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 30 JUNE 2017

§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 2017 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 the report.

1.2 The interim financial statements of the Company for the six months ended 30 June 2017 are unaudited.

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

No.

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

No.

1.5 The person in charge of the Company, Mr. Liu Yujun, the person in charge of the accounting function, Ms. Peng Yilin, and the person in charge of the accounting department (the chief accountant), Mr. Liu Tao, have warranted the truthfulness and completeness of the financial statements in the Interim Report.

§2 COMPANY PROFILE

2.1 Basic Information

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

	Secretary to the Board	**Company Secretary in Hong Kong**	**Securities Affairs Representative**
Name	Mr. Niu Bo	Mr. Lo Wai Keung, Eric	Ms. Guo Fengxian
Correspondence address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The People's Republic of China (the "**PRC**")	22/F., Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The PRC
Telephone number	86-22-23930128	852-22180920	86-22-23930128
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2.2 **Principal accounting data and financial highlights as prepared in accordance with the PRC Accounting Standards**

2.2.1 Major accounting data and financial indicators

Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	**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	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

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

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	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

2.2.3 Difference in accounting standards between the PRC and overseas

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

§3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

☐ Applicable √ Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of shareholders:

Total number of shareholders at the end of the reporting period	133,061, among which 68 shareholders are shareholders of H shares

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

Shareholdings of the top ten shareholders						
Name of shareholder (Full Name)	Increase/ decrease during the reporting period (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
Tianjin Municipal Investment Company Limited	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)
Tianjin Municipal Investment Company Limited	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	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. 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. (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

A. 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 m^3 per day, the sewage treatment capacity under the commissioned operation model was 670,000 m^3 per day; tap water capacity was 200,000 m^3 per day and recycled water was 240,000 m^3 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 core competitiveness of the Company and it subsidiaries (the "**Group**") 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 Capital Environmental Protection Technology Consultant Company Limited ("**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, Tianjin Kaiying Technology Development Company Limited ("**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.

B. 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 m^3, 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 Hui [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 Hui [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 Capital Water Company Limited (安徽創業水務有限公司), 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
Tianjin Water Recycling Company Limited	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 Tianchuang Capital Water Company Limited	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 Capital Water Company Limited	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
Tianjin Jiayuanxing Innovative Energy Technology Company Limited	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 Tianchuang Capital Water Company Limited 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 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.

§6 Guarantee

Unit: 0’000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to subsidiaries)	0
Guarantees provided to subsidiaries 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

§7 FINANCIAL REPORTS

7.1 Audit opinion

Financial Report √ unaudited ☐ audited

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

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	
	Note	**2017**	**2016**
Revenue	3(a)	896,014	832,900
Tax expenses and surcharge		(24,902)	(18,483)
Cost of sales		(515,675)	(505,406)
Gross profit		355,437	309,011
Other income	3(a)	35,879	123,390
Other gains - net		83,622	—
Administrative expenses		(52,773)	(54,403)
Distribution costs		(4,197)	(5,123)
Operating profit	4	417,968	372,875
Finance income		9,599	15,720
Finance expenses		(62,372)	(73,599)
Finance expenses - net	5	(52,773)	(57,879)
Share of loss of investment accounted for using the equity method		—	(2,126)
Profit before income tax		365,195	312,870
Income tax	6	(95,776)	(73,998)
Profit for the period		269,419	238,872
Total comprehensive income for the period		269,419	238,872
Profit/Total comprehensive income attributable to:			
– Owners of the parent		255,058	236,683
– Non-controlling interests		14,361	2,189
		269,419	238,872

	Note	Unaudited Six months ended 30 June 2017	 2016
Earnings per share for profit attributable to the owners of the parent (in RMB per share)			
– basic		RMB0.18	RMB0.17
– diluted		RMB0.18	RMB0.17
Interim dividends	7	—	—

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

(All amounts in RMB thousand unless otherwise stated)

	Note	**As at** **30 June 2017** **Unaudited**	**31 December 2016** **Audited**
ASSETS			
Non-current assets			
Property, plant and equipment		449,687	417,882
Investment property		95,754	97,590
Intangible assets		6,410,286	6,219,001
Land use rights		14,766	14,986
Available-for-sale financial assets		2,000	2,000
Long-term receivables		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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
AS AT 30 JUNE 2017

(All amounts in RMB thousand unless otherwise stated)

	Note	**As at 30 June 2017 Unaudited**	**31 December 2016 Audited**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		844,040	844,040
Retained earnings		2,592,580	2,473,109
		4,863,848	4,744,377
Non-controlling interests		273,801	259,440
Total equity		5,137,649	5,003,817
LIABILITIES			
Non-current liabilities			
Borrowings		1,485,537	2,191,313
Deferred revenue		1,434,746	1,446,971
Deferred income tax liabilities		119,824	126,108
Other non-current liabilities		42,000	42,000
Provisions for other liabilities and charges		32,930	32,930
		3,115,037	3,839,322
Current liabilities			
Trade payables	9	137,946	107,239
Advances from customers	9	1,053,626	955,507
Wages payables		9,970	34,411
Income tax and other taxes payables	9	41,204	69,080
Dividend payable		137,025	1,438
Other payables and others	9	318,868	414,574
Borrowings		1,412,716	215,509
		3,111,355	1,797,758
Total liabilities		6,226,392	5,637,080
Total equity and liabilities		11,364,041	10,640,897

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousand unless otherwise stated)

1 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.

2 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.

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 2017	**30 June 2016**
Revenue from principal operations (Note 3(b))	896,014	832,900
Other income	35,879	123,390
	931,893	956,290

(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									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
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									238,872
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

4 Operating profit

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

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

5 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)
	52,773	57,879

6 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 (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 charge 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)
	95,776	73,998

7 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).

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
	2,082,897	1,838,223
Less: Bad debts provision	(23,209)	(22,403)
	2,059,688	1,815,820

(a) 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	2,082,897	1,838,223

9 Trade payables, advances from customers, other payables and income tax and other tax 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	(c)	318,868	414,574
Income tax and other taxes payables		41,204	69,080
		1,551,644	1,546,400

(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	43,565	6,890
	1,053,626	955,507

(c) Other payables comprise:

	Unaudited 30 June 2017	Audited 31 December 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
	318,868	414,574

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.

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

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

§9 CORPORATE GOVERNANCE CODE

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

§10 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Guo Yongqing, Mr. Gao Zongze and Mr. Wang Xiangfei. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2017.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
29 August 2017

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