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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 2016**

**FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB867,692,000, representing an increase of approximately 82.7% over the corresponding period of last year.
- Profit was approximately RMB89,294,000, representing an increase of approximately 64.3% over the corresponding period of last year.
- Profit attributable to owners of the Company was approximately RMB80,201,000, representing an increase of approximately 70.4% over the corresponding period of last year.
- Basic earnings per share was approximately RMB0.067, representing an increase of approximately 31.4% over the corresponding period of last year.
- The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2016.

The board (the “**Board**”) of directors (the “**Directors**”) of Yunnan Water Investment Co., Limited\* (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2016 (the “**Reporting Period**”).

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2016</b>	2015
		<b>RMB' 000</b>	<b>RMB' 000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>867,692</b>	474,915
Cost of sales		<u><b>(590,189)</b></u>	<u>(318,659)</u>
<b>Gross profit</b>		<b>277,503</b>	156,256
Other income		<b>44,485</b>	15,443
Other gains - net		<b>3,531</b>	97
Selling expenses		<b>(13,212)</b>	(7,863)
Administrative expenses		<u><b>(142,286)</b></u>	<u>(82,314)</u>
<b>Operating profit</b>		<b>170,021</b>	81,619
Finance income	5	<b>16,142</b>	18,519
Finance costs	5	<u><b>(79,463)</b></u>	<u>(38,436)</u>
Finance costs - net		<b>(63,321)</b>	(19,917)
Share of (loss)/profit of investments accounted for using equity method		<u><b>(57)</b></u>	<u>1,807</u>
<b>Profit before income tax</b>		<b>106,643</b>	63,509
Income tax expenses	6	<u><b>(17,349)</b></u>	<u>(9,161)</u>
<b>Profit for the period</b>		<u><b>89,294</b></u>	<u>54,348</u>
<b>Other comprehensive income</b>			
<i>(Items that may be reclassified subsequently to profit or loss)</i>			
- Currency translation differences		<u><b>769</b></u>	<u>(786)</u>
<b>Total comprehensive income for the period</b>		<u><u><b>90,063</b></u></u>	<u><u>53,562</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (CONTINUED)**

	<b>Six months ended</b>	
	<b>30 June</b>	
<i>Note</i>	<b>2016</b>	2015
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Profit attributable to:</b>		
- Owners of the Company	<b>80,201</b>	47,071
- Non-controlling interests	<u><b>9,093</b></u>	<u>7,277</u>
	<u><b>89,294</b></u>	<u>54,348</u>
<b>Total comprehensive income attributable to:</b>		
- Owners of the Company	<b>80,970</b>	46,285
- Non-controlling interests	<u><b>9,093</b></u>	<u>7,277</u>
	<u><b>90,063</b></u>	<u>53,562</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>		
- Basic and diluted	<i>7</i> <u><b>0.067</b></u>	<u>0.051</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,749,969	1,617,329
Investment properties		17,480	17,764
Land use rights		129,856	121,311
Receivables under service concession arrangements		2,403,054	1,941,739
Amounts due from customers for contract works		488,616	404,142
Intangible assets		3,210,870	1,711,249
Investments accounted for using equity method		34,868	34,925
Trade and other receivables	9	570,292	773,236
Deferred income tax assets		<u>139,364</u>	<u>56,173</u>
		<b><u>8,744,369</u></b>	<b><u>6,677,868</u></b>
<b>Current assets</b>			
Receivables under service concession arrangements		25,363	11,540
Inventories		33,502	20,595
Amounts due from customers for contract works		12,326	3,477
Trade and other receivables	9	2,386,198	1,197,087
Cash and cash equivalents		2,090,364	1,672,121
Restricted cash		<u>61,749</u>	<u>19,603</u>
		<b><u>4,609,502</u></b>	<b><u>2,924,423</u></b>
<b>Total assets</b>		<b><u>13,353,871</u></b>	<b><u>9,602,291</u></b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,193,213	1,193,213
Other reserves		2,262,432	2,264,254
Retained earnings		<u>561,836</u>	<u>600,956</u>
		<b>4,017,481</b>	<b>4,058,423</b>
<b>Non-controlling interests</b>		<u><b>1,086,396</b></u>	<u>884,189</u>
<b>Total equity</b>		<u><b>5,103,877</b></u>	<u>4,942,612</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,878,369	2,025,960
Trade and other payables	10	57,048	54,514
Deferred income		420,637	164,876
Deferred income tax liabilities		427,960	198,116
Provision		<u>57,496</u>	<u>25,791</u>
		<u><b>2,841,510</b></u>	<u>2,469,257</u>
<b>Current liabilities</b>			
Borrowings		3,640,826	1,038,355
Trade and other payables	10	1,716,698	1,074,341
Amounts due to customers for contract works		3,333	4,552
Current income tax liabilities		<u>47,627</u>	<u>73,174</u>
		<u><b>5,408,484</b></u>	<u>2,190,422</u>
<b>Total liabilities</b>		<u><b>8,249,994</b></u>	<u>4,659,679</u>
<b>Total equity and liabilities</b>		<u><b>13,353,871</b></u>	<u>9,602,291</u>
<b>Net current (liabilities)/assets</b>		<u><b>(798,982)</b></u>	<u>734,001</u>
<b>Total assets less current liabilities</b>		<u><b>7,945,387</b></u>	<u>7,411,869</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. General information

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 Group are principally engaged in the development, design, construction, operation and maintenance of municipal water supply, wastewater treatment and solid waste 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 on 30 August 2016.

### 2. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group is in a capital intensive industry and primarily finances its operation by long-term borrowings or capital contribution from equity owners when most of its construction projects are in early stage of their business cycles. The Group recorded net current liabilities of approximately RMB799 million as at 30 June 2016, which is mainly due to the fact that the Group has utilised certain short-term borrowings to tentatively finance its acquisitions and construction projects.

The Group is in the progress of obtaining different types of long-term debts, out of which a three-year private placement note of RMB1,000 million has been issued and the agreement for a three-year syndicated loan of US\$130 million (equivalent to RMB860 million) has been signed. The Group is also seeking facility lines from commercial banks as an alternative source to refinance the short-term borrowings. Considering the probability of issuing the PRC bonds and obtaining facilities from commercial banks and the Group's fund raising history, the directors of the Company believe that the Group can gain access to adequate financing resources. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial information on a going concern basis.

### 3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements.

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

The following new standards and amendments to standards are mandatory for the Group's financial year beginning 1 January 2016. The adoption of these new standards and amendments to standards does not have significant impact to the results or financial position of the Group.

Annual Improvements Project	Annual improvements 2012~2014 cycle
HKFRS 14	Regulatory deferral accounts
HKFRS 11 (Amendment)	Accounting for acquisition of interests in joint operations
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKAS1 (Amendment)	Disclosure initiative

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

HKAS 12 (Amendment)	Income taxes <sup>1</sup>
HKAS 7 (Amendment)	Statement of cash flows <sup>1</sup>
HKFRS 15	Revenue from contracts with consumers <sup>2</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture <sup>4</sup>

<sup>1.</sup> Effective for annual periods beginning on 1 January 2017.

<sup>2.</sup> Effective for annual periods beginning on 1 January 2018.

<sup>3.</sup> Effective for annual periods beginning on 1 January 2019.

<sup>4.</sup> Effective date to be determined.

#### 4. 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 is organised into five business segments as below:

- (a) Wastewater treatment;
- (b) Water supply;
- (c) Construction and sales of equipment;
- (d) Solid waste treatment \*;
- (e) Others, including operation and maintenance services and other businesses.

\* With the acquisition of several companies in the PRC and Thailand, solid waste treatment business became significant to the Group for the year ended 31 December 2015. It has been disclosed as a separate segment in the annual financial statements of the Group for the year ended 31 December 2015, and the disclosure of segment information for the six months ended 30 June 2015 has been revised for comparison purpose.

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.

(i) Segment results for the six months ended 30 June 2016 are as follows:

**Six months ended 30 June 2016 (Unaudited):**

	<b>Wastewater treatment</b>	<b>Water supply</b>	<b>Construction and sales of equipment</b>	<b>Solid waste treatment</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>	<i>RMB'000</i>
Total segment revenue	252,242	309,291	200,283	108,510	31,666	—	901,992
Inter-segment revenue	—	—	(34,300)	—	—	—	(34,300)
Revenue from external customers	252,242	309,291	165,983	108,510	31,666	—	867,692
Gross profit	128,260	70,078	37,976	31,332	9,857	—	277,503
Share of loss of investments accounted for using equity method	—	—	—	—	(57)	—	(57)
Finance income							16,142
Finance costs							(79,463)
Other income							44,485
Other gains - net							3,531
Selling expenses							(13,212)
Administrative expenses							(142,286)
Profit before income tax							106,643
Income tax expenses							(17,349)
Profit for the period							<u>89,294</u>
Depreciation and amortisation	<u>(17,159)</u>	<u>(31,768)</u>	<u>(4,618)</u>	<u>(34,891)</u>	<u>(1,187)</u>	<u>(2,913)</u>	<u>(92,536)</u>

**Six months ended 30 June 2015 (Unaudited):**

	<b>Wastewater treatment</b>	<b>Water supply</b>	<b>Construction and sales of equipment</b>	<b>Solid waste treatment</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>	<i>RMB'000</i>
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 equity method	1,807	—	—	—	—	—	1,807
Finance income							18,519
Finance costs							(38,436)
Other income							15,443
Other gain - 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							<u>54,348</u>
Depreciation and amortisation	<u>(16,143)</u>	<u>(11,645)</u>	<u>(3,848)</u>	<u>(34)</u>	<u>(383)</u>	<u>(1,759)</u>	<u>(33,812)</u>

5. **Finance costs - net**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Finance income		
- Interest income from bank deposits	14,281	—
- Net exchange gains on financing activities	<u>1,861</u>	<u>18,519</u>
	<u>16,142</u>	<u>18,519</u>
 Finance costs		
- Borrowing costs	(104,566)	(63,119)
Less: amounts capitalised on qualifying assets	<u>25,762</u>	<u>25,046</u>
	(78,804)	(38,073)
- Unwinding of provision	<u>(659)</u>	<u>(363)</u>
	<u>(79,463)</u>	<u>(38,436)</u>
 Finance costs - net	<u>(63,321)</u>	<u>(19,917)</u>

6. **Income tax expenses**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Current income tax		
- PRC corporate income tax	22,963	6,959
Deferred income tax	<u>(5,614)</u>	<u>2,202</u>
	<u>17,349</u>	<u>9,161</u>

(a) *PRC corporate income tax*

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

Certain subsidiaries operating wastewater and solid waste treatment projects in Mainland China are eligible for a tax holiday of three-year full exemption followed by three-year half exemption of corporate income tax commencing from their first year generating operating revenue.

Except for preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group in the PRC are subject to corporate income tax at the statutory rate of 25%.

(b) *Thailand corporate income tax*

The subsidiaries operating solid waste treatment project in Thailand are eligible for a tax holiday of eight-year full exemption from their first year generating operating revenue.

(c) *Hong Kong profits tax*

Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

7. **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 during the six months ended 30 June 2016 and 2015.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to the owners of the Company (RMB'000)	80,201	47,071
Weighted average number of ordinary shares in issue (thousands)	<u>1,193,213</u>	<u>922,928</u>
Basic earnings per share (RMB per share)	<u>0.067</u>	<u>0.051</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 2016 and 2015.

8. **Dividends**

Pursuant to the resolution of the Company's Annual General Meeting, the Company has declared 2015 dividends of RMB119,321,000 (2014 dividends: RMB110,500,000) on 7 June 2016. The 2015 dividends were paid on 28 July 2016.

No interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil) has been proposed by the board of directors of the Company.

9. Trade and other receivables

	As at	
	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Trade receivables		
- Related parties	265,190	285,098
- Local governments	372,139	239,831
- Third parties	417,862	328,196
Less: provision for impairment	<u>(34,833)</u>	<u>(13,271)</u>
	<u>1,020,358</u>	<u>839,854</u>
Other receivables		
- Related parties	6,577	6,111
- Third parties	1,371,715	390,517
Less: provision for impairment	<u>(132,383)</u>	<u>(134,696)</u>
	<u>1,245,909</u>	<u>261,932</u>
Prepayments		
- Related parties	34,775	108,778
- Third parties	<u>655,448</u>	<u>759,759</u>
	<u>690,223</u>	<u>868,537</u>
Less: non-current portion		
- Prepayments - third parties	(473,069)	(715,826)
- Prepayments - related parties	(59,894)	—
- Other receivables - third parties	<u>(37,329)</u>	<u>(57,410)</u>
	<u>(570,292)</u>	<u>(773,236)</u>
Current portion	<u>2,386,198</u>	<u>1,197,087</u>

In general, the Group grants credit periods of 90 to 180 days to its customers. Aging analysis of gross trade receivables (including amounts due from related parties of trading in nature) at the respective balance sheet dates, based on the invoice dates or contractual terms, is as follows:

	As at	
	30 June 2016	31 December 2015
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Within one year	863,120	662,501
One to two years	109,814	107,948
Two to three years	56,616	50,621
Over three years	<u>25,641</u>	<u>32,055</u>
	<u>1,055,191</u>	<u>853,125</u>

#### 10. Trade and other payables

	As at	
	30 June 2016	31 December 2015
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Trade payables		
- Related parties	213,657	129,638
- Third parties	<u>740,639</u>	<u>568,567</u>
	<u>954,296</u>	<u>698,205</u>
Other payables		
- Related parties	1,767	15,037
- Third parties	<u>533,944</u>	<u>288,641</u>
	<u>535,711</u>	<u>303,678</u>
Advances from customers	99,987	15,243
Staff welfare benefit payable	6,263	25,869
Other taxes payable	58,168	85,860
Dividend payables	119,321	—
Less: non-current portion		
- Other payables due to a third party	<u>(57,048)</u>	<u>(54,514)</u>
Current portion	<u>1,716,698</u>	<u>1,074,341</u>

As at 30 June 2016, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	(Unaudited)	(Audited)
Within one year	648,100	396,269
One to two years	221,467	227,226
Two to three years	67,013	63,523
Over three years	<u>17,716</u>	<u>11,187</u>
	<u><u>954,296</u></u>	<u><u>698,205</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

Having entered into a “New Normal” under a new round of economic reform and continuous and steady development, the PRC macroeconomy has shifted from rapid growth in the past to a state of steady growth, while the growth of the Gross Domestic Product of the PRC remains in the leading position among other major economies in the world. As the PRC government accelerates and strengthens the comprehensive reform and pushes towards a new growth model focusing on green, low-carbon and recycling development under the “New Normal”, the green economy and environmental protection industries in the PRC are set to embrace an unprecedented opportunity for long-term growth.

Since the Company’s listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the PRC government has successively introduced a number of policies to support the environmental protection industry, placing the utmost importance to air, water and soil pollution control and ecological civilization construction. The newly revised Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法), the Opinions on Promoting the Third-party Treatment of Environmental Pollution (關於推行環境保護污染第三方治理的意見), the Implementation Opinions on Promoting Public Private Partnership in the Water Pollution Prevention and Control Area (關於推進水污染防治領域政府和社會資本合作模式的實施意見), the Action Plan for Prevention and Treatment of Water Pollution (水污染防治行動計劃), the Law on the Prevention and Control of Atmospheric Pollution (大氣污染防治法), the Action Plan for Prevention and Treatment of Soil Pollution (土壤污染治理行動計劃), the Opinions on Accelerating the Ecological Civilization Construction (關於加快推進生態文明建設的意見) and the Overall Plan for the Reform of Ecological Civilization System (生態文明體制改革總體方案) have been released in succession. These rules and regulations provide guidance for enterprises to strictly control their emission standards, introduce advanced technologies and promote diversified investment, including introduction of social capital and increase of government funding, and further enhance supervision and strictly implement environmental laws to accelerate the construction of a comprehensive ecological civilization system which thereby generates huge investment opportunities and growth potential for the environmental protection market.

2016 is a year with an “explosion” of the environmental protection industry and the rise of market segments including, among others, sponge city, soil restoration, black and odorous water treatment, public-private-partnership (“**PPP**”) projects, atmospheric pollution treatment, waste treatment and kitchen waste treatment.

Driven by the national policies, it is expected that the water and solid waste treatment-related environmental protection industries in the PRC are set to embrace huge market opportunities and growth potential. The water supply, wastewater treatment and solid waste treatment enterprises will benefit from the rapid acceleration of the urbanization process in the PRC and the policy support of the PRC government for the environmental protection industry. The Board expects that the business scale of these markets will further expand and investors in the capital market will also gradually pay more attention to the environmental protection industry.

## **DEVELOPMENT STRATEGIES AND PROSPECT**

The Group is committed to becoming a leading integrated service provider in municipal environment in the PRC and its principal businesses include investing and operating urban wastewater treatment, water supply, solid waste treatment facilities, and construction and sales of equipment. The Company has a solid base of shareholders (the “**Shareholders**”) comprising state-owned and private enterprises, and has unique competitive advantages in the development of wastewater treatment, water supply and solid waste treatment projects as well as identifying suitable targets for investment and acquisition in the PRC and Southeast Asia. The Group has extensive experience in the design, investment, construction and operation of water supply and wastewater treatment and solid waste treatment projects, and has accumulated extensive technical expertise, enabling the Group to implement appropriate measures according to preliminary assessment of the projects and to fully satisfy customers’ requirements by timely selecting a precise technical process and utilizing professional and systematic management.

In order to improve synergy, efficiency and the collaborative strength of various projects to keep up with the Group’s expansion and creation of new business segments, the Group developed a new model of regional centralized management, establishing a total of 5 regional management centers in Shandong area, Northeast area, Southwest area, East China area and North China area. In addition, the Group also created a new management structure which not only optimizes the regional centralized management, but also strengthens the core competitive advantages of the three main business segments, namely water supply, wastewater treatment and solid waste treatment, reinforcing them as the engines of growth and development.

Looking forward, the corporate strategy of the Group is still focused in operating its businesses based in Yunnan Province while continuing to seek investment opportunities to expand its business to the regions where the Group has competitive advantage in the PRC, in particular the south-east coastal area, northern, north-western and south-western regions. The Group will also pay close attention to

certain overseas emerging markets, such as Southeast Asian countries. The Group will capture opportunities in the environmental protection industry and combine its practical experience in the PPP model to acquire suitable projects which are complementary to its existing business in order 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 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 and licensed operation model to provide turnkey solutions of water supply, wastewater treatment and solid waste 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.

The Group will continue to steadily develop its various business segments in the second half of 2016. Due to the support of the relevant favorable policies introduced by governments of the PRC and the Southeast Asian countries and the growing market demands, in addition to consolidating and expanding the achievements gained in the existing business segments, the Group will continue its expansion in industrial hazardous wastes, medical hazardous wastes, waste power generation and other areas of solid waste treatment, striving to maintain its leading position in a highly competitive market environment.

## **BUSINESS REVIEW**

The Group is one of the leading integrated service providers in the wastewater treatment and water supply industries in the PRC. The Group’s principal businesses include investing and operating urban wastewater treatment, water supply, solid waste treatment facilities, and construction and sales of equipment. The Group mainly adopts the BOT, BOO, TOO, TOT, BT, EPC and O&M project models to provide customized and integrated turnkey solutions for water supply and wastewater treatment as well as system integration services of core technologies to customers, mainly municipal, district or county level governments of the PRC or their designated institutions.

As at 30 June 2016, the Group’s relevant water projects had the total daily treatment capacity of 2,311,000 tonnes, representing an increase of 22.0% as compared to the total daily treatment capacity of 1,895,000 tonnes as at 31 December 2015. As at 30

June 2016, the Group's relevant solid waste treatment projects had the total annual solid waste treatment capacity of 952,000 tonnes, representing an increase of 35.4% as compared to the total annual capacity of 703,000 tonnes as at 31 December 2015.

### **Wastewater Treatment Projects**

As at 30 June 2016, the Group had a total of 60 wastewater treatment concession projects under construction and in operation, including 5 BOO projects, 42 BOT projects, 2 TOO projects and 11 TOT projects, with the total daily wastewater treatment capacity of 1,234,000 tonnes, representing an addition of 4 BOT projects and 4 TOT projects and an increase in the total daily wastewater treatment capacity of 210,000 tonnes or approximately 20.5% as compared with 31 December 2015.

As at 30 June 2016, wastewater treatment concession projects which commenced commercial operation had the total daily wastewater treatment capacity of 899,000 tonnes, representing an addition of 2 BOT projects, 3 TOT projects and 1 BOO project and an increase in the total daily wastewater treatment capacity of 130,000 tonnes as compared with 31 December 2015. As at 30 June 2016, the Group's effective wastewater treatment utilization rate was approximately 65.4%, and the average unit charge of wastewater treatment was approximately RMB1.18 per tonne.

As at 30 June 2016, 10 wastewater treatment concession projects which had not commenced commercial operation had the total daily wastewater treatment capacity of 335,000 tonnes, representing an addition of 2 BOT projects, and 1 TOT project with an increase in the total daily wastewater treatment capacity of 80,000 tonnes as compared with 31 December 2015.

With an outstanding track record for project operation and management, the Group has established a leading position as a professional service provider in the water supply and wastewater treatment industries. This will enable the Group to secure future projects arising from active market development and existing customers and further enhance its market position.

### **Water Supply Projects**

As at 30 June 2016, the Group had 28 water supply concession projects with the total daily capacity of 806,000 tonnes, representing an addition of 1 BOT project and 4 TOT projects and an increase in the total daily capacity of 160,000 tonnes as compared with 31 December 2015.

As at 30 June 2016, water supply concession projects which commenced commercial operation had a total daily capacity of 505,000 tonnes, representing an addition of 4 TOT projects and an increase in the total daily capacity of 140,000 tonnes as compared with 31 December 2015. As at 30 June 2016, the Group's effective water supply utilization rate was approximately 62.3%, and the average unit charge of water supply was approximately RMB2.03 per tonne.

As at 30 June 2016, there were 11 concession projects pending for operation with a total daily capacity of 301,000 tonnes, representing an addition of 1 BOT project pending for operation, and an increase in the total daily capacity of 20,000 tonnes as compared with 31 December 2015.

### **Solid Waste Treatment Projects**

As at 30 June 2016, the Group had 5 solid waste treatment projects with an annual treatment capacity of 587,000 tonnes, of which 4 of them with an annual treatment capacity of 331,000 tonnes which commenced commercial operation and 1 of them with an annual treatment capacity of 256,000 tonnes pending for operation. As compared to 31 December 2015, 1 additional solid waste treatment project commenced operation and the total annual treatment capacity increased by 30,000 tonnes. As at 30 June 2016, the Group's effective solid waste treatment utilization rate was approximately 71.8%.

### **Construction and Equipment Sales**

The Group's construction and equipment sales segment comprises BT projects, EPC projects and equipment sales. As at 30 June 2016, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which income of 8 BT projects were recognised during the Reporting Period, representing an addition of 2 BT projects under construction as compared with 31 December 2015.

As at 30 June 2016, the Group had a total of 6 EPC projects, representing an addition of 1 EPC project as compared with 31 December 2015.

The Group engages in the production, sales and installation of equipment necessary for wastewater treatment, water supply and solid waste treatment facilities. The major water equipment produced by the Group is membrane products. All of the membrane products are produced by the production plant owned by the Group.

### **Others**

During the Reporting Period, the Group also undertook O&M projects through the utilisation of wastewater treatment, water supply and solid waste treatment facilities

owned by third parties, whereby the provision of technical and consultancy services in relation to environmental protection is currently underway. As at 30 June 2016, the Group had 29 O&M projects, including 2 solid waste treatment projects with annual treatment capacity of approximately 365,000 tonnes, 1 water project with the daily capacity of approximately 5,000 tonnes and 26 wastewater treatment projects with the daily wastewater treatment capacity of approximately 266,000 tonnes, representing an addition of 2 wastewater treatment projects, 1 solid waste treatment O&M project and an increase in the total daily treatment capacity of approximately 46,000 tonnes as compared with 31 December 2015.

## **FINANCIAL REVIEW**

### **Results of Operation**

During the Reporting Period, the Group recorded a revenue of RMB867,692,000, representing an increase of 82.7% as compared with the six months ended 30 June 2015. During the Reporting Period, the Group realized a net profit of approximately RMB89,294,000, representing an increase of 64.3% as compared with the six months ended 30 June 2015. Profit attributable to the owners of the Company was RMB80,201,000, representing a year-on-year increase of 70.4% as compared with the six months ended 30 June 2015.

### **Revenue**

The Group recorded a revenue of RMB867,692,000 during the Reporting Period, representing an increase of RMB392,777,000 or 82.7% as compared with RMB474,915,000 for the six months ended 30 June 2015.

In respect of the business segments of the Group, revenue from the water supply segment amounted to RMB309,291,000 for the Reporting Period, representing a year-on-year increase of RMB192,309,000 as compared with RMB116,982,000 for the six months ended 30 June 2015. Revenue from the wastewater treatment segment for the Reporting Period amounted to RMB252,242,000, representing a year-on-year increase of RMB89,288,000 as compared with RMB162,954,000 for the six months ended 30 June 2015. Revenue from the solid waste treatment segment for the Reporting Period amounted to RMB108,510,000 as compared with nil for the six months ended 30 June 2015. Revenue from the construction and sales of equipment segment for the Reporting Period amounted to RMB165,983,000, representing a year-on-year increase of RMB4,240,000 as compared with RMB161,743,000 for the six months ended 30 June 2015. Revenue from other businesses for the Reporting Period amounted to RMB31,666,000, representing a year-on-year decrease of RMB1,570,000 as compared with RMB33,236,000 for the six months ended 30 June 2015.

The increase in revenue from the water supply segment was mainly due to (i) the BOT projects acquired in the first half of 2016 which realized a revenue during the Reporting Period; and (ii) the increase in construction revenue generated by certain water supply projects previously under construction.

The increase in revenue from wastewater treatment segment was mainly due to (i) the increase in wastewater treatment capacity and the unit price of wastewater treatment charged by certain wastewater treatment plants; (ii) the wastewater treatment projects acquired in 2015 and the first half of 2016 which realized a revenue during the Reporting Period, and concession projects which were previously under construction in 2015 having commenced commercial operation in Reporting Period; and (iii) the increase in construction revenue and financial revenue generated by certain wastewater treatment projects previously under construction.

The build-up of revenue from the solid waste treatment segment was mainly attributable to the active market development and the Group's acquisition of solid waste treatment business during the Reporting Period. Certain solid waste treatment projects acquired in 2015 and the first half of 2016 realised revenue during the Reporting Period.

The increase in revenue from the construction and equipment sales segment was mainly attributable to certain ongoing projects in EPC and equipment sales business.

### **Other Income**

The Group's other income for the Reporting Period amounted to RMB44,485,000, representing an increase of RMB29,042,000 or 188.1% as compared with RMB15,443,000 for the six months ended 30 June 2015. The increase in other income during the Reporting Period was mainly attribute to the refund of value-added tax ("VAT"). Pursuant to the preferential VAT policies issued by the PRC State Administration of Taxation, the wastewater and solid waste treatment businesses of the Group were eligible for full exemption of VAT prior to 1 July 2015. However, effective from 1 July 2015, the VAT policies were changed and the full exemption of VAT had been superseded by 70% refund of the net VAT paid.

### **Selling Expenses**

For the Reporting Period, selling expenses of the Group amounted to RMB13,212,000, representing a year-on-year increase of RMB5,349,000 or 68.0% as compared with RMB7,863,000 for the six months ended 30 June 2015. The increase was due to expansion of the Group's business since the second half of 2015.

## **Administrative Expenses**

Administrative expenses of the Group for the Reporting Period amounted to RMB142,286,000, representing a year-on-year increase of RMB59,972,000 or 72.9% as compared with RMB82,314,000 for the six months ended 30 June 2015.

The increase in administrative expenses was primarily due to (i) the increase in employee benefit expenses, office expenses and rental expenses, which was mainly due to the expansion of the Group's operations as a result of the Group's acquisition of a number of wastewater treatment, water supply and solid waste treatment projects and other projects in the first half of 2016; and (ii) the increase in audit fees and advisory fees as a result of the Group's acquisition as mentioned above and debt financing activities.

## **Finance Costs - Net**

Net finance costs for the Reporting Period amounted to RMB63,321,000, representing a year-on-year increase of RMB43,404,000 or 217.9% as compared with RMB19,917,000 for the six months ended 30 June 2015. The increase in net finance costs was mainly due to the increased scale of debt financing.

The Group's borrowings as at 30 June 2016 carried weighted average interest rate of 4.79% per annum (31 December 2015: 5.21% per annum).

## **Income Tax Expenses**

Income tax expenses for the Reporting Period amounted to RMB17,349,000, representing a year-on-year increase of RMB8,188,000 or 89.4% as compared with RMB9,161,000 for the six months ended 30 June 2015. Increase in income tax expenses was primarily due to the increase in revenue.

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

Profit for the Reporting Period amounted to RMB89,294,000, representing a year-on-year increase of RMB34,946,000 or 64.3% as compared with RMB54,348,000 for the six months ended 30 June 2015. Net profit margin for the Reporting Period was 10.3%, which decreased slightly from 11.4% for the six months ended 30 June 2015, primarily because of the increase in finance costs due to the increased scale of debt financing.

## **Receivables under Service Concession Arrangements**

The Group's receivables under service concession arrangements as at 30 June 2016 amounted to RMB2,428,417,000, representing an increase of RMB475,138,000 or 24.3% as compared with RMB1,953,279,000 as at 31 December 2015. Such increase was primarily due to the additional investment in BOT/TOT projects by the Group which led to an increase in the outstanding receivables under the service concession arrangements.

## **Cash and Cash Equivalents**

The Group's total cash and cash equivalents as at 30 June 2016 amounted to RMB2,090,364,000, representing an increase of RMB418,243,000 or 25.0% as compared with RMB1,672,121,000 as at 31 December 2015. Such increase was primarily due to the increase in the scale of debt financing.

## **Borrowings**

As at 30 June 2016, the Group had borrowings of RMB5,519,195,000 (31 December 2015: RMB3,064,315,000), out of which RMB3,844,282,000 (31 December 2015: RMB2,076,272,000) was at fixed interest rates and RMB1,674,913,000 (31 December 2015: RMB988,043,000) was at floating interest rates.

As at 30 June 2016, the Group had unsecured borrowings of RMB4,606,892,000 (31 December 2015: RMB2,250,955,000) and secured borrowings of RMB912,303,000 (31 December 2015: RMB813,360,000).

## **Current Liabilities**

The Group is in a capital intensive industry and primarily finances its operations by long-term borrowings or capital contribution from equity owners when most of its construction projects are in the early stage of their business cycles. As at 30 June 2016, the current liabilities of the Group amounted to RMB5,408,484,000, representing an increase of RMB3,218,062,000 or 146.9% as compared with RMB2,190,422,000 as at 31 December 2015, and the Group recorded net current liabilities of RMB798,982,000. The increase in current liabilities was primarily due to the Group has utilised certain short-term borrowings to tentatively finance its acquisitions and construction projects.

The Group is in the progress of obtaining different types of long-term debts, out of which 1) the private placement notes of RMB1,000,000,000 have been issued; 2) the agreement for a three-year syndicated loan of US\$130,000,000 has been signed; and 3) the applications for issuance of several long-term debt

instructments have been submitted to stock exchanges and respective government departments for review and approval. The Group is also seeking facility lines from commercial banks as an alternative source to refinance the short-term borrowings. With the realisation of the Group's refinancing plan, the Group is expected to return to net current assets position at the end of 2016.

### **Pledge of Assets**

As at 30 June 2016, the Group had borrowings of RMB138,480,000 which were secured by land use rights and properties of the Group, non-controlling interests and external parties (31 December 2015: RMB153,860,000). As at 30 June 2016, the Group had borrowings of RMB773,823,000 (31 December 2015: RMB659,500,000) which were secured by right of charges from water supply and wastewater treatment concession projects.

### **Capital Commitments**

The Group's capital commitments as at 30 June 2016 amounted to RMB2,425,291,000, representing an increase of RMB614,518,000 or 33.9% as compared with RMB1,810,773,000 as at 31 December 2015, primarily due to the Company's increased investments in properties, plants, equipment, land use right, BT and concession projects and equity interests as a result of its expansion.

### **Gearing Ratio**

As at 30 June 2016, the Group's gearing ratio (calculated as total borrowings divided by total assets) was 41.3% (31 December 2015: 31.9%). The increase in gearing ratio was mainly due to increase in borrowings to finance the acquisitions.

### **The Initial Public Offering**

The H Shares of the Company were listed on the Stock Exchange on 27 May 2015, and 287,521,000 H Shares with a 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 HK\$1,667,621,800. On 10 June 2015, the over-allotment option was fully exercised and 43,128,000 H Shares with a 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 HK\$250,142,400. After completion of the initial public offering of the Company's H Shares through the Stock Exchange in May 2015 (the "IPO"), 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).

Net proceeds from the IPO was HK\$1,738,613,976, the utilization of which was in line with the information as disclosed in the prospectus of the Company dated 13 May 2015. As at 30 June 2016, the Group had utilized proceeds of HK\$1,547,312,778 and unutilized proceeds of HK\$191,301,198.

### **Employees and Remuneration Policy**

As at 30 June 2016, the Group had 3,031 employees (31 December 2015: 2,005). For the six months ended 30 June 2016, staff cost was RMB103,664,000 (six months ended 30 June 2015: RMB66,900,000). 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 included basic and floating salaries, discretionary bonus and staff benefits. The Group also provides external and internal training programs for its employees.

The Group did not experience any significant labour disputes causing any material impact on its normal business operations.

### **Foreign Exchange Risk**

The majority of the Group's operations are in the PRC and most of the transactions conducted by the group companies in the PRC are settled in RMB, which is their functional currency. The Group also conducts businesses in Thailand and Hong Kong where the functional currencies of these group companies are Thailand Baht (“**THB**”) and Hong Kong dollars, respectively. The Group's reported results in RMB are exposed to exchange gains or losses on the group companies' foreign currency earnings, and the foreign currency monetary assets and liabilities of the Group includes mainly cash and cash equivalents and borrowings of the PRC group companies denominated in Hong Kong dollar and US dollar. The Group's net investments in Thailand and Hong Kong are also subject to foreign currency translation risk. 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. Currently, the Group does not have any derivative financial instrument to hedge its foreign currency risk. However, the Group is discussing measures for foreign exchange risk control with relevant financial institutions and may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies to limit the potential foreign currency exposure.

## INTERIM DIVIDEND

The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities or guarantees (as at 31 December 2015: Nil).

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

- The Group acquired 65% of the share capital of Future International Group Co., Ltd. (“**Future International**”) from an external third party at a consideration of RMB292,500,000. Future International holds water supply projects in Qingzhou, Shandong Province. The acquisition was completed on 8 January 2016.
- On 11 January 2016, the Company entered into the equity transfer agreement with Environmental Experts (China) Development & Investment Company Limited (專業環保(中國)投資開發有限公司) and Hong Kong Rich Investment Limited (香港年峰投資有限公司) to acquire 100% equity interest of Harbin Guo Huan Medical Solid Waste Harmless Centralized Disposal Center Co., Ltd.\* (哈爾濱國環醫療固體廢物無害化集中處置中心有限公司) (“**Guo Huan**”) at a consideration of RMB290,641,420. Guo Huan’s principal activities include hazardous waste disposal and road transportation of hazardous wastes. Please refer to the Company’s announcement dated 11 January 2016. The acquisition was completed on 2 June 2016.
- On 21 April 2016, the Company entered into the equity transfer agreement with Heilongjiang Chenery Investment Group Company Limited\* (黑龍江辰能投資集團有限責任公司) and Heilongjiang Chenery Hit High-Tech Venture Capital Co., Ltd\* (黑龍江辰能哈工大高科技風險投資有限公司) to acquire 75.51% equity interest of Harbin Yun Shui Gong DA Environmental Technology Co., Ltd.\* (哈爾濱雲水工大環保科技股份有限公司) (formerly known as Harbin Chenery & Hit Environmental Technology Co., Ltd.\* (哈爾濱辰能工大環保科技股份有限公司) and its subsidiaries (“**Harbin Yun Shui Group**”) at a consideration of RMB158,000,000. Harbin Yun Shui Group is principally engaged in solid waste treatment.

## Subsequent Events

- On 28 July 2016, Yunnan Water (Hong Kong) Company Limited, the Company's wholly-owned subsidiary, entered into a sale and purchase agreement with Mitsui & Co., Ltd\* (三井物産株式會社) to acquire the 50% interests in Galaxy NewSpring Pte. Ltd. at a consideration of US\$100,000,000. The principal businesses of Galaxy NewSpring Pte. Ltd. include carrying out the origination, investment, development, construction, operation and maintenance of water supply, wastewater treatment and reclaimed water plants. For details, please refer to the Company's announcement dated 28 July 2016.
- On 21 April 2016, the Company has entered into the equity transfer agreement with the Heilongjiang Chenery Investment Group Company Limited\* (黑龍江辰能投資集團有限責任公司) and Heilongjiang Chenery Hit High-Tech Venture Capital Co., Ltd\* (黑龍江辰能哈工大高科技風險投資有限公司) to acquire 75.51% equity interest of Harbin Yun Shui Group at a cash consideration of RMB158,000,000. Harbin Yun Shui Group is principally engaged in solid waste treatment business in Harbin, Heilongjiang Province. The acquisition was completed on 4 August 2016.
- The Company has received a notice of acceptance of registration from the National Association of Financial Market Institutional Investors that the private placement notes in the amount of RMB1,000,000,000 (the "PPNs") have been duly registered. The issuance of the PPNs has been completed on 26 August 2016. China CITIC Bank Corporation Limited and Huatai Securities Company Limited\* (華泰證券股份有限公司) are the lead underwriter and joint lead underwriter of the issuance of the PPNs, respectively. Net proceeds from such issuance will be used for the Group's general working capital and the repayment of bank loans. For details, please refer to the Company's announcement dated 24 August 2016.

## **AUDIT COMMITTEE**

The Audit Committee consists of four independent non-executive Directors, Mr. Kwok For Chi, Mr. Hu Song, Mr. Ma Shihao and Mr. Ren Gangfeng. Mr. Kwok For Chi is the chairman of the committee.

The principal responsibilities of the Audit Committee include reviewing and supervising the financial reporting process, risk management and internal control systems of the Company, including making recommendations on appointing or changing the external auditor and its terms of engagement; reviewing and monitoring external auditor's independence objectively and audit process; monitor the integrity of the Company's financial statements, annual report and accounts and half year report; oversight of the Company's financial reporting system, risk management and internal control system; other matters that the Board has authorized it to deal with. Terms of reference of the Audit Committee has been published on the website of the Company.

During the Reporting Period, the Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial information for the Reporting 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.

## **NOMINATION COMMITTEE**

The Nomination Committee consists of one non-executive Director, Mr. Xu Lei, and two independent non-executive Directors, Mr. Hu Song and Mr. Ren Gangfeng. Mr. Xu Lei is the chairman of the committee.

The principal responsibilities of the Nomination Committee include reviewing and monitoring the structure, size, composition and diversity of the Board in light of the Company's strategy; identifying suitably qualified individuals and making recommendations to the Board to be new Board members; reviewing and making recommendations to the Board on individuals nominated to be Directors by Shareholders to ensure that all nominations are fair and transparent; assessing the independence of independent non-executive Directors; reviewing and monitoring the implementation of the Board diversity policy of the Company. Terms of reference of the Nomination Committee has been published on the website of the Company.

## **REMUNERATION COMMITTEE**

The Remuneration Committee consists of one executive Director, Mr. Yu Long, and two independent non-executive Directors, Mr. Hu Song and Mr. Ren Gangfeng. Mr. Hu Song is the chairman of the committee.

The principal responsibilities of the Remuneration Committee are, among others, to make recommendations to the Board on the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals; to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and to advise Shareholders with respect to any service contracts of Directors that require Shareholders' approval under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Terms of reference of the Remuneration Committee has been published on the website of the Company.

## **COMPLIANCE COMMITTEE**

The Compliance Committee consists of one executive Director, Mr. Yu Long, three independent non-executive Directors, Mr. Kwok For Chi, Mr. Hu Song and Mr. Ren Gangfeng and one Supervisor, Ms. Yang Chuanyun. Mr. Yu Long is the chairman of the committee.

The principal responsibilities of the Compliance Committee are to conduct independent investigation and make decisions on compliance matters with respect to our business operations by authorization from the Board. The Company has established the Compliance Committee to ensure the operation of any projects acquired and operated by us are in compliance with our internal control standards and the relevant PRC laws and regulations. Terms of reference of the Compliance Committee has been published on the website of the Company.

## **DIRECTORS' PARTICULARS**

Change in Directors' particulars which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the annual report of the Company for the year ended 31 December 2015 is set out as follows:

Mr. Wen Jianping resigned as a non-executive Director with effect from 17 March 2016.

Mr. Dai Richeng was appointed as an executive Director with effect from 7 June 2016.

Save as disclosed above, after having made all reasonable enquiries, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report for the year ended 31 December 2015.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of Shareholders and enhancing corporate value. The Board believes that good corporate governance is one of the key factors leading to the success of the Company and balancing the interests of Shareholders, customers and employees.

The Company has complied with all code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) throughout the six months ended 30 June 2016.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors and Supervisors. The Company 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 required standard set out in the Model Code throughout the six months ended 30 June 2016.

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

During the six months ended 30 June 2016, to the best knowledge of the Board, none of the Directors and Supervisors and their respective associates has any business or interest that competes or may compete with the business of the Group or has or may have any conflict of interest with the Group.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

## **PUBLIC FLOAT**

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

## **REVIEW OF THE INTERIM RESULTS**

The Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2016 have been reviewed by the auditor 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. The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2016 has also been reviewed by the Audit Committee of the Company.

## **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 2016 will be dispatched to 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, the PRC  
30 August 2016

*As at the date of this announcement, the executive Directors are Mr. Yu Long, Mr. Dai Richeng, Mr. Liu Xujun and Mr. Huang Yunjian, the non-executive Directors are Mr. Xu Lei (Chairman), Mr. Jiao Jun, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive Directors are Mr. Kwok For Chi, Mr. Hu Song, Mr. Ma Shihao and Mr. Ren Gangfeng.*

*\* For identification purposes only*