



*Interim Report for the six
months ended 30th June 2017*



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 2017 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 2017 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 were responsible for the truthfulness, accuracy and completeness of the financial report contained in this 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. Significant risks warning**
No

- IX. Others**
Unless indicated otherwise, financial figures in this Interim Report 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
“TMICL”	Tianjin Municipal Investment Company Limited
“Bohai Chemical”	Tianjin Bohai Chemical Industry (Group) Company Limited
“TCCC”	Tianjin City Construction and Communication Committee
“Tianjin Haihe”	Tianjin Haihe Construction Development and Investment Company Limited
“TECI”	Tianjin City Environment Construction and Investment Company Limited
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Company Limited
“TLP”	Tianjin Lecheng Properties Company Limited
“TYCOM”	Tianjin Yuanyicheng Commercial Operation Management Company Limited
“TMG”	Tianjin City Metro Group Company Limited
“TSC”	Tianjin Sewage Company
“TM Resources”	Tianjin Metro Resources Investment Company Limited
“Tianjin Ziya Investment”	Tianjin Ziya Circular Economy Industrial Investment and Development 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 Capital Water Company Limited
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Company Limited
“Wendeng Company”	Wendeng Capital Water Company Limited
“Jinghai Company”	Tianjin Jinghai 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 Capital 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
“Jiayuantian”	Tianjin Jiayuantian Innovative Energy Technology Company Limited
“Jiayuansheng”	Tianjin Jiayuansheng Innovative Energy Technology Company Limited
“Shandong Company”	Shandong Capital Environmental Protection Technology Consultant Company Limited
“Karamay Company”	Karamay Tianchuang Capital Water Company Limited
“Jiayuanbin”	Tianjin Jiayuanbin Innovative Energy Technology Company Limited
“Yingshang Company”	Yingshang Capital Water Company Limited
“Changsha Company”	Changsha Tianchuang Capital Environmental Protection Company Limited
“Anhui Company”	Anhui Tianchuang Capital Water Company Limited
“Linxia Company”	Linxia Capital Water Company Limited

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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	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 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. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY
(prepared in accordance with the PRC Accounting Standards)

(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 (%)
Major accounting data			
Operating income	98,663.5	92,756.1	6.37
Net profit attributable to the shareholders of the Company	25,505.8	23,668.3	7.76
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	24,069.5	22,898.1	5.12
Net cash flow from operating activities	32,413.5	24,556.3	32.00
	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	486,384.8	474,437.7	2.52
Total assets	1,136,404.1	1,064,089.7	6.80

(ii) Major financial indicators

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)	0.18	0.17	5.88
Diluted earnings per share (RMB/share)	0.18	0.17	5.88
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.17	0.16	6.25
Weighted average return on net assets ratio (%)	5.31	5.30	Increased by 0.01 percentage points
Weighted average return on net assets ratio after deduction of extraordinary items (%)	5.01	5.12	Decreased by 0.11 percentage points

VII. DIFFERENCES IN ACCOUNTING DATA UNDER THE DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Not applicable

VIII. 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	0.1
Government grants recognized in current profit and loss, except for those closely relating to business operation of the Company, in compliance with national policy and settled in certain amount which are constantly granted by government	1,673.2
Other non-operating income and expenses (excluding the above items)	243.1
Effect on minority interests	-1.0
Income tax effect	-479.1
Total	1,436.3

SECTION III COMPANY BUSINESS OVERVIEW

I. EXPLANATION OF PRINCIPAL BUSINESS OF THE COMPANY, ITS BUSINESS MODEL AND THE INDUSTRY SITUATION DURING THE REPORTING PERIOD

(I) Changes in Principal Business of the Company and its Business Model

During the reporting period, there was no significant change in the principal business of the Company as compared with the previous year, which remains to be water utilities business and new energy cooling and heating supply business. Water utilities business mainly focuses on traditional sewage treatment, tap water supply and reclaimed water business, with expansion to the industrial chain of water environmental protection industry, covering industrial wastewater treatment, sludge treatment, solid waste treatment, and products and services (mainly deodorants) based on environmental protection research. There were no material changes in the business model of principal business. Sewage treatment, water supply and new energy cooling and heating supply businesses were based on PPP model. In respect of reclaimed water business, a model of production, supply and sale was still employed for the sale of reclaimed water. The reclaimed water pipeline connection business was still conducted under the model of undertaking pipeline connection projects and receiving revenue from project construction.

In the first half of 2017, the total capacity of PPP model sewage treatment increased by 260,000 m³ per day as compared to the beginning of the year; solid waste business increased by 40,000 tons per year. In July 2017, the Company has won the tender for Sewage Treatment and Wastewater Reuse and Water Supply Integration PPP Project of Bayannur, including sewage processing capacity of 150,000 m³ per day, recycled water capacity of 115,000 m³ per day and water supply capacity of 85,000 m³ per day. Except for the above, there was no other significant change in the principal business of the Company.

As of the end of the reporting period, the total capacity of water utilities business of the Company amounted to 5.04 million m³ per day, among which the sewage treatment capacity under the PPP model was 3.93 million m³ per day, the sewage treatment capacity under the commissioned operation model was 670,000 m³ per day; tap water capacity was 200,000 m³ per day and recycled water was 240,000 m³ per day.

(II) Explanation of Industry Situation

Integrated environmental services have become the mainstream market demand while PPP model has become the mainstream business model. The market became more competitive with increase in competitors of cross-industry. Compared with the beginning of the reporting period, the above industry characteristics have been gradually obvious. The Company will continue to enhance and exert its core competence, play safely under the market environment with fierce competition, solidify existing business and expand new projects for the purpose of striving for a better development.

II. EXPLANATION OF THE SIGNIFICANT CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group's core competitiveness is mainly reflected in the following four aspects: (1) safe, stable, up-to-standard and efficient operation capabilities; (2) practical, leading, flexible and sustained research and development capabilities; (3) professional, dedicated, cooperative and innovative staff team; (4) trustworthy, responsible, standardized and healthy corporate reputation. These four aspects complement one another. Corporate integrity, diligent employees and technology innovation provide an ultimate assurance to customers, thereby resulting in the Company's sound brand influence in environmental protection.

After the development in the first half of 2017, the Company further consolidated its strengths and enhanced its overall competitiveness. In respect of market development, the Company made positive progress as it further expanded its strategic presence across the nation by winning the tender for Hefei Yuwan PPP Project, Linxia PPP Project and Dalian Chunliu River Phase I Upgrading and Reconstruction PPP Project. In respect of business development, the Company not only continued to strengthen its grip on water utilities and new energy cooling and heating supply, but also increased the capital in Shandong Company for developing the Shandong Tancheng Hazardous Waste Comprehensive Disposal Center Project and continuing to expand hazardous waste business, in order to enhance its comprehensive environmental service capacity in an all-round manner. In respect of capital operation, Kaiying Company, a Subsidiary of the Company, formally listed in the New Third Board, and the private placement amendment proposal of the Company was approved by the State-owned Assets department and the general meeting. In respect of technology research and development, the Company upheld the market-oriented approach to constantly improve its R&D system, and committed more R&D resources in areas such as wastewater, sludge, deodorants, microbial agents, small-sized modular treatment equipment and environmental protection data, in order to accumulate proprietary technologies for future development.

SECTION IV OPERATION DISCUSSION AND ANALYSIS

I. OPERATION DISCUSSION AND ANALYSIS

1. Analysis on the overall operation condition during the reporting period

During the reporting period, the Group strengthened operation management and enhanced market development and innovation of management according to the operating plan and strategy for 2017 as formulated by the Board, with focus on continuing to increase economic benefit on the basis of enhancing operation and construction capacity, enhancing the overall strength of the Company and better accomplishing various work targets:

- (1) The operation and management of all water utilities and new energy projects were strengthened for ensuring safe and smooth operation and that the quality of operation and service were up to the standard, while regular works such as implementing agreements were continued to carry out. Certain subsidiaries have completed the adjustment of price of service fees.
- (2) Efforts in the market development were enhanced, which won the tender for sewage treatment projects in Dalian Chunliu River, Hefei Yuwan and Gansu Linxi with additional sewage treatment capacity of 260,000 m³ per day and achievement in a breakthrough in Northerneast China and Gansu. The Shandong Tancheng Hazardous Waste Comprehensive Disposal Center Project was obtained with capacity of 40,000 tons per year, which achieved another expanding in the hazardous waste business sector by the Company.
- (3) The adjustment in non-public issuance of A Shares proposal of the Company was completed, and the adjusted proposal was approved by the State-owned Assets Supervision and Administration Commission of Tianjin and the general meeting of the Company.
- (4) Enhanced promotion and deepening of corporate reform. Kaiying Company, a Subsidiary of the Company, formally listed in the National Equities Exchange and Quotations System on 8 June, and the relevant introduction of strategic investor will be commenced subsequently. Meanwhile, the internal management reform of the Company was deepened, and the segmentation management of project construction and water utilities businesses were deepened based on the project manager responsibility system and factory manager responsibility system.
- (5) The technology R&D work was continued to carry out, which achieved certain results in sewage treatment small-sized facility, soil remediation and environmental water treatment. The self-developed soil/solid waste remediation conditioner were successfully applied and obtained two invention patents.

2. Analysis on the overall results of operations during the reporting period

In the first half of 2017, the Group recorded an operating income of RMB986.635 million, representing an increase of 6.37% as compared to the same period last year. The operating costs were RMB570.417 million, representing an increase of 2.37% as compared to the same period last year. Net profit attributable to the Company was RMB255.058 million, representing an increase of 7.76% as compared to the same period last year. The increase in net profit was mainly due to a significant increase in the operating income from sewage treatment of principal business as compared to the same period last year, while the financial costs for this period decreased as compared to the same period last year through measures of adjusting the outstanding loan interest rate.

(1) Analysis of principal business

During the reporting period, the Group's principal business did not change significantly as compared to the previous year and are still engaged in the sewage treatment and construction of sewage treatment plants business, recycled water business, tap water supply, new energy heating and cooling supply business, toll collection business and scientific and technological achievements commercialization business. It recorded income from principal business of RMB896.014 million, representing 90.82% of operating income of the Group.

- ① Sewage treatment and construction of sewage treatment plants business recorded an income of RMB693.104 million, representing an increase of 10.9% as compared to the same period last year, which was mainly attributable to the increased volume of sewage water treatment. The Group processed a total of 534.65 million cubic meters of sewage water, representing an increase of 3% as compared to the same period last year. Meanwhile, certain Subsidiaries increased the unit price of sewage treatment service fees since the second half of last year;
- ② Recycled water business recorded an income of RMB98.811 million, representing a decrease of 1.28% as compared to the same period last year, which was mainly attributable to the decrease in the settlement amount of pipeline network connection business as compared to the same period last year;
- ③ Tap water supply business recorded an income of RMB33.511 million with water sales volume of 20.90 million m³, substantially the same as that at the same period last year;
- ④ New energy cooling and heating supply service business recorded an income of RMB29.197 million, scientific and technological achievements commercialization business recorded an income of RMB8.92 million, and toll collection business recorded an income of RMB31.918 million, all substantially the same as those at the same period last year.

During the reporting period, in addition to expanding the market, the principal businesses of the Company put effort in strengthening project operation including cost control and agreement maintenance, so as to minimize operating costs, timely adjust the unit price of sewage treatment service fees, and secure incomes from projects.

(2) Other business

The Group's other business mainly includes the sewage treatment entrusted operation business via the technical service model, as well as the technical and engineering consulting business. During the reporting period, it recorded an income of RMB90.621 million, representing a decrease of 4.27% as compared to the same period last year, which was mainly due to expiry of some project contracts.

(1) Analysis of principal businesses

Table of 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	98,663.5	92,756.1	6.37
Costs of operations	57,041.7	55,721.6	2.37
Sales costs	419.7	512.3	-18.08
Administrative expenses	5,277.3	5,440.3	-3.00
Financial costs	5,277.3	5,787.9	-8.82
Net cash flows from operating activities	32,413.5	24,556.3	32.00
Net cash flows from investing activities	-44,411.7	-15,430	-187.83
Net cash flows from financing activities	43,626.9	-12,077.7	461.22
Research and development expenses	67.82	51.16	32.56
Tax and surcharges	2,490.2	1,848.3	34.73
Investment gain	40	-212.6	118.81
Non-operating income	1,929.2	8,326.6	-76.83
Non-operating expenses	12.8	272.7	-95.31
Assets impairment loss	80.6	0	N/A
Other income	6,486.4	0	N/A
Profit or loss attributable to minority shareholders	1,436.1	218.9	556.05

Explanation of changes in income from operations: It was mainly due to the increase in the income from sewage treatment as compared to the same period last year.

Explanation of changes in costs of operations: It was mainly because the business volume increased and thus the costs increased.

Explanation of changes in sales costs: It was mainly due to the decrease in staff expenses.

Explanation of changes in administrative expenses: It was mainly because the tax in the administrative expenses was adjusted to be accounted in tax and surcharges according to the requirements of the document (Cai Kuai [2016] No.22).

Explanation of changes in financial costs: It was mainly because the interest expenses decreased as compared to the same period last year through measures to adjust the interest rate of loans.

Explanation of changes in net cash flows from operating activities: The increase in the reporting period as compared to the same period last year was mainly due to collection of tender deposit on Dalian project.

Explanation of changes in net cash flows from investing activities: It was mainly because the investment expenses in various construction projects of the Company were higher than those in the same period last year. Meanwhile, the Company received the fund raised for the project construction and the compensation for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant of approximately RMB70.00 million in the same period last year, while in this period there was no such item.

Explanation of changes in net cash flows from financing activities: It was mainly because the Company borrowed short-term loan of approximately RMB500 million in this period.

Explanation of changes in research and development expenses: The expenses increased mainly according to the research and development plan of this year.

Explanation of changes in tax and surcharges: It was mainly because the tax in the costs of operations and administrative expenses was adjusted to be accounted in this item in accordance with the requirements of the document (Cai Kuai [2016] No. 22).

Explanation of changes in investment gain: It was increased substantially in this period as compared to the same period last year, which was mainly because the investment gain from Tianjin International Machinery Co., Ltd. was no longer recognized in this period as it was fully provided for impairment loss at the end of 2016. The amount in this period was the dividend of RMB400,000 received from Tianjin Beifang Rencaigang Company Limited.

Explanation of changes in non-operating income: According to No.16 of the PRC Accounting Standards for Business Enterprises – Government Grants, the value-added tax (payment and refund at the same time) was re-classified from non-operating income to other income in this period.

Explanation of changes in non-operating expenses: It was decreased substantially in this period as compared to the same period last year, which was mainly due to decrease in expenses for tax rebate of Subsidiaries.

Explanation of changes in assets impairment loss: It was mainly the provision for bad debts of Kaiying Company in this period.

Explanation of changes in other income: According to No.16 of the PRC Accounting Standards for Business Enterprises – Government Grants, the value-added tax (payment and refund at the same time) was re-classified from non-operating income to other income in this period.

Explanation of changes in profit or loss attributable to minority shareholders: Mainly due to the increase in net profit of non wholly-owned subsidiaries in this period.

(2) Major changes in profits caused by non principal businesses

Not applicable

(3) Analysis of assets and liabilities

Unit: 0'000 Currency: RMB

Items	Amount as at the end of the current period	Percentage of the amount as at the end of the current period to the total assets (%)	Amount as at the end of the previous period	Percentage of the amount as at the end of the previous period to the total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of previous period (%)	Explanation
Other current assets	6,759.4	0.59	4,910.7	0.46	37.65	Mainly due to the re-classification of the input tax of value-added tax to be credited arising from acquisition of assets by Subsidiaries to other current assets.
Construction in progress	5,576.3	0.49	439.6	0.04	1,168.49	Mainly due to the increased investment in construction projects of the Company during the period.
Short-term borrowings	50,000.0	4.40	0.00	0.00	100.00	Mainly due to the addition short-term borrowings of the Company in this period.
Wages payable	997.0	0.09	3,441.1	0.32	-71.03	Mainly due to the payment of year-end bonus provided at the end of 2016 during the period.
Taxes payable	4,120.4	0.36	6,908.0	0.65	-40.35	Mainly due to the payment of taxes accrued in 2016 during this period.
Dividends payable	13,702.5	1.21	143.8	0.01	9,428.86	Mainly due to the provision for dividends payable for 2016 during the period.
Non-current liabilities due within one year	90,953.4	8.00	21,232.7	2.00	328.36	Mainly due to the addition medium note due within one year in this period.
Bonds payable	69,771.7	6.14	139,431.3	13.10	-49.96	Mainly due to the re-classification of medium note due within one year to item under other current liabilities in this period.

(4) Analysis of investment

Overall analysis of equity investment

During the reporting period, the total amount of equity investment of the Group amounted to RMB148.67 million, representing an increase of RMB56.07 million as compared to the same period last year. The Company still mainly invested in new projects in principal business sector.

(1) Major equity investment

- ① The Company invested RMB63.67 million to establish a wholly-owned subsidiary, Anhui Tianchuang Capital Water Company Limited (安徽天創水務有限公司), for investing in construction and operation of the Hefei Yuwan Sewage Treatment Plant PPP Project. During the reporting period, such equity investment had been completed.
- ② The Company invested RMB45.00 million to establish a wholly-owned subsidiary, Linxia Capital Water Company Limited (臨夏市創業水務有限公司), for investing in construction and operation of the Linxia Sewage Treatment Plant Upgrading PPP Project. During the reporting period, such equity investment had been completed.
- ③ The Board agreed to invest further RMB110 million to Shandong Capital Environmental Protection Technology Development Company Limited, a wholly-owned Subsidiary, for investment and construction of Tancheng Hazardous Waste Comprehensive Disposal Center Project. After capital increase, the registered capital of Shandong Company was increased to RMB192.00 million. During the reporting period, the Company paid additional capital amount of RMB40.00 million to Shandong Company in accordance with the construction progress of two hazardous waste projects in Linyi and Tancheng.

(2) Major non-equity investment

According to Tianjin's latest "Urban Sewage Treatment Plant Pollutant Discharge Standards", in June 2016, the Company conducted the expansion, upgrading and reconstruction projects for Jingu and Beicang Sewage Treatment Plants. The total investment of the projects was approximately RMB1,298 million. RMB13.98 million was invested in the reporting period, and the accumulated investment as of the end of the reporting period was RMB21.95 million. According to the plan, the project investment capital source is from the proceeds raised from equity financing by non-public issuance of A shares intended to be carried out by the Company. At present, the equity financing scheme has not yet been approved by the regulatory authorities. The Company temporarily invested in the construction with its own capital. When the non-public issuance of A shares is completed, the proceeds raised will be used to replace the input capital.

At present, the upgrading and reconstruction projects are in progress. During the upgrading and reconstruction period, effective measures will be taken to ensure that the daily operation of the original Jingu and Beicang Sewage Treatment Plants will not be affected. Moreover, sewage treatment service fees will be charged in accordance with the “Licensed Operation Agreements”. Therefore, during the reporting period, no significant impact has been caused on the operating results of the Company.

(5) Disposal of major assets and equity interest

Not applicable

(6) Analysis of major 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 Person	Percentage of interest	Asset Size	Net Assets	Net Profits
Water Recycling Company	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; manufacturing, installation, debugging and operation of water recycling facilities etc.	10,000	Limited Company	100%	155,931	23,926	2,405
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance of sewage treatment and recycled water usage facilities, and supporting services such as its technical services and technical training	37,745	Limited Company	70%	108,138	58,282	3,910
Xi'an Company	Xi'an, Shaanxi	Development, construction, operation and management of municipal sewage treatment plants and tap water and its supporting facilities; research and promotion of environment protection technology	33,400	Limited Company	100%	67,165	37,219	2,037
Jiayuanxing	Tianjin	Development, consulting, service and transfer of energy conservation and new energy technology; property management services	19,195	Limited Company	100%	56,502	26,853	28
Kaiying Company	Tianjin	Environmental engineering management and technical advice etc.	2,000	Stock Limited Company	100%	5,934	4,365	289
Shandong Company	Shandong	Solid waste treatment	19,200	Limited Company	100%	5,425	5,447	-27

Note 1: In the first half of 2017, Hangzhou Company achieved operating income, operating profits and net profits of RMB137.34 million, RMB42.23 million and RMB39.10 million, respectively.

During the reporting period, in order to invest and operate the new developed water utilities projects, the Company established wholly-owned Subsidiaries, namely Anhui Tianchuang Capital Water Company Limited (安徽天創水務有限公司) and Linxia Capital Water Company Limited (臨夏市創業水務有限公司). Please refer to “Major equity investment” for details.

II. 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) Possible risks

During the reporting period, combined with the characteristics of the environment where the Company operated and the own business development of the Company, there were no material changes in the possible risks as compared to last year, which mainly reflected in the three areas of government credit, change in policy and operation and management. In respect of the above possible risks, the Company gradually refined the measures and proposals, strengthened the control over risks and protected the healthy and sustainable development of the Company:

(1) Protect the Company’s lawful interests by making full use of laws and regulations

Strengthening the concept of corporate governance in accordance with the laws, assuring equality of the contracting parties, tightening up the performance assessment and benefit distribution mechanisms, and providing for the government obligations to pay according to contracts and the rights for investors to get reasonable returns under the laws, so as to reduce the risk related to government credit and the financial risk of the investors. The Company will focus on the selection of environment to invest in and the screening of investment projects while implementing investment review procedures strictly.

(2) Strengthen comprehensive risk management

Establishing a sound risk management system based on comprehensive risk management; establishing an institutional framework for comprehensive risk management to identify, analyse, assess and deal with possible risks hidden in different business links; improving the risk management system; improving its timing and efficiency of the comprehensive risk management of the Company; conducting the dynamic management and effective control over risks, so as to reasonably ensure the achievement of the Company's strategic targets.

(3) Continue to raise the standards of operating management

Fully exerting the operation and management advantages of the Company and control over production and operating risks in a timely manner through standardized management; focusing on staff training, strengthening the legal consciousness of environmental protection and improving the management and control levels of technologies; strengthening the maintenance and protection of facilities and equipment, appropriately increasing investment in emergency rescue hardware for proper preservation of asset value and stable operation; perfecting the monitoring of quality, promoting control over the whole process to ensure the end products could meet the standards of discharge; developing water environment remedy plans and safe production plans, so as to ensure careful operation and the best environmental performance of the Company.

SECTION V MAJOR EVENTS

I. SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Date of meeting	Date of disclosure of the resolutions
2017 First Extraordinary General Meeting	14 March 2017	14 March 2017
2016 Annual General Meeting	17 May 2017	17 May 2017

II. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND

Proposed interim profit distribution plan or plan to transfer capital reserve fund into share capital

Profit distribution or transfer of capital reserve fund into share capital	No
Number of bonus shares per 10 shares (shares)	0
Amount of dividend per 10 shares (RMB) (inclusive of tax)	0
Number of shares converted per 10 shares (shares)	0

III. PERFORMANCE OF COMMITMENT

Commitment of the Company's ultimate controller, shareholders, related parties, purchasers and the Company during or subsisted in the reporting period

Not applicable

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Not applicable

V. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not applicable

VI. MATTERS RELATING TO MATERIAL LITIGATION AND ARBITRATION

(I) Litigation and arbitration that were disclosed in the announcements without subsequent progress

Not applicable

(II) Litigation and arbitration that were not disclosed in the announcements or have subsequent progress

Complaining party	Responding party	Party to bear joint liability	Type of litigation or arbitration	Particulars of litigation (or arbitration)	Amount involved in litigation (or arbitration) (RMB)	Whether litigation (or arbitration) forms predicated liability and its amount	Progress of litigation (or arbitration)	Ruling results of litigation (or arbitration) and its effect	Enforcement of award of litigation (or arbitration)
Anguo Company	Anguo Municipal Government	None	Arbitration	Note 1	51,423,195.36	No	Note 2	None	Note 2

Note 1: As Anguo Municipal Government failed to perform the relevant terms of the licensed operation agreement entered into between Anguo Company and Anguo Municipal Government, Anguo Company applied for arbitration to China International Economic and Trade Arbitration Commission in 2013, requesting for termination of the licensed operation agreement for a water supply project in Anguo; and claiming payment of service fees for water supply and compensation for investment owed to Anguo Company by Anguo Municipal Government in the amount of RMB51,423,195.36.

Note 2: On 6 April 2017, the China International Economic and Trade Arbitration Commission made its final arbitral award on the case as follows: (1) the agreement related to the water supply project and the sewage treatment plant project involved in the case was terminated on 18 April 2014, and the transfer of the projects was completed on 10 July 2014; (2) from 1 November 2012 to the date of transfer of the water supply project involved in the case, the Anguo Company should provide the breakdown of water charges payable by all of its consumers, and should provide assistance to the Anguo Municipal Government in collecting the water charges; (3) the Anguo Municipal Government should pay the Anguo Company fees payable for water supply service that became due before 1 November 2012 in the amount of RMB3.557 million by 1 July 2014; (4) the Anguo Municipal Government should reimburse the Anguo Company for all capital invested by the Anguo Company in the said projects, being RMB47,475,320.86; (5) the arbitration fee of RMB781,749 for the case should be borne by both parties on the basis of 50:50, which means each party should pay RMB390,874.50, respectively. Since the above fee has already been set off by the advance payment of the applicant, the Anguo Municipal Government should pay to the Anguo Company RMB390,874.50 to compensate the Anguo Company with the arbitration fee paid for it. The above (1), (2) and (3) have been satisfied, and the Anguo Company is now actively negotiating with the Anguo Municipal Government for the relevant proposals for payment of the amounts payable under (4) and (5).

VII. PUNISHMENTS TO AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ULTIMATE CONTROLLER AND PURCHASERS

Not applicable

VIII. EXPLANATION ON THE INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS DURING THE REPORTING PERIOD

Not applicable

IX. THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE SCHEME AND THEIR EFFECTS

Not applicable

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected Transactions in the Ordinary Course of Business

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

- On 26 May 2017, Jiayuanxing, a wholly-owned subsidiary of the Company, entered into the Cold Supply Agreement with TLP and TYCOM, pursuant to which Jiayuanxing shall provide cold supply services to TLP for a cold supply service fee of RMB23,597,730.
- On 30 June 2017, the Company entered into the Zhangguizhuang Sewage Water Treatment Plant Entrusted Operation Agreement with Tianjin Investment Group, pursuant to which the Company shall continue to provide operation service for the Zhangguizhuang Sewage Water Treatment Plant invested in and constructed by Tianjin Investment Group for a service period of 12 months from 1 July 2017 to 30 June 2018 at an operation service fee of RMB4.198 million per month, with the total amount of operation service fees expected to be RMB50.376 million.
- On 30 June 2017, the Company entered into the Zhangguizhuang Sewage Water Treatment Plant Sludge Disposal Centre Entrusted Operation Agreement with Tianjin Investment Group, pursuant to which the Company shall 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 2017 to 30 June 2018, with the total amount of service fees expected to be not more than RMB9.395 million.

2. Connected Transactions which have been disclosed in the Company's announcements, with subsequent progress or changes to their implementation

Not applicable

(II) Connected Transactions in respect of Acquisition of Assets or Acquisition or Disposal of Equity

Not applicable

(III) Material Connected Transactions in respect of Joint External Investment

Not applicable

(IV) Creditor's Rights and Debts with Related Parties

Not applicable

XI. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1 Custody, Contracting 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 by the Company	
Total amount of guarantees provided to Subsidiaries during the reporting period	21,275
Total balance of guarantees provided to Subsidiaries as at the end of the reporting period (B)	132,015.4
Total amount of guarantees provided by the Company (including guarantees provided to Subsidiaries)	
Total amount of guarantees (A+B)	132,015.4
Percentage of the total amount of guarantees to the net assets of the Company (%)	25.7
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

XII. POVERTY ALLEVIATION WORK OF THE COMPANY

1. Targeted Alleviation Plan

In order to accomplish the task of poverty alleviation, Fuyang Company, a subsidiary controlled by the Company, considered the formulation of an assistance plan according to the poverty alleviation task breakdown of Fuyang City and offered assistance in pairs to Fenglou Village, Linqun County, Fuyang City.

2. Outline of Targeted Poverty Alleviation During the Reporting Period

During the reporting period, Fuyang Company donated RMB100,000 to the road lighting project of Fenglou Village.

3. Table of Targeted Poverty Alleviation Work by the Company During the Reporting Period

Unit: Yuan Currency: RMB

Index	Quantity and Implementation Information
I. General information	
Including: Fund	100,000
II. Itemized input	
1. Social poverty alleviation	
Including:1.1 Amount invested in poverty alleviation collaboration in eastern and western areas	0
1.2 Amount invested in targeted poverty alleviation	0
1.3 Public funds for poverty alleviation	100,000
III. Awards obtained (content, level)	Nil

4. Follow-up Targeted Alleviation Plan

Fuyang Company will continue to offer assistance in pairs and help Fenglou Village to quit from poverty as soon as possible.

XIII. CONVERTIBLE BONDS

Not applicable

XIV. EXPLANATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY AND ITS SUBSIDIARIES CLASSIFIED AS KEY POLLUTANT DISCHARGING ENTITIES AS PUBLISHED BY ENVIRONMENTAL PROTECTION AUTHORITIES

The Company is mainly engaged in sewage treatment business which is to collect and treat domestic and municipal sewage by removing the main pollutants therein to the extent that the treated sewage meets the discharge standards stipulated by the national or local government, and then discharge the treated sewage to rivers via sewage outfalls as designated after assessment, or further perform advanced treatment for reclaimed water supply. According to the aforesaid effluent quality standards for sewage treatment plants stipulated by the national or local government, the effluent of sewage treatment plants is allowed to contain certain types and amounts of pollutants, mainly comprising chemical oxygen demand (COD), biochemical oxygen demand (BOD), suspended solids (SS), total nitrogen, ammonia nitrogen and total phosphorus. Accordingly, most of sewage treatment projects are classified as key pollutant discharging entities by local environmental protection authorities.

As at the end of the reporting period, the Company owned 21 sewage treatment projects, each of which has 1 to 2 effluent outfalls. According to the relevant agreements, currently the effluent quality required is First Grade A or First Grade B under the Pollutant Discharge Standards for Urban Wastewater Treatment Plants (GB18918-2002). The common pollutant indexes requiring basic control include COD, BOD, SS, total nitrogen, ammonia nitrogen, total phosphorus, etc. The following table sets out the maximum allowable discharge concentrations (daily average) of the pollutant indexes requiring basic control.

No.	Pollutant index requiring basic control	First Grade standard		
		Class A	Class B	
1.	COD	50	60	
2.	BOD ₅	10	20	
3.	SS	10	20	
4.	Animal & plant oil	1	3	
5.	Petroleum	1	3	
6.	Anion surfactant	0.5	1	
7.	Total nitrogen (N)	15	20	
8.	Ammonia nitrogen (N)	5(8)	8(15)	
9.	Total phosphorus (P)	Constructed before 31 December 2005	1	1.5
		Constructed after 1 January 2006	0.5	1
10.	Chroma (dilution multiple)	30	30	
11.	PH	6-9		
12.	Number of fecal coliforms/L	10 ³	10 ⁴	

During the reporting period, the pollutant discharge concentrations and volume of the Company's sewage treatment business were all below the above standards. In aggregate, the COD, BOD, SS, total nitrogen, ammonia nitrogen and total phosphorus discharged by the Company during the reporting period were approximately 13,900 tonnes, 3,300 tonnes, 3,900 tonnes, 6,700 tonnes, 700 tonnes and 200 tonnes, respectively. For the first half of the year, in aggregate, environmental pollutants, namely, the COD, BOD, SS, total nitrogen, ammonia nitrogen and total phosphorus, were eliminated by approximately 172,900 tonnes, 79,500 tonnes, 88,200 tonnes, 18,500 tonnes, 18,800 tonnes and 2,400 tonnes, respectively, representing a significant contribution to water environmental governance.

XV. DETAILS OF OTHER MAJOR EVENTS

(I) As compared with the previous accounting period, the changes made to accounting policies, accounting estimates and auditing method, the reasons for such changes and their effect

Not applicable

(II) The occurrence of material accounting errors during the reporting period requiring ratification and restatement, the respective amounts, the reasons and their effect

Not applicable

(III) Other events

The following events are disclosed and explained in accordance with 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 on Corporate Governance as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

2. Audit committee

An audit committee was approved to be established by the Board on 31 July 2001 for the review and supervision of the financial reporting procedures of the Company as well as internal control. The audit committee of the current session are composed of Mr. Guo Yongqing, Mr. Gao Zongze and Mr. Wang Xiangfei, all of whom were independent non-executive directors. The audit committee and the management have reviewed the accounting principles and method adopted by the Group and discussed matters relating to internal control and financial reporting, and their discussion covered the unaudited interim results and the interim report. The audit committee accepted the financial accounting principles, standards and method adopted by the Group for the preparation of the unaudited interim accounts for the six months ended 30 June 2017.

3. Liquidity and financial resources

The borrowing needs of the Group do not vary with seasons. As at 30 June 2017, there was no outstanding bank borrowings and interests that were due. Details about the bank borrowings of the Group are set out in the Notes to the Condensed Consolidated Financial Statements as at 30 June 2017.

According to the accounting reports prepared in accordance with the PRC's Accounting Standards for Business Enterprises, the liquidity ratio as at 30 June 2017 was 54.79%.

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 (USD) and Japanese Yen (Yen).

As at 30 June 2017, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of RMB2 million (30 June 2016: RMB2 million) in the net profit of the Group. As at 30 June 2017, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase or decrease of RMB4 million (30 June 2016: RMB5 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 2017, if the loan interest rate increases/decreases by 1%, with other factors being constant, the net profit of the Group for the period will decrease/increase by RMB4 million (30 June 2016: RMB4 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 2017, the Group had 1,469 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB94.30 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 2017.

7. Rights of Debt

As at 30 June 2017, pursuant to the "Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants of the Company including Jizhuangzi" 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 RMB1,524 million, representing approximately 6.70% of the total market capital of the Group as at 30 June 2017.

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 ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

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

II. DETAILS OF SHAREHOLDERS

(i) Total number of shareholders:

Total number of ordinary shareholders at the end of the reporting period	133,061
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Note: As of 30 June 2017, the total number of shareholders of the Company is 133,061, among which 68 shareholders 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 (Shares)	Number of shares held at the end of the reporting period (Shares)	Percentage (%)	Number of restricted shares held (Shares)	Pledged or frozen	Nature of the shareholders
TMICL	0	715,565,186	50.14	0	Nil	State-owned legal person
HKSCC Nominees Limited	-18,000	337,812,900	23.67	0	Nil	Unknown
Cental Huijin Investment Co., Ltd.	0	14,169,800	0.99	0	Nil	State-owned legal person
Sun Yihao (孫奕豪)	2,100,000	2,100,000	0.15	0	Nil	Unknown
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式 指數證券投資基金)	205,500	1,958,883	0.14	0	Nil	Unknown
Bank of China Limited-China Postal Shanghai Stock Exchange 380 Index Enhanced Securities Investment Fund (中郵上證380 指數增強型證券投資基金)	1,757,800	1,757,800	0.12	0	Nil	Unknown
Dai Zhenhua (戴振華)	1,500,000	1,500,000	0.11	0	Nil	Unknown
Shenyang Railway Coal Group Co., Ltd.	0	1,500,000	0.11	0	Nil	State-owned legal person
Samsung Asset Management Co., Limited-Samsung China Small and Medium-sized Stocks Selected FOF (三星中國中小型股精選母基金)	1,350,500	1,350,500	0.09	0	Nil	Unknown
Shen Yechun (沈葉春)	1,332,900	1,332,900	0.09	0	Nil	Unknown

Shareholdings of the top ten shareholders of non-restricted circulating shares			
Name of shareholder	Number of non-restricted circulating shares held (Shares)	Type and number of shares	
		Type	Number (Shares)
TMICL	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,812,900	H Shares	337,812,900
Cental Huijin Investment Co., Ltd.	14,169,800	Ordinary RMB Shares	14,169,800
Sun Yihao (孫奕豪)	2,100,000	Ordinary RMB Shares	2,100,000
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	1,958,883	Ordinary RMB Shares	1,958,883
Bank of China Limited-China Postal Shanghai Stock Exchange 380 Index Enhanced Securities Investment Fund (中郵上證380指數增強型證券投資基金)	1,757,800	Ordinary RMB Shares	1,757,800
Dai Zhenhua (戴振華)	1,500,000	Ordinary RMB Shares	1,500,000
Shenyang Railway Coal Group Co., Ltd.	1,500,000	Ordinary RMB Shares	1,500,000
Samsung Asset Management Co., Limited-Samsung China Small and Medium-sized Stocks Selected FOF (三星中國中小型股精選母基金)	1,350,500	Ordinary RMB Shares	1,350,500
Shen Yechun (沈葉春)	1,332,900	Ordinary RMB Shares	1,332,900
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 circulating 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 2017, the following entity, other than the Directors, Supervisors or chief executive of the Company, had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of Shareholder	Capacity	Number and class of securities (Note)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	65.82%	50.14%
Segantii Capital Management Limited	Investment manager	17,122,000 H Shares (L)	5.04%	1.20%
UBS Group AG	Person having a security interest in shares	20,389,984 H Shares (L)	5.60%	1.43%
		180,000 H Shares (S)	0.05%	0.01%
ISIS Asset Management Plc.	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%
HSBC Asset Management (Hong Kong) Limited	Investment manager	20,000,000 H Shares (L)	5.88%	1.40%

Note: The letter "L" represents the entity's long positions in the shares. 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 2017, 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**

Not applicable

(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 2017, 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 2017, 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
Lin Wenbo	Director, general manager	Resignation
Yang Guang	Deputy general manager	Resignation
Li Yuqing	Deputy general manager, chief engineer	Resignation
Wang Hong	Deputy general manager	Resignation
Deng Biao	Deputy general manager	Resignation
Li Yang	Supervisor	Resignation
Li Yang	Deputy general manager	Appointment
Tang Fusheng	General manager	Appointment
Tang Fusheng	Director	Election
Lu Hongyan	Supervisor	Election

SECTION VIII DETAILS OF THE COMPANY'S BONDS

I. BASIC DETAILS OF BONDS OF THE COMPANY

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code of Bond	Issue Date	Maturity Date	Balance of Bond	Coupon (%)	Debt Service	Trading Place
Public Offering of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited in 2016 (Phase I)	16津創01	136801.SH	2016-10-25	2021-10-25	700,000,000	3.13	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.	SSE

Explanation on other circumstances of corporate bond

The public offering of corporate bonds in 2016 of the Company (Phase I) did not contain special terms such as issuer or investor option terms and interchangeable terms.

Appropriateness of investors

The target investors of public offering of corporate bonds in 2016 of the Company (Phase I) are qualified investors in compliance with requirements of laws and regulations.

II. CONTACT PERSON AND MEANS OF COMMUNICATION OF TRUSTEE AND MEANS OF COMMUNICATION OF CREDIT RATING AGENCY OF BONDS OF THE COMPANY

Bond trustee	Name	Ping An Securities Co. Ltd.
	Office address	16/F, North Tower, Financial Street Centre, 9 Financial Street, Xicheng District, Beijing, the PRC
	Contact person	Li Chuan
	Contact number	010-56800258
Credit rating agency	Name	United Credit Rating Co., Ltd.
	Office address	508 Ailiyuan Apartment, 38 Shuishang Garden North Road, Nankai District, Tianjin, the PRC

During the reporting period, there were no changes in bond trustee and credit rating agency engaged by the Company.

III. USE OF PROCEEDS FROM BOND OFFERING OF THE COMPANY

The issue size of the public offering of corporate bonds in 2016 of the Company (Phase I) was RMB700,000,000. The proceeds amounted to RMB697,200,000 after deducting the underwriting fees. As of 30 June 2016, the proceeds have been fully utilized as committed in strict compliance with the prospectus, with the balance of RMB0.

During the reporting period, the operation of special account for the funds raised was sound.

The Company strictly complied with the capital management system and the relevant laws and regulations to perform the relevant procedures of the use of proceeds. The use of proceeds was consistent with the use, plan of use and other agreements as agreed in the prospectus.

IV. BOND RATING OF THE COMPANY

United Credit Rating Co., Ltd. has made track rating for the Company and the public offering of corporate bonds in 2016 of the Company (Phase I) on 25 May 2017, which maintained the corporate long-term credit rating of the Company as “AA+”, the rating outlook as “stable” and the bond credit rating of the Company as “AA+”. The report of the above track rating was disclosed on the website of the SSE (www.sse.com.cn) on 31 May 2017. Investors are advised to pay attention on it.

V. BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEDULE AND OTHER RELEVANT INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the debt repayment schedule and debt repayment safeguard measures for the public offering of corporate bonds in 2016 of the Company (Phase I) were well implemented, which were in line with the agreements and the relevant undertakings in the prospectus and there were no changes. The Company has opened a specific debt service account for such bonds. The first dividend payment date has not yet come. The Company will carry on the fund withdrawal from the specific debt service account in accordance with the relevant undertakings in the prospectus.

VI. CONVENING OF MEETINGS OF BONDHOLDERS OF THE COMPANY

During the reporting period, there were no matters occurred requiring the convening of meeting of bondholders of the Company.

VII. PERFORMANCE OF BOND TRUSTEE OF THE COMPANY

During the duration of bonds of the Company, the bond trustee continued to check the credit, management and use of proceeds, and payment of principal and interest of bonds of the Company, and procured the Company to perform the agreed obligations in the prospectus of bonds of the Company, actively exercised the duties of bond trustee to protect the legitimate interests of bondholders, strictly in accordance with the agreements in the Bond Trusteeship Management Agreement.

The bond trustee has issued the report on the trusteeship of bonds of the Company (2016) on 30 June 2017, and disclosed it on the website of the SSE (www.sse.com.cn).

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND AT THE END OF LAST YEAR (OR THIS REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR)

Major Indicators	At the end of this reporting period	At the end of last year	Increase/decrease at the end of this reporting period as compared to the end of last year (%)	Reasons of change
Current ratio	1.27	1.89	-32.80	Increase in current liabilities as medium notes were re-classified as current liabilities due within one year in accordance with the maturity
Quick ratio	1.26	1.87	-32.62	Increase in current liabilities
Assets liability ratio	54.79%	52.98%	3.42	Increase in total liabilities
Debt repayment ratio	100%	100%	0	
	This reporting period (January to June)	The corresponding period of last year	Increase/decrease for this reporting period as compared to the corresponding period of last year (%)	Reasons of change
EBITDA-To-Interest coverage ratio	9.51	7.54	26.13	Increase in EBIT, decrease in financial expenses
Interest coverage rate	100%	100%	0	

IX. EXPLANATION ON OVERDUE DEBTS

Not applicable

X. REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the reporting period, payment of interest of other bonds and debt financing instruments of the Company has been fully made as scheduled, and there were no circumstances of delay payment in interest and principal and unable to pay interest and principal.

XI. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the reporting period, the Company was granted total credit facilities of RMB4.237 billion, of which credit facility of approximately RMB0.606 billion was utilized with an outstanding balance of approximately RMB3.631 billion. During the reporting period, the Company repaid various bank loans as scheduled, and there were no extensions and exemptions.

XII. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT IN THE PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, there were no violations in the relevant agreements or commitments as set out in the corporate bond prospectus and no material effect on the interests of bond investors.

XIII. MAJOR ISSUES OF THE COMPANY OCCURRED AND ITS EFFECT ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the reporting period, there was no occurrence of major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading.

For details of the arbitration involving the Anguo Company, please see “Matters relating to Material Litigation and Arbitration” in sub-section VI of Section V. Other than this, there was no other material event of “Matters relating to Material Litigation and Arbitration” in sub-section VI of Section V.

XIV. CHARGES, PLEDGE, SEIZE AND FREEZE OF ASSETS

On 26 May 2006, Qujing Company, a Subsidiary of the Company, entered into a RMB Fund Borrowing Contract with Qujing Qilin sub-branch of China Construction Bank Corporation. According to the requirements of the contract, Qujing Company entered into the Guarantee Right Pledge Contract with such bank, pursuant to which Qujing Company used its own right of income derived from water supply and right of income derived from sewage treatment for providing pledge guarantee for the above loan.

XV. GUARANTOR FOR THE BOND OF THE COMPANY

There was no guarantor for the public offering of corporate bonds in 2016 of the Company (Phase I).

SECTION IX FINANCIAL REPORTS

I. Prepared in accordance with Hong Kong Financial Reporting Standards

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

(All amounts in RMB thousand unless otherwise stated)

		As at	
	<i>Note</i>	30 June 2017	31 December 2016
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	449,687	417,882
Investment properties	7	95,754	97,590
Intangible assets	7	6,410,286	6,219,001
Land use rights	7	14,766	14,986
Available-for-sale financial assets		2,000	2,000
Long-term receivables	9	302,640	309,148
Other non-current assets		135,841	187,744
		7,410,974	7,248,351
Current assets			
Inventories		20,283	24,491
Trade receivables	8	2,059,688	1,815,820
Other current assets		67,594	49,107
Other receivables		115,090	150,872
Prepayments		174,992	153,198
Cash and cash equivalents		1,497,407	1,181,120
Restricted cash		18,013	17,938
		3,953,067	3,392,546
Total assets		11,364,041	10,640,897

		As at	
	<i>Note</i>	30 June 2017	31 December 2016
		Unaudited	Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	1,427,228	1,427,228
Other reserves		844,040	844,040
Retained earnings		2,592,580	2,473,109
		<u>4,863,848</u>	<u>4,744,377</u>
Non-controlling interests		<u>273,801</u>	<u>259,440</u>
Total equity		<u>5,137,649</u>	<u>5,003,817</u>
LIABILITIES			
Non-current liabilities			
Borrowings	11	1,485,537	2,191,313
Deferred revenue	12	1,434,746	1,446,971
Deferred income tax liabilities	13	119,824	126,108
Other non-current liabilities		42,000	42,000
Provisions for other liabilities and charges	14	32,930	32,930
		<u>3,115,037</u>	<u>3,839,322</u>

		As at	
	<i>Note</i>	30 June 2017	31 December 2016
		Unaudited	Audited
Current liabilities			
Trade payables	15	137,946	107,239
Advances from customers	15	1,053,626	955,507
Wages payables		9,970	34,411
Income tax and other taxes payables	15	41,204	69,080
Dividend payable		137,025	1,438
Other payables and others	15	318,868	414,574
Borrowings	11	1,412,716	215,509
		<u>3,111,355</u>	<u>1,797,758</u>
Total liabilities		<u>6,226,392</u>	<u>5,637,080</u>
Total equity and liabilities		<u><u>11,364,041</u></u>	<u><u>10,640,897</u></u>

Liu Yujun
Director

Tang Fusheng
Director

The notes on page 48 to 74 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 2017**

(All amounts in RMB thousand unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2017	2016
Revenue	6(a)	896,014	832,900
Tax expenses and surcharge		(24,902)	(18,483)
Cost of sales		<u>(515,675)</u>	<u>(505,406)</u>
Gross profit		355,437	309,011
Other income	6(a)	35,879	123,390
Other gains - net		83,622	—
Administrative expenses		(52,773)	(54,403)
Distribution costs		<u>(4,197)</u>	<u>(5,123)</u>
Operating profit	16	417,968	372,875
Finance income		9,599	15,720
Finance expenses		<u>(62,372)</u>	<u>(73,599)</u>
Finance expenses - net	17	(52,773)	(57,879)
Share of loss of investment accounted for using the equity method		<u>—</u>	<u>(2,126)</u>
Profit before income tax		365,195	312,870
Income tax	18	<u>(95,776)</u>	<u>(73,998)</u>
Profit for the period		<u>269,419</u>	<u>238,872</u>
Total comprehensive income for the period		<u><u>269,419</u></u>	<u><u>238,872</u></u>

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2017	2016
Profit/Total comprehensive income attributable to:			
– Owners of the parent		255,058	236,683
– Non-controlling interests		14,361	2,189
		<u>269,419</u>	<u>238,872</u>
Earnings per share for profit attributable to the owners of the parent (in RMB per share)			
– basic		<u>RMB0.18</u>	<u>RMB0.17</u>
– diluted		<u>RMB0.18</u>	<u>RMB0.17</u>
Interim dividends	19	<u>—</u>	<u>—</u>

The notes on page 48 to 74 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 2017**

(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 2017		<u>1,427,228</u>	<u>844,040</u>	<u>2,473,109</u>	<u>4,744,377</u>	<u>259,440</u>	<u>5,003,817</u>
Comprehensive income							
– Profit for the period		<u>—</u>	<u>—</u>	<u>255,058</u>	<u>255,058</u>	<u>14,361</u>	<u>269,419</u>
Total comprehensive income		<u>—</u>	<u>—</u>	<u>255,058</u>	<u>255,058</u>	<u>14,361</u>	<u>269,419</u>
Transactions with owners							
– Dividends distributed		<u>—</u>	<u>—</u>	<u>(135,587)</u>	<u>(135,587)</u>	<u>—</u>	<u>(135,587)</u>
Total transactions with owners		<u>—</u>	<u>—</u>	<u>(135,587)</u>	<u>(135,587)</u>	<u>—</u>	<u>(135,587)</u>
Balance at 30 June 2017		<u><u>1,427,228</u></u>	<u><u>844,040</u></u>	<u><u>2,592,580</u></u>	<u><u>4,863,848</u></u>	<u><u>273,801</u></u>	<u><u>5,137,649</u></u>
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							
– 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><u>1,427,228</u></u>	<u><u>796,687</u></u>	<u><u>2,313,977</u></u>	<u><u>4,537,892</u></u>	<u><u>219,106</u></u>	<u><u>4,756,998</u></u>

The notes on page 48 to 74 form an integral part of this condensed consolidated interim financial information.

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

(All amounts in RMB thousand unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2017	2016
Cash flows from operating activities		
Continuing operations	448,235	273,590
Income tax paid	(128,444)	(38,248)
Interest received	4,344	10,221
	<u>324,135</u>	<u>245,563</u>
Cash flows from operating activities – net		
Cash flows from investing activities		
Purchase property, plant and equipment, intangible assets and other long-term assets	(413,295)	(199,029)
Proceeds on disposal of property, plant and equipment	3	54
Net cash received from investment	400	—
Other cash paid relating to investing activities	(31,225)	(25,715)
Other cash received relating to investing activities	—	70,390
	<u>(444,117)</u>	<u>(154,300)</u>
Cash flows from investing activities – net		
Cash flows from financing activities		
Distribution of dividends	—	(3)
Payments of interest expenses	(59,888)	(60,953)
Repayments of bank borrowings	(118,764)	(222,764)
Proceeds from bank borrowings	614,921	162,943
	<u>436,269</u>	<u>(120,777)</u>
Cash flows from financing activities – net		
Net increase/(decrease) in cash and cash equivalents	316,287	(29,514)
Cash and cash equivalents at the beginning of the period	1,181,120	1,328,575
	<u>1,497,407</u>	<u>1,299,061</u>
Cash and cash equivalents		

The notes on page 48 to 74 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 the ultimate holding company of the Company are 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 (collectively the ‘Group’) include processing of sewage water, construction and management of related facility, supply of tap water and recycled water, supply of heating and cooling, and construction and management of related facility as described below:

(a) Processing of sewage water

Pursuant to relevant agreements (‘Service concession right agreements’), the Group currently provides sewage 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

Plant	Location	Agreement date	Customer
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
Karamay	Xinjiang	4 Nov 2016	Karamay City Construction Bureau
Linxia	Gansu	13 May 2017	Linxia Housing and Urban-rural Construction Bureau
Changsha	Hunan	5 June 2017	Ningxiang Economic and Technological Development Zone Management Committee
Hefei	Anhui	16 June 2017	Hefei Urban and Rural Construction Committee

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 services relating to financing, construction and transfer of sewage processing facility project.

(c) Supply of tap water

Pursuant to the relevant agreements, the Group provides tap water supply service initially at pre-determined price and the prices as pre-determined may be revised subsequently taking into account various cost factors.

(d) Recycled water supply and pipeline connection

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

(e) Heating and cooling supply services

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

The Group has signed several service concession agreements with Tianjin Urban-rural Construction Commission of providing heating and cooling supply services to third parties which were located in Tianjin City Cultural Center, Heiniucheng Road and Houtai scenic area.

This condensed consolidated interim financial information was approved for issue on 29 August 2017.

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 2017 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 2016, which have been prepared in accordance with HKFRSs.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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 judgements, 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 this condensed consolidated interim financial information, the significant judgements 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 2016, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of unusual items.

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 2016.

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 RMB. All of the Group's borrowings are denominated in RMB. The sole foreign currency exposure of the Group arises from fluctuation of US dollar ('USD') and Japanese Yen ('JPY') pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from Tianjin Sewage Company ('Sewage Company').

As at 30 June 2017, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the period would have been RMB 2 million (30 June 2016: RMB 2 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the period would have been RMB 4 million (30 June 2016: RMB 5 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 2017 (Unaudited)			
Short-term borrowings	200,000	300,000	500,000
Other current liabilities			
– Current portion of long-term bank borrowings	—	186,128	186,128
– Current portion of long-term bonds	697,899	—	697,899
– Current portion of long-term payables	16,007	9,500	25,507
Long-term borrowings	—	508,221	508,221
Long-term payables	192,935	86,664	279,599
Long-term bonds	697,717	—	697,717
Total	<u>1,804,558</u>	<u>1,090,513</u>	<u>2,895,071</u>
As at 31 December 2016 (Audited)			
Short-term borrowings	—	—	—
Other current liabilities			
– Current portion of long-term bank borrowings	—	186,400	186,400
– Current portion of long-term bonds	—	—	—
– Current portion of long-term payables	16,292	9,635	25,927
Long-term borrowings	—	510,428	510,428
Long-term payables	193,119	92,089	285,208
Long-term bonds	1,394,313	—	1,394,313
Total	<u>1,603,724</u>	<u>798,552</u>	<u>2,402,276</u>

As at 30 June 2017, 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 RMB 4 million (30 June 2016: RMB 4 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 2017, the amount of financial guarantee provided by the Company to its subsidiaries is RMB 1,320 million (As at 30 June 2016: RMB 1,037 million), of which RMB 654 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 2017						
(Unaudited)						
Short-term bank borrowings	520,532	—	—	—	520,532	500,000
Long-term bank borrowings	237,824	157,991	367,472	86,761	850,048	694,349
Long-term payables	28,667	29,381	93,373	344,769	496,190	305,106
Other current liabilities	3,287	—	—	—	3,287	3,182
Trade and other payables	450,351	—	—	—	450,351	450,351
Long-term bonds	760,060	21,910	765,730	—	1,547,700	1,395,616
Dividend payable	137,025	—	—	—	137,025	137,025
	<u>520,532</u>	<u>179,901</u>	<u>460,845</u>	<u>86,761</u>	<u>1,547,700</u>	<u>1,395,616</u>
As at 31 December 2016						
(Audited)						
Short-term bank borrowings	—	—	—	—	—	—
Long-term bank borrowings	214,930	152,081	321,351	107,561	795,923	696,828
Long-term payables	28,321	29,017	92,143	358,346	507,827	311,135
Other current and non-current liabilities	3,332	1,409	—	—	4,741	4,546
Trade and other payables	515,350	—	—	—	515,350	515,350
Long-term bonds	60,060	60,060	737,806	710,955	1,568,881	1,394,313
Dividend payable	1,438	—	—	—	1,438	1,438
	<u>773,061</u>	<u>241,568</u>	<u>1,151,299</u>	<u>1,079,462</u>	<u>3,245,390</u>	<u>3,003,504</u>

(d) Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to maintain a gearing ratio of 20% - 40%. The gearing ratio of the Group is as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
Total borrowings	2,898,253	2,406,822
Less: Cash and cash equivalents	(1,497,407)	(1,181,120)
Net debt	<u>1,400,846</u>	<u>1,225,702</u>
Total equity	<u>5,137,649</u>	<u>5,003,817</u>
Total capital	<u>6,538,495</u>	<u>6,229,519</u>
Gearing ratio	<u>21%</u>	<u>20%</u>

As at 30 June 2017, the gearing ratio of the Group almost remained unchanged compared to last year.

(e) Fair value estimation

Financial instruments carried at fair value as at 30 June 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized 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).

The Group has no assets or liabilities measured at fair value as at 30 June 2017.

The carrying values of financial assets and financial liabilities approximate their fair values.

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 2017	30 June 2016
Revenue from principal operations (Note 6(b))	896,014	832,900
Other income	35,879	123,390
	<u>931,893</u>	<u>956,290</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. 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 2017(Unaudited)

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	Environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
Segment revenue	371,462	137,155	184,487	98,811	29,197	33,511	8,920	68,350	931,893
Segment expense	(228,249)	(82,444)	(120,814)	(68,447)	(24,084)	(26,786)	(11,949)	(3,925)	(566,698)
Results before share of profits of an associate	143,213	54,711	63,673	30,364	5,113	6,725	(3,029)	64,425	365,195
Share of profits of an associate									—
Profit before income tax									365,195
Income tax expense									(95,776)
Profit for the period									<u>269,419</u>
Segment assets	5,251,321	990,797	2,191,515	1,335,973	519,025	246,985	11,409	817,016	11,364,041
Investment in an associate	—	—	—	—	—	—	—	—	—
Total assets	5,251,321	990,797	2,191,515	1,335,973	519,025	246,985	11,409	817,016	11,364,041
Total liabilities	3,483,915	386,633	461,737	1,269,099	258,492	72,598	3,563	290,355	6,226,392
Other information									
– Interest income	1,020	599	1,603	772	409	11	42	5,143	9,599
– Interest expenses	(43,831)	(5,847)	(11,213)	(170)	(892)	(916)	—	—	(62,869)
– Depreciation	(150)	—	(77)	(18,429)	(75)	—	(391)	(2,746)	(21,868)
– Amortisation	(62,672)	(28,724)	(44,177)	(106)	(7,137)	(5,088)	(1)	(355)	(148,260)
– Capital expenditures	13,976	—	303,868	535	69,630	—	53	3,102	391,164

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

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	Environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
Segment revenue	383,455	65,229	176,294	100,096	28,641	33,552	8,911	160,112	956,290
Segment expense	(218,134)	(55,931)	(125,116)	(73,549)	(23,581)	(27,899)	(16,705)	(100,380)	(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

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

Six months ended 30 June 2017 (Unaudited)	Property, plant and equipment	Investment properties	Intangible assets	Land use rights
Net book value				
Opening amount as at 1 January 2017	417,882	97,590	6,219,001	14,986
Additions	211,019	—	180,145	—
Disposals	(2)	—	—	—
Depreciation and amortisation	(20,032)	(1,836)	(148,040)	(220)
Transfer to concession rights	(159,180)	—	159,180	—
Impairment provision	—	—	—	—
	<u>449,687</u>	<u>95,754</u>	<u>6,410,286</u>	<u>14,766</u>
Closing amount as at 30 June 2017				
Six months ended 30 June 2016 (Unaudited)				
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	—	—	—	—
	<u>450,986</u>	<u>99,427</u>	<u>6,198,772</u>	<u>15,206</u>
Closing amount as at 30 June 2016				

Concession rights with net book value of RMB 186 million (31 December 2016: RMB 191 million) have been secured against loans.

8 Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
Receivables from third parties	2,009,814	1,766,852
Receivables from related parties	73,083	71,371
	<u>2,082,897</u>	<u>1,838,223</u>
Less: Bad debts provision	(23,209)	(22,403)
	<u>2,059,688</u>	<u>1,815,820</u>

Aging of trade receivables is as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
Within 1 year	1,372,862	1,275,071
1 to 2 years	689,391	533,389
2 to 3 years	20,644	29,763
Total	<u>2,082,897</u>	<u>1,838,223</u>

9 Long-term receivables

	Unaudited 30 June 2017	Audited 31 December 2016
Receivables from toll road concession	<u>302,640</u>	<u>309,148</u>

Receivables from toll road concession represent amortised cost using effective interest rate method, calculated with reference to a fixed cash flow generated from future traffic flow over the concession period.

10 Share capital

Movement of the Company's authorised, issued and fully paid up capital is set out below. All of the Company's shares are ordinary shares with par value of RMB1.

	Circulating A-shares	Circulating H-shares	Total
At 31 December 2016 (Audited) and at 30 June 2017 (Unaudited)	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

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

11 Borrowings

	Note	Unaudited 30 June 2017	Audited 31 December 2016
<i>Non-current liabilities:</i>			
Long-term bank borrowings	(a), (b)	694,349	696,828
Less: Current portion	(a), (b)	(186,128)	(186,400)
		<hr/>	<hr/>
		508,221	510,428
Long-term Bonds	(c)	1,395,616	1,394,313
Less: Current portion	(c)	(697,899)	—
		<hr/>	<hr/>
		697,717	1,394,313
Long-term payables	(d)	305,106	311,135
Less: Current portion	(d)	(25,507)	(25,927)
		<hr/>	<hr/>
		279,599	285,208
Other liabilities		—	1,364
		<hr/>	<hr/>
<i>Total non-current borrowings</i>		<u>1,485,537</u>	<u>2,191,313</u>
<i>Current liabilities:</i>			
Current portion of long-term bank borrowings	(a)	186,128	186,400
Current portion of long-term bonds	(c)	697,899	—
Current portion of long-term payables	(d)	25,507	25,927
		<hr/>	<hr/>
		909,534	212,327
		<hr/>	<hr/>
Short-term bank borrowings	(e)	500,000	—
Other Current liabilities		3,182	3,182
		<hr/>	<hr/>
<i>Total current borrowings</i>		<u>1,412,716</u>	<u>215,509</u>

(a) Long-term bank borrowings

Movement of long-term bank borrowings is analyzed as follows:

	Unaudited
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	696,828
Proceeds of new borrowings	9,021
Repayments of borrowings	<u>(11,500)</u>
Closing amount as at 30 June 2017	<u><u>694,349</u></u>
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>

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 2017 (Unaudited)					
Long-term bank borrowings	<u>186,128</u>	<u>120,830</u>	<u>281,353</u>	<u>106,038</u>	<u>694,349</u>
As at 31 December 2016 (Audited)					
Long-term bank borrowings	<u>186,400</u>	<u>131,053</u>	<u>287,975</u>	<u>91,400</u>	<u>696,828</u>

(b) Summary of terms of long-term bank borrowings:

	Unaudited 30 June 2017	Audited 31 December 2016
Long-term bank borrowings:		
Pledged	40,000	50,000
Guaranteed	187,000	200,000
Unsecured	<u>467,349</u>	<u>446,828</u>
	<u><u>694,349</u></u>	<u><u>696,828</u></u>

(c) Long-term bonds

	Audited				Unaudited
	31 December			Due within	30 June
	2016	Amortization	Additions	1 year	2017
Debentures payable					
–par value	1,400,000	—	—	(700,000)	700,000
–transaction cost	(5,687)	1,303	—	2,101	(2,283)
	<u>1,394,313</u>	<u>1,303</u>	<u>—</u>	<u>(697,899)</u>	<u>697,717</u>

On 29 May 2013, the Company issued a long-term bond at par value of RMB700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The fixed interest rate of 5.45% has been accrued and settled per annum. The bond will be due for repayment on 29 May 2018. The principal will be repaid on maturity.

On 25 October 2016, the Company issued a long-term bond at par value of RMB700 million on The Shanghai Stock Exchange. The fixed interest rate of 3.13% has been accrued and settled per annum. The bond will be due for repayment on 25 October 2021. The principal will be repaid on maturity.

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

	Unaudited		Audited	
	30 June 2017		31 December 2016	
	Payable	Unrecognized financial charges	Payable	Unrecognized financial charges
Payable to Sewage Company for assets acquisition	<u>496,190</u>	<u>(191,084)</u>	<u>507,827</u>	<u>(196,692)</u>

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

	Maturity date	Original balance	Effective interest rate	Ending balance	Due within 1 year
Sewage Company	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>305,106</u>	<u>25,507</u>

The balance of the long-term payables to Sewage Company is the consideration payable in respect of the acquisition of sewage processing assets from Sewage Company, net of unrecognised financing charges.

Pursuant to the ‘Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project’, Sewage Company sold to the Company certain sewage processing assets. The first instalment of RMB261 million settled in cash and the remaining amount is to be settled on a 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 was at fair value assessed based on discounted future cash payments and the discount rate of 5.94%.

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

	Unaudited 30 June 2017	Audited 31 December 2016
JPY	370,020	373,437
US dollar	126,170	134,390
	<u>496,190</u>	<u>507,827</u>

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

(e) **Short-term bank borrowings**

Movement of bank borrowings is analyzed as follows:

Six months ended 30 June 2017

Opening amount as at 1 January 2017	—
Proceeds of new borrowings	500,000
Repayments of borrowings	—
	<u>500,000</u>
Closing amount as at 30 June 2017	<u>500,000</u>

Summary of current portion of short-term borrowings by terms:

Unsecured	<u>500,000</u>	—
	<u>500,000</u>	<u>—</u>

12 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 2016 Audited	Additions	Demolition costs	Recognised in Other gains-net	30 June 2017 Unaudited	Relating to assets/costs
Sewage water processing plants:						
– Xianyanglu upgrading project	63,805	—	—	(1,182)	62,623	assets
– Project of the solution and maintainance of water pollution	6,659	—	—	(23)	6,636	costs
– Dongjiao upgrading project	44,772	—	—	(829)	43,943	assets
– Jingu	717,306	—	—	(13,689)	703,617	assets
– Jingu upgrading project	163,000	—	—	—	163,000	assets
– Beichen upgrading project	90,000	—	—	—	90,000	assets
– Bei shi qiao upgrading project	11,792	—	—	(359)	11,433	assets
Water recycling plants in:						
– Dongjiao	22,431	—	—	(337)	22,094	assets
– Bei Chen	19,162	—	—	(262)	18,900	assets
Heating and cooling supply service project:	133,281	4,307	—	—	137,588	assets
Water recycling plants:						
– Xianyanglu	13,668	—	—	—	13,668	assets
– Jingu	156,628	—	—	—	156,628	assets
Others	4,467	200	—	(51)	4,616	costs
Total	<u>1,446,971</u>	<u>4,507</u>	<u>—</u>	<u>(16,732)</u>	<u>1,434,746</u>	

13 Deferred income tax liabilities

	Unaudited Six months ended 30 June	
	2017	2016
Opening balance as at 1 January	126,108	105,810
Charged to profit or loss	(6,284)	(885)
Closing balance as at 30 June	<u>119,824</u>	<u>104,925</u>

14 Provisions for other liabilities and charges

	Major overhauls for the assets of concession right Unaudited
Balance at 1 January 2017 and 30 June 2017	<u>39,393</u>

Analysis of total provisions:

	30 June 2017	31 December 2016
Non-current	32,930	32,930
Current	<u>6,463</u>	<u>6,463</u>
	<u>39,393</u>	<u>39,393</u>

15 Trade payables, advances from customers, other payables and income tax and other taxes payables

	Notes	Unaudited 30 June 2017	Audited 31 December 2016
Trade payables	(a)	137,946	107,239
Advances from customers	(b)	1,053,626	955,507
Other payables and others	(c)	318,868	414,574
Income tax and other taxes payables		<u>41,204</u>	<u>69,080</u>
		<u>1,551,644</u>	<u>1,546,400</u>

(a) As at 30 June 2017, the majority of trade payables are aged within one year.

(b) Advances from customers comprise:

	Unaudited 30 June 2017	Audited 31 December 2016
For pipeline connection services	1,005,192	941,081
For project Han Gu	4,467	4,467
For heating supply service	402	3,069
Others	<u>43,565</u>	<u>6,890</u>
	<u>1,053,626</u>	<u>955,507</u>

(c) Other payables comprise:

	Unaudited	Audited
	30 June	31 December
	2017	2016
Construction costs payable	203,080	300,161
Interest payable for long-term bonds	18,208	26,575
Payable for purchases of property, plant and equipment and concession right	13,892	13,892
Provisions	6,463	6,463
Others	77,225	67,483
	<u>318,868</u>	<u>414,574</u>

As at 30 June 2017, other payables of RMB 138 million (31 December 2016: RMB 123 million) were aged over one year, which mainly represented payables and deposits for sewage plants upgrading projects. The balances had yet to be settled as those projects and their final accounts have not been completed.

16 Operating profit

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

	Unaudited	
	For the six months ended	
	30 June	30 June
	2017	2016
Crediting:		
Rental of investment properties	<u>(3,581)</u>	<u>(2,879)</u>
Charging:		
Depreciation and amortisation expenses	170,128	173,296
Staff costs	114,625	126,407
Raw materials and consumables used	44,284	23,442
Repair and maintenance expenses	<u>29,863</u>	<u>40,339</u>

17 Finance expenses - net

	Unaudited	
	For the six months ended	
	30 June 2017	30 June 2016
Interest expenses of borrowings	62,869	74,332
Less: Interest income	(9,599)	(15,720)
– long-term receivables	(5,255)	(5,499)
– bank deposits	(4,344)	(10,221)
Others	(497)	(733)
	<u>52,773</u>	<u>57,879</u>

18 Income tax

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2017 (30 June 2016:Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Tax charges comprises:

	Unaudited	
	For the six months ended	
	30 June 2017	30 June 2016
Current income tax	102,060	74,883
Deferred income tax	(6,284)	(885)
	<u>95,776</u>	<u>73,998</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	30 June
	2017	2016
Profit before income tax	365,195	312,870
Calculated at applicable income tax rate	91,299	78,218
Effect of preferential tax rate applicable to certain subsidiaries	(3,876)	(1,732)
Income not subject to tax	(19,633)	(3,190)
Expenses not deductible for taxation purposes	29,294	7,619
Utilisation of previously deductible tax losses for which no deferred income tax assets was recognized	(1,834)	(8,214)
Current year deductible temporary differences for which no deferred income tax asset was recognised	202	—
Current year tax losses for which no deferred income tax asset was recognised	324	1,297
Income tax expense	<u>95,776</u>	<u>73,998</u>

19 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2017 (30 June 2016: 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 2017 RMB' million	Audited 31 December 2016 RMB' million	Unaudited 30 June 2017 RMB' million	Audited 31 December 2016 RMB' million
Sewage Water Processing Plants Project:				
– Ningxiang project	103	1	69	199
– Yingshang project	70	71	70	101
– Karamay project	3	—	315	318
– Hefei Yuwan project	—	—	227	—
– Dalian Chunliuhe project	—	—	221	221
– Linxia project	—	—	220	—
– Hangzhou upgrade project	—	—	26	26
– Dengjiacun and Beishiqiao upgrade project	—	—	3	4
Energy Station Project:				
– Heiniucheng Road	86	62	112	156
– Tianjin cultural center	35	4	23	101
	<u>297</u>	<u>138</u>	<u>1,336</u>	<u>1,126</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 2017	30 June 2016
City Infrastructure Construction and Investment	Commission income from contract operation	26,251	29,833
Tianjin Lecheng Properties Limited	Income from heating and cooling supply	16,503	15,945
Tianjin Metro Resources Investment Co., Ltd.	Income from heating and cooling supply	905	1,049
		<u> </u>	<u> </u>

(ii) Key management compensation for the six months ended 30 June 2017 is summarized as follows:

	Unaudited	
	For the six months ended	
	30 June	30 June
	2017	2016
Salaries and other short-term employee benefits	5,954	2,623
Other long-term benefits	1,085	1,212
	<u>7,039</u>	<u>3,835</u>

(iii) Receivables from to related parties:

	Unaudited	Audited
	30 June	31 December
	2017	2016
Tianjin Lecheng Properties Limited	34,787	35,139
City Infrastructure Construction and Investment	36,222	29,337
Tianjin Metro Resources Investment Co.,Ltd.	1,673	6,495
Tianjin City Resource Operation Co., Ltd.	401	401
	<u>73,083</u>	<u>71,372</u>

(iv) Commitment

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

	Unaudited	Audited
	30 June	31 December
	2017	2016
Guarantee received		
City Infrastructure Construction and Investment	<u>187,000</u>	<u>200,000</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-owned enterprises').

During the year, 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 and supply of heating. As at 30 June 2017, majority of the Group's cash and cash equivalents and borrowings are dealt with state controlled banks.

II. Prepared in accordance with the PRC Accounting Standards

Balance Sheet

As at 30 June 2017

(All amounts in RMB thousand unless otherwise stated)

	Notes 4	Group		Company	
		Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
ASSETS					
CURRENT ASSETS					
Cash at bank and on hand	(1)	1,515,420	1,199,058	791,256	459,678
Notes receivables		510	400	—	—
Trade receivables	(2)	2,059,178	1,815,420	1,635,777	1,489,342
Advances to suppliers	(3)	174,992	153,198	205	423
Dividends receivable		—	—	8,713	8,713
Other receivables	(4)	115,090	150,872	206,868	287,697
Inventories	(5)	20,283	24,491	3,776	4,333
Other current assets	(6)	67,594	49,107	111,872	103,843
Total current assets		<u>3,953,067</u>	<u>3,392,546</u>	<u>2,758,467</u>	<u>2,354,029</u>
NON-CURRENT ASSETS					
Available-for-sale financial assets	(7)	2,000	2,000	2,000	2,000
Long-term receivables	(8)	302,640	309,148	302,640	309,148
Long-term equity investments	(9)	—	—	1,895,019	1,746,349
Investment properties	(10)	95,754	97,590	74,233	75,818
Fixed assets	(11)	393,924	413,486	117,317	125,374
Construction in progress	(11)	55,763	4,396	—	—
Intangible assets	(12)	6,425,052	6,233,987	3,344,292	3,393,326
Other non-current assets	(6)	135,841	187,744	328,106	237,480
Total non-current assets		<u>7,410,974</u>	<u>7,248,351</u>	<u>6,063,607</u>	<u>5,889,495</u>
TOTAL ASSETS		<u><u>11,364,041</u></u>	<u><u>10,640,897</u></u>	<u><u>8,822,074</u></u>	<u><u>8,243,524</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes 4	Group		Company	
		Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
CURRENT LIABILITIES					
Short-term borrowings	(16)	500,000	—	500,000	—
Trade payables	(14)	137,946	107,239	46,308	20,089
Advances from customers	(14)	1,053,626	955,507	45,679	5,994
Taxes payable	(14)	41,204	69,080	10,770	38,154
Dividends payable	(14)	137,025	1,438	137,025	1,438
Other payables	(14)	312,405	408,111	684,486	751,895
Employee benefits payable	(15)	9,970	34,411	7,118	22,920
Current portion of non-current liabilities	(16)	909,534	212,327	723,406	25,927
Other current liabilities	(16)	9,645	9,645	86,463	86,463
Total current liabilities		<u>3,111,355</u>	<u>1,797,758</u>	<u>2,241,255</u>	<u>952,880</u>
NON-CURRENT LIABILITIES					
Long-term borrowings	(16)	508,221	510,428	—	—
Long-term debentures	(16)	697,717	1,394,313	697,717	1,394,313
Long-term payables	(16)	279,599	285,208	279,599	285,208
Other non-current liabilities	(16)	42,000	43,364	210,000	210,000
Provisions	(17)	32,930	32,930	32,930	32,930
Deferred revenue	(18)	1,434,746	1,446,971	1,112,876	1,129,013
Deferred income tax liabilities	(19)	119,824	126,108	57,925	54,224
Total non-current liabilities		<u>3,115,037</u>	<u>3,839,322</u>	<u>2,391,047</u>	<u>3,105,688</u>
TOTAL LIABILITIES		<u>6,226,392</u>	<u>5,637,080</u>	<u>4,632,302</u>	<u>4,058,568</u>

		Group		Company	
		Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes 4				
SHAREHOLDERS' EQUITY					
Share capital	(20)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	(21) (a)	399,115	399,115	380,788	380,788
General reserves	(21) (b)	444,925	444,925	444,925	444,925
Undistributed profits	(21) (c)	2,592,580	2,473,109	1,936,831	1,932,015
Equity attributable to owners of the parent		4,863,848	4,744,377	4,189,772	4,184,956
Minority Interests	(22)	273,801	259,440	—	—
Total shareholders' equity		5,137,649	5,003,817	4,189,772	4,184,956
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,364,041	10,640,897	8,822,074	8,243,524

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 2017

(All amounts in RMB thousand unless otherwise stated)

	Notes 4	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
		2017	2016	2017	2016
Income from operations	(23)	986,635	927,561	453,781	479,469
Less: Cost for operations	(23)	(570,417)	(557,216)	(238,418)	(266,344)
Taxes and surcharges	(24)	(24,902)	(18,483)	(10,683)	(10,135)
Selling and distribution expenses	(25)	(4,197)	(5,123)	—	—
General and administrative expenses	(25)	(52,773)	(54,403)	(29,739)	(30,549)
Financial expenses - net	(27)	(52,773)	(57,879)	(32,474)	(30,611)
Asset impairment losses	(28)	(806)	—	—	—
Add: Investment (loss)/income		400	(2,126)	400	1,680
Including: Share of loss of associate		—	(2,126)	—	—
Other gains	(29)	64,864	—	32,870	—
Operation profit		346,031	232,331	175,737	143,510
Add: Non-operating income	(29)	19,292	83,266	16,337	56,654
Including: Gain on disposals of non-current assets		1	1	—	1
Less: Non-operating expenses	(30)	(128)	(2,727)	—	—
Including: Loss on disposals of non-current assets		—	(21)	—	—
Total profit		365,195	312,870	192,074	200,164
Less: Income tax	(31)	(95,776)	(73,998)	(51,671)	(49,621)
Net profit		269,419	238,872	140,403	150,543
Attributable to owners of the parent		255,058	236,683	140,403	150,543
Minority interests		14,361	2,189	—	—

		Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
	Notes 4	2017	2016	2017	2016
Earnings per share					
(in RMB Yuan)	(32)				
– Basic		0.18	0.17	—	—
– Diluted		<u>0.18</u>	<u>0.17</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>269,419</u>	<u>238,872</u>	<u>140,403</u>	<u>150,543</u>
Attributable to owners of the parent		255,058	236,683	140,403	150,543
Minority interests		<u>14,361</u>	<u>2,189</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 2017

(All amounts in RMB thousand unless otherwise stated)

	Notes 4	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
		2017	2016	2017	2016
1. Cash flows from operating activities					
Cash received from sales of goods and rendering of services		933,575	706,258	429,581	236,299
Cash received from tax refunds		71,576	94,115	34,064	68,653
Cash received relating to other operating activities	(33) (c)	337,046	134,560	223,561	75,644
Sub-total of cash inflows		<u>1,342,197</u>	<u>934,933</u>	<u>687,206</u>	<u>380,596</u>
Cash paid for goods and services		(322,785)	(288,515)	(118,995)	(129,650)
Cash paid to and on behalf of employees		(141,789)	(127,312)	(57,260)	(57,390)
Payments of taxes and surcharges		(288,050)	(236,599)	(151,994)	(158,264)
Cash paid relating to other operating activities	(33) (d)	(265,438)	(36,944)	(227,554)	(35,986)
Sub-total of cash outflows		<u>(1,018,062)</u>	<u>(689,370)</u>	<u>(555,803)</u>	<u>(381,290)</u>
Net cash flows from operating activities	33	<u>324,135</u>	<u>245,563</u>	<u>131,403</u>	<u>(694)</u>

	Notes 4	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
		2017	2016	2017	2016
2. Cash flows from investing activities					
Cash received from investment income		400	—	400	—
Cash received from returns on investments		—	—	—	—
Net cash received from disposals of fixed assets	(33) (e)	3	54	—	—
Cash received from subsidiaries		—	—	379,831	113,238
Cash received relating to other investing activities	(33) (f)	—	70,390	—	—
Sub-total of cash inflows		<u>403</u>	<u>70,444</u>	<u>380,231</u>	<u>113,238</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(413,295)	(199,029)	(97,319)	(60,226)
Cash paid to acquire investments		—	—	(148,670)	(92,600)
Cash paid to subsidiaries		—	—	(363,095)	(120,900)
Cash paid relating to other investing activities	(33) (g)	(31,225)	(25,715)	(29,939)	(25,715)
Sub-total of cash outflows		<u>(444,520)</u>	<u>(224,744)</u>	<u>(639,023)</u>	<u>(299,441)</u>
Net cash flows from investing activities		<u>(444,117)</u>	<u>(154,300)</u>	<u>(258,792)</u>	<u>(186,203)</u>

	Notes 4	Group Unaudited Six months ended 30 June		Company Unaudited Six months ended 30 June	
		2017	2016	2017	2016
3. Cash flows from financing activities					
Cash received from borrowings		614,921	162,943	500,000	—
Sub-total of cash inflows		<u>614,921</u>	<u>162,943</u>	<u>500,000</u>	<u>—</u>
Cash repayments of borrowings		(118,764)	(222,764)	—	—
Cash payments for distribution of interest expenses		(59,888)	(60,953)	(41,108)	(38,150)
Payments for distribution of dividends or profits		—	(3)	—	(3)
Sub-total of cash outflows		<u>(178,652)</u>	<u>(283,720)</u>	<u>(41,108)</u>	<u>(38,153)</u>
Net cash flows from financing activities		<u>436,269</u>	<u>(120,777)</u>	<u>458,892</u>	<u>(38,153)</u>
4. Effect of foreign exchange rate changes on cash		—	—	—	—
5. Net increase/(decrease) in cash		316,287	(29,514)	331,503	(225,050)
Add: Cash at beginning of the period		<u>1,181,120</u>	<u>1,328,575</u>	<u>454,678</u>	<u>596,699</u>
6. Cash at end of the period	(33) (b)	<u><u>1,497,407</u></u>	<u><u>1,299,061</u></u>	<u><u>786,181</u></u>	<u><u>371,649</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*

Consolidated statement of changes in equity

For the six months ended 30 June 2017

(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 2016 (Audited)	1,427,228	382,311	414,376	2,177,200	217,638	4,618,753
Movements for the period ended 30 June 2016						
Total comprehensive income						
Net profit	—	—	—	236,683	2,189	238,872
Total comprehensive income for the period	—	—	—	236,683	2,189	238,872
Capital contribution by shareholders						
Profit appropriation						
Appropriation to surplus reserves	—	—	—	—	—	—
Dividend distribution 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>
Balance at 1 January 2017 (Audited)	1,427,228	399,115	444,925	2,473,109	259,440	5,003,817
Movements for the period ended 30 June 2017						
Total comprehensive income						
Net profit	—	—	—	255,058	14,361	269,419
Total comprehensive income for the period	—	—	—	255,058	14,361	269,419
Capital contribution by shareholders						
Profit appropriation						
Appropriation to surplus reserves	—	—	—	—	—	—
Dividend distribution to shareholders	—	—	—	(135,587)	—	(135,587)
Balance at 30 June 2017 (Unaudited)	<u>1,427,228</u>	<u>399,115</u>	<u>444,925</u>	<u>2,592,580</u>	<u>273,801</u>	<u>5,137,649</u>

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

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Liu Tao
Person in charge of
accounting department

Company statement of changes in equity

For the six months ended 30 June 2017

(All amounts in RMB thousand unless otherwise stated)

	Share capital	Capital surplus	General reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2016	1,427,228	380,788	414,376	1,756,983	3,979,375
Movements for the period ended 30 June 2016					
Total comprehensive income					
Net profit	—	—	—	150,543	150,543
Total comprehensive income for the period	—	—	—	150,543	150,543
Capital contribution by shareholders					
Profit appropriation	—	—	—	—	—
Appropriation to surplus reserves	—	—	—	(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>
Balance at 1 January 2017	1,427,228	380,788	444,925	1,932,015	4,184,956
Movements for the period ended 30 June 2017					
Total comprehensive income					
Net profit	—	—	—	140,403	140,403
Total comprehensive income for the period	—	—	—	140,403	140,403
Capital contribution by shareholders					
Profit appropriation	—	—	—	—	—
Appropriation to surplus reserves	—	—	—	(135,587)	(135,587)
Balance at 30 June 2017	<u>1,427,228</u>	<u>380,788</u>	<u>444,925</u>	<u>1,936,831</u>	<u>4,189,772</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 2017

(All amounts in RMB thousand unless otherwise stated)

1 GENERAL INFORMATION

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was established on the basis of Tianjin Bohai chemical industry(Group) Company Limited (“Bohai Chemical Industry”). Bohai Chemical Industry 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. Bohai Chemical Industry appeared significant losses in 1998 and 1999. Approved by Tianjin Government, the Company had completed the equity and assets reorganization of Bohai Chemical Industry 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 are Tianjin Municipal Investment Company Limited (“Municipal Investment”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“City Infrastructure Construction and Investment”), respectively. As at 30 June 2017, the Company’s total share capital is RMB 1,427 million with a par value of RMB 1 per share.

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
Chaohu	Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau

Plant	Location	Agreement date	Authorizer
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
Karamay	Xinjiang	4 November 2016	Karamay City Construction Bureau
Linxia	Gansu	13 May 2017	Linxia Housing and Urban-rural Construction Bureau
Changsha	Hunan	5 June 2017	Ningxiang Economic and Technological Development Zone Management Committee
Hefei	Anhui	16 June 2017	Hefei Urban and Rural Construction Committee

The Group provides sewage treatment services in accordance with the Concession Agreements and is entitled to charge for the service based on a pre-determined rate.

(b) Construction and management of the sewage water processing facilities

The Group provides services including design, construction and operations of sewage water processing facility, as well as financing services, construction and transfer of sewage water processing facility projects.

(c) Supply of tap water

Pursuant to relevant agreements, the Group provides tap water supply service initially at the pre-determined rate and the price as pre-determined may be revised subsequently taking into account various cost factors.

(d) Recycled water and pipeline connection

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

(e) Heating and cooling supply services

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

(f) Subsidiaries included in the scope of consolidation for the year and newly consolidated subsidiaries are set out in Note 4(9) (a).

(g) These consolidated financial statements were approved by the Directors of the Company on August 29, 2017.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the specific accounting policies and accounting estimates according to the production management characteristics, which are reflected mainly in the provision for bad debts of trade receivable (Note 2(9)), valuation method of investment properties (Note 2(12)), depreciation and amortization of fixed assets and intangible assets (Note 2(13) (16)), recognition and amortization of concession rights (Note 2(16) (b)), timing of revenue recognition (Note 2(21)) and so on.

Key assumption adopted by the Group in determining significant accounting policies are set out in Note 2(26).

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and *Circular of the China Securities Regulatory Commission on the Issuing of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Statements*.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with Accounting Standard for Business Enterprise

The financial statements of the Company for the six months ended 30 June 2017 truly and completely present the financial position as of 30 June 2017 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 year

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 2017.

(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.

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

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Company are recognized as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealized 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. Unrealized 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 minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized 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 minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized 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 minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

(6) Cash

Cash comprise cash on hand and deposits that can be readily drawn on demand.

(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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

(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 transaction costs that are attributable to acquisition of the financial assets are included in their initially recognized amounts.

Available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are subsequently measured at amortized cost using the effective interest method.

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured.

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its 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. The previously recognized impairment loss will not be reversed in subsequent periods.

(iv) Derecognition of financial assets

A financial asset is derecognized when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables, borrowings and debentures payable.

Payables, including trade payable and other payables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Financial liabilities of which the period is within one year (including one year) are classified as the current liabilities; the period is over one year while will be due within one year (including one year) since the balance sheet date are classified as current portion of non-current liabilities; and the others are classified as non-current liabilities.

A financial liability is derecognized when all or part of the obligation is extinguished. The difference between the carrying amount of a financial liability extinguished and the consideration paid, shall be recognized in profit or loss.

(9) Receivables

Receivables comprise trade receivable and other receivables. Trade receivable arising from sales of tap water or rendering of services are initially recognized at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts:

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining “individually significant” amounts is that any individual amount is more than RMB 50 million.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(b) Receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping and methods of determining provision for bad debts on the grouping basis are as follows:

	Basis for grouping	Methods of determining provision for bad debts
General credit portfolio	Trade receivable excluding those which are individually significant and subject to separate assessment for provision for bad debts	Aging analysis method
Project deposits	All project deposits	None
Value added tax (VAT) refund portfolio	All VAT refund receivables	None
Receivable portfolio from subsidiaries	All receivables from subsidiaries	None
Others	Other receivables except those mentioned above	Aging analysis method

The provision ratios used under the aging analysis method for the above groupings are as follows:

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

(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(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) Costing of inventories

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 construction contract, costs 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 and systematically allocated production overhead based on the normal production capacity.

(c) Basis of determining net realizable values of inventories and method for making 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 realizable value. Net realizable 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) 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 the investees over which the Company is able to exercise control. Associate are the investee over which the Group has significant influence on their financial and operating policy decisions.

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 of related profit and loss

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

Long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at 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 time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group does not recognize further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees 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 recognizing the investment losses and the provisions. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognized in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealized gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognized. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determination of control, joint control and significant influence over investees

Control is the right over the investee that entitles enjoy variable returns from their involvement in the investee and the ability to exert the right 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 in 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 amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (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 investment properties. Buildings are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of 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 transferred to owner-occupied properties, it is reclassified as fixed asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each 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 net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(17)).

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

Fixed assets are recognized when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date.

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

(b) Depreciation methods of fixed assets

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 net 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%

Plants and pipelines network are included in buildings with 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.

The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

(c) Disposal of fixed assets

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, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying 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 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 and 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 the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(16) Intangible assets

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

(a) Land use rights

Land use rights are amortized on the straight-line basis over their approved use period of 25-50 years. If the acquisition costs of the land use rights and the buildings and structures located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognized as fixed assets.

(b) Concession rights

As described in Note 1(a) and (e), the Group cooperates with government or its subsidiaries in the development, financing, operation and maintenance of facilities for public services (concession services) over a specified period of time (concession service period). The Group has access to operating the facilities and providing concession services in accordance with the terms specified in the arrangement, and transfers the facilities to the government at the end of the concession service period.

The *Service concession right agreement* sets out performance standards and price adjustment mechanism to clarify the scope of concession services of the Group. The concession service arrangement is within the scope of Interpretations of Accounting Standards for Business Enterprises No.2, such assets under the concession arrangement can be recognized as intangible assets or financial assets. The operator shall recognize an intangible asset to the extent that it receives a right (concession) to charge users of the public service and shall recognize a financial asset to the extent that it receives unconditional payments or guarantee for minimum charge from the approving authority. Rights in relation to concession services are recognized as intangible assets- concession rights 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 of its useful life and amortization method is performed at each year-end, with adjustment made as appropriate.

(e) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (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 and post-employment benefits.

(a) Short-term Employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their 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 pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(19) Dividend distribution

Cash dividends are recognized as liabilities for the period in which the dividends are approved by the shareholders' meeting.

(20) Provisions

Provisions for maintenance of the sewage water processing facilities are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(21) Revenue recognition

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

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

(a) Processing of sewage water and heating and cooling supply services

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

(b) Construction of sewage water facilities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized with reference to the percentage of completion of the contract activity at the balance sheet date. The percentage of completion is usually determined by the ratio of aggregate contract costs incurred to the total estimated contract costs. Variations in contract, claims and incentive payments are included in the contract revenue to the extent that they can be reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, the amount of the contract cost which is most likely to be recovered is recognized as contract revenue. 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 for sales of pipeline connection for recycled water is recognized when the connection is completed and recycled water is to be delivered to customers.

(e) Sales of environmental protection equipment

If the stage of completion can be measured reliably, revenue and cost 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 of 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. 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) Technical services income

For sales of technical services, the related revenue is recognized using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

(22) Government grants

Government grants refer to the monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognized when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded as deferred income and recognized evenly in profit or loss over the useful lives of the related assets.

Government grants related to income will be recorded as deferred income and recognized in profit or loss in the period in which the related expenses are recognized if the grants are intended to compensate for future expenses or losses, and otherwise recognized in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

(23) 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.

(24) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period.

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

(25) Segment information

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

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

(26) 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 on the recoverability of trade receivable. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made. At the time of evaluating the bad debt provisions, the Group needs to make judgments and estimates. When there is any change in accounting estimates, the carrying amount of trade receivable and bad debt provisions recognized in asset impairment loss will also change accordingly.

(ii) Income tax

The Group is subject to income taxes in numerous jurisdictions. There are some 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. Where the final identified outcome of these tax matters is different from the initially-recorded amount, such difference will impact the income tax expenses and deferred income tax in the period in which such determination is finally made.

(iii) Estimated provision for non-current assets

The Group assesses the impairment of non-current assets based on the recoverability of them. An impairment is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. These assessments require the use of estimates. The carrying amount and the impairment provision will change, when the accounting estimate changes.

3 TAXATION

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

Category	Tax base	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%
City construction and maintenance tax	The payment amount of VAT	7%
Education surtax	The payment amount of VAT	3%

(a) Pursuant to the ‘Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax’(Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from service contract operation and technical services of the Group, is subject to VAT from 1 May 2016, and the applicable tax rate is 6% and 17%, while the business tax was 5% before then.

(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 2017	Reason for the preferential tax policy
Fu Yang Capital Water Co.,Ltd.	12.5%	Income from engagement 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 of <i>Guizhou Provincial SAT on Implementation of Preferential Tax Policy Relating to Development of Western Regions</i> , (Qian Guo Shui Han[2011] No.19) from 2011 to 2020.
Xi’an Capital Water Co., Ltd.	15%	According to Notice of <i>Shaanxi Provincial SAT on Issuing Measures for Review and Management of Preferential Tax Policy of Enterprises Relating to Development of Western Regions</i> , (Notice [2010] No. 3) from 2011 to 2020.
Hangzhou Tianchuang Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 1 July 2016 for the first 3 years and reduction half for the next 3 years.

Name of subsidiaries	Enterprise income tax rate of 2017	Reason for the preferential tax policy
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	15%	High tech enterprises entitle to preferential tax policy from 2013 to 2018.
Tianjin Water Recycling Co., Ltd.	The taxable income is 90% of revenue	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Karamay Tianchuang Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2017 for the first 3 years and reduction half for the next 3 years.

(3) Preferential tax policies for value-added tax

On 12 June 2015, the Ministry of Finance and the State Administration of Taxation issued the preferential value-added tax catalogue of products and services which comprehensively utilized resources Cai Shui [2015] No.78 (hereinafter referred to as the No. 78). According to the No.78, the sewage water processing and recycled water business are required to pay value-added tax since July 1, 2015. 70% of value-added tax paid by the sewage water processing business and 50% value-added tax paid by recycled water business will be refunded.

4 NOTES TO THE FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Cash on hand	465	173	40	9
Cash at bank	1,496,942	1,180,947	786,141	454,669
Other cash balances	18,013	17,938	5,075	5,000
	<u>1,515,420</u>	<u>1,199,058</u>	<u>791,256</u>	<u>459,678</u>
Including:				
Bank deposits overseas	<u>8,564</u>	<u>9,143</u>	<u>—</u>	<u>—</u>

(a) Cash listed in the cash flow statement comprises:

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Cash at bank and on hand	1,515,420	1,199,058	791,256	459,678
Less: Restricted bank deposits (note (i))	<u>(18,013)</u>	<u>(17,938)</u>	<u>(5,075)</u>	<u>(5,000)</u>
Cash listed in cash flow statement (note 4(32))	<u>1,497,407</u>	<u>1,181,120</u>	<u>786,181</u>	<u>454,678</u>

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

(2) Trade receivables

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Trade receivables	2,082,387	1,837,823	1,635,777	1,489,342
Less: Provision for bad debts	<u>(23,209)</u>	<u>(22,403)</u>	<u>—</u>	<u>—</u>
	<u>2,059,178</u>	<u>1,815,420</u>	<u>1,635,777</u>	<u>1,489,342</u>

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

	Group			
	Unaudited		Audited	
	30 June 2017		31 December 2016	
	Unaudited	Audited	Unaudited	Audited
	amount	% of total balance	amount	% of total balance
Within 1 year	1,372,352	66%	1,274,671	69%
1 to 2 years	689,391	33%	533,389	29%
Over 2 years	20,644	1%	29,763	2%
Total	<u>2,082,387</u>	<u>100%</u>	<u>1,837,823</u>	<u>100%</u>

	Company			
	Unaudited		Audited	
	30 June 2017		31 December 2016	
	Unaudited	Audited	Unaudited	Audited
	amount	% of total balance	amount	% of total balance
Within 1 year	960,164	59%	967,622	65%
1 to 2 years	658,579	40%	511,349	34%
Over 2 years	17,034	1%	10,371	1%
Total	<u>1,635,777</u>	<u>100%</u>	<u>1,489,342</u>	<u>100%</u>

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

Category	Group							
	Unaudited 30 June 2017				Audited 31 December 2016			
	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	1,784,029	86%	16,992	1%	1,512,493	82%	16,992	1%
General credit portfolio	298,358	14%	6,217	2%	325,330	18%	5,411	2%
Total	2,082,387	100%	23,209	1%	1,837,823	100%	22,403	1%

Category	Company							
	Unaudited 30 June 2017				Audited 31 December 2016			
	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	1,523,949	93%	—	—	1,397,293	94%	—	—
General credit portfolio	111,828	7%	—	—	92,049	6%	—	—
Total	1,635,777	100%	—	—	1,489,342	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 2017 (Unaudited)		
	Ending balance	Provision for bad debts	Ratio
TWAB (note(i))	1,523,949	—	—
Hangzhou Sewage Co., Ltd. (note(ii))	138,868	—	—
Qijing City Water General Company (note(iii))	121,212	(16,992)	14%
	<u>1,784,029</u>	<u>(16,992)</u>	

	Company		
	30 June 2017 (Unaudited)		
	Ending balance	Provision for bad debts	Ratio
TWAB (note(i))	<u>1,523,949</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) The outstanding trade receivables from Hangzhou Sewage Co., Ltd. of the Group is collected on a continuous basis. So there's no impairment risk identified.
- (iii) On 30 June 2017, the total amount of trade receivables due from Qijing City Water General Company, in respect of sewage processing fee and tap water fee was RMB 121 million. The management estimated and provided RMB 17 million bad debt provision for those foreseeable uncollectible receivables with ageing over 2 years.

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

	Group					
	Unaudited 30 June 2017			Audited 31 December 2016		
	Carrying amount	Bad-debt provision amount	Carrying % of total balance	Bad-debt provision amount	amount	% of total balance
Within 1 year	270,591	—	—	299,002	—	—
1 to 2 years	20,754	—	—	18,957	—	—
Over 2 years	7,013	6,217	89%	7,371	5,411	73%
Total	298,358	6,217	2%	325,330	5,411	2%

	Company					
	Unaudited 30 June 2017			Audited 31 December 2016		
	Carrying amount	Bad-debt provision amount	Carrying % of total balance	Bad-debt provision amount	amount	% of total balance
Within 1 year	71,737	—	—	67,518	—	—
1 to 2 years	23,058	—	—	14,160	—	—
Over 2 years	17,033	—	—	10,371	—	—
Total	111,828	—	—	92,049	—	—

(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 2017	Audited 31 December 2016
City Infrastructure		
Construction and Investment	36,222	29,337

(f) As at 30 June 2017, the trade receivables from the top five debtors are analyzed as below:

	Relationship with the Group	Amount	Ageing	% of total balance
TWAB	Third party	888,427	Within 1 year	42.66%
		635,522	1-2 years	30.52%
Hangzhou Sewage Co., Ltd.	Third party	126,731	Within 1 year	6.09%
		12,137	1-2 years	0.58%
Qujing City Water General Company	Third party	87,408	Within 1 year	4.20%
		20,979	1-2 years	1.01%
		12,825	Over 2 years	0.62%
City Infrastructure Construction and Investment	Ultimate holding company	36,222	Within 1 year	1.74%
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company	34,787	Within 1 year	1.67%
Total		<u>1,855,038</u>		<u>89.08%</u>

(3) Advances to suppliers

(a) The ageing of advances to suppliers is analyzed as below:

	Group			
	Unaudited 30 June 2017		Audited 31 December 2016	
	amount	% of total balance	amount	% of total balance
Within 1 year	90,555	52%	75,282	49%
1 to 2 years	48,021	27%	50,031	33%
Over 2 years	36,416	21%	27,885	18%
Total	<u>174,992</u>	<u>100%</u>	<u>153,198</u>	<u>100%</u>

As at 30 June 2017, the advances to suppliers aged over one year with amount of RMB 84 million (2016: RMB 78 million) mainly for recycled water pipeline connection service for which the projects haven't been completed and hence balances remain outstanding.

	Company			
	Unaudited 30 June 2017		Audited 31 December 2016	
	amount	% of total balance	amount	% of total balance
Within 1 year	199	99%	417	98.6%
1 to 2 years	—	—	—	—
Over 2 years	6	1%	6	1.4%
Total	<u>205</u>	<u>100%</u>	<u>423</u>	<u>100%</u>

(b) As at 30 June 2017, the advances to suppliers to the top five debtors are analyzed as below:

	amount	% of total balance
Total amounts of advances to suppliers to the top five debtors in respect of outstanding balance	<u>20,876</u>	<u>12%</u>

(c) As at 30 June 2017, there were no advances to suppliers to any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2016: Nil). As at 30 June 2017, there were no advances to suppliers to any of the related parties of the Company (31 December 2016: Nil).

(4) Other receivables

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Project deposits	89,598	120,149	87,066	116,213
Receivables from VAT refunds	19,439	27,810	10,010	11,204
Receivables from subsidiaries	—	—	108,038	159,039
Others	6,053	2,913	1,754	1,241
Less: provision for bad debts	—	—	—	—
	<u>115,090</u>	<u>150,872</u>	<u>206,868</u>	<u>287,697</u>

As at 30 June 2017, there were no overdue other receivables which haven't been reduced (31 December 2016: Nil).

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

	Group			
	Unaudited 30 June 2017		Audited 31 December 2016	
	amount	% of total balance	amount	% of total balance
Within 1 year	109,882	96%	145,235	96%
1 to 2 years	1,464	1%	1,586	1%
2 to 3 years	1,445	1%	1,445	1%
Over 3 years	2,299	2%	2,606	2%
	<u>115,090</u>	<u>100%</u>	<u>150,872</u>	<u>100%</u>

	Company			
	Unaudited		Audited	
	30 June 2017		31 December 2016	
	amount	% of total balance	amount	% of total balance
Within 1 year	205,429	99.30%	286,251	99.50%
1 to 2 years	113	0.05%	113	0.04%
2 to 3 years	3	0.00%	3	0.00%
Over 3 years	1,323	0.65%	1,330	0.46%
	<u>206,868</u>	<u>100%</u>	<u>287,697</u>	<u>100%</u>

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

Category	Group							
	Unaudited				Audited			
	30 June 2017				31 December 2016			
	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	19,439	17%	—	—	27,810	18%	—	—
Project deposits	89,598	78%	—	—	120,149	80%	—	—
Others	6,053	5%	—	—	2,913	2%	—	—
Total	<u>115,090</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>150,872</u>	<u>100%</u>	<u>—</u>	<u>—</u>

Category	Company							
	Unaudited				Audited			
	30 June 2017				31 December 2016			
	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	10,010	5%	—	—	11,204	4%	—	—
Receivables from subsidiaries	108,038	52%	—	—	159,039	55%	—	—
Project deposits	87,066	42%	—	—	116,213	40%	—	—
Others	1,754	1%	—	—	1,241	1%	—	—
Total	<u>206,868</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>287,697</u>	<u>100%</u>	<u>—</u>	<u>—</u>

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

Category	Group							
	Unaudited 30 June 2017				Audited 31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		% of total		% of total		% of total	
	Amount	balance	Amount	balance	Amount	balance	Amount	balance
Within 1 year	6,053	5%	—	—	2,913	2%	—	—

Category	Company							
	Unaudited 30 June 2017				Audited 31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		% of total		% of total		% of total	
	Amount	balance	Amount	balance	Amount	balance	Amount	balance
Within 1 year	1,754	1%	—	—	1,241	1%	—	—

(d) As at 30 June 2017, there were no receivables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2016: Nil). As at 30 June 2017, there were no receivables from any of the related parties of the Company (31 December 2016: Nil).

(e) As at 30 June 2017, other receivables from the top five debtors are analyzed as below:

	Nature	Group		
		amount	ageing	% of total balance
Linxia Supply and Sewerage Company	Project deposits	55,000	Within 1 year	47.79%
Huarong Qiaodong Sewage Disposal Plant	Project deposits	15,000	Within 1 year	13.03%
Tianjin Municipal Office, SAT	VAT refunds	10,010	Within 1 year	8.70%
Xi'an Municipal Office, SAT	VAT refunds	3,150	Within 1 year	2.74%
Ningxiang Eco-Tech Development Zone Management Council	Project deposits	1,030	Within 1 year	0.89%
		<u>84,190</u>		<u>73.15%</u>

		Company		% of total
	Nature	amount	ageing	balance
Linxia Supply and Sewerage Company	Project deposits	55,000	Within 1 year	26.59%
Xi'an Capital Water Co., Ltd.	Receivable due from subsidiaries	25,000	Within 1 year	12.09%
Huarong Qiaodong Sewage Disposal Plant	Project deposits	15,000	Within 1 year	7.25%
Chibi Capital Water Co., Ltd.	Receivable due from subsidiaries	13,000	Within 1 year	6.28%
Tianjin Municipal Office, SAT	VAT refunds	10,010	Within 1 year	4.84%
		<u>118,010</u>		<u>57.05%</u>

(f) As at 30 June 2017, the amount of VAT refunds is RMB 19 million which due in 1 year. This amount will be collected in the third quarter of 2017.

(5) Inventories

Inventories are summarized by categories as follows:

	Group					
	Unaudit 30 June 2017			Audit 31 December 2016		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	8,983	—	8,983	10,114	—	10,114
Finished goods	1,806	—	1,806	3,766	—	3,766
Spare parts and low cost consumables	388	—	388	188	—	188
Construction contract costs	9,106	—	9,106	10,423	—	10,423
	<u>20,283</u>	<u>—</u>	<u>20,283</u>	<u>24,491</u>	<u>—</u>	<u>24,491</u>

	Company					
	Unaudit 30 June 2017			Audit 31 December 2016		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	3,577	—	3,577	4,333	—	4,333
Spare parts and low cost consumables	199	—	199	—	—	—
	<u>3,776</u>	<u>—</u>	<u>3,776</u>	<u>4,333</u>	<u>—</u>	<u>4,333</u>

(6) Other current and non-current assets

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Other current asset:				
Assets of Anguo	47,143	47,143	—	—
Offset VAT income tax	18,875	—	—	—
Receivables from subsidiaries	—	—	111,843	103,843
Others	1,576	1,964	29	—
	<u>67,594</u>	<u>49,107</u>	<u>111,872</u>	<u>103,843</u>
Other non-current asset:				
Receivables from subsidiaries	—	—	270,479	237,480
Acquisition of Karamay Sewage Treatment Plant Concession rights (note (i))	—	180,145	—	—
Others(note (ii))	135,841	7,599	57,627	—
	<u>135,841</u>	<u>187,744</u>	<u>328,106</u>	<u>237,480</u>

- (i) As at 4 November 2016, Karamay City Construction Bureau signed the service concession right agreement with the Company and granted concession right to the second sewage water processing plant of Karamay Tianchuang Capital Water Co.,Ltd, which is the subsidiary of the Company. The concession right lasts for 27 years and has taken effect on 1 January 2017.
- (ii) As at 30 June 2017, the charge of engineering equipment of the group is recorded as other non-current assets.

(7) Available-for-sale financial assets

	Unaudited 30 June 2017	Audited 31 December 2016
Measured at cost		
– Available-for-sale equity instruments	<u>2,000</u>	<u>2,000</u>

Related information of available-for-sale financial assets is analyzed as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
Available-for-sale equity instrument		
– Cost	2,000	2,000
– Provision for impairment	<u>—</u>	<u>—</u>
	<u>2,000</u>	<u>2,000</u>

Available-for-sale financial assets measured at cost mainly include the unlisted equity investments of Tianjin Beifang Rencaigang Company Limited held by the Group and the shareholding ratio is 6.10%. These assets are not quoted in the active market and whose fair value cannot be reliably measured as the variability in the range of reasonable fair value measurements is significant and probabilities of the various estimates used to determine the fair value cannot be reasonably determined. The group has no plan to dispose these investments.

(8) Long-term receivables

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Receivables from toll road concession	<u>302,640</u>	<u>309,148</u>	<u>302,640</u>	<u>309,148</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 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Investment in subsidiaries (note (a))	—	—	2,027,800	1,879,130
Investment in an associate (note (b))	<u>22,358</u>	<u>22,358</u>	<u>—</u>	<u>—</u>
Less: Impairment provision for long-term investment (note (c))	<u>(22,358)</u>	<u>(22,358)</u>	<u>(132,781)</u>	<u>(132,781)</u>
	<u>—</u>	<u>—</u>	<u>1,895,019</u>	<u>1,746,349</u>

(a) Subsidiaries

The subsidiaries acquired by establishment or investment:

	Company type	Place of registration	Place of operation	Nature of business and business activity	Registered capital	Enterprise type	Legal representative
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Sewage processing, tap water supply	178,983	Limited Company	Wang Hui
Baoying Capital Water Co., Ltd.	A	Baoying	Baoying	Sewage processing	53,000	Limited Company	Zhang Jian
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Hangzhou	Sewage processing	377,445	Limited Company	Zhang Jian
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Tianjin	Production and sales of new types of construction material	37,500	Limited Company	Zhang Qiang
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
Xi'an Capital Water Co., Ltd.	B	Xi'an	Xi'an	Sewage processing	334,000	Limited Company	Li Yang
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Wuhan	Sewage processing and tap water supply	103,240	Limited Company	Zhou Jingdong
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	191,591	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
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

	Company type	Place of registration	Place of operation	Nature of business and business activity	Registered capital	Enterprise type	Legal representative
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
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	192,000	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
Changsha Tianchuang Environmental Protection Co., Ltd.	A	Changsha	Changsha	Sewage processing	40,250	Limited Company	Zhou Jingdong
Karamay Tianchuang Capital Water Co., Ltd.	A	Karamay	Karamay	Sewage processing	120,000	Limited Company	Li Yang
Anhui Tianchuang Capital Water Co., Ltd.	B	Hefei	Hefei	Sewage processing	63,670	Limited Company	Zhou Jingdong
Linxia Capital Water Co., Ltd.	B	Linxia	Linxia	Sewage processing	45,000	Limited Company	Li Yang

A: Subsidiary

B: Wholly-owned subsidiaries

	Investment cost	31 December 2016	Additions	Provision	30 June 2017	Share-holding (%)		Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in the current period
						direct	indirect			
Xi'an Capital Water Co., Ltd.	334,000	334,000	—	—	334,000	100	—	—	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	264,212	264,212	—	—	264,212	70	—	187,101	—	—
Qijing Capital Water Co., Ltd.	154,918	154,918	—	—	154,918	87	—	33,990	—	—
Guizhou Capital Water Co., Ltd.	114,000	114,000	—	—	114,000	95	—	6,338	—	—
Fuyang Capital Water Co., Ltd.	107,302	107,302	—	—	107,302	100	—	—	—	—
Tianjin Water Recycling Co., Ltd.	100,436	100,436	—	—	100,436	100	—	—	—	—
Wuhan Tianchuang Capital Water Co., Ltd.	98,500	98,500	—	—	98,500	100	—	2,399	—	—
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	62,987	12,706	—	—	12,706	100	—	950	(50,281)	—
Wendeng Capital Water Co., Ltd.	61,400	61,400	—	—	61,400	100	—	—	—	—
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.	191,600	191,600	—	—	191,600	100	—	—	—	—
Anguo Capital Water Co., Ltd.	41,000	—	—	—	—	100	—	—	(41,000)	—
Baoying Capital Water Co., Ltd.	37,100	37,100	—	—	37,100	70	—	23,805	—	—
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	—	—	71	—	(277)	(26,500)	—
Tianjin Zichuang Project Investment Co., Ltd.	23,400	23,400	—	—	23,400	100	—	—	—	—

	Investment cost	31 December 2016	Additions	Provision	30 June 2017	Share-holding (%)		Minority interest	Provisions of impairment	Cash dividends declared/ Gain on investment in the current period
						direct	indirect			
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	16,000	16,000	—	—	16,000	80	20	—	—	—
Tianjin Jinning Capital Water Co., Ltd.	15,000	—	—	—	—	100	—	—	(15,000)	—
Tianjin Jing Hai Capital Water Co., Ltd.	12,000	12,000	—	—	12,000	100	—	—	—	—
Tianjin Capital Water Co., Ltd.	10,000	10,000	—	—	10,000	100	—	—	—	—
Shandong Capital Environmental Protection Technology Development Co., Ltd.	55,000	15,000	40,000	—	55,000	100	—	—	—	—
Yingshang Capital Water Co., Ltd.	53,000	53,000	—	—	53,000	100	—	—	—	—
Changsha Tianchuang Environmental Protection Co., Ltd.	32,775	32,775	—	—	32,775	81	—	7,474	—	—
Karamay Tianchuang Capital Water Co., Ltd.	108,000	108,000	—	—	108,000	90	—	12,021	—	—
Anhui Tianchuang Capital Water Co., Ltd. (note (i))	63,670	—	63,670	—	63,670	100	—	—	—	—
Linxia Capital Water Co., Ltd. (note (i))	45,000	—	45,000	—	45,000	100	—	—	—	—
Total	2,027,800	1,746,349	148,670	—	1,895,019	—	273,801	(132,781)	—	—

- (i) As at 30 June 2017, the company has contributed RMB 64 million to establish Anhui Tianchuang Capital Water Co., Ltd; has contributed RMB 45 million to establish Linxia Capital Water Co., Ltd. And the company has made a capital increase for Shandong Capital Environmental Protection Technology Development Co., Ltd in cash of RMB 40 million.
- (ii) As at 30 June 2017, Minority interest in Honghu Capital Water Co., Ltd. (a subsidiary of Wuhan Tianchuang Capital Water Co., Ltd.) is RMB 2,399 thousand as at 30 June 2017 (31 December 2016: RMB 2,350 thousand). Minority interest in EDMS (Hong Kong) Limited (a subsidiary of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.) is RMB 950 thousand as at 30 June 2016 (31 December 2016: RMB 950 thousand).

(b) Investment in associate

	Type	Place of registration	Registered capital	Shareholding/ voting rights (%)
Tianjin International Machinery Co., Ltd.	Limited company	Tianjin	120,000	27.50%

Tianjin International Machinery Co., Ltd. (“International Machinery”) is a Sino-foreign joint venture registered in the Tianjin Economics Development Area. The businesses of International Machinery include research and development, production and sale of valve and actuating device, heater exchanger and the whole set, environment protection equipment, and general mechanical equipment.

The movements of the Group’s investment in International Machinery are as follows:

	Audited			Unaudited		
	Initial investment cost	31 December 2016	Share of net loss under equity method	Cash dividends or profit declared	30 June 2017	Provision for impairment at the end of the year
International Machinery	33,000	—	—	—	—	(22,358)

Summarized financial information for an insignificant associate:

	International Machinery	
	Unaudited	Audited
	30 June	31 December
	2017	2016
Carrying amount of an investment	—	—
The following items in proportion		
Net profit (note (i))	—	(3,640)
Other comprehensive income (note (i))	—	—
	<u>—</u>	<u>—</u>
Total comprehensive income	<u>—</u>	<u>(3,640)</u>

(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.

(c) Provision for impairment of long-term equity investments

	Group			
	Audited			Unaudited
	31 December	Increase	Decrease	30 June
	2016			2017
Tianjin international Machinery Co., Ltd.	22,358	—	—	22,358
	<u>22,358</u>	<u>—</u>	<u>—</u>	<u>22,358</u>
	Company			
	Audited			Unaudited
	31 December	Increase	Decrease	30 June
	2016			2017
Tianjin Capital New Materials Co., Ltd.	26,500	—	—	26,500
Anguo Capital Water Co., Ltd.	41,000	—	—	41,000
Tianjin Jinning Capital Water Co., Ltd.	15,000	—	—	15,000
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	50,281	—	—	50,281
	<u>132,781</u>	<u>—</u>	<u>—</u>	<u>132,781</u>

(10) Investment properties

Buildings	Group	Company
Cost		
At 1 31 December 2016(Audited) and 30 June 2017(Unaudited)	<u>137,374</u>	<u>110,648</u>
Accumulated depreciation		
31 December 2015(Audited)	(36,111)	(31,662)
Charge for the year	<u>(3,673)</u>	<u>(3,168)</u>
At 31 December 2016(Audited)	(39,784)	(34,830)
Charge for the period	<u>(1,836)</u>	<u>(1,585)</u>
At 30 June 2017(Unaudited)	<u>(41,620)</u>	<u>(36,415)</u>
Net book value		
At 30 June 2017(Unaudited)	<u>95,754</u>	<u>74,233</u>
At 31 December 2016(Audited)	<u>97,590</u>	<u>75,818</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 2017 was approximately RMB 260 million (2016: RMB260 million) and its carrying value was approximately RMB 77 million. The fair value of leased property of Tianjin Water Recycling Co., Ltd. at 30 June 2017 was approximately RMB 70 million (2016: RMB70 million) and its carrying value was approximately RMB 22 million.

(11) Fixed assets and construction in progress

(a) Group

	Buildings & structure (note (i))	Machinery & equipment	Motor vehicles & others	Total
Cost				
At 1 January 2016(Audited)	280,859	320,009	65,591	666,459
Transfer from construction in progress	—	—	231	231
Other additions in the current year	—	1,377	1,560	2,937
Disposals in the current year	—	(2,275)	(877)	(3,152)
	<u>280,859</u>	<u>319,111</u>	<u>66,505</u>	<u>666,475</u>
At 31 December 2016(Audited)	280,859	319,111	66,505	666,475
Other additions in the current period	5	106	361	472
Disposals in the current period	—	—	(2)	(2)
	<u>—</u>	<u>—</u>	<u>(2)</u>	<u>(2)</u>
At 30 June 2017(Unaudited)	<u>280,864</u>	<u>319,217</u>	<u>66,864</u>	<u>666,945</u>
Accumulated depreciation				
At 1 January 2016(Audited)	(53,497)	(110,981)	(50,471)	(214,949)
Charge for the period(note(ii))	(18,647)	(19,651)	(2,124)	(40,422)
Disposals in the current period	—	1,608	774	2,382
	<u>—</u>	<u>1,608</u>	<u>774</u>	<u>2,382</u>
At 31 December 2016(Audited)	(72,144)	(129,024)	(51,821)	(252,989)
Charge for the period(note(ii))	(3,272)	(15,909)	(851)	(20,032)
Disposals in the current period	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2017(Unaudited)	<u>(75,416)</u>	<u>(144,933)</u>	<u>(52,672)</u>	<u>(273,021)</u>
Net book value				
At 30 June 2017(Unaudited)	<u>205,448</u>	<u>174,284</u>	<u>14,192</u>	<u>393,924</u>
At 31 December 2016(Audited)	<u>208,715</u>	<u>190,087</u>	<u>14,684</u>	<u>413,486</u>

(i) All of the Group's buildings, structures and plants are located in the PRC.

(ii) The Group's depreciation expense of RMB 18 million (2016:RMB18 million) has been included in cost of operations and RMB 2 million (2016: RMB2 million) in administrative expenses.

(iii) As at 30 June 2017, 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 RMB 175 million and cost of RMB 121 million (31 December 2016: carrying amount of RMB175 and cost of RMB123million) 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 2016(Audited)	79,867	128,409	29,785	238,061
Transfers from construction in progress	—	—	31	31
Other additions in the current year	—	430	247	677
Disposals in the current year	—	(1,549)	(404)	(1,953)
At 31 December 2016(Audited)	79,867	127,290	29,659	236,816
Other additions in the current period	—	—	13	13
Disposals in the current period	—	—	—	—
At 30 June 2017(Unaudited)	79,867	127,290	29,672	236,829
Accumulated depreciation				
At 1 January 2016(Audited)	(20,469)	(52,133)	(24,035)	(96,637)
Charge for the year	(3,652)	(11,770)	(1,095)	(16,517)
Disposals in the current year	—	1,309	403	1,712
At 31 December 2016(Audited)	(24,121)	(62,594)	(24,727)	(111,442)
Charge for the period	(1,825)	(5,849)	(396)	(8,070)
Disposals in the current period	—	—	—	—
At 30 June 2017(Unaudited)	(25,946)	(68,443)	(25,123)	(119,512)
Net book value				
At 30 June 2017(Unaudited)	<u>53,921</u>	<u>58,847</u>	<u>4,549</u>	<u>117,317</u>
At 31 December 2016(Audited)	<u>55,746</u>	<u>64,696</u>	<u>4,932</u>	<u>125,374</u>

(c) Movement of significant projects of construction in progress

Name	Budgeted amount 31 December 2016	Increase in the current period	Transfer to fixed assets	Transfer to Intangible assets	30 June 2017	Proportion of expenditures incurred to budgeted amount	Progress	Borrowing costs Capitalized amount	Including: borrowing costs capitalized in current year	Capitalisation rate	Source of funds
Jingu sewage water processing plant expanding and standard upgrading project	835,590	9,744	—	(9,744)	—	2%	2%	—	—	—	Self-raised
Beichen sewage water processing plant expanding and standard upgrading project	462,880	4,232	—	(4,232)	—	2%	2%	—	—	—	Self-raised
Total - Company	—	13,976	—	(13,976)	—	—	—	—	—	—	—
Anhui	—	—	—	—	—	—	—	—	—	—	—
– Yuwan sewage water processing plant	277,000	63,143	—	(63,143)	—	23%	23%	—	—	—	Self-raised
Yingshang	—	—	—	—	—	—	—	—	—	—	—
– Chengnan sewage water processing plant	176,000	32,392	—	(32,392)	—	18%	18%	—	—	—	Self-raised
Changsha	—	—	—	—	—	—	—	—	—	—	—
– Ningxiang sewage water processing plant	115,000	27,367	—	(27,437)	—	24%	24%	—	—	—	—
Tianjin	—	—	—	—	—	—	—	—	—	—	—
– Heiniucheng Roads energy station project	247,270	19,964	—	(19,964)	—	20%	20%	—	—	—	Self-raised
– Heiniucheng Roads energy station project	109,111	46,950	—	—	50,640	46%	46%	—	—	—	Self-raised
Others	636	6,755	—	(2,268)	5,123	—	—	—	—	—	Self-raised
Total - Group	4,396	210,547	—	(159,180)	55,763	—	—	—	—	—	—

During the six months ended 30 June 2017, no borrowing cost has been capitalized (2016: no borrowing cost has been capitalized).

(12) Intangible assets

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Concession rights (note (a))	6,404,972	6,213,445	3,328,669	3,377,365
Land use rights (note (b))	14,766	14,986	10,903	11,067
Technical know-how and computer software(note (c))	5,314	5,556	4,720	4,894
	<u>6,425,052</u>	<u>6,233,987</u>	<u>3,344,292</u>	<u>3,393,326</u>

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

	Group	Company
Cost		
At 1 January 2016(Audited)	7,433,926	3,722,093
Transfers from CIP	269,572	7,973
Increase in the current year	—	—
	<u>7,703,498</u>	<u>3,730,066</u>
At 31 December 2016(Audited)	7,703,498	3,730,066
Transfers from CIP(Note4 (11) (c))	159,180	13,976
Increase in the current period	180,145	—
	<u>8,042,823</u>	<u>3,744,042</u>
Accumulated amortization		
At 1 January 2016(Audited)	(1,160,027)	(227,357)
Charge for the year	(277,943)	(125,344)
	<u>(1,437,970)</u>	<u>(352,701)</u>
At 31 December 2016(Audited)	(1,437,970)	(352,701)
Charge for the period	(147,798)	(62,672)
	<u>(1,585,768)</u>	<u>(415,373)</u>
At 30 June 2017(Unaudited)	(1,585,768)	(415,373)

	Group	Company
Provision of Impairment		
At 1 January 2016(Audited)	(35,288)	—
Charge for the year	(16,795)	—
At 31 December 2016(Audited)	(52,083)	—
Charge for the period	—	—
	<hr/>	<hr/>
At 30 June 2017(Unaudited)	(52,083)	—
	<hr/>	<hr/>
Net book value		
At 30 June 2017(Unaudited)	6,404,972	3,328,669
	<hr/>	<hr/>
At 31 December 2016(Audited)	6,213,445	3,377,365
	<hr/>	<hr/>

(i) As at 30 June 2017, certain of concession rights with net book value of RMB 186 million (Cost: RMB302 million) (2016: carrying amount RMB191 million; cost: RMB302 million) have been secured against long-term borrowings of RMB 40 million (2016: RMB50 million) (note 4(16) (a)).

(ii) The remaining amortization period of concession rights range from 12 to 30 years.

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

	Group	Company
Cost		
At 31 December 2016(Audited) and 30 June 2017(Unaudited)	17,841	13,088
	<hr/>	<hr/>
Accumulated amortization		
At 1 January 2016(Audited)	(2,415)	(1,694)
Charge for the year	(440)	(327)
	<hr/>	<hr/>
At 31 December 2016(Audited)	(2,855)	(2,021)
Charge for the period	(220)	(164)
	<hr/>	<hr/>
At 30 June 2017(Unaudited)	(3,075)	(2,185)
	<hr/>	<hr/>
Net book value		
At 30 June 2017(Unaudited)	14,766	10,903
	<hr/>	<hr/>
At 31 December 2016(Audited)	14,986	11,067
	<hr/>	<hr/>

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

	Group	Company
Cost		
At 1 January 2016(Audited)	11,462	10,291
Increase in the current year	56	—
	<hr/>	<hr/>
At 31 December 2016(Audited)	11,518	10,291
Increase in the current period	—	—
Decrease in the current period	—	—
	<hr/>	<hr/>
At 30 June 2017(Unaudited)	11,518	10,291
	<hr/>	<hr/>
Accumulated amortization		
At 1 January 2016(Audited)	(5,323)	(4,881)
Charge for the year	(639)	(516)
	<hr/>	<hr/>
At 31 December 2016(Audited)	(5,962)	(5,397)
Charge for the period	(242)	(174)
	<hr/>	<hr/>
At 30 June 2017(Unaudited)	(6,204)	(5,571)
	<hr/>	<hr/>
Net book value		
At 30 June 2017(Unaudited)	5,314	4,720
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2016(Audited)	5,556	4,894
	<hr/> <hr/>	<hr/> <hr/>

(d) Amortization of RMB 148 million (2016: RMB150 million) is included in the ‘cost of sales’ in the income statement and RMB 46 million (2016: RMB61 million) in ‘administrative expenses’ respectively.

(13) Provision for asset impairment

	Audited		Unaudited
	31 December	Increase in	30 June
	2016	current period	2017
Provision for bad debts	22,403	806	23,209
Provision for impairment of intangible assets	52,083	—	52,083
Provision for impairment of other current assets	29,205	—	29,205
Provision for impairment of long-term equity investments	22,358	—	22,358
	<hr/>	<hr/>	<hr/>
	126,049	806	126,855
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(14) Trade payables, advances from customers, other payables, taxes payable and dividends payable

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Trade payables (note (a))	137,946	107,239	46,308	20,089
Advances from customers (note (b))	1,053,626	955,507	45,679	5,994
Other payables (note (c))	312,405	408,111	684,486	751,895
Taxes payable (note (d))	41,204	69,080	10,770	38,154
Dividends payable (note (e))	137,025	1,438	137,025	1,438
	<u>1,682,206</u>	<u>1,541,375</u>	<u>924,268</u>	<u>817,570</u>

- (a) As at 30 June 2017, trade payables are mainly for inventory purchase. Trade payables aged over one year are RMB13 million (31 December 2016: RMB12 million), mainly representing payables for source water from the subsidiary Qujing Capital Water Co., Ltd. Since such amount has not been received from Qujing City Water General Company, it has not been finally settled.

As at 30 June 2017, there were no trade payables from an of the shareholders of the Company who hold 5% or more of voting shares (31 December 2016: Nil). And there were no trade payables from any of the related parties of the Company (31 December 2016: Nil).

- (b) Advances from customers comprise:

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
For pipeline connection service	1,005,192	941,081	—	—
Received from project of Han Gu	4,467	4,467	4,467	4,467
For heating service	402	3,069	—	—
Other advances	43,565	6,890	41,212	1,527
	<u>1,053,626</u>	<u>955,507</u>	<u>45,679</u>	<u>5,994</u>

As at 30 June 2017, advances of RMB 754 million (31 December 2016: RMB723 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 2017, there were no advances from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2016: Nil). And there were no advances from any of the related parties of the Group (31 December 2016: Nil).

(c) Other payables comprise:

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Construction costs payable	203,080	300,161	76,573	136,100
Long-term debenture interests payables (note 4(16) (b))	18,208	26,575	18,208	26,575
Payable for purchase of fixed assets and concession rights	13,892	13,892	—	—
Payables to subsidiaries	—	—	575,365	575,365
Others	77,225	67,483	14,340	13,855
	<u>312,405</u>	<u>408,111</u>	<u>684,486</u>	<u>751,895</u>

As at 30 June 2017, other payables of RMB 138 million (31 December 2016: RMB123 million) are aged over year, which mainly represent construction costs payable.

As at 30 June 2017, there were no other payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2016: Nil). And there were RMB 1 million other payables from any of the related parties of the Group (31 December 2016: RMB1 million).

(d) The balances of taxes payable

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Unpaid VAT	17,164	22,011	7,256	4,858
Enterprise income tax payable	16,205	42,589	1,138	31,304
Others	7,835	4,480	2,376	1,992
	<u>41,204</u>	<u>69,080</u>	<u>10,770</u>	<u>38,154</u>

(e) Dividends payable

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Ordinary share dividends payable	<u>137,025</u>	<u>1,438</u>	<u>137,025</u>	<u>1,438</u>

(15) Employee benefits payable

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Short-term Employee benefits(note(a))	9,931	34,269	7,118	22,920
Defined contribution plans(note(b))	39	142	—	—
	<u>9,970</u>	<u>34,411</u>	<u>7,118</u>	<u>22,920</u>

(a) Short-term Employee benefits payable

	Audited 31 December 2016	Increase	Decrease	Unaudited 30 June 2017
	Wages and salaries, bonuses, allowances and subsidies			27,169
Staff welfare	—	3,674	(3,674)	—
Social security contributions	110	7,530	(7,558)	82
Including: Medical insurance	101	6,997	(7,022)	76
Work injury insurance	1	234	(234)	1
Maternity insurance	8	299	(302)	5
Housing funds	301	15,031	(15,297)	35
Labor union funds and employee education funds	6,689	2,674	(3,119)	6,244
Others	—	48	(48)	—
	<u>34,269</u>	<u>99,656</u>	<u>(123,994)</u>	<u>9,931</u>

As at 30 June 2017, no defaulted payables are included in the balance of employee benefits payable and the balance is estimated to be used up in the first half year of 2018.

(b) Defined contribution plans payable

	Audited 31 December 2016	Increase	Decrease	Unaudited 30 June 2017
	Basic pensions			132
Unemployment insurance	10	473	(477)	6
	<u>142</u>	<u>14,969</u>	<u>(15,072)</u>	<u>39</u>

(c) Directors' emoluments

The remuneration of every director for the six months ended 30 June 2017 is set out below:

	Fees	Salaries and other emoluments	Total
Executive Directors:			
Liu Yujun	—	485	485
Lin Wenbo(note(i))	—	188	188
Fu Yana	—	401	401
Peng Yilin	—	421	421
Tang Fusheng(note(i))	—	295	295
Non-executive Directors:			
Gao Zongze	110	—	110
Wang Xiangfei	110	—	110
Guo Yongqing	110	—	110
	<u>330</u>	<u>1,790</u>	<u>2,120</u>

- (i) In 2016, Lin Wenbo served as the chairman and executive director of the company. On 25th January 2017, approved by the 26th meeting of the company's 7th board of directors, Lin Wenbo no longer served as the chairman and executive director because he had reached the statutory retirement age. Tang Fusheng succeeded Mr. Lin Wenbo as executive director of the company.

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

	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.

(16) Long-term borrowings, debentures payable, long-term payables and other liabilities

	Note	Group		Company	
		Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Non-current:					
Long-term borrowings	(a)	694,349	696,828	—	—
Less: Current portion due within one year	(a)	<u>(186,128)</u>	<u>(186,400)</u>	<u>—</u>	<u>—</u>
		<u>508,221</u>	<u>510,428</u>	<u>—</u>	<u>—</u>
Debenture payable	(b)	1,395,616	1,394,313	1,395,616	1,394,313
Less: Current portion due within one year	(b)	<u>(697,899)</u>	<u>—</u>	<u>(697,899)</u>	<u>—</u>
		<u>697,717</u>	<u>1,394,313</u>	<u>697,717</u>	<u>1,394,313</u>
Long-term payables	(c)	305,106	311,135	305,106	311,135
Less: Current portion due within one year	(c)	<u>(25,507)</u>	<u>(25,927)</u>	<u>(25,507)</u>	<u>(25,927)</u>
		<u>279,599</u>	<u>285,208</u>	<u>279,599</u>	<u>285,208</u>
Other non-current liabilities	(d)	<u>42,000</u>	<u>43,364</u>	<u>210,000</u>	<u>210,000</u>
Current:					
Current portion of long-term borrowings	(a)	186,128	186,400	—	—
Current portion of debentures payable	(b)	697,899	—	697,899	—
Current portion of long-term payables	(c)	<u>25,507</u>	<u>25,927</u>	<u>25,507</u>	<u>25,927</u>
		<u>909,534</u>	<u>212,327</u>	<u>723,406</u>	<u>25,927</u>
Other current liabilities	(d)	<u>9,645</u>	<u>9,645</u>	<u>86,463</u>	<u>86,463</u>
Short-term borrowings	(e)	<u>500,000</u>	<u>—</u>	<u>500,000</u>	<u>—</u>

(a) Long-term borrowings

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

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Borrowings from:				
China Construction Bank	227,000	250,000	—	—
Industrial and Commercial Bank of China	179,078	134,078	—	—
China Minsheng Bank	135,300	144,900	—	—
State Development Bank	64,100	78,600	—	—
Industrial Bank	48,071	40,250	—	—
Agriculture Bank of China	35,800	39,000	—	—
Bank of China	5,000	10,000	—	—
	<u>694,349</u>	<u>696,828</u>	<u>—</u>	<u>—</u>

Summary of current portion of long-term borrowings:

	Note	Group		Company	
		Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Pledge	(i)	40,000	25,000	—	—
Guarantee	(iii)	26,000	26,000	—	—
Unsecured		120,128	135,400	—	—
		<u>186,128</u>	<u>186,400</u>	<u>—</u>	<u>—</u>

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

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Pledge	(ii)	—	25,000	—	—
Guarantee	(iv)	161,000	174,000	—	—
Unsecured		347,221	311,428	—	—
		<u>508,221</u>	<u>510,428</u>	<u>—</u>	<u>—</u>

- (i) As at 30 June 2017, the current portion of pledge borrowings of RMB 40 million (31 December 2016: RMB25 million, secured by the concession services right of tap water and sewage processing fees (note4 (12) (a)).
- (ii) As at 30 June 2017, non-current portion of pledge borrowings of RMB 0 million (31 December 2016: RMB25 million), secured by the concession services right of tap water and sewage processing fees (note4 (12) (a)).
- (iii) As at 30 June 2017, current portion of guarantee borrowings of RMB 26 million (31 December 2016: RMB26 million) was secured by the guarantee of City Infrastructure Construction and Investment (note6 (5) (b)).
- (iv) As at 30 June 2017, non-current portion of guarantee borrowings of RMB 161 million (31 December 2016: RMB174 million) was secured by the guarantee of City Infrastructure Construction and Investment (note6 (5) (b)).
- (v) These long-term borrowings bear interest rates between 4.275 % and 4.90 % as at 30 June 2017(31 December 2016: between 4.275% and 5.460%).
- (vi) These borrowings mature as follows:

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Within 1 year	186,128	186,400	—	—
1 to 2 years	120,830	131,053	—	—
2 to 5 years	281,353	287,975	—	—
Over 5 years	106,038	91,400	—	—
	<u>694,349</u>	<u>696,828</u>	<u>—</u>	<u>—</u>

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

	Grant date	Maturity date	Currency	Rate(%)	Group 30 June
2017					
China Construction Bank	2006-05-26	2018-05-26	RMB	4.90%	40,000
China Construction Bank	2008-09-28	2018-06-27	RMB	4.66%	26,000
China Minsheng Bank	2016-06-17	2018-06-17	RMB	4.28%	16,800
China Minsheng Bank	2014-09-25	2017-11-19	RMB	4.28%	8,000
Industrial and Commercial Bank of China	2016-08-12	2018-03-30	RMB	4.90%	12,350
					<u>103,150</u>

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

	Grant date	Maturity date	Currency	Rate (%)	Group 30 June
2017					
China Construction Bank	2008-09-28	2022-09-27	RMB	4.66%	161,000
Industrial and Commercial Bank of China	2016-08-12	2026-03-29	RMB	4.90%	75,650
China Minsheng Bank	2016-06-17	2021-06-17	RMB	4.28%	50,600
Industrial and Commercial Bank of China	2016-04-01	2026-03-29	RMB	4.90%	48,000
State Development Bank	2009-12-10	2022-12-09	RMB	4.90%	28,000
					<u>363,250</u>

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

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
6 months or less	—	—	—	—
6- 12 months	694,349	696,828	—	—
	<u>694,349</u>	<u>696,828</u>	<u>—</u>	<u>—</u>

(x) As at 30 June 2017, the Group has the following committed undrawn banking facilities:

	Group and Company	
	Unaudited 30 June 2017	Audited 31 December 2016
Floating rate expiring within 1 year	3,030,700	1,900,000
Floating rate expiring over 1 year	600,000	1,879,800
	<u>3,630,700</u>	<u>3,779,800</u>

(b) Debentures payable

Debentures payable	Audited 31 December 2016	Amortization	Bond payable due within 1 year	Unaudited 30 June 2017
Par value	1,400,000	—	(700,00)	700,000
Transaction cost	(5,687)	1,303	2,101	(2,283)
	<u>1,394,313</u>	<u>1,303</u>	<u>(697,899)</u>	<u>697,717</u>

General information on Long-term Debenture:

	Book value	Issuance date	Maturity	Issuance amount
Corporate Debenture I(note(i))	700,000	2013-05-29	5 years	700,000
Corporate Debenture II(note(ii))	700,000	2016-10-25	5 years	700,000

Interests payable of debentures are analyzed as follows:

	Audited 31 December 2016	Interest accrued		Unaudited 30 June 2017
		Interest accrued	Interest paid	
Corporate Debenture I(i)	22,554	18,918	(38,150)	3,322
Corporate Debenture II(ii)	4,021	10,865	—	14,886
	<u>26,575</u>	<u>29,783</u>	<u>(38,150)</u>	<u>18,208</u>

- (i) On 29 May 2013, the Company issued debentures at par value of RMB 700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and bears fixed interest rate at 5.45% per annum. The principal will be repaid on maturity. The debenture will be due and repay on 29 May 2018 and it was classified into other non-current liabilities within 1 year.
- (ii) On 25 October 2016, the Company issued corporate debentures at par value of RMB 700 million. The debenture matures five years from the issue date, and bears fixed interest rate at 3.13% per annum. The principal will be repaid on maturity.

(c) Long-term payables

	Group and Company					
	Unaudited 30 June 2017			Audited 31 December 2016		
	Unrecognized financial Payable	charges	Total	Unrecognized financial Payable	charges	Total
Payable for assets acquisition	496,190	(191,084)	305,106	507,827	(196,692)	311,135

- (i) Information of long-term payables is as follows:

	Maturity date	Original balance	Effective interest rate	Ending balance	Current portion
Tianjin Sewage Company ("Sewage Company")	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>305,106</u>	<u>25,507</u>

As at 31 December 2016, long-term payable to Sewage Company is the consideration payable in respect of the acquisition of sewage water processing assets from Sewage Company, 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"), Sewage Company sold to the Company the certain sewage processing assets. The down payment is RMB 261 million, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance was at fair value assessed based on discounted future cash payments and discount rate of 5.94%.

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

	Group and Company	
	Unaudited	Audited
	30 June	31 December
	2017	2016
JPY	208,942	209,411
US dollar	<u>96,164</u>	<u>101,724</u>
	<u>305,106</u>	<u>311,135</u>

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

	Group and Company	
	Unaudited	Audited
	30 June	31 December
	2017	2016
JPY	370,020	373,437
US dollar	<u>126,170</u>	<u>134,390</u>
	<u>496,190</u>	<u>507,827</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 payables mature as follows, and as at 30 June 2017, the current portion of long-term payables of RMB 26 million (31 December 2016: RMB26 million) was classified as current liabilities.

	Group and Company	
	Unaudited 30 June 2017	Audited 31 December 2016
Within 1 year	25,507	25,927
1 to 2 years	24,673	25,070
2 to 5 years	69,827	70,901
Over 5 years	185,099	189,237
	<u>305,106</u>	<u>311,135</u>

- (e) Other liabilities

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Non-current:				
– Cooling service fee	42,000	42,000	—	—
– Government loan for water recycling plants construction (note(i))	—	1,364	—	—
– Payables to subsidiaries	—	—	210,000	210,000
	<u>42,000</u>	<u>43,364</u>	<u>210,000</u>	<u>210,000</u>
Current:				
– Provisions expected to be paid within one year (Note 4(17))	6,463	6,463	6,463	6,463
– Current portion of government loan for water recycling plants construction (note(i))	3,182	3,182	—	—
– Payables to subsidiaries	—	—	80,000	80,000
	<u>9,645</u>	<u>9,645</u>	<u>86,463</u>	<u>86,463</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 RMB 3 million at the end of 2016 (2016: RMB 3 million). The interest is one-year deposit rate plus 0.3% premium.

(e) Short-term borrowings

	Group		Company	
	Unaudited 30 June 2017	Audited 31 December 2016	Unaudited 30 June 2017	Audited 31 December 2016
Unsecured	500,000	—	500,000	—
	<u>500,000</u>	<u>—</u>	<u>500,000</u>	<u>—</u>

As at 30 June 2017, the short-term borrowings bear interest rates between 3.83 % and 4.35 % (31 December 2016: Nil).

(17) Provisions

Group & Company	Audited 31 December 2016	Increase in the current period	Decrease in the current period	Unaudited 30 June 2017
Maintenance cost of sewage water processing plants	39,393	—	—	39,393
Less: Provisions expected to be paid within one year	<u>(6,463)</u>	—	—	<u>(6,463)</u>
	<u>32,930</u>			<u>32,930</u>

(18) Deferred income

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 2016	Additions	Recognised in other gains-net	Unaudited 30 June 2017	Relating to assets/costs
Sewage water processing plants:					
– Xianyanglu (upgrading project)	63,805	—	(1,182)	62,623	assets
– Project of the solution and maintainess of water pollution	6,659	—	(23)	6,636	costs
– Dongjiao (upgrading project)	44,772	—	(829)	43,943	assets
– Jin Gu	717,306	—	(13,689)	703,617	assets
Standard upgrading project					
– Jingu sewage water processing plant standard upgrading project	163,000	—	—	163,000	assets
– Beichen sewage water processing plant standard upgrading project	90,000	—	—	90,000	assets
Water recycling plants in:					
– Dongjiao	22,431	—	(337)	22,094	assets
– Bei Chen	19,162	—	(262)	18,900	assets
Others	1,878	200	(15)	2,063	costs
Total-Company	1,129,013	200	(16,337)	1,112,876	
Heating and cooling supply service project:	133,281	4,307	—	137,588	assets
Water recycling plants:					
– Xianyanglu (water recycling project)	13,668	—	—	13,668	assets
– Jin Gu	156,628	—	—	156,628	assets
Sewage water processing plants:					
– Bei Shi Qiao (upgrading project)	11,792	—	(359)	11,433	assets
Others	2,589	—	(36)	2,553	costs
Total-Group	1,446,971	4,507	(16,732)	1,434,746	

(19) Deferred tax assets and deferred tax liabilities

(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 2017	Audited 31 December 2016
Deductible temporary difference (Note4(13))	126,855	126,049
Maintenance cost of sewage water processing plants (Note 4(17))	39,393	39,393
Deductible loss carry-forwards	41,092	57,999
	<u>207,340</u>	<u>223,441</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
2017	—	18,204
2018	10,372	10,372
2019	18,056	18,056
2020	6,243	6,243
2021	5,124	5,124
2022	1,297	—
	<u>41,092</u>	<u>57,999</u>

(b) Deferred income tax liabilities

	Group			
	Unaudited 30 June 2017		Audited 31 December 2016	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of fixed assets	<u>119,824</u>	<u>479,296</u>	<u>126,108</u>	<u>504,432</u>
Including:				
Expected to be recovered within one year (inclusive)	—		—	
Expected to be recovered after one year	<u>119,824</u>		<u>126,108</u>	

	Company			
	Unaudited 30 June 2017		Audited 31 December 2016	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Depreciation of fixed assets	<u>57,925</u>	<u>231,700</u>	<u>54,224</u>	<u>216,896</u>
Including:				
Expected to be recovered within one year (inclusive)	—		—	
Expected to be recovered after one year	<u>57,925</u>		<u>54,224</u>	

(20) Share capital

Movement of the Company's authorized, issued and fully paid up capital is set out below. All of the Company's shares are ordinary shares with par value of RMB 1.

	Circulating A shares	Circulating H shares	Total
At 30 June 2017 and 31 December 2016	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

All the A-shares and H-shares rank pari passu in all respects.

(21) Capital surplus, surplus reserve and undistributed profits

(a) Capital surplus

Group	31 December 2016	Increase in the current period	Decrease in in current period	30 June 2017
Share premium	382,311	—	—	382,311
A subsidiary recognized as a stock limited company (Note 4(21) (c))	<u>16,804</u>	<u>—</u>	<u>—</u>	<u>16,804</u>
	<u>399,115</u>	<u>—</u>	<u>—</u>	<u>399,115</u>

Group	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium	<u>382,311</u>	<u>—</u>	<u>—</u>	<u>382,311</u>

Company	31 December 2016	Increase in the current period	Decrease in in current period	30 June 2017
Share premium	<u>380,788</u>	<u>—</u>	<u>—</u>	<u>380,788</u>

Company	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium	380,788	—	—	380,788
(b) Surplus reserve				
Group	31 December 2016	Increase in the current period	Decrease in in current period	30 June 2017
Statutory surplus reserve	444,925	—	—	444,925
Group	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	414,376	30,549	—	444,925
Company	31 December 2016	Increase in the current period	Decrease in in current period	30 June 2017
Statutory surplus reserve	444,925	—	—	444,925
Company	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	414,376	30,549	—	444,925

Pursuant to the *PRC Companies Law* and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit for the year to the statutory surplus reserve, which can be ceased till the reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

(c) Undistributed profits

	Unaudited		Audited	
	For the six months ended 30 June 2017		31 December 2016	
	Amount	Appropriation/ distribution ratio	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the period	2,473,109	—	2,177,200	—
Add: net profit attributable to owners of the parent for the current period	255,058	—	443,168	—
Less: appropriation for statutory surplus reserves	—	—	(30,549)	10%
Ordinary share dividends payable(note (i))	(135,587)	—	(99,906)	—
A subsidiary recognized as a stock limited company	—	—	(16,804)	—
Undistributed profits at the end of the period	<u>2,592,580</u>		<u>2,473,109</u>	

- (i) On 29 March 2017, the board of directors proposed a cash dividend in respect of year ended 31 December 2016 of RMB 0.95 (gross tax) for every 10 shares to all shareholders on the basis of 1,427 million shares issued. Cash dividends to be distributed amounted to RMB 135.59 million.

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2017 (30 June 2016: Nil).

(22) Minority interests

		Unaudited 30 June 2017	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2017 Declared distribution of cash dividend this year
	Minority interest ratio	Minority interest	Minority interest income	
Hangzhou Tianchuang Capital Water Co., Ltd. (Hangzhou Company)	30%	187,101	11,731	—
Qijing Capital Water Co., Ltd. (Qijing Company)	13%	33,990	1,239	—
Others		52,710	1,391	—
		<u>273,801</u>	<u>14,361</u>	<u>—</u>

The major financial information of the significant non-wholly-owned subsidiaries of the Group is listed below:

Balance Sheet

	Unaudited 30 June 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Company	310,632	770,745	1,081,377	123,261	375,297	498,558
Qijing Company	115,168	286,643	401,811	98,724	55,542	154,266
	<u>425,800</u>	<u>1,057,388</u>	<u>1,483,188</u>	<u>221,985</u>	<u>430,839</u>	<u>652,824</u>

	Audited 31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Company	205,659	853,169	1,058,828	135,253	339,010	474,263
Qijing Company	108,149	295,004	403,153	83,356	80,602	163,958
	<u>313,808</u>	<u>1,148,173</u>	<u>1,461,981</u>	<u>218,609</u>	<u>419,612</u>	<u>638,221</u>

Income Statement

	Unaudited				Total comprehensive income
	For the six months ended 30 June 2017				
	Revenue	Net profit	Income tax expenses	Net profit	
Hangzhou Company	137,338	54,608	(15,504)	39,104	39,104
Qujing Company	50,657	12,346	(3,136)	9,210	9,210
	<u>187,995</u>	<u>66,954</u>	<u>(18,640)</u>	<u>48,314</u>	<u>48,314</u>

	Unaudited				Total comprehensive income
	For the six months ended 30 June 2016				
	Revenue	Net profit	Income tax expenses	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>

Cash Flow Statement

	Unaudited				
	For the six months ended 30 June 2017				
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash at beginning of the period	Cash at end of the period
Hangzhou Company	3,584	(11,846)	54,043	101,618	147,399
Qujing Company	12,518	(100)	(12,800)	7,922	7,540
	<u>16,102</u>	<u>(11,946)</u>	<u>41,243</u>	<u>109,540</u>	<u>154,939</u>

	Unaudited				
	For the six months ended 30 June 2016				
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash at beginning of the period	Cash at end of the period
Hangzhou Company	30,049	(92,200)	27,728	80,701	46,278
Qijing 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>

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

(23) Revenue and cost of sales

	Group			
	Unaudited		Unaudited	
	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Revenue from principal operations	896,014	515,675	832,900	505,406
Revenue from other operations	90,621	54,742	94,661	51,810
	<u>986,635</u>	<u>570,417</u>	<u>927,561</u>	<u>557,216</u>

	Company			
	Unaudited		Unaudited	
	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Revenue from principal operations	400,855	213,040	414,430	232,252
Revenue from other operations	52,926	25,378	65,039	34,092
	<u>453,781</u>	<u>238,418</u>	<u>479,469</u>	<u>266,344</u>

(a) Revenue from principal operations and cost of sales

Analysis by the nature of services is as below:

	Group			
	Unaudited For the six months ended 30 June 2017		Unaudited For the six months ended 30 June 2016	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Processing of sewage water and construction of related facility	693,104	387,107	624,978	380,449
Water recycling and connection project	98,811	69,315	100,096	62,856
Tap water supplying	33,511	23,971	33,552	24,379
Heating and cooling service	29,197	20,839	28,641	19,951
Sale of environmental protection equipment	8,920	10,532	8,911	9,077
Others	32,471	3,911	36,722	8,694
	<u>896,014</u>	<u>515,675</u>	<u>832,900</u>	<u>505,406</u>

Analysis by locations is as follows:

	Group			
	Unaudited For the six months ended 30 June 2017		Unaudited For the six months ended 30 June 2016	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Tianjin	540,632	299,300	557,697	317,229
Hangzhou	137,155	77,660	65,229	48,253
Xi'an	60,216	35,727	68,114	40,348
Qijing	49,400	33,414	48,541	34,810
Others	108,611	69,574	93,319	64,766
	<u>896,014</u>	<u>515,675</u>	<u>832,900</u>	<u>505,406</u>

- (b) Revenue from other operations and cost of sales

	Group			
	Unaudited For the six months ended 30 June 2017		Unaudited For the six months ended 30 June 2016	
	Income from operations	Cost for operations	Income from operations	Cost for operations
Contract operation income	72,004	48,533	66,581	46,729
Technical service fee	13,623	3,772	23,063	1,806
Rental	3,581	1,749	2,879	2,165
Others	1,413	688	2,138	1,110
	<u>90,621</u>	<u>54,742</u>	<u>94,661</u>	<u>51,810</u>

- (c) As at 30 June 2017, revenue from the top five customers is analyzed as below:

Revenue from the Group's top 5 customers is RMB 648 million for the six months ended 30 June 2017, which account for about 65% of the Group's total revenue (2016: RMB594 million and 64%). The details are as follows:

	Revenue	% of total balance
TWAB	368,937	37%
Hangzhou Sewage Co., Ltd.	137,059	14%
Xi'an Urban Infrastructure Construction Investment Group Co., Ltd.	60,216	6%
Qujing City Water General Company	49,400	5%
Tianjin Municipal and Highway Management Bureau	31,918	3%
	<u>647,530</u>	<u>65%</u>

- (i) As at 30 June 2017, the Company's revenue mainly represented revenue from TWAB, which accounted for about 81% of the Company's total revenue, the rest is immaterial.

(24) Taxes and surcharges

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Business tax	—	4,805	—	2,129
City construction and maintenance fee	8,053	7,468	3,741	4,227
Educational surcharge	16,849	6,210	6,942	3,779
	<u>24,902</u>	<u>18,483</u>	<u>10,683</u>	<u>10,135</u>

(25) Selling expenses and general and administrative expenses

	Group			
	Unaudited For the six months ended 30 June 2017		Unaudited For the six months ended 30 June 2016	
	General and administrative expenses	Selling expenses (note(i))	General and administrative expenses	Selling expenses
Employee wages	35,456	3,935	35,713	4,487
Auditors' remuneration	2,790	—	2,100	—
Travelling, meeting and entertainment expenses	2,393	171	1,857	325
Repair and maintenance expenses	1,816	—	1,107	—
Expenses of Board of directors	1,716	—	629	—
Depreciation	1,643	9	2,447	16
Office allowance	1,305	55	1,177	54
Consulting service fee	1,299	—	3,015	—
Utilities	852	—	644	—
Amortization	483	—	607	—
Other taxes	236	—	3,963	—
Others	2,784	27	1,144	241
	<u>52,773</u>	<u>4,197</u>	<u>54,403</u>	<u>5,123</u>

- (i) As at 30 June 2017, the Group's selling expenses were RMB 4 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 2017	30 June 2016
	Administrative	Administrative
	expenses	expenses
Employee wages	20,322	21,391
Auditors' remuneration	2,358	2,100
Expenses of Board of directors	1,716	629
Repair and maintenance expenses	1,129	588
Depreciation	865	961
Travelling, meeting and entertainment expenses	761	516
Consulting service fee	706	1,940
Utilities	693	493
Office allowance	485	300
Amortization	338	550
Other taxes	30	875
Others	336	206
	29,739	30,549
	29,739	30,549

(26) The cost of sales, selling expenses, and general and administrative expenses in the income statement are listed as follows by nature:

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Amortization	148,260	151,226	63,010	63,085
Utilities	135,003	131,634	59,598	63,244
Employee wages	114,625	126,407	48,794	67,719
Raw materials and consumables used	44,284	23,442	16,471	17,358
Cost of recycling water pipeline connection service	32,288	24,396	—	—
Repair and maintenance expenses	29,863	40,339	11,365	21,967
Sewage mud processing fee	23,992	32,446	32,722	25,850
Depreciation	21,868	22,070	9,655	9,860
Factory environment, detection and fire prevention fee	11,943	10,843	4,750	3,651
Construction cost of sewage water plants	7,272	3,229	—	2,000
Network Maintenance	6,469	6,971	4,593	5,270
Other taxes	5,713	8,436	5,254	3,982
Travelling, meeting and entertainment expenses	5,436	5,028	1,476	1,245
Consulting service fee	4,495	6,156	1,378	2,876
Toll road management fee	3,560	3,560	3,560	3,560
Auditors' remuneration	2,790	2,100	2,358	2,100
Office allowance	2,613	2,163	808	621
Expenses of Board of directors	1,716	629	1,716	629
Others	25,197	15,667	649	1,876
	<u>627,387</u>	<u>616,742</u>	<u>268,157</u>	<u>296,893</u>

(27) Financial expenses - net

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Interest expenses of borrowings	62,869	74,332	49,048	53,789
Less: Capitalized interest	—	—	—	—
Net interest expenses	62,869	74,332	49,048	53,789
Less: Interest income	(9,599)	(15,720)	(15,943)	(22,174)
– Long-term receivables	(5,255)	(5,499)	(5,255)	(5,499)
– Bank deposits	(4,344)	(10,221)	(1,016)	(7,204)
– Entrusted loans	—	—	(9,672)	(9,471)
Exchange loss/(gain) (note(a))	(2,143)	(3,212)	(2,143)	(3,212)
Others	1,646	2,479	1,512	2,208
	<u>52,773</u>	<u>57,879</u>	<u>32,474</u>	<u>30,611</u>

- (a) As at 30 June 2017, 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 RMB 2.1 million (30 June 2016: exchange gains of about RMB3.2 million).

(28) Asset impairment losses

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Provision for bad debts	806	—	—	—
	<u>806</u>	<u>—</u>	<u>—</u>	<u>—</u>

(29) Non-operating income

	Unaudited	Group Unaudited	Unaudited Non-recurring Profit or Loss Recognized
	For the six months ended 30 June 2017	For the six months ended 30 June 2016	for the six months ended 30 June 2017
Government grants(note(a))	16,732	81,730	16,732
Gains on disposals of non-current assets	1	1	1
Others	2,559	1,535	2,559
	<u>19,292</u>	<u>83,266</u>	<u>19,292</u>

	Unaudited	Company Unaudited	Unaudited Non-recurring Profit or Loss Recognized
	For the six months ended 30 June 2017	For the six months ended 30 June 2016	for the six months ended 30 June 2017
Government grants(note(a))	16,337	56,653	16,337
Gains on disposals of non-current assets	—	1	—
	<u>16,337</u>	<u>56,654</u>	<u>16,337</u>

(a) Government grants

	Unaudited	Group Unaudited	Relating to
	For the six months ended 30 June 2017	For the six months ended 30 June 2016	assets/costs
VAT refunds	—	65,058	costs
Grant of sewage water processing plants (note 4(18))	16,059	15,700	assets
Grant of water recycling plants(note 4(18))	599	600	assets
Others (note 4(18))	74	372	costs
	<u>16,732</u>	<u>81,730</u>	

	Unaudited For the six months ended 30 June 2017	Company Unaudited For the six months ended 30 June 2016	Relating to assets/costs
VAT refunds	—	40,329	costs
Grant of sewage water processing plants (note 4(18))	15,699	15,700	assets
Grant of water recycling plants(note 4(18))	599	600	assets
Others (note 4(18))	39	24	costs
	<u>16,337</u>	<u>56,653</u>	

As at 30 June 2017, the VAT refunds of the Group which amount is 65 million is recorded as other gains.

(30) Non-operating expenses

	Unaudited For the six months ended 30 June 2017	Group Unaudited For the six months ended 30 June 2016	Unaudited Non-recurring Profit or Loss Recognized for the six months ended 30 June 2017
Loss on disposals of fixed assets	—	21	—
Others	128	2,706	128
	<u>128</u>	<u>2,727</u>	<u>128</u>

(31) Income tax expenses

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Current income tax calculated based on tax law and related regulations	102,060	74,883	47,970	45,276
Deferred income tax	(6,284)	(885)	3,701	4,345
	<u>95,776</u>	<u>73,998</u>	<u>51,671</u>	<u>49,621</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 2017	Unaudited For the six months ended 30 June 2016
Total profit	365,195	312,870
Calculated at applicable income tax rates (25%)	91,299	78,218
Effect of favorable tax rates	(3,876)	(1,732)
Income not subject to tax	(19,633)	(3,190)
Costs, expenses and losses not deductible for tax purposes	29,294	7,619
Utilization of previously deductible tax losses for which no deferred income tax was recognized	(1,834)	(8,214)
Tax temporary differences for which no deferred income tax asset was recognized	202	—
Current year tax losses for which no deferred income tax asset was recognized	324	1,297
Income tax expenses	<u>95,776</u>	<u>73,998</u>

(32) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to owners of the parent of RMB 255 million (For the six months ended 30 June 2016: RMB237million) and weighted average number of ordinary shares of 237 million shares in issue during the period (For the six months ended 30 June 2016: 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 2017	Unaudited For the six months ended 30 June 2016
Consolidated net profit attributable to ordinary shareholders of the Company	255,058	236,683
Weighted average number of ordinary shares in issue (thousand shares)	1,427,228	1,427,228
Basic earnings per share (RMB Yuan)	0.18	0.17
Including:		
– Basic earnings per share for operations on a going concern	0.18	0.17
– Basic earnings per share for discontinued operations	—	—

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 2016 (2015: Nil), diluted earnings per share equal to basic earnings per share.

(33) 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 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Net profit	269,419	238,872	140,403	150,543
Adjustments for:				
Provision of asset impairment	806	—	—	—
Depreciation of fixed assets and investment properties	21,868	22,070	9,655	9,860
Amortization of intangible assets	148,260	151,226	63,010	63,085
Net (Gains)/losses on disposals of fixed assets	(1)	20	—	(1)
Net financial expenses	60,726	71,120	46,905	50,577
Investment income/(losses)	(400)	2,126	(400)	(1,680)
Amortization of deferred revenue	(16,732)	(16,672)	(16,337)	(16,324)
Increase in deferred tax liabilities	(6,284)	(885)	3,701	4,345
Decrease/(increase) in inventories	4,208	1,757	557	(264)
Decrease/(increase) in operating receivables	(127,510)	(204,893)	(64,162)	(300,576)
Decrease/(increase) in operating payables	(30,225)	(19,178)	(51,929)	39,741
Net cash flows from operating activities	<u>324,135</u>	<u>245,563</u>	<u>131,403</u>	<u>(694)</u>
Net increase/decrease in cash				
Cash at end of period	1,497,407	1,299,061	786,181	371,649
Less: cash at beginning of period	<u>(1,181,120)</u>	<u>(1,328,575)</u>	<u>(454,678)</u>	<u>(596,699)</u>
Net increase/(decrease) in cash	<u>316,287</u>	<u>(29,514)</u>	<u>331,503</u>	<u>(225,050)</u>

(b) Cash listed in the cash flow statement comprises:

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Cash				
Including: Cash on hand	465	245	40	27
Cash at bank	1,496,942	1,298,816	786,141	371,622
Cash listed in cash flow statement	<u>1,497,407</u>	<u>1,299,061</u>	<u>786,181</u>	<u>371,649</u>

(c) Cash received relating to other operating activities:

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Collection of deposit on project bids	218,220	27,299	207,500	24,761
Project deposit received	83,429	51,334	577	—
Subsidies received	4,507	7,307	200	6,707
Interest income from bank deposits	4,344	10,288	1,016	7,273
Project fund on behalf of sewage mud project	—	33,125	—	33,125
Others	26,546	5,207	14,268	3,778
	<u>337,046</u>	<u>134,560</u>	<u>223,561</u>	<u>75,644</u>

(d) Cash paid relating to other operating activities

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Deposits	187,996	21,750	187,860	21,750
Repair and maintenance expenses	29,863	1,107	11,365	588
Travelling, meeting and entertainment expenses	5,436	1,000	1,476	174
Consulting service fee	4,495	2,257	1,378	1,617
Expense of board of directors	1,716	629	1,716	629
Others	35,932	10,201	23,759	11,228
	<u>265,438</u>	<u>36,944</u>	<u>227,554</u>	<u>35,986</u>

(e) Net cash received on disposals of fixed assets

	Group	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Carrying amount of disposals of fixed assets	2	74
Net (losses)/gains from disposal of fixed assets	<u>1</u>	<u>(20)</u>
Net cash received from disposals of fixed assets	<u>3</u>	<u>54</u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Ji Zhuang Zi Land compensation fund received	—	42,000	—	—
Funds for Project Construction received	<u>—</u>	<u>28,390</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>70,390</u>	<u>—</u>	<u>—</u>

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

	Group		Company	
	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Payment of relocation expenses	31,225	25,715	29,939	25,715
	<u>31,225</u>	<u>25,715</u>	<u>29,939</u>	<u>25,715</u>

5 SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Company considers the business from both service and geographical perspective. From a service perspective, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and cooling service, sales of tap water 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 sold by the Group is mainly the result of scientific research transformation of the technical know-how in the environment protection area. Other services include contract operation services, rental income and provide technical services etc. These are not separately presented within the reportable operating segments, but included in the ‘all other segments’ column. 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 2017(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 (note4(22))	371,462	137,155	184,487	98,811	29,197	33,511	8,920	123,092	986,635
Cost of sales from third parties	(203,870)	(77,660)	(105,577)	(69,315)	(20,839)	(23,971)	(10,532)	(58,653)	(570,417)
Interest income (note 4(26))	1,020	599	1,603	772	409	11	42	5,143	9,599
Interest expenses (note 4(26))	(43,831)	(5,847)	(11,213)	(170)	(892)	(916)	—	—	(62,869)
Results before share of profits of an associate	143,213	54,711	63,673	30,364	5,113	6,725	(3,029)	64,425	365,195
Investment loss from associate(note4(9) (c))	—	—	—	—	—	—	—	—	—
Depreciation	(150)	—	(77)	(18,429)	(75)	—	(391)	(2,746)	(21,868)
Amortization	(62,672)	(28,724)	(44,177)	(106)	(7,137)	(5,088)	(1)	(355)	(148,260)
Total profit	143,213	54,711	63,673	30,364	5,113	6,725	(3,029)	64,425	365,195
Income tax expense	(39,824)	(15,504)	(12,731)	(7,169)	(4,832)	(1,681)	454	(14,489)	(95,776)
Net profit	103,389	39,207	50,942	23,195	281	5,044	(2,575)	49,936	269,419
Segment assets	5,251,321	990,797	2,191,515	1,335,973	519,025	246,985	11,409	817,016	11,364,041
Segment liabilities	3,483,915	386,633	461,737	1,269,099	258,492	72,598	3,563	290,355	6,226,392
Long-term equity investment	—	—	—	—	—	—	—	—	—
Non-current assets addition other than related to long-term investment	13,976	—	303,868	535	69,630	—	53	3,102	391,164

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

	Sewage processing and facility construction services					Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants	Recycled water	Heating and cooling				
Income from third parties (note4(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(note4(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

(i) Non-current assets do not comprise financial assets, long-term equity investments, or deferred income tax assets.

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 RMB 369 million is derived from a single customer, accounting for 37% of the Group's total revenue (For the six months ended 30 June 2016:RMB379 million, 41%).

6 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Information of the parent of the Company

	Type	Place of registration	Legal representative	Nature of business
Municipal Investment	Limited Company	Tianjin, China	Yu Zhongpeng	Development and management of municipal infrastructures

The Company's ultimate controlling party is company City Infrastructure Construction and Investment.

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

	Audited 31 December 2016	Increase in current year	Unaudited Decrease in current year	30 June 2017
Municipal Investment	<u>1,820,000</u>	<u>—</u>	<u>—</u>	<u>1,820,000</u>

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

	Unaudited 30 June 2017		Audited 31 December 2016	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Municipal Investment	<u>50.14%</u>	<u>50.14%</u>	<u>50.14%</u>	<u>50.14%</u>

(2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in note4 (9) (a).

(3) Information of associates

The general information and other related information of the associates is set out in note4 (9) (c).

(4) Information of other related parties

	Relationship with the Group
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Metro Resources Investment Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Machinery & Electric Equipment Import & Export 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 period:

(a) Purchase of Goods, rendering of services

Purchase of Goods

Related party	Nature of transaction	Unaudited For the six months ended 30 June 2017		Unaudited For the six months ended 30 June 2016	
		Amount	% of similar transactions	Amount	% of similar transactions
Tianjin Machinery & Electric Equipment Import & Export Co., Ltd.	Purchase of equipment	<u>57,627</u>	82.81%	<u>11,129</u>	15.66%

Rendering of services

Related party name	Nature of transaction	Unaudited For the six months ended 30 June 2017		Unaudited For the six months ended 30 June 2016	
		Amount	% of similar transactions	Amount	% of similar transactions
City Infrastructure Construction and Investment	Contract operation income	26,251	36.38%	29,833	44.81%
City Infrastructure Construction and Investment	Income from heating and cooling supply	16,503	56.52%	15,945	55.67%
Tianjin Metro Resources Investment Co., Ltd.	Income from heating and cooling supply	905	3.10%	1,049	3.66%

Rental income from related parties is negotiated by counter parties and referred to the market price. Pricing on heating supply service with related parties is based on the reference price stipulated by government.

(b) Guarantee:

Guarantor	Guarantee	Amount	Starting Date	Due Date	Fully performed or not
City Infrastructure Construction and Investment	Xi'an Capital Water Co., Ltd	187,000	28 September 2008	27 September 2022	No

(c) Key management compensation

	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Key management compensation	<u>7,039</u>	<u>3,835</u>

(6) Receivables from and payables to related parties

Receivables from related parties

Project name	Trade receivables from related parties	Unaudited 30 June 2017	Audited 31 December 2016
Trade receivables	Tianjin Lecheng Properties Co., Ltd.	34,787	35,139
Trade receivables	City Infrastructure Construction and Investment	36,222	29,337
Trade receivables	Tianjin Metro Resources Investment Co., Ltd.	1,673	6,495
Trade receivables	Tianjin City Resource Operation Co., Ltd.	<u>401</u>	<u>401</u>

Payables to related parties

Project name	Payables from related parties	Unaudited 30 June 2017	Audited 31 December 2016
Other payables	Tianjin Machinery & Electric Equipment Import & Export. Co., Ltd	<u>1,179</u>	<u>1,179</u>

The receivables from related parties arise mainly from daily 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 2017	Audited 31 December 2016
Guarantee Received		
City Infrastructure Construction and Investment	<u>187,000</u>	<u>200,000</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 period, the Group's significant transactions with these state controlled entities include treatment of sewage and construction and management of related facility, supply of tap water and recycled water, and supply of heating and cooling services. At the end of the period, the 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 2017 RMB' million	Audited 31 December 2016 RMB' million	Unaudited 30 June 2017 RMB' million	Audited 31 December 2016 RMB' million
Sewage water processing plants in:				
– Changsha Tianchuang Ningxiang project	103	1	69	199
– Yingshang City South sewage water processing project	70	71	70	101
– Karamy Project	3	—	315	318
– Dalian Chunliuhe Project	—	—	221	221
– Bei Shi Qiao and Deng Jia Cun	—	—	3	4
– Hang Zhou Qi Ge	—	—	26	26
– Hefei Yuwan PPP Project	—	—	277	—
– Linxia PPP Project	—	—	220	—
Energy station projects:				
– Heiniu Urban Roads energy station project	86	62	112	156
– Cultural Center energy station project	35	4	23	101
	<u>297</u>	<u>138</u>	<u>1,336</u>	<u>1,126</u>

8 IMPACT OF EVENTS AFTER THE BALANCE SHEET DATE

- (1) As at 30 December 2016, as authorized by the second extraordinary general meeting 2016, the Company would issue A-shares via non-public offering of shares on The Shanghai Stock Exchange to not more than 10 specific targets. The funds to be raised from this non-public offering would not exceed RMB1,837.62 million and are mainly for the upgrading projects of Jingu and Beichen sewage water processing plants, Heiniucheng Road and Binhai cultural center heating and cooling supply projects, supplementing floating capital and repaying the loans, etc. Until reporting date, the non-public offering of shares has not accomplished.
- (2) As at 1 August 2017, our company received the Letter of Acceptance for the PPP project about sewerage, reclaimed water reuse and water supply integration in Bayannaoer from the tendering agency, Inner Mongolian Tendering Limited Liability Company. And the tenderee is Bayannaoer Water Supplies Bureau. As at the reporting date, the project hasn't signed a formal contract.

9 FINANCIAL RISKS

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 exchange risk:

The Group has no significant foreign exchange 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 exchange risk of the Group arises from fluctuation of USD and JPY pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from Sewage Company (Note 4(16) (c) (ii)).

At 30 June 2017, 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 RMB 2 million (2016: RMB2 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 RMB 4 million (2016: RMB5 million) higher/lower.

(ii) Interest rate risk:

The Group's interest rate risk arises mainly from interest-bearing liabilities including borrowings, long-term payables and debentures payable.

The Group has significant borrowings, long-term payables and debentures 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 liabilities at carrying amounts, categorized by the maturity dates.

	Group			Company		
	Fixed	Floating	Total	Fixed	Floating	Total
At 30 June 2017(Unaudited)						
Short-term borrowings	200,000	300,000	500,000	200,000	300,000	500,000
Other non-current liabilities due within 1 year:						
Current portion of long-term borrowings	—	186,128	186,128	—	—	—
Current portion of debentures payable	697,899	—	697,899	697,899	—	697,899
Current portion of long-term payables	16,007	9,500	25,507	16,007	9,500	25,507
Long-term borrowings	—	508,221	508,221	—	—	—
Long-term payables	192,935	86,664	279,599	192,935	86,664	279,599
Debentures payable	697,717	—	697,717	697,717	—	697,717
	<u>1,804,558</u>	<u>1,090,513</u>	<u>2,895,071</u>	<u>1,804,558</u>	<u>396,164</u>	<u>2,200,722</u>
At 31 December 2016(Audited)						
Other non-current liabilities due within 1 year:						
Current portion of long-term borrowings	—	186,400	186,400	—	—	—
Current portion of long-term payables	16,292	9,635	25,927	16,292	9,635	25,927
Long-term borrowings	—	510,428	510,428	—	—	—
Long-term payables	193,119	92,089	285,208	193,119	92,089	285,208
Debentures payable	1,394,313	—	1,394,313	1,394,313	—	1,394,313
	<u>1,603,724</u>	<u>798,552</u>	<u>2,402,276</u>	<u>1,603,724</u>	<u>101,724</u>	<u>1,705,448</u>

At 30 June 2017, 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 RMB 4 million (At 30 June 2016: RMB4 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 cash at bank by placing the majority of its cash at 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 departments or state-owned companies. Thus, the management considers that the credit risk of trade receivables is limited.

The maximum credit risk of the Company includes the carrying amount of its financial assets on books and financial guarantees issued for its subsidiaries. As at 30 June 2017, the Company had given guarantees of approximately RMB 1,320 million (At 30 June 2016: RMB1,037 million) to banks of certain subsidiaries in respect of their banking facilities, of which RMB654 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 by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. 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 liabilities are analyzed at the balance sheet date to the contractual maturity date, using the contracted undiscounted cash flows, as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying value
At 30 June 2017(Unaudited)						
Long-term borrowings	237,824	157,991	367,472	86,761	850,048	694,349
Long-term payables	28,667	29,381	93,373	344,769	496,190	305,106
Other current liabilities	3,287	—	—	—	3,287	3,182
Other payables	312,405	—	—	—	312,405	312,405
Trade payables	137,946	—	—	—	137,946	137,946
Short-term borrowings	520,532	—	—	—	520,532	500,000
Debentures payable	760,060	21,910	765,730	—	1,547,700	1,395,616
Dividends payable	137,025	—	—	—	137,025	137,025
	<u>237,824</u>	<u>157,991</u>	<u>367,472</u>	<u>86,761</u>	<u>850,048</u>	<u>694,349</u>
At 31 December 2016(Audited)						
Long-term borrowings	214,930	152,081	321,351	107,561	795,923	696,828
Long-term payables	28,321	29,017	92,143	358,346	507,827	311,135
Other liabilities	3,332	1,409	—	—	4,741	4,546
Trade payables	107,239	—	—	—	107,239	107,239
Other payables	408,111	—	—	—	408,111	408,111
Debentures payable	60,060	60,060	737,806	710,955	1,568,881	1,394,313
Dividends payable	1,438	—	—	—	1,438	1,438
	<u>214,930</u>	<u>152,081</u>	<u>321,351</u>	<u>107,561</u>	<u>795,923</u>	<u>696,828</u>

10 FAIR VALUE ESTIMATION

The level in which fair value measurement is categorized 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 amortized 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.

11 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% - 40%. The gearing ratio of the Group is as follows:

	Unaudited 30 June 2017	Audited 31 December 2016
Total borrowings:	2,898,253	2,406,822
Short-term borrowings	500,000	—
Long-term borrowings	508,221	510,428
Non-current liabilities due within 1 year	909,534	212,327
Debentures payable	697,717	1,394,313
Long-term payables	279,599	285,208
Other non-current liabilities-Government loan and others	3,182	4,546
Less: Cash	(1,497,407)	(1,181,120)
Net debt	1,400,846	1,225,702
Total equity	5,137,649	5,003,817
Total capital	<u>6,538,495</u>	<u>6,229,519</u>
Gearing ratio	<u>21%</u>	<u>20%</u>

There is an increase in gearing ratio of the Group during the six months ended 30 June 2017, because of the addition for short-term borrowing of RMB 5 million.

SUPPLEMENT OF THE FINANCIAL STATEMENT

For the six months ended 30 June 2017

(All amounts in RMB thousand unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Gains/(losses) on disposals of non-current assets	1	(20)
Government grants	16,732	16,672
Other non-operating income and expenses	2,431	(1,171)
	<u>19,164</u>	<u>15,481</u>
Effect amount of income tax	(4,791)	(3,870)
Effect amount of minority interest(after tax)	(10)	(3,909)
	<u>14,363</u>	<u>7,702</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 2017	Unaudited For the six months ended 30 June 2016	Unaudited For the six months ended 30 June 2017	Unaudited For the six months ended 30 June 2016
Net profit attribute to the ordinary shareholders of the company	5.31	5.30	0.18	0.17
Net profit exclude extraordinary profit and loss attribute to the ordinary shareholders of the company	5.01	5.12	0.17	0.16

SECTION X 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 of the report of the auditor sealed by the certified public accountants, and signed and sealed by the auditor.
3. Original copies of all documents and announcements of the Company publicly disclosed in the website designated by the CSRC during the reporting period.
4. The Interim Report released in other stock markets.

Tianjin Capital Environmental Protection Group Company Limited
Chairman: Liu Yujun