



雲南水務投資股份有限公司

YUNNAN WATER INVESTMENT CO., LIMITED*

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 Stock Code : 06839

INTERIM REPORT 2015 中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Long (*Chief Executive Officer*)
Mr. Liu Xujun (*Deputy Chief Executive Officer*)
Mr. Huang Yunjian (*Deputy Chief Executive Officer*)

Non-Executive Directors

Mr. Xu Lei (*Chairman*)
Mr. Wen Jianping
Mr. Jiao Jun
Mr. He Yuanping
Mr. Feng Zhuangzhi

Independent Non-Executive Directors

Mr. Kwok For Chi
Mr. Hu Song
Mr. Ma Shihao
Mr. Ren Gangfeng

AUDIT COMMITTEE

Mr. Kwok For Chi (*Chairman*)
Mr. Hu Song
Mr. Ma Shihao
Mr. Ren Gangfeng

REMUNERATION COMMITTEE

Mr. Hu Song (*Chairman*)
Mr. Yu Long
Mr. Ren Gangfeng

NOMINATION COMMITTEE

Mr. Xu Lei (*Chairman*)
Mr. Hu Song
Mr. Ren Gangfeng

COMPANY SECRETARY

Mr. Li Bo

AUTHORISED REPRESENTATIVES

Mr. Yu Long
Mr. Liu Xujun

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

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He Cheng International
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai,
Hong Kong

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
Level 22 and 54
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
Central
Hong Kong

As to PRC law:

Jia Yuan Law Offices
4th Floor Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District Beijing
PRC

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of Communications
China Merchants Bank
Hua Xia Bank
Bank of East Asia
Agricultural Bank of China

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

STOCK CODE

6839

COMPANY'S WEBSITE

<http://www.yunnanwater.cn>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	7	474,915	230,460
Cost of sales		(318,659)	(143,309)
Gross profit		156,256	87,151
Other income	8	15,443	20,879
Other gains - net		97	204
Selling expenses		(7,863)	(4,830)
Administrative expenses		(82,314)	(48,487)
Operating profit		81,619	54,917
Finance costs - net	9	(19,917)	(5,837)
Share of profit of investments accounted for using the equity method	13	1,807	2,085
Profit before income tax		63,509	51,165
Income tax expenses	10	(9,161)	(10,806)
Profit for the period		54,348	40,359
Other comprehensive income		(786)	—
Total comprehensive income for the year		53,562	40,359
Profit Attributable to:			
Owners of the Company		47,071	37,092
Non-controlling interests		7,277	3,267
Total comprehensive income attributable to:			
Owners of the Company		46,285	37,092
Non-controlling interests		7,277	3,267
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	11	0.051	0.047

* The notes on pages 9 to 34 constitute an integral part of the unaudited condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,441,487	1,378,952
Investment properties		4,878	5,042
Land use rights		101,983	97,870
Receivables under service concession arrangements	15	1,523,946	1,444,600
Amounts due from customers for contract works	16	328,692	193,924
Intangible assets		163,566	182,641
Investments accounted for using the equity method	13	81,985	45,178
Trade and other receivables	17	242,860	138,186
Deferred income tax assets		32,810	39,335
		3,922,207	3,525,728
Current assets			
Receivables under service concession arrangements	15	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	16	7,233	6,455
Trade and other receivables	17	869,674	845,486
Cash and cash equivalents		1,509,764	612,649
Restricted cash		35,000	—
		2,465,695	1,494,211
Total assets		6,387,902	5,019,939
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	1,193,213	862,564
Other reserves	19	2,210,759	1,155,140
Retained earnings		413,613	366,542
		3,817,585	2,384,246
Non-controlling interests		344,355	337,078
Total equity		4,161,940	2,721,324

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	21	850,130	868,992
Trade and other payables- non current	20	55,559	—
Deferred income		140,214	144,749
Deferred income tax liabilities		48,473	52,796
Provision	22	14,743	14,408
		1,109,119	1,080,945
Current liabilities			
Borrowings	21	281,155	270,323
Trade and other payables	20	778,090	876,698
Amounts due to customers for contract works	16	3,475	3,727
Current income tax liabilities		54,123	66,922
		1,116,843	1,217,670
Total liabilities		2,225,962	2,298,615
Total equity and liabilities		6,387,902	5,019,939
Net current assets		1,348,852	276,541
Total assets less current liabilities		5,271,059	3,802,269

* The notes on pages 9 to 34 constitute an integral part of the unaudited condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total Equity RMB'000
	Paid-in Capital/ Share capital RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2015 (Audited)	862,564	1,155,140	366,542	2,384,246	337,078	2,721,324
Total comprehensive income for the period						
Profit for the period	—	—	47,071	47,071	7,277	54,348
Currency translation differences	—	(786)	—	(786)	—	(786)
	—	(786)	47,071	46,285	7,277	53,562
Total transactions with owners of the Group, recognised directly in equity						
Issue of ordinary shares	330,649	1,183,137	—	1,513,786	—	1,513,786
Shares issuance costs	—	(126,732)	—	(126,732)	—	(126,732)
	330,649	1,056,405	—	1,387,054	—	1,387,054
Balance at 30 June 2015 (Unaudited)	1,193,213	2,210,759	413,613	3,817,585	344,355	4,161,940
Balance at 1 January 2014 (Audited)	787,880	940,384	339,987	2,068,251	208,153	2,276,404
Total comprehensive income for the period						
Profit for the period	—	—	37,092	37,092	3,267	40,359
Total transactions with owners of the Group, recognised directly in equity						
Acquisition of subsidiaries	—	—	—	—	73,616	73,616
Balance at 30 June 2014 (Unaudited)	787,880	940,384	377,079	2,105,343	285,036	2,390,379

* The notes on pages 9 to 34 constitute an integral part of the unaudited condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(161,102)	(52,971)
Income tax paid	(70,405)	(48,321)
Interest paid	(49,906)	(16,254)
Net cash used in operating activities	(281,413)	(117,546)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	—	(106,018)
Prepayment for acquisition of subsidiaries	(97,572)	—
Capital injection in a joint venture	(35,000)	—
Purchases of property, plant and equipment, land use right and other intangible assets	(70,413)	(100,096)
Funds granted to related parties	(149)	(200,646)
Funds repayments received from related parties	17	204,214
Funds repayments received from third parties	—	32,000
Government grants relating to purchase of property, plant and equipment and intangible assets	—	7,324
Proceeds from disposal of investments accounted for using the equity method	—	20,000
Proceeds from disposal of property, plant and equipment and land use rights	2,961	1,122
Interest received	2,058	997
Net Cash used in investing activities	(198,098)	(141,103)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	1,513,786	—
Proceeds from issuance of bonds	—	396,247
Funds from Related Parties	—	785
Proceeds from borrowings	255,000	130,000
Repayments of borrowings	(261,528)	(155,112)
Payment of listing expenses	(111,342)	—
Bank deposits pledged for borrowings	(35,000)	—
Net cash generated from financing activities	1,360,916	371,920
Net increase in cash and cash equivalents	881,405	113,271
Cash and cash equivalents at beginning of the period	612,649	758,146
Exchange gains on cash and cash equivalents	15,710	—
Cash and cash equivalents at end of the period	1,509,764	871,417

* The notes on pages 9 to 34 constitute an integral part of the unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yunnan Water Investment Co., Limited (the “Company”) was incorporated in Yunnan Province of the People’s Republic of China (the “PRC”) on 21 June 2011. On 22 July 2014, the Company was converted from a limited liability company into a joint stock limited liability company with registered capital of RMB787,880,000. The address of its registered office is 16th Floor, Block A Hecheng International, 1088 Haiyuan zhong Road, Gaoxin District, Kunming, Yunnan Province, the PRC. The Company is an investment holding company, the Company and its subsidiaries (together “the Group”) are principally engaged in the development, design, construction, operation and maintenance of municipal water supply and wastewater treatment facilities in the PRC.

The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 May 2015.

The Financial Information is presented in thousands of Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with 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 (the “Prospectus”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICY

The accounting policies applied are consistent with those of the financial statements for the year ended 31 December 2014 as set out in the Prospectus, as described in those financial statements.

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

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.

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

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

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014 as set out in the Prospectus.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014 as set out in the Prospectus.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group financial department. Group financial department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Each subsidiary of the Group is responsible for cash flow forecast itself. The Group financial department monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments computed using contractual rates, or, if floating, based on rates current at each of the ending dates of the six months ended.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2015					
Financial liabilities					
Borrowings	351,750	474,725	210,162	409,053	1,445,690
Trade and other payables (*)	718,182	10,000	50,000	13,000	791,182
	1,069,932	484,725	260,162	422,053	2,236,872
As at 31 December 2014					
Financial liabilities					
Borrowings	356,319	120,497	642,986	425,122	1,544,924
Trade and other payables (*)	805,116	—	—	—	805,116
	1,161,435	120,497	642,986	425,122	2,350,040

* Excluding staff welfare benefit payable, other taxes payable and advances.

5.3 Fair value estimation

The different levels have been defined as follows:

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

None of the Group's assets are subsequently measured at fair value both at 30 June 2015 and 31 December 2014.

6. SEASONALITY OF OPERATIONS

There is a seasonal factor in the Group's revenue. In general, revenue in the second half of the year is higher than the first half. In the financial year ended 31 December 2014, 21% of revenues accumulated in the first half of the year, with 79% accumulating in the second half.

7. 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 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.

7. SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2015

	Wastewater treatment RMB'000	Water supply RMB'000	Construction services and equipment sales RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Total segment revenue	162,954	116,982	165,766	33,236	—	478,938
Inter-segment revenue	—	—	(4,023)	—	—	(4,023)
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						(82,314)
Profit before income tax						63,509
Income tax expenses						(9,161)
Profit for the period						54,348
Depreciation and amortisation	(16,143)	(11,645)	(3,848)	(417)	(1,759)	(33,812)
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	46,985	—	—	35,000	—	81,985
Segment liabilities	510,143	55,987	418,107	35,223	1,206,502	2,225,962
Additions to non-current assets (other than financial instruments and deferred tax assets)	195,619	53,003	5,315	3,412	6,576	263,925

7. SEGMENT INFORMATION (continued)**Six months ended 30 June 2014:**

	Wastewater treatment RMB'000	Water supply RMB'000	Construction services and equipment sales RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Total segment revenue	131,020	76,345	10,680	12,540	—	230,585
Inter-segment revenue	—	—	(125)	—	—	(125)
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						(48,487)
Profit before income tax						51,165
Income tax expenses						(10,806)
Profit for the period						40,359
Depreciation and amortisation	(12,449)	(9,509)	(1,029)	(436)	(1,504)	(24,927)
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	36,321	—	—	—	—	36,321
Segment liabilities	553,359	59,047	232,684	24,108	1,059,946	1,929,144
Additions to non-current assets (other than financial instruments and deferred tax assets)	126,363	146,285	31,390	2,145	177,908	484,091

7. SEGMENT INFORMATION (continued)

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties. Eliminations comprise inter-segment trade and non-trade balances. Pricing policy for inter-segment transactions is determined by reference to market price.

Breakdown of the revenue from all services is as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Wastewater treatment		
Operating services - BOO/TOO (*)	30,962	16,443
Operating services - BOT/TOT	56,799	41,835
Construction services	43,080	47,213
Finance income (**)	32,113	25,529
Water supply		
Operating services - BOO/TOO (*)	64,835	56,352
Operating services - BOT/TOT	9,051	5,324
Construction services	38,829	13,737
Finance income (**)	4,267	932
Construction services and equipment sales	161,743	10,555
Others	33,236	12,540
	474,915	230,460

* Build-Own-Operate ("BOO" Model), a project model in which an enterprise undertakes the financing, design, construction of water supply or wastewater treatment facilities, which are owned by the enterprise, and has the right to operate facilities in the concession period, during which the enterprise can charge service fees based on the supplied tap water or treated wastewater to cover its costs of investment, operations and maintenance and obtain reasonable returns, according to the concession agreement entered into by the enterprise and the government.

Transfer-Own-Operate ("TOO" Model), a project model in which an enterprise purchases completed water supply or wastewater treatment facilities from the government and undertakes the operation of such facilities owned by the enterprise in the concession period, during which the enterprise can charge service fees based on the supplied tap water or treated wastewater to cover its costs of investment, operations and maintenance and obtain reasonable returns, according to the concession agreement entered into by the enterprise and the government.

** Finance income is recognised as revenue in profit or loss using the effective interest method. When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of receivables under service concession arrangements (if any), (ii) finance income, which will be recognised as revenue in profit or loss and (iii) revenue from operating service.

Revenue of approximately RMB120,386,000 are derived from a single external customer for six months ended 30 June 2015 (six months ended 30 June 2014: None). These revenues are attributable to construction services and equipment sales.

8. OTHER INCOME

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest income		
– Bank deposits	2,468	2,710
– Other receivables from related parties (note 24(b))	1,957	997
Rental income - net	1,858	1,740
Government grants (note (a))	9,099	15,422
Miscellaneous income	61	10
	15,443	20,879

(a) Amounts represented the subsidies granted by certain local governments to the Group in respect of the Group's provision of sewage and reclaimed water treatments, distribution and sale of piped water or construction of sewage and reclaimed water treatment plants.

9. FINANCE COSTS - NET

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest expense	63,119	17,377
Less: amounts capitalised on qualifying assets	(25,046)	(11,761)
	38,073	5,616
Unwinding of provision (note 22)	363	221
Foreign exchange gains		
– Borrowings	(2,107)	—
– Cash and cash equivalents (note (a))	(16,412)	—
	19,917	5,837

(a) Amounts represented foreign exchange gains on converting cash and cash equivalents from Hong Kong dollars to RMB after the Global Offering.

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	6,959	4,692
Deferred income tax	2,202	6,114
	9,161	10,806

Certain subsidiaries operated in the western region of Mainland China can enjoy a preferential corporate income tax rate of 15%, provided their revenues from principal activities amount to more than 70% of their total revenues in the year.

Certain subsidiaries operated wastewater treatment projects in Mainland China, were eligible for tax holiday of a three-year full exemption followed by a three-year half exemption commencing from their respective first year generating operating revenue.

Under the PRC Corporate Income Tax Law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group were subject to corporate income tax at the statutory rate of 25%.

No provision for Hong Kong profits tax was made as the Company and the Group did not have assessable profit in Hong Kong during the six months ended 30 June 2015 and 2014.

11. 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.

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

(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.

12. DIVIDENDS

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group has interests in joint ventures that are accounted for using the equity method.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
As at 1 January	45,178	34,236
Addition (note (a))	35,000	—
Share of profit	1,807	2,085
As at 30 June	81,985	36,321

(a) Bazhou Keda Haorui Environmental Investment Co., Ltd. (巴州科達浩瑞環境投資有限公司), a joint venture, which is a limited liability company established in the PRC on 5 January 2015.

(b) No individual joint venture is considered as material to the Group.

14. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000
Six months ended 30 June 2015	
Net book value	
As at 1 January 2015	1,378,952
Additions	92,529
Depreciation	(27,989)
Disposals (note (a))	(2,005)
As at 30 June 2015	1,441,487
Six months ended 30 June 2014	
Net book value	
As at 1 January 2014	1,019,765
Additions	132,615
Acquisition of subsidiaries	172,545
Depreciation	(20,460)
Disposals	(434)
As at 30 June 2014	1,304,031

- (a) The Group disposed of the Gantong Water Supply Plant to a related party (note 24(b)) at the consideration of RMB2,959,000 on 19 March 2015 and recognised a disposal gain of RMB112,000 in the income statement.

As at 30 June 2015, no land use rights were pledged as collateral for the Group's banking facility (31 December 2014: RMB21,060,000).

15. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

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

In respect of the Group's receivables under service concession arrangements, credit risks varied amongst the Group's projects operated in different locations of the PRC. The collection of receivables under services concession arrangements is closely monitored in order to minimise any credit risk associated with the receivables.

The receivables under service arrangements were billable receivables. They were mainly due from governmental authorities in Mainland China, as grantors in respect of the Group's service concession arrangements. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances still considered fully recoverable. As at 30 June 2015, the receivables under service concession arrangements with net carrying amount of RMB251,213,000 were pledged to certain banks as security of the Group's bank loans (31 December 2014: RMB238,800,000).

16. AMOUNTS FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Costs incurred to date plus recognised profits less recognised losses	383,661	242,907
Less: Progress billings	(51,211)	(46,255)
	332,450	196,652
Analysed for reporting purposes as:		
Amounts due from customers for contract works – non current	328,692	193,924
Amounts due from customers for contract works – current	7,233	6,455
Amounts due to customers for contract works	(3,475)	(3,727)
	332,450	196,652

17. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables		
– Related parties (note 24(d))	253,379	317,862
– Local governments	208,329	163,386
– Others	101,145	130,087
Less: provision for impairment	(12,009)	(10,973)
Trade receivables - net	550,844	600,362
Other receivables due from:		
– Related parties (note 24(d))	63,387	63,158
– Third parties	166,276	99,306
Less: provision for impairment	(15,892)	(11,602)
Other receivables - net	213,771	150,862
Prepayments	347,919	232,448
Less: non-current portion		
– Trade receivables - local governments	(6,709)	—
– Prepayment	(197,572)	(100,000)
– Other receivables - third parties	(38,579)	(38,186)
Non-current portion	(242,860)	(138,186)
Current portion	869,674	845,486

The carrying amount of trade and other receivables approximate their fair values and are mainly denominated in RMB.

The Group's prepayments are mainly from the purchase of goods, construction works and other services.

17. TRADE AND OTHER RECEIVABLES (continued)

In general, the Group grants 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 RMB'000	31 December 2014 RMB'000
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	150	9,920
	562,853	611,335

Movements of the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
As at 1 January	10,973	7,056
Impairment provision	1,087	630
Unused amounts reversed	(51)	(11)
As at 30 June	12,009	7,675

Movements of the provision for impairment of other receivables are as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
As at 1 January	11,602	5,431
Impairment provision	4,290	4,485
Acquisition of subsidiaries	—	1,736
As at 30 June	15,892	11,652

18. SHARE CAPITAL

	Number of shares (thousands)	Paid-in capital/Share capital RMB'000
As at 1 January 2015	862,564	862,564
Shares issued by share offer (note(a))	330,649	330,649
As at 30 June 2015	1,193,213	1,193,213
As at 1 January 2014 and 30 June 2014 (note(b))	N.A.	787,880

(a) Upon completion of the Global Offering, an aggregate of 330,649,000 shares has been successfully offered at the price of HK\$5.80 per share, and the Company raised proceeds of approximately HK\$1,918 million from the offering.

(b) On 22 July 2014, the Company was converted from a limited liability company into a joint stock limited liability company with a registered capital of RMB787,880,000.

19. OTHER RESERVES

	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Total RMB'000
As at 1 January 2015	1,078,608	76,624	(92)	1,155,140
Currency translation differences	—	—	(786)	(786)
Issue of ordinary shares	1,183,137	—	—	1,183,137
Shares issuance costs	(126,732)	—	—	(126,732)
As at 30 June 2015	2,135,013	76,624	(878)	2,210,759
As at 1 January 2014 and 30 June 2014	893,292	47,092	—	940,384

20. TRADE AND OTHER PAYABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables		
– Related parties (note 24(d))	185,941	145,401
– Third parties	339,289	376,656
Other payables due to:		
– Related parties (note 24(d))	40,723	37,894
– Third parties	207,788	245,165
Advance from customers	27,445	15,239
Staff welfare benefit payable	13,617	19,676
Other taxes payable	18,846	36,667
Less: non-current portion		
Other payables due to third party	(55,559)	—
Current portion	778,090	876,698

At 30 June 2015, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
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	7,910	1,835
	525,230	522,057

21. BORROWINGS

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	435,297	489,332
– Unsecured	53,544	19,545
	488,841	508,877
Other borrowings - unsecured	—	6,000
Corporate bonds - unsecured	397,444	396,838
	886,285	911,715
Less: current portion of long-term borrowings		
Bank borrowings		
– Secured	(30,246)	(38,814)
– Unsecured	(5,909)	(3,909)
	(36,155)	(42,723)
	850,130	868,992
Current		
Short-term bank borrowings		
– Unsecured	245,000	225,000
Other borrowings - unsecured	—	2,600
Current portion of long-term bank borrowings	36,155	42,723
	281,155	270,323
Total	1,131,285	1,139,315
Denominated in:		
– RMB	1,106,988	1,112,271
– Euro	24,297	27,044
	1,131,285	1,139,315

22. PROVISIONS

	Maintenance cost RMB'000 (note (a))	Employee benefit RMB'000	Total RMB'000
Six months ended 30 June 2015			
As at 1 January 2015	10,480	3,928	14,408
Provision charged to income statement (note 9)	363	—	363
Utilised during the period	—	(28)	(28)
As at 30 June 2015	10,843	3,900	14,743
Six months ended 30 June 2014			
As at 1 January 2014	2,141	—	2,141
Acquisition of subsidiaries	—	3,971	3,971
Provision capitalised in intangible assets	7,729	—	7,729
Provision charged to income statement (note 9)	221	—	221
As at 30 June 2014	10,091	3,971	14,062

- (a) Pursuant to the service concession agreements entered into by the Group, the Group has the contractual obligations to maintain the facilities it operates to specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the Grantors at the end of the service concession periods. These contractual obligations to maintain or restore the facilities, except for any upgrade elements, are recognised and measured in accordance with HKAS 37 at the best estimate of the expenditure that would be required to settle the present obligation at the end of each of the Related Periods.

23. COMMITMENTS

(a) Capital commitment

Capital expenditure contracted for but not yet incurred as of 30 June 2015 and 31 December 2014, is as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	835,457	323,779

(b) Operating lease commitments – where the Group is the lessee

The Group has leased various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years.

The Group had future aggregate minimum lease rental payments under non-cancellable operating leases as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Within one year	5,643	2,995
One to five years	4,755	2,286
Over five years	375	114
	10,773	5,395

24. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Yunnan Province Water Industry Investment Co., Ltd. (“Yunnan Province Water”)	Shareholder of the Company
Beijing OriginWater Technology Co., Ltd. (“Beijing OriginWater”)	Shareholder of the Company
Finergy Development (Tianjin) Equity Investment Partnership (Limited Partnership) (“Finergy Development”)	Shareholder of the Company
Wenshan Water Industry Investment Limited (“Wenshan Water”)	Joint venture of the Group
Maguan Water Industry Investment Co., Ltd (“Maguan Water”)	Subsidiary of a joint venture of the Group
Yunnan Metropolitan Construction Investment Co., Ltd. (“YMCI”)	Shareholder of Yunnan Province Water
Jinghong Municipal Investment and Development Co., Ltd. (“Jinghong Investment”)	Subsidiary of YMCI
Yunnan Chengjiang Eagle Tourist Resort Co., Ltd. (“Yunnan Chengjiang Eagle”)	Subsidiary of YMCI
Yunnan City Voted Erhai Real Estate Limited	Subsidiary of YMCI
Kunming NO.1 Construction Group Co.,Ltd (“Kunming NO.1 Construction”)	Subsidiary of YMCI
Yunnan City Voted Banna Investment and Development Co., Ltd. (“Banna Investment”)	Subsidiary of YMCI
Yunnan Circular Economy Investment Co., Ltd.	Subsidiary of YMCI
Yunnan City Voted Longjiang Real Estate Limited	Subsidiary of YMCI
Yunnan Construction Engineering Group Co., Ltd. (“Yunnan Construction”) (note (c))	State-owned enterprises
The 14th Metallurgical Construction Corporation Ltd. (“The 14th Metallurgical Construction”) (note (c))	State-owned enterprises

24. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

During the six months ended 30 June 2015 and 2014, the Group had the following significant transactions with related entities which are carried out on terms agreed with the counter parties in the ordinary course of business:

(i) Purchase of goods and services

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Yunnan Construction	248,280	35,457
Beijing OriginWater	1,557	1,856
	249,837	37,313

(ii) Sales of goods

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Yunnan City Construction Erhai Real Estate Limited	850	856
The 14th Metallurgical Construction	7,247	—
Yunnan Chengjiang Eagle	49	2,181
Yunnan City Voted Longjiang Real Estate Limited	2,034	—
Yunnan Construction	20,468	—
	30,648	3,037

(iii) Sales of land use right and property, plant and equipment

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Yunnan City Construction Erhai Real Estate Limited	2,959	—

24. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(iv) Transactions under finance arrangement

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Funds from related parties		
– Subsidiaries of YMCI	—	785
Funds to related parties		
– YMCI	—	200,000
– Joint ventures	—	18
– Subsidiaries of YMCI	149	628
	149	200,646

(v) Interest income and interest expense

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest income of funds to the related parties		
– YMCI	—	200
– Wenshan Water	1,957	—
– Subsidiaries of YMCI	—	797
	1,957	997
Interest expense of loans from the related parties		
– Subsidiaries of YMCI	—	682

24. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(vi) Key management compensation

Key management includes executive directors. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and other benefits	2,049	1,316

(vii) Guarantee

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Guarantee provided by related parties in respect of the borrowings of the Group – Jinghong Investment	20,000	57,500

(c) Transactions with other state-owned enterprises

In accordance with Hong Kong Accounting Standard 24 “Related Party Disclosures”, state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group.

The Group operates in an economic environment predominated by state-owned enterprises. During the six months ended 30 June 2015 and 2014, the Group had transactions with state-owned enterprises including, but not limited to, operating services, construction services and equipment sales.

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to those with other entities that are not state-owned. The Group has established its pricing strategy and approval process for purchase and sales of products and services. Such pricing strategy approval processes are consistently applied regardless of the counterparties are state-owned entities or not. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with Yunnan Construction and The 14th Metallurgical Construction as disclosed above.

24. RELATED PARTY TRANSACTIONS (continued)

(d) Balance with related parties

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables - current		
– Beijing OriginWater	—	4,127
– Yunnan City Voted Erhai Real Estate Limited	2,960	3,110
– Yunnan Construction	137,066	185,606
– The 14th Metallurgical Construction	109,237	122,426
– Yunnan Chengjiang Eagle	2,602	2,593
– Yunnan City Voted Longjiang Real Estate Limited	1,514	—
	253,379	317,862

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Prepayments for purchase of goods		
– Beijing OriginWater	20,071	19,778
– Yunnan Construction	92,036	50,159
– Kunming NO.1 Construction	48	—
	112,155	69,937

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Amounts due from related parties without interest bearing		
– Maguan Water	133	133
– Wenshan Water	21	25
– Jinghong Investment	149	—
	303	158
Amounts due from related parties with interest bearing		
– Wenshan Water	63,084	63,000

24. RELATED PARTY TRANSACTIONS (continued)

(d) Balance with related parties (continued)

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables - current		
– The 14th Metallurgical Construction	1,127	2,114
– Yunnan Construction	184,814	143,287
	185,941	145,401

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Advance from Customers		
– Banna Investment	690	—
– Yunnan Construction	8,533	—
– Kunming NO.1 Construction	6,093	—
	15,316	—

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Amounts due to related parties without interest bearing		
– Yunnan Construction	40,334	37,276
– Yunnan Province Water	389	389
– Beijing OriginWater	—	229
	40,723	37,894

25. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 4 August 2015, the Company established a wholly-owned subsidiary Guizhou Renhuai Haorui Water Industry Investment Co., Ltd. (貴州仁懷浩瑞水務投資有限公司, “Renhuai Water”) with registered capital of RMB1,000 million. Renhuai Water’s principal activity is wastewater treatment and watershed management.

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 are expected to increase at full speed. On one hand, domestic discharge standard for wastewater needs to be upgraded; on the other hand, the PRC government are expected to continue investing 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 are expected to drive the increase in 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

Yunnan Water Investment Co., Limited* (the “**Company**”), together with its subsidiaries (collectively, 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 where the Group has competitive advantages, in particular northern, eastern, northwestern and southwestern regions of China. The Group will pay close attention to 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 listed in 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 entrusted operation, and consultancy services). As at 30 June 2015, the relevant projects of the Group have a total daily capacity of approximately 1,621,000 tonnes.

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 six months ended 30 June 2015 (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 future projects 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 well as provision of technical and consultancy services in relation to environmental protection. 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. During the Period, the Group has also engaged in 8 new technical and consultancy projects in relation to environmental protection.

FINANCIAL REVIEW

Results of Operation

During 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 six months ended 30 June 2015, 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 six months ended 30 June 2015, 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:RMB782.9 million) was at fixed interest rates and RMB330.6 million (31 December 2014:RMB356.4 million) 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 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

During the Period, the Group employed 1,830 employees (31 December 2014: 1,739). For the six months ended 30 June 2015, 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.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the “**Board**”) does not recommend any distribution of interim dividend for the Period.

GLOBAL OFFERING

The H shares of the Company were listed on the Stock Exchange on 27 May 2015 (the “**Listing Date**”), 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 of the Company dated 13 May 2015 (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. The Group held the unutilised net proceeds in deposits with banks.

DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

To the Company’s knowledge, as at 30 June 2015, the directors (the “**Directors**”), supervisors (the “**Supervisors**”) of the Company and the chief executive of the Company had the following interests and short positions in the shares, underlying shares of equity derivatives or debentures of the Company or its any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules or, held the following interests in the Company:

(i) Interests in the Company

Name of Director	Capacity	Type of shares	Number of Shares	Percentage of the respective type of shares in issue (%)	Percentage of the total number of shares in issue (%)
Mr. Yu Long	Beneficial owner	Domestic shares	10,690,000(L)	1.29%	0.90%
Mr. Huang Yunjian ⁽¹⁾	Beneficial owner, interest held jointly with another person	Domestic shares	361,487,162(L)	43.58%	30.30%
Mr. Liu Xujun ⁽²⁾	Beneficial owner, interest held jointly with another person	Domestic shares	361,487,162(L)	43.58%	30.30%

Notes: "L" refers to long position.

(1) Huang Yunjian is the beneficial owner of 1,950,000 domestic shares. By virtue of the acting in concert agreement (the "**Acting in Concert Agreement**") dated 24 July 2014 entered into between Yunnan Province Water Industry Investment Co., Ltd. ("**Yunnan Province Water**"), Liu Xujun, Huang Yunjian and Wang Yong, pursuant to which each of Liu Xujun, Huang Yunjian and Wang Yong agreed to act in concert with Yunnan Province Water in exercising their voting rights in the shareholders' meeting of the Company. Mr. Huang is deemed to be interested in all the domestic shares held by Yunnan Province Water, Liu Xujun and Wang Yong in aggregate pursuant to the SFO.

(2) Liu Xujun is the beneficial owner of 195,000 domestic shares. By virtue of the Acting in Concert Agreement, he is deemed to be interested in all the domestic shares held by Yunnan Province Water, Huang Yunjian and Wang Yong in aggregate by pursuant to the SFO.

Save as disclosed above, to the knowledge of the Company, as at 30 June 2015, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code, or held any interests in the Company.

(ii) Interests and Short Positions in the Associated Corporations

None of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company's associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

To the Company's knowledge, as at 30 June 2015, the following persons (other than the Directors or the Supervisors, whose interests are disclosed in the section headed "Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or in 5% or more of the issued share capital of the Company:

Name of substantial shareholders	Capacity	Type of shares	Number of shares	Percentage of the respective type of shares in issue (%)	Percentage of the total number of shares in issue (%)
Yunnan Province Water ⁽¹⁾	Beneficial owner, interests held jointly with another person	Domestic shares	361,487,162(L)	43.58%	30.30%
Yunnan Metropolitan Construction Investment Co., Ltd. ⁽²⁾	Interests in controlled corporation, interests held jointly with another person	Domestic shares	361,487,162(L)	43.58%	30.30%
Wang Yong ⁽¹⁾⁽³⁾	Beneficial owner, interests held jointly with another person	Domestic shares	361,487,162(L)	43.58%	30.30%
Beijing OriginWater Technology Co., Ltd.	Beneficial owner	Domestic shares	286,650,000(L)	34.56%	24.02%
Finergy Development (Tianjin) Equity Investment Partnership (Limited Partnership) ⁽⁴⁾	Beneficial owner	Domestic shares	137,880,000(L)	16.62%	11.56%
Kunlun Trust Co. Ltd. ⁽⁴⁾	Interests in controlled corporation	Domestic shares	137,880,000(L)	16.62%	11.56%
CNPC Assets Management Co., Ltd. ⁽⁴⁾	Interests in controlled corporation	Domestic shares	137,880,000(L)	16.62%	11.56%
China National Petroleum Corporation ⁽⁴⁾	Interests in controlled corporation	Domestic shares	137,880,000(L)	16.62%	11.56%
Value Partners Group Limited	Interests in controlled corporation	H shares	35,152,000(L)	9.66%	2.95%
the National Council for Social Security Fund of the PRC	Beneficial owner	H shares	34,767,770(L)	9.56%	2.91%
Value Partners Classic Fund ⁽⁵⁾	Beneficial owner	H shares	25,774,000(L)	7.09%	2.16%
Rays Capital Partners Limited	Investment manager	H shares	18,873,000(L)	5.19%	1.58%
Ruan David Ching-chi	Interests in controlled corporation	H shares	18,873,000(L)	5.19%	1.58%
Yip Yok Tak Amy	Interests in controlled corporation	H shares	18,873,000(L)	5.19%	1.58%

Notes:

“L” refers to long position.

- (1) Yunnan Province Water, Ltd. is wholly owned by Yunnan Metropolitan Construction Investment Co., Ltd. and the beneficial owner of 358,757,162 domestic shares. By virtue of the Acting in Concert Agreement, each of Yunnan Province Water, Liu Xujun, Huang Yunjian and Wang Yong is deemed to be interested in all the domestic shares held by them in aggregate pursuant to the SFO.
- (2) Yunnan Province Water is wholly owned by Yunnan Metropolitan Construction Investment Co., Ltd. Under the SFO, Yunnan Metropolitan Construction Investment Co., Ltd. is deemed to be interested in all the shares in which Yunnan Province Water is interested.
- (3) Wong Yong is the beneficial owner of 585,000 domestic shares. By virtue of the Acting in Concert Agreement, he is deemed to be interested in all the domestic shares held by Yunnan Province Water, Liu Xujun and Huang Yunjian in aggregate pursuant to the SFO.
- (4) Finergy Development (Tianjin) Equity Investment Partnership (Limited Partnership) is controlled as to 84.86% by Kunlun Trust Co., Ltd., its general partner, while Kunlun Trust Co., Ltd. is owned as to 82.18% by CNPC Assets Management Co., Ltd., which in turn is wholly-owned by China National Petroleum Corporation. Under the SFO, each of Kunlun Trust Co., Ltd., CNPC Assets Management Co., Ltd. and China National Petroleum Corporation is deemed to be interested in all the domestic shares held by Finergy Development (Tianjin) Equity Investment Partnership (Limited Partnership).
- (5) Value Partners Group Limited holds interests in the Company indirectly through two wholly-owned subsidiaries, namely Value Partners Hong Kong Limited and Value Partners Limited.

Save as disclosed above, to the knowledge of the Company, as at 30 June 2015, no person (other than the Directors or the Supervisors) had informed the Company that he had interests or short positions in the shares or underlying shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or held any interests in the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

From the Listing Date to the date of this report, 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 report.

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.

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.

DIRECTORS' PARTICULAR

Change in particular of the Directors' biographical details since the date of the Prospectus which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules is set out as follows:

Mr. Xu Lei (許雷) (former name: Xu Lei (許蕾)) is appointed as the vice chairman and a non-executive director of Top Spring International Holdings Limited (a company listed on the Stock Exchange with stock code 3688) with effect from 1 October 2015.

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 the Listing Date to the date of this report, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Group has adopted the Model Code 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, 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 report.

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 report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

REVIEW OF FINANCIAL INFORMATION

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. The Group's unaudited interim condensed financial information for the Period has also 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.

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

Kunming, PRC, 28 August 2015

* For identification purposes only



雲南水務投資股份有限公司

YUNNAN WATER INVESTMENT CO., LIMITED*