Tianjin Capital Environmental Protection Group Company Limited
天津創業環保集團股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2011

§ 1 IMPORTANT

1.1 The board of directors (the "**Board**") and supervisory committee (the "**Supervisory Committee**") of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") and its directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management confirm that the information in this 2011 interim report (the "**Interim Report**") does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this report.

1.2 The interim financial statements of the Company for the six months ended 30 June 2011 are unaudited.

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

No.

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

No.

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

§ 2 COMPANY PROFILE

2.1 Basic Information of the Company

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

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

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

2.2.1 Major accounting data and financial indicators

Unit: '000 Currency: RMB

	As at the end of the current reporting period	As at the end of last year	Increase/Decrease as at the end of the current reporting period as compared to the end of last year (%)
Total assets	8,516,210	8,425,563	1.08
Equity interest attributable to the owners of the Company (or shareholders' equity)	3,431,252	3,450,573	-0.56
Net assets per share (RMB/share) attributable to the shareholders of the Company	2.40	2.42	-0.83
	Reporting period (January – June)	**Same period of last year**	**Increase/Decrease for the current reporting period as compared to the same period last year (%)**
Operating profit	194,800	188,528	3.33
Total profit	185,698	177,434	4.66
Net profit attributable to the shareholders of the Company	137,674	129,701	6.15
Net profit after deduction of extraordinary items attributable to the shareholders of the Company	144,500	138,021	4.69
Basic earnings per share (RMB)	0.10	0.09	11.11
Basic earnings per share after deduction of extraordinary items (RMB)	0.10	0.10	—
Diluted earnings per share (RMB)	0.10	0.09	11.11
Return on net assets ratio (%)	4.00	4.00	—
Net cash flow from operating activities	355,697	56,723	527.08
Net cash flow per share from operating activities (RMB)	0.25	0.04	525

2.2.2 Extraordinary profit and loss items

√ Applicable ☐ Not Applicable

Unit: '000 Currency: RMB

Extraordinary items	**Amount**
Profit/loss from disposal of non-current assets	-13,468
Other non-operating income and expenses except for the above items	4,366
Income tax effect	2,276
Total	-6,826

2.2.3 Difference in accounting standards between the PRC and overseas

No differences exist in net profit and net assets.

§ 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

□ Applicable √ Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of shareholders as at the end of the reporting period:	98,773 shareholders, including 108 shareholders holding H shares				
Shareholdings of the top ten shareholders					
Shareholders	**Nature of shareholders**	**Percentage of shareholding (%)**	**Total number of shares held (shares)**	**Number of restricted circulating shares held (shares)**	**Number of shares pledged or frozen (shares)**
Tianjin Municipal Investment Company Limited ("**TMICL**")	State-owned	51.83	739,781,100	0	Pledged 251,940,000
HKSCC Nominees Limited	Others	23.36	333,406,900	0	Unknown
Zhou Jun	Others	0.42	5,975,000	0	Unknown
Shenyang Railway Coal Dealing Co., Ltd.	Others	0.21	3,000,000	0	Unknown
Agricultural Bank of China - Soochow CSI Emerging Industry Index Fund (中國農業銀行股份有限公司 － 東吳中證新興產業指數證券投資基金)	Others	0.16	2,318,354	0	Unknown
China Resources SZITIC Trust Company Limited - 3rd Round Sanyany Securities Investment Collective Fund Trust Scheme (華潤深國投信託有限公司 —三羊卓越3期證券投資集合資金信託計劃)	Others	0.16	2,308,550	0	Unknown
HO MAN PING	Others	0.14	2,014,000	0	Unknown
Wang Gen Yi	Others	0.11	1,536,147	0	Unknown
FUNG CHUN KIT	Others	0.08	1,130,000	0	Unknown
Chen Ceng	Others	0.07	1,005,000	0	Unknown

Shareholdings of the top ten non-restricted circulating shares shareholders		
Shareholders	**Number of non-restricted circulating shares held** *(Shares)*	**Type of shares**
TMICL	739,781,100	RMB Ordinary Shares
HKSCC Nominees Limited	333,406,900	H Shares
Zhou Jun	5,975,000	RMB Ordinary Shares
Shenyang Railway Coal Dealing Co., Ltd.	3,000,000	RMB Ordinary Shares
Agricultural Bank of China - Soochow CSI Emerging Industry Index Fund (中國農業銀行股份有限公司－東吳中證新興產業指數證券投資基金)	2,318,354	RMB Ordinary Shares
China Resources SZITIC Trust Company Limited - 3rd Round Sanyany Securities Investment Collective Fund Trust Scheme (華潤深國投信託有限公司—三羊卓越3期證券投資集合資金信託計劃)	2,308,550	RMB Ordinary Shares
HO MAN PING	2,014,000	H Shares
Wang Gen Yi	1,536,147	RMB Ordinary Shares
FUNG CHUN KIT	1,130,000	H Shares
Chen Ceng	1,005,000	RMB Ordinary Shares
Notes on the connected relationship or parties acting in concert among the above shareholders	It is not certain whether there is any connected relationship among the top ten shareholders. It is not certain whether there is any connected relationship between the top ten non-restricted circulating shares shareholders and the top ten shareholders.	

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

□ Applicable √ Not Applicable

§ 4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

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

□ Applicable √ Not Applicable

§ 5 REPORT OF THE BOARD

(I) Discussion and analysis of the overall operations during the reporting period

The year 2011 is the commencement year of the Twelfth Five-year Plan for the Company and its subsidiaries ("**the Group**"). Facing development opportunities and challenges of the industry and under the economic background of inflation and macro-economic controls during the first half of 2011, the Group under the leadership of the Board had strengthened internal control management and increased technology research and development in accordance with the operation strategies and operational plans for 2011, to further enhance the competitive advantages and market position of the Group in the sewage water treatment area, and further drive the extension of the industrial chain in the Group's construction business, energy business as well as the business of research and development, export and conversion of technologies. In the first half of 2011, the overall operations of the Group were as follows:

As at the end of the reporting period, the Group had total assets in the amount of RMB8.52 billion and net assets in the amount of RMB3.43 billion. During the reporting period, the operating income of the Group was RMB750.479 million, increased by 11% as compared to the same period last year. The operating profit was RMB194.80 million, increased by 3.3% as compared to the same period last year. The net profit was RMB137.674 million (excluding profit and loss attributable to minority shareholders), increased by 6.1% as compared to the same period last year. These were mainly attributable to the availability of business tax preferential policy on sewage water treatment for the Company in the current period and the increased profitability of some subsidiaries during the current period.

(II) Principal business of the Group and its operations

As at the end of the reporting period, the capacity of the sewage water treatment business of the Group was 3.145 million cubic metres per day (excluding entrusted operation projects), increased by 35,000 cubic metres per day as compared to the same period last year. During the reporting period, the Group had a total sewage water treatment volume of 406.786 million cubic metres, increased by 5.2% as compared to the same period last year. These were mainly attributable to an increase in the incoming volume of sewage water at the four sewage water treatment plants of the Company, namely in Jizhuangzi and the sewage water treatment plants of three subsidiaries in Qujing, Fuyang and Baoying. Income from sewage water treatment services during the reporting period was RMB552.514 million, increased by 6% as compared to the same period last year. The profit margin of the business had declined as costs increased by 14%.

During the reporting period, the Group continued to apply great efforts to boost the sewage water treatment plant operation services and technical services, and generated a revenue of RMB17.09 million, representing an increase of 11.92% as compared to the same period last year.

As at the end of the reporting period, the production capacity of recycled water business of the Group was 190,000 cubic metres per day, in line with the capacity for the same period last year. During the reporting period, the sales volume of recycled water of the Group was 5.955 million cubic metres, increased by 10.8% as compared to the same period last year. The increase in the sales volume was mainly attributable to the entry of the mature water usage period by the users of the Dongjiao recycled water plant with an increasing trend of water usage volume. Revenue from the recycled water pipeline connection business was RMB23.33 million, representing an increase of 112.99% as compared to the same period last year, which was mainly attributable to an increase in the volume of such business during the reporting period.

As at the end of the reporting period, the production capacity of tap water of the Group was 240,000 cubic metres per day, at the same level as the same period last year. During the reporting period, the sales volume of tap water business of the Group was 19.715 million cubic metres, increased by 10.6% as compared to the same period last year. This was mainly attributable to a significant increase in the water sales volume by the subsidiary in Anguo as compared to the same period last year. The tap water business generated a sales revenue of RMB19.836 million, representing an increase of 13% as compared to the same period last year. With further enhancement in operational management and more efforts to reduce operational costs, the operational costs only increased by approximately 2% as compared to last year, with an increase in operating profit margin as compared to the same period last year.

During the reporting period, the toll collection business of the Group realized RMB33.51 million in revenue, which was similar to the level recorded during the same period last year. According to the relevant national requirements, the collection of toll for Tianjin City Indebted Road ceased on 1 January 2010, and the toll collection from 6 toll stations in which the Company owned the rights of toll collection also ceased. According to the spirit of the Jin Zheng Ban (2010) No.51 Document "Opinions on the Implementation of Oil Prices and Tax Expenses Reforms and the Cancellation of Toll Collection on Government Indebted Tier 2 Roads" dated 19 May 2010, the Company was still able to recognize income from the road toll business based on the amount stated in the "Subcontracting Toll Collection Agreement" during the reporting period.

(III) New business of the Group

During the reporting period, in order to enhance the comprehensive competitiveness of the Group and create new spots for profit growth, the Company established Tianjin Jiayuanxing Innovative Energy Technology Company Limited（天津佳源興創新能源科技有限公司）in February 2011 out of its own funds, with a registered capital of RMB10 million, and the capital contribution ratio was 100%. This company has undertaken the construction work and operational management of the Tianjin Cultural Centre centralized energy station project. The Tianjin Cultural Centre centralized energy station project is the first non-water project operated by way of licensed operation by the Group, implying the successful expansion of the Group into new business areas.

During the reporting period, the Company had changed the name of Tianjin Kaiying Environmental Engineering Technology Consulting Limited to Tianjin Kaiying Technology Development Company Limited（天津凱英科技發展有限公司）. After the capital injection of RMB3 million by the Company, the business scope of this company was changed, which mainly comprises the development of environmental protection technologies and products, mechanical equipment, and the development, consultancy services and transfer of computer software, etc.

(IV) Risk factors analysis

In July 2005, the Tianjin Municipal Government issued the "Administrative Measures on Licensed Operations of Public Utilities of Tianjin Municipality" ("**Administrative Measures**"). Under Rule 22, license rights for operating existing municipal public utility projects within the scope of regulation may be granted directly to the original operator after being reviewed by the municipal construction and administration authority and approved by the Municipal People's Government, and a licensed operation agreement will be signed between the municipal construction and administration authority and the operator. The Group had submitted applications for the licensed operation of four sewage water treatment plants located at the Tianjin city central area to the Tianjin construction and administration authority after the implementation of the Administrative Measures (in November 2005).

The major provisions of the Administrative Measures in respect of licensed operation are as follows:

a. Licensed operators of new projects shall be ascertained by public tenders;

b. The municipal construction and administration authority shall be authorized to take charge of organizing and implementing licensed operations of municipal public utilities;

c. The licensed operators shall implement the municipal public utility product prices and service charge standards set by the State and the city;

d. The maximum term of licensed operation shall not exceed 30 years;

e. License rights for operating existing municipal public utility projects may be granted directly to the original operator after being reviewed by the municipal construction and administration authority and approved by the Municipal People's Government, and a licensed operation agreement will be signed between the municipal construction and administration authority and the operator.

Currently, the Group is in the negotiation process with the relevant authority of Tianjin on the license rights.

5.1 Principal business by industry

Unit: '000 Currency: RMB

By industry	Operating revenue	Operating cost	Operating profit margin (%)	Increase /decrease in operating revenue as compared to the same period last year (%)	Increase /decrease in operating cost as compared to the same period last year (%)	Increase /decrease in operating profit margin as compared to the same period last year (%)
Sewage water treatment and sewage water treatment plant construction business	635,163	369,558	41.82	8.5	16.81	-4.14
Toll collection business	33,518	3,560	89.38	0.02	0	0
Tap water supply business	19,836	13,056	34.18	13.05	1.91	7.19
Recycled water pipeline connection and water supply business (Note (1))	33,856	24,905	26.44	57.14	43.68	6.89
Other business (Note(2))	2,862	2,097	26.75	—	—	—

Notes:

(1) There was a new additional project of pipeline connection business of Tianjin Water Recycling Company Limited, hence both revenue and costs increased year-on-year;

(2) This includes the revenue of ancillary engineering projects of Tianjin Kaiying Technology Development Company Limited and the revenue from integrated system and software technology services of Environmental Data Management System (Hong Kong) Company Limited (環境數據管理系統(香港)有限公司) newly acquired by Tianjin Capital Environmental Protection (Hong Kong) Group Limited in 2010.

5.2 Principal business by geographical locations

Unit: ’000 Currency: RMB

Region	Operating revenue	Increase / Decrease in operating revenue as compared to the same period last year (%)
Tianjin	515,577	10.08
Qujing	37,757	69.29(Note)
Guizhou	12,118	-1.58
Fuyang	17,034	-1.07
Baoying	6,082	20
Hangzhou	68,235	3.08
Hong Kong	385	-
Wendeng	11,446	-0.48
Xi’an	37,171	1.06
Anguo	6,244	2.18
Wuhan	13,186	8.2
Total	725,235	10.21

Note: Revenue from principal operations of Qujing Capital Water Company Limited increased by a larger extent as compared to the same period last year, which was mainly attributable to the water price adjustments for the sewage water business and the receipt of compensation for price differences, and revenue for the current period was also recognized according to the post-adjustment water price.

5.3 Reasons for the material changes in the principal operation and its structure

☐ Applicable √ Not Applicable

5.4 Reasons for the material changes in the profitability (gross profit margin) of the principal business as compared to last year

☐ Applicable √ Not Applicable

5.5 Analysis of the reasons for the material changes in the contribution to profit as compared to last year

☐ Applicable √ Not Applicable

5.6 Use of proceeds from fund-raising

5.6.1 Use of proceeds from fund-raising

☐ Applicable √ Not Applicable

5.6.2 Changes in projects

☐ Applicable √ Not Applicable

5.7 Projects funded by proceeds other than from fund-raising

(1) The upgrading and renovation projects of four sewage water treatment plants in Tianjin, namely, Xianyanglu, Beicang, Jizhuangzi and Dongjiao: The investor was the Company and the estimated total investment amount was approximately RMB1.178 billion. During the reporting period, an investment of RMB85 million in these projects was completed, and the cumulative completed investment amount was RMB716 million. During the reporting period, the projects had completed test run and achieved target performance. Currently, the projects are in the stage of project finishing and settlement of project accounts.

(2) Jizhuangzi recycled water plant reconstruction and expansion project: The investor was the Group's subsidiary, Tianjin Water Recycling Company Limited, and the estimated total investment amount of the project was RMB87.57 million. During the reporting period, an investment of RMB2.04 million in this project was completed, and the cumulative completed investment amount was RMB74.14 million. The project has been basically completed and is in the stage of joint testing and trial operation. Currently, the project is in the stage of project finishing and settlement of project accounts.

(3) Tianjin Cultural Centre centralized energy station project: The investor was the Group's subsidiary, Tianjin Jiayuanxing Innovative Energy Technology Company Limited (天津佳源興創新能源科技有限公司), and the estimated total investment amount of the project was approximately RMB433 million. During the reporting period, an investment of RMB30 million was completed and the cumulative completed investment amount was RMB30 million.

(4) The Yongan sewage water system project under the Xianning City River Gan sewage water integrated treatment engineering project: The investor was the Group's subsidiary, Wuhan Tianchuang Environmental Protection Company Limited, and the estimated total investment amount of the project was approximately RMB198 million. During the reporting period, an investment of RMB2.67 million was completed, and the cumulative completed investment amount was RMB85 million. The project has been basically completed and is currently in the stage of project finishing and settlement of project accounts.

(5) Wendeng City Gejia Town sewage water treatment plant project: The investor was the Group's subsidiary, Wendeng Capital Water Company Limited, and the estimated total investment amount of the project was RMB18.10 million. During the reporting period, an investment of RMB4.70 million was completed, and the cumulative completed investment amount was RMB12.55 million. The project has been basically completed, and is currently in the test run and trial operation stage.

(6) Purchase and installation of equipment with capacity of 50,000 tonnes per day for Phase 1 of the Qige sewage water treatment plant project: The investor was the Group's subsidiary, Hangzhou Tianchuang Water Company Limited, and the estimated total investment amount of the project was RMB22.99 million. During the reporting period, an investment of RMB10.34 million was completed and the cumulative completed investment amount was RMB11.69 million. It is currently in the testing stage for water connection and trial operation.

(7) Phase 2 of the Baoying Xianhe sewage water treatment plant project: The investor was the Group's subsidiary, Baoying Capital Water Company Limited. The estimated total investment amount of the project was RMB44.68 million. During the reporting period, an investment of RMB7.33 million was completed and the cumulative completed investment amount was RMB7.33 million.

(8) Ninghe Modern Industrial Zone sewage water treatment plant project: The investor was the Group's subsidiary, Jinning Capital Environmental Water Company Limited. The estimated total investment amount of the project was RMB46.61 million. During the reporting period, an investment of RMB650,000 was completed and the cumulative completed investment amount was RMB650,000.

(9) City water supply system of Anguo City reconstruction and expansion project: The investor was the Group's subsidiary, Anguo Capital Water Company Limited. The estimated total investment amount of the project was RMB33.01 million. During the reporting period, an investment of RMB2.19 million was completed and the cumulative completed investment amount was RMB25.59 million. Currently, the project has been fully completed and is in the process of settlement of project accounts.

(10) Tianjin Ziya Circular Economy Industrial Zone sewage water treatment plant (Phase 1) project: The project was a BT project financed and constructed by the Group's subsidiary, Tianjin Zichuang Engineering Investment Company Limited. The project investment (the winning bid price) was approximately RMB76.80 million. During the reporting period, an investment of RMB11.50 million was completed and the cumulative completed investment amount was RMB32.27 million.

(11) During the reporting period, the Group established Tianjin Jiayuanxing Innovative Energy Technology Company Limited（天津佳源興創新能源科技有限公司）out of its own funds, with a registered capital of RMB10 million, and the capital contribution ratio by the Group was 100%. In addition, capital injections were made by the Group to its subsidiaries, Wendeng Capital Water Company Limited, Tianjin Kaiying Technology Development Company Limited and Qujing Capital Water Company Limited according to their project operations. The amounts of capital injections were RMB4 million, RMB3 million and RMB25.2196 million, respectively. Subsequent to the capital injections, the registered capital of the above subsidiaries were RMB52 million, RMB5 million and RMB148 million, respectively. The Group's capital contribution ratio remained unchanged. It is still holding 100% equity interest in Wendeng Capital Water Company Limited, 100% equity interest in Tianjin Kaiying Technology Development Company Limited and 90.07% equity interest in Qujing Capital Water Company Limited.

(12) During the reporting period, the Group completed the acquisition of equity interest in Tianjin Water Recycling Company Limited and Fuyang Capital Water Company Limited by acquiring the 2% equity interest in Tianjin Water Recycling Company Limited held by Tianjin Municipal Highway Assets Management Centre and 1.43% equity interest in Fuyang Capital Water Company Limited held by Guizhou Company. As a result, Tianjin Water Recycling Company Limited and Fuyang Capital Water Company Limited became wholly-owned subsidiaries of the Group.

5.8 Changes in the Board's operation plan for the second half year

☐ Applicable √ Not Applicable

5.9 Prediction of possible loss incurred for the accumulated net profit from the beginning of the year to the end of the next reporting period, and statement of the reason and warning for material changes incurred as compared to the same period last year

☐ Applicable √ Not Applicable

5.10 Statement from the Board of the Company concerning the qualified opinions issued by the auditors during the reporting period

☐ Applicable √ Not Applicable

5.11 Statement from the Board concerning changes and resolution of matters in relation to the qualified opinions issued by the auditors of the Company in the previous year

☐ Applicable √ Not Applicable

§ 6 MAJOR EVENTS

6.1 Acquisition of assets

√Applicable ☐ Not Applicable

On 9 November 2010, the Company and Tianjin Sewage Company ("**TSC**") signed the "Agreement on the Transfer of Assets Generated from Foreign Bank Loans in relation to the Haihe Basin Tianjin Sewage Water Treatment Construction Project and the Beicang Sewage Water Treatment Project" ("**Asset Transfer Agreement**") in Tianjin. The Haihe Basin Tianjin Sewage Water Treatment Construction Project refers to the Group's Tianjin Jizhuangzi Sewage Water Treatment Plant and Xianyanglu Sewage Water Treatment Plant reconstruction and expansion project. Assets generated from foreign bank loans refer to the assets financed by Japan Bank for International Cooperation for the Xianyanglu Sewage Water Treatment Plant and the Jizhuangzi Sewage Water Treatment Plant and the assets financed by Asian Development Bank for the Beicang Sewage Water Treatment Plant.

The consideration of the above transaction was the sum of RMB261,578,056.76 and the total outstanding amount of principal and interests after the Asset Transfer Agreement came into effect under the loan agreement entered into between Japan Bank for International Cooperation and TSC for the asset financing of the Xianyanglu Sewage Water Treatment Plant and the Jizhuangzi Sewage Water Treatment Plant ("**Japan Bank Loan Agreement**") and the loan agreement entered into by Asian Development Bank for the asset financing of the Beicang Sewage Water Treatment Plant ("**Asian Bank Loan Agreement**"). The consideration should be paid in the following ways:

a) RMB261,578,056.76 should be paid in cash within 5 business days after the Asset Transfer Agreement came into effect.

b) The remaining amount should be paid in cash to TSC before the repayment date in accordance with the repayment schedule of the Japan Bank Loan Agreement and the Asian Bank Loan Agreement.

The property rights of such assets were all transferred to the Company at the end of December 2010. During the reporting period, the Company paid the consideration of the transferred assets in accordance with the above payment method (b).

For details about this transaction, please see the Company's announcement dated 9 November 2010.

6.2 **Disposal of assets**

☐ Applicable √ Not Applicable

6.3 **Guarantee**

√ Applicable ☐ Not Applicable

Unit: 0'000 Currency: RMB

External guarantee granted by the Company (excluding guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee granted during the reporting period	0
Total amount of outstanding guarantee as at the end of the reporting period	0
Guarantee provided to the subsidiaries of the Company	
Total amount of guarantee provided to the subsidiaries of the Company during the reporting period	0
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period	76,268
Total amount of guarantee granted by the Company (including guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee	76,268
Percentage of the total amount of guarantee to the net assets of the Company (%)	22.23
Of which:	
Amount of guarantee provided to the shareholders, actual controller and other related parties	0
Amount of guarantee provided directly or indirectly to the borrowers with gearing ratio of over 70%	0
Total amount of guarantee exceeds 50% of net assets	0
Total amount of the above three guarantees	0

6.4 **Non-recurrent connected debts and liabilities**

☐ Applicable √ Not Applicable

6.5 **Significant litigation and arbitration**

☐ Applicable √ Not Applicable

6.6 **Other major issues and analysis on its impacts and solutions**

6.6.1 Securities investments

□ Applicable √ Not Applicable

6.6.2 Holding of equity interest in other listed companies

□ Applicable √ Not Applicable

6.6.3 Holding of equity interest in non-listed financial corporation

□ Applicable √ Not Applicable

§ 7 FINANCIAL REPORTS

7.1 **Audit opinion**

Financial Report √ unaudited □ audited

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

(All amounts in Rmb thousand unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	**2011**	**2010**
Revenue	3(a)	725,235	658,029
Business tax		(3,608)	(20,010)
Cost of sales		(413,176)	(350,079)
Gross profit		308,451	287,940
Other income - net	3(a)	4,237	12,465
Administrative expenses		(50,172)	(59,610)
Operating profit	4	262,516	240,795
Finance costs - net	5	(76,329)	(63,444)
Share of profits /(loss) of an associate		(489)	83
Profit before income tax		185,698	177,434
Income tax expense	6	(45,987)	(47,160)
Profit for the period		139,711	130,274
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		139,711	130,274
Profit /Total comprehensive income attributable to:			
– equity holders of the Company		137,674	129,701
– non-controlling interests		2,037	573
		139,711	130,274
Earnings per share for profit attributable to the equity holders of the Company (in Rmb per share)			
– basic		Rmb0.10	Rmb0.09
– diluted		Rmb0.10	Rmb0.09
Interim dividends	7	—	—

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 30 June 2011 Unaudited	As at 31 December 2010 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		3,222,355	3,230,110
Investment property		117,791	119,628
Intangible assets		2,440,243	2,427,782
Land use rights		457,563	462,868
Investment in an associate		41,094	41,583
Available-for-sale financial assets		4,000	4,000
Trade receivables due after one year	8	68,794	68,794
Long-term receivables		337,371	336,286
Other non-current assets		7,176	7,458
		6,696,387	6,698,509
Current assets			
Inventories		58,686	32,476
Trade receivables	8	1,089,621	996,949
Other receivables		58,368	53,540
Prepayments		102,109	103,759
Cash and cash equivalents		511,039	540,330
		1,819,823	1,727,054
Total assets		8,516,210	8,425,563

	Note	As at 30 June 2011 Unaudited	As at 31 December 2010 Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		685,343	685,343
Retained earnings		1,318,681	1,338,002
– Proposed final dividend		—	156,995
– Undistributed		1,318,681	1,181,007
		3,431,252	3,450,573
Non-controlling interests		127,633	125,596
Total equity		3,558,885	3,576,169
LIABILITIES			
Non-current liabilities			
Borrowings		2,263,778	2,838,538
Deferred revenue		288,169	284,974
Deferred income tax liabilities		42,547	38,427
		2,594,494	3,161,939
Current liabilities			
Trade payables	9	24,685	22,729
Advances from customers		350,719	310,478
Wages payables		5,339	7,374
Income tax payable		11,408	8,757
Other taxes payable		2,801	7,674
Dividend payable		157,982	1,056
Other payables		302,469	274,991
Borrowings		1,507,428	1,054,396
		2,362,831	1,687,455
Total liabilities		4,957,325	4,849,394
Total equity and liabilities		8,516,210	8,425,563
Net current assests/(liabilities)		(543,008)	39,599
Total assets less current liabilities		6,153,379	6,738,108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with HKFRSs.

1.1 Going concern basis

As at 30 June 2011, the Group's current liabilities exceeded its current assets by approximately Rmb 543 million. Despite the forgoing, these interim financial information has been prepared on a going concern basis, because the directors of the Company believe that the undrawn banking facilities are sufficient to enable the Group and the Company to meet their respective liabilities as and when they fall due.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

(a) New and amended standards adopted by the Group.

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group.

HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19 (Amendment)	Extinguishing financial liabilities with equity instruments

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

HKFRS 9	Financial instruments (effective from 1 January 2013)
HKAS 12 (Amendment)	Deferred tax - Recovery of underlying assets (effective from 1 January 2012)
HKFRS 7 (Amendment)	Disclosures - Transfers of financial assets (effective from 1 July 2011)

3. Revenue and segment information

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

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

	Unaudited	
	For the six months ended	
	30 June 2011	**30 June 2010**
Revenue from principal operation (Note 3(b))	725,235	658,029
Other income - net	4,237	12,465
	729,472	670,494

(b) Operating segment analysis

Management has determined the operating segments based on the reports reviewed by the managers operating meeting that are used to make strategic decisions.

The meeting considers the business from both service and geographical perspective. From a service perspective, management assesses the performance of processing of sewage water, recycled water and pipeline connection and tap water operation. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). Tianjin plants represent sewage water processing plants of downtown Tianjin located at Dong Jiao, Ji Zhuang Zi, Xian Yang Lu and Bei Cang respectively. Other services include tolls collection, lease of office building or apartments and other services. These are not included within the reportable operating segments, as they are not individually included in the reports provided to the managers operating meeting. The results of these operations are included in the 'all other segments' column.

The managers operating meeting assesses the performance of the operating segments based on a measure of net profit after tax, which is measured in a manner consistent with that in the financial statements.

(i) For the period ended 30 June 2011

	Sewage water processing services			Recycle water and pipeline connection			
	Tianjin plants	Hangzhou plant	Other plants		Tap water	All other segments	Group
Segment revenue	448,259	68,371	118,533	33,856	19,836	40,617	729,472
Segment expense	(309,440)	(63,759)	(110,728)	(30,396)	(19,281)	(9,681)	(543,285)
Results before share of profits of an associate	138,819	4,612	7,805	3,460	555	30,936	186,187
Share of loss of an associate							(489)
Profit before income tax							185,698
Income tax expense							(45,987)
Profit for the period							139,711
Segment assets	4,660,648	808,660	1,356,119	647,730	334,922	667,037	8,475,116
Investment in an associate	—	—	—	—	—	41,094	41,094
Total assets	4,660,648	808,660	1,356,119	647,730	334,922	708,131	8,516,210
Total liabilities	2,967,130	503,933	531,825	719,332	160,224	74,881	4,957,325
Other information							
– Interest income	2,493	171	738	1,973	37	5,972	11,384
– Interest expenses	(44,670)	(12,727)	(21,454)	(2,928)	(5,436)	—	(87,215)
– Depreciation	(60,060)	—	(1,038)	(7,651)	—	(3,004)	(71,753)
– Amortisation	(5,208)	(18,124)	(28,129)	(57)	(5,515)	(40)	(57,073)
– Capital expenditures	59,291	9,649	20,319	13,773	2,175	35,309	140,516

(ii) For the period ended 30 June 2010

	Sewage water processing services			Recycle water and pipeline connection	Tap water	All other segments	Group
	Tianjin plants	**Hangzhou plant**	**Other plants**				
Segment revenue	349,158	66,197	105,875	21,545	17,546	110,173	670,494
Segment expense	(216,141)	(61,880)	(94,347)	(21,844)	(19,016)	(79,915)	(493,143)
Results before share of profits of an associate	133,017	4,317	11,528	(299)	(1,470)	30,258	177,351
Share of profits of an associate							83
Profit before income tax							177,434
Income tax expense							(47,160)
Profit for the period							130,274
Segment assets	3,786,845	814,686	1,595,378	578,079	299,365	479,413	7, 553,766
Investment in an associate	—	—	—	—	—	40,218	40,218
Total assets	3,786,845	814,686	1,595,378	578,079	299,365	519,631	7,593,984
Total liabilities	2,366,922	520,751	513,020	509,365	197,063	55,256	4,162,377
Other information							
– Interest income	925	164	439	1,374	—	5,696	8,598
– Interest expenses	(31,396)	(12,544)	(20,343)	(3,083)	(4,612)	—	(71,978)
– Depreciation	(47,064)	—	(2,654)	(5,698)	—	(2,384)	(57,800)
– Amortisation	(4,554)	(18,124)	(24,612)	(12)	(4,342)	(40)	(51,684)
– Capital expenditures	198,069	—	73,146	34,596	6,139	958	312,908

4. Operating profit

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

	Unaudited For the six months ended 30 June 2011	 30 June 2010
Crediting:		
Rental	(5,217)	(4,608)
Charging:		
Depreciation and amortisation expenses	128,826	109,484
Staff costs	72,637	56,588
Raw materials and consumables used	19,773	17,041
Repair and maintenance expenses	21,192	19,032
Loss of disposal of property, plant and equipment	13,468	13,117

5. Finance costs-net

	Unaudited For the six months ended 30 June 2011	 30 June 2010
Interest expenses of borrowings	96,528	78,544
Less: Capitalised interest	(9,313)	(6,566)
	87,215	71,978
Less: Interest income	(11,384)	(8,598)
– long-term receivables	(5,717)	(5,633)
– bank deposits	(5,667)	(2,965)
Others	498	64
	76,329	63,444

6. Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2011 (2010: Nil). PRC income tax is calculated at the statutory rate of 25% (2010: 25%).

Tax charge comprises:

	Unaudited	
	For the six months ended	
	30 June 2011	**30 June 2010**
Current income tax	41,867	42,692
Deferred income tax	4,120	4,468
	45,987	47,160

7. Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2011 (2010: Nil).

8. Trade receivables and trade receivables due after one year

Details of the trade receivables are as follows:

	Unaudited 30 June 2011	**Audited 31 December 2010**
Due from TSC for:		
– Water processing services	882,176	691,168
– Construction of plants	68,794	241,792
	950,970	932,960
Toll road fee	62,790	38,200
Due from others - current	144,655	94,583
	1,158,415	1,065,743
Less: Non-current portion	(68,794)	(68,794)
	1,089,621	996,949

(a) Aging of trade receivables prior to the reclassification is as follows:

	Unaudited 30 June 2011	Audited 31 December 2010
Within one year	921,426	785,601
One to two years	168,195	38,350
Over two years	68,794	241,792
	1,158,415	1,065,743

9. Trade payables

As at 30 June 2011, the majority of trade payables are aged within one year. The carrying value of trade payables approximates their fair value due to their short-term maturities.

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

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

§9 CODE ON CORPORATE GOVERNANCE PRACTICES

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

§ 10 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2011.

By order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
24 August 2011

As at the date of this announcement, the Board comprises four executive Directors: Mr. Zhang Wenhui, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Zhong Huifang; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen.