Tianjin Capital Environmental Protection Group Company Limited
天 津 創 業 環 保 集 團 股 份 有 限 公 司

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

(Stock Code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2014

§1 IMPORTANT

1.1 The board of directors (the "**Board**") and supervisory committee of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") and its directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management confirm that the this 2014 interim report (the "**Interim Report**") does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents of this report.

1.2 The interim financial statements of the Company for the six months ended 30 June 2014 are unaudited.

1.3 Did the controlling shareholder of the Company or its connected persons misappropriate the Company's funds?

No.

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

No.

1.5 The person in charge of the Company, Mr. Zhang Wenhui, the person in charge of the accounting function, Ms. Shi Zhenjuan, and the person in charge of the accounting department (the chief accountant), Ms. Cao Shuo, have warranted the truthfulness and completeness of the financial statements in this Interim Report.

§ 2 COMPANY PROFILE

2.1 Basic Information

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

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

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

2.2.1 Major accounting data and financial indicators

Unit: 0’000 Currency: RMB

	During the reporting period (from January to June)	**During the same period last year**	**Increase/decrease for the current reporting period as compared to the same period last year (%)**
Operating income	86,176.90	85,135.50	1.22
Net profit attributable to the shareholders of the Company	14,395.80	11,616.90	23.92
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	14,226.80	11,361.40	25.22
Net cash flow from operating activities	37,984.40	13,042.10	191.24
	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	400,627.30	397,649.40	0.75
Total assets	1,137,979.40	1,107,375.10	2.76

	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)	0.10	0.08	25
Diluted earnings per share (RMB/share)	0.10	0.08	25
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.10	0.08	25
Weighted average return on net assets ratio (%)	3.61	3.05	Increased by 0.56 percentage point
Weighted average return on net assets ratio after deduction of extraordinary items (%)	3.56	2.98	Increased by 0.58 percentage point

2.2.2 Extraordinary profit and loss items

Unit: 0'000 Currency: RMB

Extraordinary profit and loss items	Amount
Profit/loss from disposal of non-current assets	-59
Government grants recognized in current profit and loss, except for those closely relating to business operation, in comply with national policy and settled in certain amount which are constantly granted by government	264
Other non-operating income and expenses except for the above items	10
Effect on minority interests	8
Income tax effect	-54
Total	169

2.2.3 Difference in accounting standards between the PRC and overseas

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

§ 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

☐ Applicable √ Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of shareholders as at the end of the reporting period						97,985, among which 84 are shareholders of H shares
Shareholdings of the top ten shareholders						
Name of shareholder	**Nature of shareholder**	**Percentage of shareholding (%)**	**Total number of shares held (shares)**	**Increase/ decrease during the reporting period (shares)**	**Number of restricted shares held (shares)**	**Number of shares pledged or frozen (shares)**
Tianjin Municipal Investment Company Limited	State-owned legal person	51.58	736,207,892	0	0	Pledged 116,300,000
HKSCC Nominees Limited	Unknown	23.43	334,354,900	326,000	0	Unknown
Yang Longhuo	Unknown	0.51	7,208,118	7,199,418	0	Unknown
Shenyang Railway Coal Group Co., Ltd.	Unknown	0.21	3,000,000	0	0	Unknown
Yang Chunfeng	Unknown	0.19	2,646,289	2,646,289	0	Unknown
Chen Hexiang	Unknown	0.18	2,561,839	1,355,739	0	Unknown
HO MAN PING	Unknown	0.14	2,014,000	0	0	Unknown
Chongqing International Trust Co., Ltd.	Unknown	0.14	2,000,015	2,000,015	0	Unknown
Chen Shengjun	Unknown	0.11	1,588,488	1,257,188	0	Unknown
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	Unknown	0.08	1,137,156	67,696	0	Unknown

Shareholdings of the top ten shareholders of non-restricted shares			
Name of shareholder	**Number of non-restricted shares held (shares)**	**Type and number of shares (shares)**	
Tianjin Municipal Investment Company Limited	736,207,892	Ordinary RMB Shares	736,207,892
HKSCC Nominees Limited	334,354,900	H Shares	334,354,900
Yang Longhuo	7,208,118	Ordinary RMB Shares	7,208,118
Shenyang Railway Coal Group Co., Ltd.	3,000,000	Ordinary RMB Shares	3,000,000
Yang Chunfeng	2,646,289	Ordinary RMB Shares	2,646,289
Chen Hexiang	2,561,839	Ordinary RMB Shares	2,561,839
HO MAN PING	2,014,000	H Shares	2,014,000
Chongqing International Trust Co., Ltd.	2,000,015	Ordinary RMB Shares	2,000,015
Chen Shengjun	1,588,488	Ordinary RMB Shares	1,588,488
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中國農業銀行股份有限公司-中證500交易型開放式指數證券投資基金)	1,137,156	Ordinary RMB Shares	1,137,156
Notes on the connected relationship or parties acting in concert among the above shareholders	It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted shares and the top 10 shareholders. Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company. (2) The top ten shareholders are not strategic investors of the Company.		

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

□ Applicable √ Not Applicable

§ 4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

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

☐ Applicable √ Not Applicable

§ 5 REPORT OF THE BOARD

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

During the reporting period, the Company and its subsidiaries (the "**Group**") continued to improve the control on costs and expenses according to the operating strategy and working plan for 2014 as formulated by the Board, and conducted its principal businesses in a normal and orderly manner.

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

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

During the reporting period, the Group recorded an operating income of RMB861.77 million, representing an increase of RMB10.41 million or 1.22% as compared to the same period last year. The increase in operating income was mainly attributable to an increase in income generated from the tap water business and technical service of the Company.

During the reporting period, the Group's operating costs decreased by RMB22.17 million or 4.35% as compared to the same period last year. This was mainly because upon implementation of the licensed operation of the four sewage water treatment plants in Tianjin, the amortization of the licensed operation rights decreased as compared with the depreciation costs of fixed assets in the same period last year, and the costs of recycled water pipeline connection business in the current period decreased.

During the reporting period, the Group's financial expenses were RMB105.52 million, representing a decrease of RMB11.43 million as compared to the same period last year, which was mainly due to the decrease of interest expenses resulting from the decrease of principals of loans and the replacement of part of loans with high costs.

In conclusion, the Group recorded a net profit (attributable to the shareholders of the Company) of RMB143.96 million during the reporting period, representing an increase of RMB27.79 million or 23.92% as compared to the same period last year.

2. **Analysis of income from the principal businesses**

(1) **Sewage water treatment business and construction business**

During the reporting period, the Group processed sewage water of 540.776 million cubic meters (including entrusted operation) in total, representing an increase of 3.13% as compared to the same period last year, realizing an income of RMB650.19 million, representing a decrease of 0.27% as compared to the same period last year, among which, the Group's four sewage water treatment plants in the central urban area of Tianjin processed a total of 210.479 million cubic meters of sewage water, representing an increase of 1.7% as compared to the same period last year, realizing an income from sewage water treatment service of RMB 376.73 million, representing a decrease of 2.67% as compared to the same period last year. This was mainly attributable to the fact that the four sewage water treatment plants in the central urban area of Tianjin started to perform the "agreement in respect of the licensed operation of the four Tianjin sewage water treatment plants of the Company" entered into with Tianjin Water Authority Bureau and Tianjin City Construction and Communication Committee since 1 January 2014 where the unit sewage water treatment price decreased by approximately 8.29% as compared to the same period last year. However, since the settlement method for the guaranteed water treatment volume has been implemented, the income from sewage water treatment service decreased at a rate lower than that of the unit price. The subsidiaries of the Group processed 244.776 million cubic meters sewage water in total, substantially the same as the same period last year, realizing an income of RMB230.05 million from the sewage water treatment services, representing an increase of 5.76% as compared to the same period last year, which was mainly attributable to the fact that the unit price for sewage water treatment service of sewage water treatment projects of subsidiaries in Fuyang and Guizhou has been increased as compared to the same period last year. The entrusted operation projects processed sewage water of 85.521 million cubic meters, representing an increase of 19.4% as compared to the same period last year, and realized an income of RMB43.41 million, representing a decrease of 8.40% as compared to the same period last year, which was due to the fact that part of the project water volume has not been finally recognized.

During the reporting period, the Group's income from construction business amounted to RMB4.05 million, representing a decrease of 70.59% as compared to the same period last year. This was because most of the construction business has substantially completed in the first half of last year.

(2) Recycled water business

During the reporting period, the Group's recycled water business realized sales of recycled water of 9.649 million cubic metres, representing an increase of 28.1% as compared to the same period last year. Income of RMB26.13 million was realized, representing an increase of 28.1% as compared to the same period last year. The increase of income from sales of recycled water was mainly because the Yangliuqing Power Plant reduced the usage of river water and increase the usage of recycled water significantly, and the thermal power plant of north-eastern suburban duly started its heating supply this year and the recycled water usage increased.

During the reporting period, the Group's recycled water pipeline connection business realized a total income of RMB60.37 million, representing a decrease of 17.20% as compared to the same period last year. This was mainly attributable to the completion of major ancillary business in 2013, and no major ancillary business was newly added in the reporting period.

(3) Tap water business

During the reporting period, the Group's tap water business recorded an on-grid water volume of 19.275 million cubic metres, representing an increase of 2.3% as compared to the same period last year, and realized an income of RMB30.64 million, representing an increase of 68.91% as compared to the same period last year. This was mainly attributable to the fact that since January 2014, the tap water revenues of Qujing Capital Water Company Limited ("**Qujing Company**") included the water resource fees and the unit price has been raised. During the current period, tap water revenues of the Group were all generated from Qujing Company. For Anguo Capital Water Company Limited ("**Anguo Company**"), as its tap water projects were in the process of arbitration, no revenue was recognized.

(4) Cooling and heating supply service business

During the reporting period, a total realized income from the Group's new energy cooling and heating supply service business was RMB25.75 million, representing a decrease of 2.57% as compared to the same period last year. This was mainly attributable to the fact that part of the income of cooling supply service fees in 2012 was recognised during the same period last year.

(5) Toll collection business

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

(ii) Analysis of principal businesses

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

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	86,177	85,136	1.22
Costs for operations	48,725	50,942	-4.35
Administrative expenses	5,645	5,631	0.25
Financial expenses	10,552	11,695	-9.77
Impairment losses of assets	690	0	N/A
Investment income	54	-107	-150.50
Non-operating income	285	521	-45.35
Net cash flows from operating activities	37,984	13,042	191.24
Net cash flows from investing activities	-287	6,930	-104.14
Net cash flows from financing activities	-31,838	2,964	-1,174.13
Research and development expenses	105	167	-37.13

Explanation of changes:

Impairment losses of assets: In respect of the newly added impairment losses of assets, during the current period, the management, based on prudent considerations, made provision for impairment losses of RMB6.9 million in respect of the sewage water project of Anguo Company as per the proportion made for the impairment of tap water project at the end of 2013, pursuant to the interlocutory judgement made by the China International Economic and Trade Arbitration Commission on 18 April 2014 in respect of the Anguo projects, namely "Judgement in respect of the termination of the relevant agreements for Anguo Company's tap water supply and sewage water projects, and completion of transfer before July 2014".

Investment income: The increase in the current period as compared to the same period last year was mainly because the associated companies recorded earnings in the current period.

Non-operating income: The decrease in the current period as compared to the same period last year was mainly due to that Qujing Company received financial subsidies in the same period last year.

Net cash flows from operating activities: The increase in the current period as compared to the same period last year was mainly due to the receipt of the construction funds for the entrusted construction of Jinnan Sludge Treatment Plant and the advances for recycled water pipeline network connection projects during the current period.

Net cash flows from investing activities: The decrease in the current period as compared to the same period last year was because during the current period, the land compensation for the relocation and construction project of Jizhuangzi Sewage Water Treatment Plant was RMB300 million, as compared to RMB400 million for the same period last year.

Net cash flows from financing activities: The decrease in the current period as compared to the same period last year was because medium term notes of RMB700 million were issued in the same period last year, therefore fund-raising cash inflow was significant.

Research and development expenses: The decrease in the current period as compared to the same period last year was mainly due to that the use of R&D funds will mainly be concentrated in the second half of this year.

2. **Table 2 - Another analysis of changes in relevant items in the financial statements**

Unit: 0'000 Currency: RMB

Item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)
Notes receivables	280	0.02	630	0.06	-55.56
Inventories	1,838	0.16	5,804	0.52	-68.33
Other current assets	6,314	0.55	654	0.06	865.46
Fixed assets	44,596	3.92	308,812	27.89	-85.56
Intangible assets	559,962	49.21	307,483	27.77	82.11
Short term borrowings	5,000	0.44	0	0	N/A
Trade payables	7,467	0.66	2,110	0.19	253.89
Dividend payable	15,074	1.32	3,657	0.33	312.21
Long-term borrowings due within one year	44,524	3.91	85,375	7.71	-47.85

Explanation of changes:

Notes receivables: The decrease in balance as at the end of the period was because some subsidiaries have collected notes receivables during this period.

Inventories: The decrease in balance as at the end of the period was due to the settlement in full of BT construction projects of Tianjin Zichuang Engineering Investment Company Limited during the reporting period.

Other current assets: The increase in balance as at the end of the period was due to the transfer of relevant assets of Anguo Company to "other current assets" for accounting, in accordance with the interlocutory judgment of "Judegement in respect of the termination of the relevant agreements for Anguo Company's tap water supply and sewage water projects, and completion of transfer before July 2014" made by China International Economic and Trade Arbitration Commission in respect of Anguo projects on 18 April 2014.

Fixed assets and intangible assets: Four sewage water treatment plants in Tianjin commenced to conduct licensed operation from 1 January 2014 and relevant assets were transferred to intangible assets for accounting. Therefore, balance of fixed assets decreased and balance of intangible assets increased as at the end of the period.

Short-term borrowings: The increase in balance as at the end of the period was due to the new short-term borrowings raised by the Company during the reporting period.

Trade payable: The increase in balance as at the end of the period was mainly due to the newly added transfer fees payable for Fuyang recycled water licensed operation project and operating costs payable during the reporting period.

Dividend payable: The increase in balance as at the end of the period was mainly due to the provision of dividend payable for 2013.

Long-term borrowings due within one year: The decrease in balance as at the end of the period was due to a decrease in long-term borrowings due within one year during the reporting period.

3. Others

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

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

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

Not applicable.

(3) Explanation of the progress in the operation plan

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

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

1. Principal businesses by industry and by products

Unit: 0'000 Currency: RMB

Principal Businesses by Industry							
	Income from operations	**Costs of Operations**	**Gross profit margin (%)**	**Increase/ decrease in income from operations as compared to last year (%)**	**Increase/ decrease in costs of operations as compared to last year (%)**	**Increase/ decrease in gross profit margin as compared to last year (%)**	**Remark**
Sewage water treatment and construction business	61,083	32,917	46.11	-1.21	-7.76	3.83	
Recycled water pipeline connection and water supply business	8,650	5,542	35.93	-7.30	-19.69	9.89	
Toll collection business	3,351	356	89.38	0	0	0	
Tap water supply business	3,064	2,532	17.36	68.91	114.76	-17.64	Note 1
Cold and heat supply business	2,575	1,952	24.19	-2.57	-6.02	2.78	
Others	617	833	-35.01	59.43	8.04	64.22	Note 2

Note: (1) The increase in income from tap water business was due to the fact that the Qujing Company's income from tap water business included water resource fees and the unit price increased since January 2014.

(2) Others mainly represented the income of Tianjin Kaiying Technology Development Company Limited ("**Kaiying Company**") from the sales of deodorizing equipment, which was increased as compared to the same period last year, due to the enhanced efforts made by Kaiying Company to expand markets during the reporting period.

2. Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

Region	Income from operations	Increase/decrease in income from operations as compared to last year (%)	Remark
Tianjin	53,507	-5	
Qujing	5,045	45	Note 1
Guizhou	1,421	19	
Fuyang	3,291	37	Note 2
Baoying	1,014	0	
Hangzhou	7,541	-6	
Wendeng	1,347	0	
Xi'an	4,052	8	
Anguo	414	0	
Wuhan	1,702	0	
Hong Kong	6	39	Note 3

Note: (1) The increase in Qujing's income was mainly due to that the Qujing Company's income from tap water business included water resource fees and the unit price increased since January 2014.

(2) Fuyang Capital Water Company Limited ("**Fuyang Company**") secured new licensed operation projects of recycled water plant with an upward adjustment to prices of recycled water of Yingdong Water Plant during this period.

(3) The large change was due to relatively smaller income base of Tianjin Capital Environmental Protection (Hong Kong) Company Limited.

(iv) Analysis of core competitiveness

The Company's core competitiveness is mainly reflected in the following five aspects: first, the Company owns the most influential service brand in the sewage water treatment industry and an established service network with nationwide coverage; second, the Company owns leading technologies, diversified solutions and integrated service capability by virtue of its complete industry chain; third, the Company can effectively grasp the specific needs of the government and corporate customers, and adopt a variety of cooperation models to achieve win-win for all parties; fourth, the Company has the best operation and management practical experience in the water treatment industry and possesses sound capabilities of controlling risks and responding to emergencies; fifth, the Company devotes to expand into new energy business segment and sewage water treatment related business segment to establish new competitive edges. During the reporting period, the Company further stepped up its efforts in the research and development of proprietary technologies and techniques while maintaining its licensed operation projects at the same time, which steadily enhance its corporate core competitiveness.

(v) Analysis of the investment

1. Overall analysis of external equity investment

(1) On 27 March 2014, the Board approved the capital increase of RMB19.60 million in Fuyang Capital Water Company Limited, a wholly-owned subsidiary of the Company, which would be applied to acquire a recycled water usage project located at Yingnan Sewage Water Treatment Plant. Currently, the capital increase was completed, following which, the registered capital of Fuyang Company would increase to RMB106.50 million.

(2) On 29 May 2014, the Board approved the capital increase of RMB9.40 million in Wendeng Capital Water Company Limited, a wholly-owned subsidiary of the Company, which would be applied to the upgrading project of the sewage water treatment plant in Wendeng city. Currently, the capital increase was not yet completed pending the process of relevant procedures.

(3) On 12 June 2014, the Board approved the capital increase of RMB64.00 million in Xi'an Capital Water Company Limited, a wholly-owned subsidiary of the Company, which would be applied to the upgrading project of sewage water treatment plants in Dengjiacun and Beishiqiao. Currently, the capital increase was not yet completed pending the process of relevant procedures.

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

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

(1) **Trust arrangement**

The Company did not make any trust arrangement during the reporting period.

(2) **Trust loan**

The Company did not have any trust loan during the reporting period.

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

During the reporting period, there was no fund-raising of the Company or there was no fund raised in previous periods that was applied in this period.

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

Unit: 0'000 Currency: RMB

Subsidiary	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Tianjin Water Recycling Company Limited	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacture, installation, commissioning and operation of equipment for recycled water	10,000	Limited company	100%	122,990	17,007	1,714

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

Unit: 0'000 Currency: RMB

Project	Project amount	Project progress	Amount invested during the reporting period	Total actual amount invested	Project income
Construction of new sewage water treatment plant for Jizhuangzi relocation project	206,559.01	The project was nearly finished with commissioning and operation	16,789.71	96,456.71	The project has not yet generated income
Total	206,559.01	/	16,789.71	96,456.71	/

II. Other Disclosures

Explanation by the Board and the Supervisory Committee on "Qualified Audit Report" provided by Accountants

√ Not applicable

§ 6 Guarantee

Unit: 0' 000   Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to the subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to the subsidiaries)	0
Total amount of guarantees as at the end of the reporting period (A) (excluding guarantees provided to the subsidiaries)	0
Guarantees provided to the subsidiaries by the Company	
Total amount of guarantees provided to the subsidiaries during the reporting period	25,155
Total amount of guarantees provided to the subsidiaries as at the end of the reporting period (B)	92,970
Total amount of guarantees provided by the Company (including guarantees provided to the subsidiaries)	
Total amount of guarantees (A+B)	92,970
Percentage of the total amount of guarantees to the net assets of the Company (%)	23
Of which:	
Amount of guarantees provided to shareholders, ultimate controller and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to borrowers with a gearing ratio of over 70% (D)	0
Total amount of guarantees exceeding 50% of net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

§ 7 FINANCIAL REPORTS

7.1 Audit opinion

Financial Report   √ unaudited   ☐ audited

7.2 **Prepared in accordance with Hong Kong Financial Reporting Standards**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in Rmb thousand unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	**2014**	**2013**
Revenue	3(a)	793,398	793,594
Business tax		(8,057)	(7,936)
Cost of sales		(448,222)	(469,723)
Gross profit		337,119	315,935
Other income - net	3(a)	24,605	22,333
Administrative expenses		(56,446)	(56,308)
Operating profit	4	305,278	281,960
Finance income		15,470	14,283
Finance costs		(120,986)	(131,231)
Finance costs - net	5	(105,516)	(116,948)
Share of profits /(loss) of an associate		540	(1,067)
Profit before income tax		200,302	163,945
Income tax expense	6	(52,972)	(41,868)
Profit for the period		147,330	122,077
Total comprehensive income for the period		147,330	122,077
Profit /Total comprehensive income attributable to:			
– Owners of the parent		143,957	116,169
– Non-controlling interests		3,373	5,908
		147,330	122,077
Earnings per share for profit attributable to the owners of the parent (in Rmb per share)			
– basic		Rmb0.10	Rmb0.08
– diluted		Rmb0.10	Rmb0.08
Interim dividends	7	—	—

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 30 June 2014 Unaudited	As at 31 December 2013 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		1,697,227	4,240,202
Investment property		106,773	108,609
Intangible assets		5,575,727	2,648,476
Land use rights		23,897	426,349
Investment in an associate		33,161	32,621
Available-for-sale financial assets		2,000	2,000
Long-term receivables		329,877	333,607
Other non-current assets		7,097	7,250
		7,775,759	7,799,114
Current assets			
Inventories		18,380	58,035
Trade receivables	8	2,363,032	2,085,386
Other current assets		63,143	6,540
Other receivables		6,618	6,772
Prepayments		92,022	115,655
Cash and cash equivalents		1,057,240	994,982
Restricted bank deposits		3,600	7,267
		3,604,035	3,274,637
Total assets		11,379,794	11,073,751

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 30 June 2014 Unaudited	As at 31 December 2013 Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		755,567	755,567
Retained earnings		1,823,478	1,793,699
– Proposed final dividend		—	114,178
– Others		1,823,478	1,679,521
		4,006,273	3,976,494
Non-controlling interests		161,423	158,050
Total equity		4,167,696	4,134,544
LIABILITIES			
Non-current liabilities			
Borrowings		3,047,326	2,910,758
Deferred revenue		394,502	396,447
Deferred income tax liabilities		81,710	68,977
Other non-current liabilities		1,648,000	1,348,000
		5,171,538	4,724,182
Current liabilities			
Trade payables	9	74,672	21,099
Advances from customers	9	791,409	701,654
Wages payables		8,150	11,122
Current income tax payable		12,647	19,620
Other taxes payable		7,306	5,971
Dividend payable		150,745	36,566
Other payables	9	472,659	537,600
Borrowings		522,972	881,393
		2,040,560	2,215,025
Total liabilities		7,212,098	6,939,207
Total equity and liabilities		11,379,794	11,073,751
Net current assests		1,563,475	1,059,612
Total assets less current liabilities		9,339,234	8,858,726

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with HKFRSs.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

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

There are no other HKFRSs or HKIFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Revenue and segment information

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

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

	Unaudited For the six months ended 30 June 2014	**30 June 2013**
Revenue from principal operation	793,398	793,594
Other income - net	24,605	22,333
	818,003	815,927

(b) Operating segment analysis

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

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

(i) For the period ended 30 June 2014 (Unaudited)

`	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	377,034	75,412	158,380	86,496	25,752	30,639	64,290	818,003
Segment expense	(276,210)	(68,885)	(131,590)	(59,843)	(24,819)	(35,662)	(21,232)	(618,241)
Results before share of profits of an associate	100,824	6,527	26,790	26,653	933	(5,023)	43,058	199,762
Share of profits of an associate								540
Profit before income tax								200,302
Income tax expense								(52,972)
Profit for the period								147,330
Segment assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	606,253	11,346,633
Investment in an associate	—	—	—	—	—	—	33,161	33,161
Total assets	6,417,345	688,204	1,750,985	1,250,805	387,756	245,285	639,414	11,379,794
Total liabilities	4,511,807	304,487	640,488	1,138,853	249,054	75,775	291,634	7,212,098
Other information								
– Interest income	6,157	288	918	2,337	52	6	5,712	15,470
– Interest expenses	(79,085)	(10,525)	(24,314)	(227)	(4,246)	(3,648)	—	(122,045)
– Depreciation	(37)	(217)	(1,114)	(14,112)	(29)	(187)	(3,301)	(18,997)
– Amortization	(59,998)	(18,124)	(33,894)	(294)	(4,913)	(6,639)	(1,211)	(125,073)
– Capital expenditures	84,012	1,287	81,483	20,629	1,756	5	4,388	193,560

(ii) For the period ended 30 June 2013 (Unaudited)

	Sewage water processing services			Recycle water and pipeline connection	heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	428,408	80,207	109,722	93,309	26,434	18,136	59,711	815,927
Segment expense	(348,771)	(65,140)	(102,726)	(73,818)	(26,913)	(17,292)	(16,255)	(650,915)
Results before share of loss of an associate	79,637	15,067	6,996	19,491	(479)	844	43,456	165,012
Share of loss of an associate								(1,067)
Profit before income tax								163,945
Income tax expense								(41,868)
Profit for the period								122,077
Segment assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,087,811	10,865,290
Investment in an associate	—	—	—	—	—	—	33,561	33,561
Total assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,121,372	10,898,851
Total liabilities	4,646,168	402,178	314,914	1,068,963	314,915	124,147	59,211	6,930,496
Other information								
– Interest income	4,369	252	905	2,404	27	4	6,322	14,283
– Interest expenses	(83,627)	(11,882)	(23,200)	(199)	(5,318)	(4,588)	(657)	(129,471)
– Depreciation	(83,415)	—	—	(11,095)	—	—	(1,964)	(96,474)
– Amortization	(5,293)	(18,124)	(31,364)	(286)	(6,808)	(5,170)	(283)	(67,328)
– Capital expenditures	151,204	64	16,618	27,548	223	107	2,471	198,235

4 Operating profit

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

	Unaudited For the six months ended 30 June 2014	Unaudited For the six months ended 30 June 2013
Crediting:		
Rental of investment properties	(4,146)	(4,036)
Charging:		
Depreciation and amortization expenses	143,749	163,802
Staff costs	101,027	98,144
Raw materials and consumables used	20,330	20,547
Repair and maintenance expenses	26,607	28,442
Loss of disposal of property, plant and equipment	615	876

5 Finance costs-net

	Unaudited For the six months ended 30 June 2014	30 June 2013
Interest expenses of borrowings	122,045	132,168
Less: Interest income	(15,470)	(14,283)
– long-term receivables	(5,671)	(5,740)
– bank deposits	(9,799)	(8,543)
Others	(1,059)	(937)
	105,516	116,948

6 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2014 (2013:Nil). PRC income tax is calculated at the statutory rate of 25% (2013: 25%).

Tax charge comprises:

	Unaudited For the six months ended 30 June 2014	30 June 2013
Current income tax	40,237	36,596
Deferred income tax	12,735	5,272
	52,972	41,868

7 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2014 (30 June 2013: Nil).

8 Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2014	**Audited 31 December 2013**
Due from TSC for:		
– Sewage processing services (note (i))	1,890,671	1,890,671
Receivables from related parties	47,880	48,753
Due from others	431,650	153,131
	2,370,201	2,092,555
Less: allowance for impairment of trade receivables	(7,169)	(7,169)
	2,363,032	2,085,386

(i) TSC is a state-owned enterprise owned by Tianjin Government and has good credit history.

On 5 August 2014, the Tianjin Government organized Tianjin Water Authority Bureau, Tianjin Urban-rural Construction Commission ("TUCC"), Tianjin Finance Bureau, Tianjin Development and Reform Commission, Tianjin City Infrastructure Construction and Investment Group Company Limited, Tianjin Water Group, the Company, other functional departments and relevant units to hold a meeting on the settlement of trade receivables of sewage processing services. The meeting concluded that TUCC will lead all parties to solve the problem of settlement of outstanding trade receivables of Rmb1.89 billion which existed before signing the concession rights of four Tianjin sewage processing plants once and for all. Therefore, management believes that there is no impairment risk.

(a) Aging of trade receivables is as follows:

	Unaudited 30 June 2014	**Audited 31 December 2013**
Within 1 year	1,021,005	954,931
1 to 2 years	789,223	798,902
2 to 3 years	559,973	338,722
Total	2,370,201	2,092,555

9 Trade payables, Advances, Other payables and Tax payables

	Notes	**Unaudited 30 June 2014**	**Audited 31 December 2013**
Trade payables	note (a)	74,672	21,099
Advances	note (b)	791,409	701,654
Other payables	note (c)	472,659	537,600
Tax payables		19,953	25,591
		1,358,693	1,285,944

(a) As at 30 June 2014, the majority of trade payables are aged within one year.

(b) Advances from customers comprise:

	Unaudited 30 June 2014	**Audited 31 December 2013**
Recycled water pipeline connections	734,093	685,875
Heating and cooling services	1,219	2,441
Advances of Hangu project	3,536	3,536
Other advances	52,561	9,802
	791,409	701,654

(c) Other payables comprise:

	Unaudited 30 June 2014	Audited 31 December 2013
Construction costs payable	308,557	418,701
Payable for purchase of fixed assets and concession rights of plants	20,893	32,493
Debenture interests payables	31,915	28,063
Others	111,294	58,343
	472,659	537,600

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

As at 30 June 2014, other payables of Rmb 98 million (31 December 2013: Rmb 112 million) are aged over one year, which mainly represent unsettled payables and deposits for upgrade projects.

§ 8 REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

§ 9 CORPORATE GOVERNANCE CODE

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

§ 10 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Guan Yimin, Mr. Gao Zongze and Ms. Lee Kit Ying, Karen. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2014.

By order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
29 August 2014

As at the date of this announcement, the Board comprises four executive Directors: Mr. Zhang Wenhui, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Shi Zhenjuan; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Ms. Lee Kit Ying, Karen, Mr. Gao Zongze and Mr. Guan Yimin.