

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



雲南水務投資股份有限公司

**Yunnan Water Investment Co., Limited\***

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

**(Stock code: 6839)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB474.9 million, representing an increase of approximately 106.0% over the corresponding period last year.
- Profit was approximately RMB54.3 million, representing an increase of approximately 34.4% over the corresponding period last year.
- Net profit margin was approximately 11.4%, representing a decrease over the net profit margin of 17.5% for the corresponding period last year.
- The Board of the Company does not recommend any distribution of interim dividend for the six months ended 30 June 2015.

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Yunnan Water Investment Co., Limited\* (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015 (the “**Period**”) together with the comparative figures for the corresponding period in 2014 and the relevant explanatory notes as set out below.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2015</b>	2014
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	2	<b>474,915</b>	230,460
Cost of sales		<u><b>(318,659)</b></u>	<u>(143,309)</u>
<b>Gross profit</b>		<b>156,256</b>	87,151
Other income		<b>15,443</b>	20,879
Other gains - net		<b>97</b>	204
Selling expenses		<b>(7,863)</b>	(4,830)
Administrative expenses		<u><b>(82,314)</b></u>	<u>(48,487)</u>
<b>Operating profit</b>		<u><b>81,619</b></u>	<u>54,917</u>
Finance costs - net	3	<b>(19,917)</b>	(5,837)
Share of profit of investments accounted for using equity method		<u><b>1,807</b></u>	<u>2,085</u>
<b>Profit before income tax</b>		<b>63,509</b>	51,165
Income tax expenses	4	<u><b>(9,161)</b></u>	<u>(10,806)</u>
<b>Profit for the period</b>		<b>54,348</b>	40,359
Other comprehensive income		<u><b>(786)</b></u>	<u>—</u>
<b>Total comprehensive income for the period</b>		<u><u><b>53,562</b></u></u>	<u><u>40,359</u></u>

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2015</b>	2014
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit Attributable to:</b>			
Owners of the Company		<b>47,071</b>	37,092
Non-controlling interests		<b>7,277</b>	3,267
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>46,285</b>	37,092
Non-controlling interests		<b><u>7,277</u></b>	<u>3,267</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
- Basic and diluted	5	<b><u>0.051</u></b>	<u>0.047</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

		30 June 2015 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,441,487	1,378,952
Investment properties		4,878	5,042
Land use rights		101,983	97,870
Receivables under service concession arrangements	7	1,523,946	1,444,600
Amounts due from customers for contract works		328,692	193,924
Intangible assets		163,566	182,641
Investments accounted for using the equity method		81,985	45,178
Trade and other receivables	8	242,860	138,186
Deferred income tax assets		<u>32,810</u>	<u>39,335</u>
		<u>3,922,207</u>	<u>3,525,728</u>
<b>Current assets</b>			
Receivables under service concession arrangements	7	12,545	9,662
Non-current assets held-for-sale		7,500	7,500
Inventories		23,979	12,459
Amounts due from customers for contract works		7,233	6,455
Trade and other receivables	8	869,674	845,486
Cash and cash equivalents		1,509,764	612,649
Restricted cash		<u>35,000</u>	<u>—</u>
		<u>2,465,695</u>	<u>1,494,211</u>
<b>Total assets</b>		<u><u>6,387,902</u></u>	<u><u>5,019,939</u></u>

	<b>30 June</b>	31 December
<i>Note</i>	<b>2015</b>	2014
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>1,193,213</b>	862,564
Other reserves	<b>2,210,759</b>	1,155,140
Retained earnings	<b>413,613</b>	366,542
	<b>3,817,585</b>	2,384,246
<b>Non-controlling interests</b>	<b>344,355</b>	337,078
<b>Total equity</b>	<b>4,161,940</b>	2,721,324
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	<b>850,130</b>	868,992
Trade and other payables	<b>55,559</b>	—
Deferred income	<b>140,214</b>	144,749
Deferred income tax liabilities	<b>48,473</b>	52,796
Provision	<b>14,743</b>	14,408
	<b>1,109,119</b>	1,080,945
<b>Current liabilities</b>		
Borrowings	<b>281,155</b>	270,323
Trade and other payables	<b>778,090</b>	876,698
Amounts due to customers for contract works	<b>3,475</b>	3,727
Current income tax liabilities	<b>54,123</b>	66,922
	<b>1,116,843</b>	1,217,670
<b>Total liabilities</b>	<b>2,225,962</b>	2,298,615
<b>Total equity and liabilities</b>	<b>6,387,902</b>	5,019,939
<b>Net current assets</b>	<b>1,348,852</b>	276,541
<b>Total assets less current liabilities</b>	<b>5,271,059</b>	3,802,269

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Summary of significant accounting policies

The accounting policies applied are consistent with those of the financial statements of the Group for the year ended 31 December 2014 as set out in the Prospectus of the Company dated 13 May 2015 in connection with the initial listing of the Company's H shares on the Hong Kong Stock Exchange, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

#### (a) *Effect of adopting amendments to standards and interpretation*

The following new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning 1 January 2015. The adoption of these new standards, amendments to standards and interpretations does not have significant impact to the results or financial position of the Group.

HKAS19 (Amendment)	Employee Benefits
HKFRSs (Amendment)	Annual improvements 2012
HKFRSs (Amendment)	Annual improvements 2013

#### (b) *New standards and amendments to standards that have been issued but are not effective*

HKFRS 14	Regulatory deferral accounts <sup>1</sup>
HKFRS 11 (Amendment)	Accounting for acquisition of interests in joint operations <sup>1</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture <sup>1</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKAS1 (Amendment)	Disclosure initiative <sup>1</sup>
HKFRSs (Amendment)	Annual improvement to 2012 — 2014 cycle <sup>1</sup>
HKFRS 15	Revenue from contracts with consumers <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>

1. Effective for the Group for annual period beginning on 1 January 2016.
2. Effective for the Group for annual period beginning on 1 January 2017.
3. Effective for the Group for annual period beginning on 1 January 2018.

The Group is in the process of making an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

## 2 Segment information

The executive directors of the Company are the chief operating decision-maker of the Group. Management has determined the operating segments based on reports reviewed by the executive directors of the Company for the purpose of allocating resources and assessing performance.

The executive directors of the Company consider the business from product and service perspective. The Group has derived all of its business in the PRC, thus, geographical segment information is not considered necessary. The Group is organised into four business segments as below:

- (a) Wastewater treatment;
- (b) Water supply;
- (c) Construction services and equipment sales;
- (d) The "others", involves operation & maintenance services and other businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of revenue and gross profit of each operating segment.

The amounts provided to the executive directors of the Company with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. These liabilities are allocated based on the operations of the segment.

Segment results and capital expenditure for the six months ended 30 June 2015 and 2014 are as follows:

**Six months ended 30 June 2015:**

	<b>Wastewater Treatment RMB'000</b>	<b>Water supply RMB'000</b>	<b>Construction services and equipment sales RMB'000</b>	<b>Others RMB'000</b>	<b>Unallocated RMB'000</b>	<b>Total RMB'000</b>
Total segment revenue	162,954	116,982	165,766	33,236	—	478,938
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>(4,023)</u>	<u>—</u>	<u>—</u>	<u>(4,023)</u>
Revenue from external customers	162,954	116,982	161,743	33,236	—	474,915
Gross profit	72,888	38,114	26,910	18,344	—	156,256
Share of profit of investments accounted for using the equity method	1,807	—	—	—	—	1,807
Finance costs — net						(19,917)
Other income						15,443
Other gains — net						97
Selling expenses						(7,863)
Administrative expenses						<u>(82,314)</u>
Profit before income tax						63,509
Income tax expenses						<u>(9,161)</u>
Profit for the period						<u>54,348</u>
Depreciation and amortisation	<u>(16,143)</u>	<u>(11,645)</u>	<u>(3,848)</u>	<u>(417)</u>	<u>(1,759)</u>	<u>(33,812)</u>
Segment assets	2,571,732	808,619	1,006,404	176,063	1,825,084	6,387,902
Segment assets include:						
Investments accounted for using the equity method	<u>46,985</u>	<u>—</u>	<u>—</u>	<u>35,000</u>	<u>—</u>	<u>81,985</u>
Segment liabilities	<u>510,143</u>	<u>55,987</u>	<u>418,107</u>	<u>35,223</u>	<u>1,206,502</u>	<u>2,225,962</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>195,619</u>	<u>53,003</u>	<u>5,315</u>	<u>3,412</u>	<u>6,576</u>	<u>263,925</u>



**Six months ended 30 June 2014:**

	<b>Wastewater Treatment</b>	<b>Water supply</b>	<b>Construction services and equipment sales</b>	<b>Others</b>	<b>Unallocated</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total segment revenue	131,020	76,345	10,680	12,540	—	230,585
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>(125)</u>	<u>—</u>	<u>—</u>	<u>(125)</u>
Revenue from external customers	131,020	76,345	10,555	12,540	—	230,460
Gross profit	55,943	25,563	2,108	3,537	—	87,151
Share of profit of investments accounted for using the equity method	2,085	—	—	—	—	2,085
Finance costs - net						(5,837)
Other income						20,879
Other gains — net						204
Selling expenses						(4,830)
Administrative expenses						<u>(48,487)</u>
Profit before income tax						51,165
Income tax expenses						<u>(10,806)</u>
Profit for the period						<u><u>40,359</u></u>
Depreciation and amortisation	<u>(12,449)</u>	<u>(9,509)</u>	<u>(1,029)</u>	<u>(436)</u>	<u>(1,504)</u>	<u>(24,927)</u>
Segment assets	2,603,286	615,007	481,381	86,341	533,508	4,319,523
Segment assets include: Investments accounted for using the equity method	<u>36,321</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,321</u>
Segment liabilities	<u>553,359</u>	<u>59,047</u>	<u>232,684</u>	<u>24,108</u>	<u>1,059,946</u>	<u>1,929,144</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>126,363</u>	<u>146,285</u>	<u>31,390</u>	<u>2,145</u>	<u>177,908</u>	<u>484,091</u>

3 **Finance costs - net**

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense	63,119	17,377
Less: amounts capitalised on qualifying assets	<u>(25,046)</u>	<u>(11,761)</u>
	38,073	5,616
Unwinding of provision	363	221
Foreign exchange gains		
- Borrowings	(2,107)	—
- Cash and cash equivalents	<u>(16,412)</u>	<u>—</u>
	<u><u>19,917</u></u>	<u><u>5,837</u></u>

4 **Income tax expense**

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
- PRC corporate income tax	6,959	4,692
Deferred income tax	<u>2,202</u>	<u>6,114</u>
	<u><u>9,161</u></u>	<u><u>10,806</u></u>

(a) *PRC corporate income tax*

The Group's subsidiaries in the Chinese Mainland are subject to PRC corporate income tax at the rate of 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%).

## 5 Earnings per share

### (a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the six months ended 30 June 2015 and 2014. The Company was converted to a joint stock company on 22 July 2014, 787,880,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capitals registered under these shareholders as at 22 July 2014. This capitalisation of share capital is applied retrospectively during the six months ended 30 June 2014 for the purpose of computation of earnings per share.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
Profit attributable to the owners of the Company (RMB'000)	47,071	37,092
Weighted average number of ordinary shares in issue (thousands)	<u>922,928</u>	<u>787,880</u>
Basic earnings per share (RMB per share)	<u>0.051</u>	<u>0.047</u>

### (b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

## 6 Dividends

No dividend was paid during the six months ended 30 June 2015 and 2014.

## 7 Receivables under service concession arrangements

The following is the summarised information of the financial asset component (receivable under a service concession arrangement) with respect to the Group's service concession arrangements:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Receivables under service concession arrangements	1,536,491	1,454,262
Portion classified as current assets	<u>(12,545)</u>	<u>(9,662)</u>
Non-current portion	<u>1,523,946</u>	<u>1,444,600</u>

8 Trade and other receivables

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
- Related parties	253,379	317,862
- Local governments	208,329	163,386
- Others	101,145	130,087
Less: provision for impairment	<u>(12,009)</u>	<u>(10,973)</u>
Trade receivables - net	<u>550,844</u>	<u>600,362</u>
Other receivables due from:		
- Related parties	63,387	63,158
- Third parties	166,276	99,306
Less: provision for impairment	<u>(15,892)</u>	<u>(11,602)</u>
Other receivables - net	<u>213,771</u>	<u>150,862</u>
Prepayments	<u>347,919</u>	<u>232,448</u>
Less: non-current portion		
- Trade receivables - local governments	(6,709)	—
- Prepayment	(197,572)	(100,000)
- Other receivables - third parties	<u>(38,579)</u>	<u>(38,186)</u>
Non-current portion	<u>(242,860)</u>	<u>(138,186)</u>
Current portion	<u>869,674</u>	<u>845,486</u>

In general, the Group grant credit periods of within 90 days to its customers. Aging analysis of gross trade receivables at the respective balance sheet dates, based on the invoice dates or contractual terms, is as follows:

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	424,403	423,832
One to two years	101,687	121,497
Two to three years	36,613	56,086
Over three years	<u>150</u>	<u>9,920</u>
	<u>562,853</u>	<u>611,335</u>

9 Trade and other payables

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
- Related parties	<b>185,941</b>	145,401
- Third parties	<b>339,289</b>	376,656
Other payables due to:		
- Related parties	<b>40,723</b>	37,894
- Third parties	<b>207,788</b>	245,165
Advance from customers	<b>27,445</b>	15,239
Staff welfare benefit payable	<b>13,617</b>	19,676
Other taxes payable	<b>18,846</b>	36,667
Less: non-current portion		
Other payables due to third party	<u>(55,559)</u>	<u>—</u>
Current portion	<u><b>778,090</b></u>	<u><b>876,698</b></u>

At 30 June 2015 and 31 December 2014, the aging analysis of the trade payables (including amounts due to related parties of trade nature) based on invoice date is as follows:

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	261,607	440,275
One to two years	190,368	66,584
Two to three years	65,345	13,363
Over three years	<u>7,910</u>	<u>1,835</u>
	<u><b>525,230</b></u>	<u><b>522,057</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

During the National 12th Five-Year Plan period from 2011 to 2015, the PRC government planned to invest an estimated amount of approximately RMB430 billion in national water supply and wastewater treatment and recycling facilities. After the official implementation of the amended Environmental Protection Law of the People's Republic of China (the “**New Environmental Protection Law**”) on 1 January 2015, the performance assessment pressure regarding environmental protection on local governments had increased. According to the Comprehensive Scheme on Energy Saving and Emission Reduction during the 12th Five-Year Plan Period (「十二五」節能減排綜合性工作方案), the performance assessment result of emission reduction will be referenced as an important basis for a comprehensive evaluation and the selection and appointment of the management team and members of local and central government-owned enterprises. For the purpose of satisfying such performance assessment, it is anticipated that the local governments will emphasize the development of water industry and will promulgate more preferential policies for the water industry.

According to the data of the Ministry of Housing and Urban-Rural Development of the PRC, there was close to no growth in terms of annual investment in domestic wastewater treatment from 2011 to 2013. As the current actual construction progress is behind the planned schedule, and 2015 is the last year of performance assessment by the PRC government, in order to meet the target set in the 12th Five-Year Plan, investments in domestic wastewater treatment will increase at full speed. On one hand, domestic discharge standard for wastewater needs to be upgraded; on the other hand, the PRC government will continue to invest significantly in the infrastructure relating to urban water supply and drainage systems, and in particular, to provide assistance in county and township areas. The rapid expansion in the construction of water supply and drainage pipeline network by the PRC government will become a strong driving force to increase the utilization rate of productive capacity in water supply and wastewater treatment facilities. On 16 April 2015, the State Council issued the Action Plan to Tackle Water Pollution (水污染防治行動計劃) (“**Ten Measures**”) which proposes 10 measures to guide enterprises to strictly control emission standards, introduce advanced technology and promote diversified investments, including introducing social capital and increasing government funding. The PRC water sector is expected to have new opportunities for future development.

Driven by the national strategy, environmental protection and water enterprises will benefit from the rapid acceleration of the urbanization process in China and the policy support of the PRC government for water industry. The business scale of such enterprises will be further expanded; investors in the capital markets are also gradually paying more attention to the environmental protection industry.

## **DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT**

The Group is one of the leading integrated service providers in the municipal wastewater treatment and water supply industries in Yunnan province, the PRC. The Company has a solid base of controlling shareholders comprising state-owned and private enterprises, and has unique competitive advantages in the development of wastewater treatment and water supply projects as well as in identifying suitable targets for investment and acquisition in the PRC. The Group has extensive experience in design, investment, construction and operation of raw water supply, tap water supply and wastewater treatment projects, and has accumulated various kinds of technical expertise, enabling the Group to adopt appropriate measures according to preliminary assessment of the project and fully satisfy customers' requirements by timely selecting a precise technical process and utilizing professional and systematic management.

The Group strives to become a leading integrated provider in municipal water and urban environmental services, and hopes to strengthen its industry position in Yunnan province persistently through geographical expansion and timely expands to favourable regions in China with competitive advantages, in particular northern, eastern, northwestern and southwestern regions of China. Close attention will also be focused on certain overseas markets, such as southeast Asia and south Asia. The Company will capture the opportunities arising from the "Ten Measures" and combine with practical experience gained in the Public-Private-Partnership ("PPP") mode of cooperation between government and social capital to acquire suitable companies in the water section or wastewater treatment and water supply projects which are complementary to its existing businesses, and focus on county level water market to further increase its market share. The Group will continue to enhance its technological and project management standards to further improve operational efficiency. The Group will also seize the opportunities to develop signature projects to establish its market presence and gain recognition effectively.

The Group will continue to adopt the Build-Operate-Transfer ("**BOT**"), Build-Own-Operate ("**BOO**"), Transfer-Own-Operate ("**TOO**"), Transfer-Operate-Transfer ("**TOT**"), Build and Transfer ("**BT**"), Engineering-Procurement-Construction ("**EPC**") and Operation and Maintenance

(“O&M”) models to provide turnkey solutions of raw water and tap water supply and wastewater treatment as well as system integration services of core technologies to customers, and increase water supply and wastewater treatment capacities of the Group to lay the foundation for realizing the development plans.

For this purpose, the Group will follow its strategic plans and targets, leverage full advantages in capital derived from being based on Hong Kong, an international financial centre, maximize the utilization of various favourable resources in domestic and offshore regions, and strive to develop and expand the Group’s principal businesses in strict compliance with the Securities and Futures Ordinance and the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

With respect to internal management, the Group will continue to enhance risk management and control, optimize capital structure, step up technical training for staff, increase investments in technical research and development, quantify performance appraisal and incentive mechanism, so as to exercise effective management and control for generating greater benefits for shareholders of the Company.

## **BUSINESS REVIEW**

The Group is one of the leading integrated service providers in the municipal wastewater treatment and water supply industries in Yunnan province, the PRC, and mainly adopts the BOT, BOO, TOO, TOT, BT, EPC and O&M project models in its businesses to provide customized and integrated turnkey solutions for raw water and tap water supply and wastewater treatment as well as system integration services of core technologies to customers (who are mainly municipal, district or county level governments of the PRC or their designated institutions).

The Group’s businesses comprise four major segments, namely, wastewater treatment, water supply, construction services and equipment sales, and others (including O&M projects for wastewater treatment, water supply and municipal waste disposal projects, and consultancy services):

### **Wastewater Treatment**

As at 30 June 2015, the Group had a total of 47 concession wastewater treatment projects under construction and in operation, including 5 BOO projects, 35 BOT projects, 2 TOO projects and 5 TOT projects, with total daily wastewater treatment capacity of approximately 866,500 tonnes, representing an addition of 5 BOO projects and an increase in total daily wastewater treatment capacity of approximately 189,000 tonnes as compared with 30 June 2014.



As at 30 June 2015, concession projects which commenced operation officially had a total daily wastewater treatment capacity of approximately 641,500 tonnes, representing an addition of 2 new BOO projects which commenced operation officially and an increase in total daily wastewater treatment capacity of approximately 79,000 tonnes as compared to 30 June 2014. During the Period, the Group's effective wastewater treatment utilization rate was approximately 63.8%, and the average unit charge of wastewater treatment was RMB1.04 per tonne.

As at 30 June 2015, there were 7 concession projects pending for official operation with a total daily wastewater treatment capacity of approximately 225,000 tonnes, representing an addition of 3 new BOO projects and an increase in total daily wastewater treatment capacity of approximately 110,000 tonnes as compared with 30 June 2014.

With an outstanding track record for project execution, the Group has established a good reputation as a professional service provider of wastewater treatment. This will help the Company to secure new projects in future arising from active market development and existing customers.

### **Water Supply**

As at 30 June 2015, the Group had 17 water supply concession projects with daily capacity of approximately 546,000 tonnes, representing an addition of 13 new BOO projects and 1 new BOT project, and an increase in total daily capacity of approximately 365,000 tonnes as compared with 30 June 2014.

As at 30 June 2015, concession projects which commenced operation officially had a daily capacity of approximately 340,000 tonnes, representing an addition of 10 new BOO projects which commenced operation officially and an increase in total daily capacity of approximately 265,000 tonnes as compared to 30 June 2014. During the Period, the Group's effective water supply utilization rate was approximately 64.5%, average unit charge of water supply was RMB2.11 per tonne.

As at 30 June 2015, there were 5 concession projects pending for operation with a total daily capacity of approximately 206,000 tonnes, representing an addition of 3 new BOO projects pending for operation and 1 new BOT projects pending for operation, and an increase in total daily capacity of approximately 100,000 tonnes as compared with 30 June 2014.

## **Construction Services and Equipment Sales**

The Group's construction services and equipment sales segment comprises BT projects, EPC projects and equipment sales. As at 30 June 2015, the Group had a total of 4 BT projects (including projects under construction and projects completed), out of which income of 2 BT projects are recognised during the Period, representing an addition of 3 new BT projects under construction as compared with 30 June 2014.

As at 30 June 2015, the Group had a total of 3 EPC projects. There is no new addition of EPC project as compared with 30 June 2014.

The Group engages in the production, sales and installation of water equipment for wastewater treatment, water supply and waste disposal facilities. The major category of water equipment in the Group's production is membrane products.

## **Others**

During the Period, the Group also undertook O&M for third party owned wastewater treatment, tap water supply and municipal waste disposal facilities. As at 30 June 2015, the Group had 23 O&M projects, including 1 waste disposal project with daily treatment capacity of 400 tonnes, 1 tap water project with daily capacity of 5,000 tonnes and 21 wastewater treatment projects of daily wastewater treatment capacity of approximately 203,500 tonnes, representing an addition of 7 new wastewater treatment O&M projects and an increase in total daily capacity of 50,000 tonnes as compared with 30 June 2014.

## **FINANCIAL REVIEW**

### **Results of Operation**

For the Period, the Group recorded revenue from principal activities of RMB474.9 million, representing an increase of approximately 106.0% as compared with the six months ended 30 June 2014. During the Period, the Group realized an accumulated net profit of RMB54.3 million, an increase of approximately 34.4% as compared with the six months ended 30 June 2014. Increase in net profit was primarily attributable to an increase in revenue for the Period, which was mainly due to an increase in revenue generated from construction services and equipment sales of the Group by RMB151.1 million, representing an increase of 1,425.5%; an increase in revenue generated from water supply by RMB40.7 million, representing an increase of 53.3%; an increase in revenue generated from wastewater treatment by RMB32.0 million, representing an increase of 24.4%; an increase in revenue generated from other businesses by RMB20.7 million, representing an increase of 165.6%.

## **Revenue**

Revenue of the Group increased by RMB244.4 million from RMB230.5 million for the six months ended 30 June 2014 to RMB474.9 million for the Period, representing an increase of approximately 106.0%.

Increase in revenue was primarily due to (i) an increase in revenue generated from construction services and equipment sales of the Group by RMB151.1 million, which was mainly due to construction income and interest income of RMB120.4 million and RMB9.2 million respectively, generated from a new BT project in Dali which was newly added at the end of 2014, and had no contribution for revenue for the six months ended 30 June 2014; (ii) an increase in revenue generated from water supply by RMB40.7 million, which was mainly due to an increase in revenue from water supply of the Group's BOO projects. The Group acquired certain tap water supply projects during the six months ended 30 June 2014, which contributed less revenue for the six months ended 30 June 2014, and had six-month revenue contribution for the Period. Meanwhile, construction services income from certain concession water supply projects under construction also increased; (iii) an increase in revenue from wastewater treatment by RMB32.0 million, which was mainly due to wastewater treatment unit price of the Group's certain BOO wastewater treatment facilities increased by more than 30%. The Group also acquired certain wastewater treatment facilities during the six months ended 30 June 2014, which contributed less revenue for the six months ended 30 June 2014, and had six-month revenue contribution for the Period. Construction income from certain concession wastewater treatment projects under construction also increased; and (iv) an increase in revenue from other businesses by RMB20.7 million, which was mainly due to the addition of 7 new O&M projects as at 30 June 2015 as compared with 30 June 2014, and the income generated from provision of consultancy services by certain subsidiaries of the Company, which had no contribution for the six months ended 30 June 2014.

## **Other Income**

Other income decreased by RMB5.5 million from RMB20.9 million for the six months ended 30 June 2014 to RMB15.4 million for the Period, representing a decrease of approximately 26.3%. As compared to the same period, decrease in other income was primarily due to the decrease in the recognised government grants for the Period as compared to that for the six months ended 30 June 2014.

## **Net Finance Costs**

Net finance costs increased by RMB14.1 million from RMB5.8 million for the six months ended 30 June 2014 to RMB19.9 million for the Period, representing an increase of approximately 243.1%. Increase in net finance costs was primarily due to an increase in outstanding borrowings resulting from acquisition or establishment of several companies as well as the corporate bonds issued by the Company in June 2014.

Average borrowing interest rate of the Group was 6.79% for the Period, which was comparable to that of 6.56% for the same period of 2014.

## **Administrative Expenses**

The Group's administrative expenses increased by RMB33.8 million from RMB48.5 million for the six months ended 30 June 2014 to RMB82.3 million for the Period, representing an increase of approximately 69.7%. Increase in the administrative expenses was primarily due to the facts that (i) an increase in employee benefit expenses, office expenses and rental expenses. Such increases were primarily due to the expansion of the Group's scale of operation upon the Group's acquisition of several wastewater treatment projects, water supply projects and other projects during the first half of 2014; and (ii) the Group has incurred a larger amount of expenses in relation to the global offering and listing of its H shares for the Period, compared with a smaller amount for the six months ended 30 June 2014.

## **Income Tax Expenses**

Income tax expense decreased by RMB1.6 million from RMB10.8 million for the six months ended 30 June 2014 to RMB9.2 million for the Period, representing a decrease of approximately 14.8%, a relatively insignificant change. Decrease in income tax expense was primarily due to an increase in proportion of profit generated by subsidiaries of the Group enjoying preferential tax rate during the Period as compared with that in the same period last year.

## **Profit and Net Profit Margin for the Period**

As a result of the foregoing, profit for the Period increased by RMB13.9 million from RMB40.4 million for the six months ended 30 June 2014 to RMB54.3 million for the Period, representing an increase of approximately 34.4%. Net profit margin decreased by 6.1% from 17.5% for the six months ended 30 June 2014 to 11.4% for the Period, primarily because revenue from construction services and equipment sales accounted for higher proportion in the Period while the gross profit margin of the construction services and equipment sales segment was lower than that of other segments.

## **FINANCIAL POSITION**

### **Receivables under Service Concession Arrangements**

The Group's receivables under service concession arrangements increased by RMB82.2 million from RMB1,454.3 million as at 31 December 2014 to RMB1,536.5 million as at 30 June 2015, representing an increase of approximately 5.7%. Such increase was primarily due to an increase in outstanding receivables under service concession arrangements accrued as a result of an increase in investments in the Group's BOT/TOT projects.

### **Liquidity and Financial Resources**

The Group's major liquidity and capital resources needs primarily relates to relevant costs and expenses of investment, construction, operation and maintenance of its wastewater treatment and water supply facilities; the Group has funded its investments and operations principally with borrowings, cash generated from its operations, equity contributions and corporate bonds.

As at 30 June 2015, the carrying amount of the Group's cash and bank deposits was approximately RMB1,509.8 million, representing an increase of approximately 146.5% from RMB612.6 million of 31 December 2014, which was mainly due to the funds raised from the global offering of the Company's H shares.

As at 30 June 2015, the Group had total assets of approximately RMB6,387.9 million, net assets of approximately RMB4,161.9 million and net current assets of approximately RMB1,348.9 million. The Group's strong financial position provides guarantee for its business expansion and opportunities for investments.

### **Borrowings**

As at 30 June 2015, the Group had borrowings of RMB1,131.3 million (31 December 2014:RMB1,139.3 million), out of which RMB800.7 million (31 December 2014:RMB782.9million) was at fixed interest rates and RMB330.6 million (31 December 2014:RMB356.4million) was at floating interest rates.

As at 30 June 2015, the Group had unsecured borrowings of RMB696.0 million (31 December 2014:RMB650.0 million), borrowings of RMB411.0 million (31 December 2014:RMB462.3 million) were secured by concession rights and land use rights and guaranteed by related parties, and borrowings of RMB24.3 million (31 December 2014:RMB27.0 million) were guaranteed by PRC local governments.

## **Pledge of Assets**

As at 30 June 2015, the Group had no borrowings which were secured by land use rights (31 December 2014: borrowings of RMB100.0 million from bank secured by land use rights of approximately RMB21.1 million). The Group had borrowings of RMB411.0 million (31 December 2014:RMB441.2 million) which were secured by concession rights and guaranteed by related parties, and borrowings of RMB24.3 million (31 December 2014:RMB27.0 million) were guaranteed by PRC local governments.

## **Foreign exchange risk**

The Group's operations are in the PRC and most of its transactions are settled in RMB, which is its functional currency. However, the Group is subject to foreign exchange rate risk, as some of its borrowings are denominated in Euros. The Group does not have a foreign currency hedging policy, and the Group manages its foreign currency risk by closely monitoring the scale of its foreign currency transactions and its foreign currency assets and liabilities. If the Euro strengthens, a foreign exchange loss will be charged to the Group and the Group's profit will be reduced, and vice versa. As at 30 June 2015, the amount of the Group's borrowings denominated in Euros was Euro3.54 million (31 December 2014: Euro3.63 million). Other than this, the Group's business operations do not have any significant foreign currency risk. Currently, the Group does not have any derivative financial instrument to hedge its foreign currency risk.

## **Capital Commitments**

The Group's capital commitments increased by RMB511.7 million from RMB323.8 million as at 31 December 2014 to RMB835.5 million as at 30 June 2015, representing an increase of approximately 158.0%. Such increase was primarily due to business expansion and Group's increased investments in properties, plants and equipment.

## **Gearing Ratio**

As at 30 June 2015, the Group's gearing ratio (calculated as total borrowings divided by total assets) was 17.7% (31 December 2014: 22.7%). The fluctuation in gearing ratio was mainly due to the global offering of the Company's H shares.

## **Contingent Liabilities**

As at 30 June 2015, the Group did not have any significant contingent liabilities or guarantees.

## **Employees and Remuneration Policy**

As at 30 June 2015, the Group employed 1830 employees (31 December 2014: 1739). For the Period, staff cost was approximately RMB66.9 million (for the six months ended 30 June 2014: RMB45.1 million). The Group will strive to ensure that the remuneration level of employees is in line with industry practices and prevailing market conditions, and remunerations of employees will be determined based on their performance. The remuneration package provided to employees also include basic and floating salaries, discretionary bonus and staff benefits. The Group also provides external and internal training programs for its employees.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Corporate governance is highly regarded by the Company. The Board believes that good corporate governance is one of the factors leading to the success of the Company and balancing the interests of shareholders, customers and employees. From 27 May 2015 (the “**Listing Date**”) to the date of this announcement, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

## **INTERIM DIVIDEND**

The Board does not recommend any distribution of interim dividend for the Period.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the Period, there was no material acquisition nor disposal of subsidiaries and affiliated companies by the Company.

## **DIRECTORS’ INTERESTS IN COMPETING BUSINESS**

From the Listing Date to the date of this announcement, to the best knowledge of the Board, none of the Directors and their respective associates has any business or interest that competes or may compete with the business of the Group or have or may have any conflict of interest with the Group.

## **PUBLIC FLOAT**

According to public information available to the Company and to the best knowledge of the Board, at least 25% of the total issued share capital of the Company was held in public hands pursuant to the requirement of the Listing Rules as at the date of this announcement.

## **GLOBAL OFFERING**

The H shares of the Company were listed on the Stock Exchange on 27 May 2015, and 287,521,000 H shares with nominal value of RMB1.00 each had been issued by the Company at the price of HK\$5.8 per share, with a total amount received from the issuance (before deduction of expenses) of approximately HK\$1,667,621,800. On 10 June 2015, the over-allotment option (“**Over-allotment**”) was fully exercised and 43,128,000 H shares with nominal value of RMB1.00 each were issued at the price of HK\$5.8 per share, with a total amount received from the issuance (before deduction of expenses) of approximately HK\$250,142,400. After completion of the Global Offering (as defined in the Prospectus) and the Over-allotment, the total number of the Company’s H shares was 363,713,900 (including the H shares converted from domestic shares on a one-for-one basis).

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

During the period between the Listing Date and 30 June 2015, the net proceeds from the Global Offering were utilised in accordance with the proposed applications set out in the prospectus of the Company dated 13 May 2015. The Group held the unutilised net proceeds in deposits with banks.

## **EVENT AFTER THE PERIOD**

The Company entered into a framework agreement with the municipal government of Renhuai city on 9 July 2015, pursuant to which the Company will cooperate with the municipal government of Renhuai city in the areas of wastewater treatment, watershed management and water projects by adopting the PPP model. For details, please refer to the announcement of the Company dated 9 July 2015. The Company incorporated a wholly-owned project company in Renhuai city on 4 August 2015 to assist the Group in performing its obligations under this framework agreement and the cooperation contemplated thereunder (if realized).

## **AUDIT COMMITTEE**

The Company has established an Audit Committee pursuant to a resolution of the Board passed on 8 May 2015 in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are conducting review and supervision on the Group’s financial reporting process and internal control system to oversee the audit process and perform other duties and responsibilities as assigned by the Board. At present, the Audit Committee of the Company consists of four independent non-executive Directors, being Mr. Kwok For Chi, Mr. Hu Song, Mr. Ma Shihao and Mr. Ren Gangfeng, and Mr. Kwok For Chi is the chairman of the Audit Committee.



The Audit Committee has reviewed the unaudited interim condensed financial information of the Group for the Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

## **REMUNERATION COMMITTEE**

The Company has established a Remuneration Committee pursuant to a resolution of the Board passed on 8 May 2015 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Rule 3.25 of the Listing Rules and Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to formulate and review the remuneration policy and structure for Directors and senior management and make recommendation to the Board on the remuneration package of employees. The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Hu Song and Mr. Ren Gangfeng, and one executive Director, namely, Mr. Yu Long, and Mr. Hu Song is the chairman of the Remuneration Committee.

## **NOMINATION COMMITTEE**

The Company has established a Nomination Committee pursuant to a resolution of the Board passed on 8 May 2015 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment or removal of Directors. The Nomination Committee consists of two independent non-executive Directors, namely, Mr. Hu Song and Mr. Ren Gangfeng, and one non-executive Director, namely, Mr. Xu Lei, and Mr. Xu Lei is the chairman of the Nomination of Committee.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors. The Group has made specific enquiries with all of its Directors and supervisors of the Company (the “**Supervisors**”), and all Directors and Supervisors have confirmed that they have fully complied with the Model Code throughout the period since the Listing Date and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Since the period from the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

## **REVIEW OF THE INTERIM RESULTS**

The unaudited interim condensed financial information of the Group for the Period has been reviewed by the Audit Committee of the Company. The Group's unaudited interim condensed financial information for the Period have been reviewed by the auditors of the Company, PricewaterhouseCoopers, in accordance with the Hong Kong Review Engagement Standards 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement has been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.yunnanwater.cn](http://www.yunnanwater.cn)). The interim report of the Group for the six months ended 30 June 2015 will be dispatched to the Company's shareholders in due course and published on the aforesaid websites of the Stock Exchange and the Company.

By Order of the Board  
**Yunnan Water Investment Co., Limited\***  
**Xu Lei**  
*Chairman*

Kunming, PRC, 28 August 2015

*As at the date of this announcement, the Board comprises 12 directors, namely Mr. YU Long, Mr. LIU Xujun, Mr. HUANG Yunjian as executive directors of the Company; Mr. XU Lei, Mr. WEN Jianping, Mr. JIAO Jun, Mr. HE Yuanping, Mr. FENG Zhuangzhi as non-executive directors of the Company; and Mr. KWOK For Chi, Mr. HU Song, Mr. MA Shihao and Mr. REN Gangfeng as independent non-executive directors of the Company.*

*\* For identification only*