudited 30 June 2016	Audited 31 December 2015
Guarantee Received		
TICIG	<u>213,000</u>	<u>225,000</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.

7 CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	Contracted but not provided for		Authorized but not contracted for	
	Unaudited 30 June 2016 Rmb' million	Audited 31 December 2015 Rmb' million	Unaudited 30 June 2016 Rmb' million	Audited 31 December 2015 Rmb' million
Sewage water processing plants in:				
– Bei Shi Qiao and Deng Jia Cun	—	—	5	10
– Hang Zhou Qi Ge	<u>92</u>	<u>170</u>	<u>156</u>	<u>165</u>
	<u>92</u>	<u>170</u>	<u>161</u>	<u>175</u>

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 4(16) (c) (ii)).

At 30 June 2016, 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 (2015: Rmb4 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the year would have been Rmb9 million (2015: Rmb7 million) higher/lower.

(ii) Interest rate risk:

The Group's interest rate risk arises mainly from cash and cash equivalents, long-term receivables, borrowings and long-term payable.

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

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

	Group			Company		
	Fixed	Floating	Total	Fixed	Floating	Total
At 30 June 2016 (Unaudited)						
Short-term borrowings	—	—	—	—	—	—
Other non-current liabilities due within 1 year:						
Long-term borrowings due within 1 year	—	159,200	159,200	—	—	—
Long-term debenture due within 1 year	699,294	—	699,294	699,294	—	699,294
Long-term payables due within 1 year	17,216	8,615	25,831	17,216	8,615	25,831
Long-term borrowings	—	658,878	658,878	—	—	—
Long-term payables	172,068	89,645	261,713	172,068	89,645	261,713
Long-term debenture	695,975	—	695,975	695,975	—	695,975
	<u>1,584,553</u>	<u>916,338</u>	<u>2,500,891</u>	<u>1,584,553</u>	<u>98,260</u>	<u>1,682,813</u>

	Group			Company		
	Fixed	Floating	Total	Fixed	Floating	Total
At 31 December 2015 (Audited)						
Other non-current liabilities due within 1 year:						
Long-term borrowings due within 1 year	—	282,350	282,350	—	—	—
Long-term debenture due within 1 year	698,250	—	698,250	698,250	—	698,250
Long-term payables due within 1 year	14,854	8,362	23,216	14,854	8,362	23,216
Long-term borrowings	—	574,186	574,186	—	—	—
Long-term payables	180,134	89,643	269,777	180,134	89,643	269,777
Long-term debenture	694,925	—	694,925	694,925	—	694,925
	<u>1,588,163</u>	<u>954,541</u>	<u>2,542,704</u>	<u>1,588,163</u>	<u>98,005</u>	<u>1,686,168</u>

At 30 June 2016, 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 (At 30 June 2015: 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.

All of the major customers of the Group are PRC government agencies or holding companies. Thus, the management considers that the credit risk of accounts receivables 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 2016, the Company had given guarantees of approximately Rmb1,037 million (At 30 June 2015: Rmb903 million) to banks of certain subsidiaries in respect of their banking facilities, of which Rmb540 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	Between1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying value
At 30 June 2016 (Unaudited)						
Long-term borrowings	224,530	320,434	358,446	93,161	996,571	818,078
Long-term payables	29,022	29,629	93,363	395,093	547,107	287,544
Other liabilities	3,392	3,287	—	—	6,679	6,364
Trade and other payables	583,215	—	—	—	583,215	583,215
Debenture payable	757,517	38,150	715,896	—	1,511,563	1,395,269
Dividend payable	132,329	—	—	—	132,329	132,329
At 31 December 2015 (Audited)						
Long-term borrowings	321,396	260,559	280,867	95,950	958,772	856,536
Long-term payables	23,216	22,414	63,177	183,656	292,463	292,993
Other liabilities	3,437	4,695	—	—	8,132	7,727
Trade and other payables	558,411	—	—	—	558,411	558,411
Debenture payable	780,757	38,150	715,896	—	1,534,803	1,393,175
Dividend payable	32,426	—	—	—	32,426	32,426

(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 20% - 60%. The gearing ratio of the Group is as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Total borrowings:	2,507,255	2,550,431
Short-term borrowings	—	—
Long-term borrowings	818,078	856,536
Debenture payable	1,395,269	1,393,175
Long-term Payables	287,544	292,993
Other non-current assets-Government loan and others	6,364	7,727
Less: Cash	(1,299,061)	(1,328,575)
Net debt	1,208,194	1,221,856
Total equity	4,756,998	4,618,753
Total capital	<u>5,965,192</u>	<u>5,840,609</u>
Gearing ratio	<u>20%</u>	<u>21%</u>

There is a decrease in gearing ratio of the Group during the six months ended 30 June 2016, because of the payment for long-term borrowings using receivables collected.

(e) Fair value estimation

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

There is no assets and liabilities of the Group measured at fair value.

(i) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities of the Group measured at amortised cost mainly include receivables, short-term borrowings, payables, long-term borrowings debenture payable and long-term payables.

The carrying amount of the other financial assets and liabilities of the Group not measured at fair value is a reasonable approximation of their fair value.

SUPPLEMENT OF THE FINANCIAL STATEMENT

For the six months ended 30 June 2016

(All amounts in RMB thousand unless otherwise stated)

(1) Extraordinary profit and loss statement

	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Gains/(losses) on disposals of non-current assets	(20)	11
Government grants	16,672	899
Demolition loss	—	—
Other non-operating income and expenses	(1,171)	1,112
	<u>15,481</u>	<u>2,022</u>
Effect amount of income tax	(3,870)	(506)
Effect amount of minority interest (after tax)	(3,909)	(47)
	<u>7,702</u>	<u>1,469</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 of the Group.

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

	Weighted average income rate of net assets (%)		Basic/Diluted earnings per share	
	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2015
Net profit attribute to the ordinary shareholders of the company	5.30	4.31	0.17	0.13
Net profit exclude extraordinary profit and loss attribute to the ordinary shareholders of the company	5.12	4.27	0.16	0.13

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