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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

§1 IMPORTANT

1.1 The board of directors (the "**Board**"), supervisory committee (the "**Supervisory Committee**"), directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") confirm that the information in this 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 its contents.

This results announcement is the summary of the 2012 annual report of the Company. For detailed information, please read the 2012 annual report of the Company carefully.

1.2 PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers have reviewed the 2012 financial reports of the Company and have issued standard unqualified audit reports.

1.3 Mr. Zhang Wenhui, the Company's chairman, and Ms. Shi Zhenjuan, the officer in charge of the accounting work and the officer in charge of the accounting department (the chief accountant), have declared that they are responsible for the truthfulness and completeness of the financial reports contained in the 2012 annual report.

§ 2 COMPANY PROFILE

2.1 Basic information

Short form of the A shares	創業環保
Stock code of the A shares	600874
Stock exchange for listing of the A shares	Shanghai Stock Exchange
Short form of the H shares	Tianjin Capital
Stock code of the H shares	1065
Stock exchange for listing of the H shares	The Stock Exchange of Hong Kong Limited

2.2 Contact person and method

	Company Secretary to the Board	**Company Secretary in Hong Kong**	**Securities Affairs Representative**
Name	Fu Yana	Lo Wai Keung, Eric	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
Email address	fu_yn@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

§ 3 ACCOUNTING DATA AND FINANCIAL INDICATORS

(For each of the three years ended 31 December 2012 as prepared in accordance with the PRC Accounting Standards For Business Enterprises)

3.1 Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	2012	2011	Increase/decrease for the period as compared to the same period last year (%)	2010
Operating income	163,732.00	156,249.00	4.79	146,776.80
Net profit attributable to the shareholders of the Company	26,898.10	27,578.60	-2.47	27,116.00
Net profit after deduction of extraordinary items attributable to the shareholders of the Company	25,318.20	27,822.60	-9.00	30,105.50
Net cash flow from operating activities	50,779.10	83,417.30	-39.12	45,330.30

	End of 2012	End of 2011	Increase/decrease for the end of the period as compared to the end of the same period last year (%)	End of 2010
Net assets attributable to the shareholders of the Company	378,022.90	356,833.70	5.94	345,057.30
Total assets	1,030,699.40	908,532.40	13.45	842,556.30

3.2 Major financial indicators

Currency: RMB

Major financial indicators	2012	2011	Increase/decrease for the period as compared to the same period last year (%)	2010
Basic earnings per share (RMB/share)	0.19	0.19	—	0.19
Diluted earnings per share (RMB/share)	0.19	0.19	—	0.19
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.18	0.19	-5.26	0.21
Weighted average return on net assets ratio (%)	7.33	7.73	Decreased by 0.4 percentage point	7.86
Weighted average return on net assets ratio after deduction of extraordinary items (%)	6.91	7.80	Decreased by 0.89 percentage point	8.72

3.3 Extraordinary items

Unit: 0'000 Currency: RMB

Extraordinary items	Amount in 2012	Amount in 2011	Amount in 2010
Profit/loss from disposal of non-current assets	316.00	-1,366.10	-4,755.30
Other non-operating income and expenses except for the above items	1,797.30	1,040.70	769.30
Effect on minority interests	-5.10	—	—
Income tax effect	-528.30	81.40	996.50
Total	1,579.90	-244.00	-2,989.50

§4 DIRECTORS' REPORT

4.1 Discussion and analysis on the operations of the Company during the reporting period by the Board

(I) Consolidated discussion and analysis on the operation management of the Company during the reporting period

During the reporting period, the principal business of the Company and its subsidiaries (the "**Group**") was still mainly on investments and operations of sewage water treatment projects. While engaging in the production and sales of recycled water, connection of pipelines network, tap water supply, new energy cooling and heating supply services, road toll business, we actively expand the businesses of operation services, technical services, consultation services, design services and construction services for sewage water treatment projects.

The Construction Plan of Nationwide Urban Sewage Water Treatment and Recycled Water Utilization Facilities under the "Twelfth Five-Year Plan" and related policy documents released at the end of 2011 in the PRC promoted investments in the sewage water treatment industry to a certain extent, and intensified the competition among sewage water treatment enterprises. This also provided vast room for the utilization of recycled water resources and the development and utilization of new energy.

In 2012, the Group continued to make steady progress following the strategic guideline of "thinking prudently to enhance internal capabilities". Under the leadership of the Board, the Company's management closely adhered to the strategic plan of the Group for the "Twelfth Five-Year Plan" period, followed the operational plan of the Group in 2012, continued to apply the operation philosophy of "technology as the guide, operation as core" to increase operational efficiency, and aimed at maximizing the value created for the shareholders by increasing the working standards of operational management continuously to build up further the core competitiveness of the Company. In particular:

1. During the reporting period, the Group seriously streamlined the industrial chain of the sewage water treatment industry and prudently handled the development of water investment operational projects with great demand in investments and long payback period for investments. There was no newly invested operational projects. Active efforts were exerted to expand the market in entrusted operation of sewage water plants, resulting in a significant increase in revenue from entrusted operation services. Active promotion of sewage water treatment plant full-process deodorization technology, a patented technology of the Company, for market application was carried out. As at the end of the reporting period, this technology was applied in more than 10 sewage water treatment plants in Tianjin, Inner Mongolia, etc. with a total capacity of 1,835,000 cubic meters per day. Good response was received from players in the industry, which laid a firm foundation for future expansion of the market in future.

2. During the reporting period, while assuring the service quality of water license operation, the Group endeavored to maintain license operation agreements and strived to carry out adjustments to service fees and prices to facilitate the return of expected investment gains from the projects, and progress was made in a number of projects. The Group had been active in achieving progress in sewage water treatment license operation projects in the Tianjin region and the collection of account receivables, and stage progress was achieved. The government authority had reported this matter to the municipal government for approval.

3. During the reporting period, the Group continued to increase efforts in technological research and development and made application for the establishment of the Tianjin Sewage and Waste Water Biochemical Treatment Technology Centre, to build a transfer platform for research results on production technology and a research and development system for enterprises in the sewage and waste water treatment sectors. During the reporting period, based on the demand for technology innovation in "upgrading and renovation of sewage water treatment plants" and "energy saving and emission reduction by enterprises" as well as the objectives of stabilizing the operation of sewage water plants, treatment of sewage sludge through volume reduction, stabilization, detoxification and resource reclamation, the Group had made progress in a number of research and development projects, including the integrated technology for highly efficient sewage water treatment and sludge concentration, optimization of the technical process and technology for deodorization of the entire process in sewage water plants, sludge fragmentation technology, compound medical agents and microbiological agents for water treatment, and a number of patents for invention and utility models had been applied for and granted for registration, providing the technological reserves required for sustainable development of the Company.

4. During the reporting period, the Group signed the relocation agreements for the Jizhuangzi sewage water treatment plant and recycled water plant with the authority of the Tianjin Municipal Government on the basis of "Exchanging Project for Project", and signed the compensation agreements with the authorized unit for land reform, and received compensation for the construction of the relocated sewage water treatment plant and recycled water plant. Before commercial operation of the new plants, the Jizhuangzi sewage water treatment plant and recycled water plant would continue to operate.

5. During the reporting period, the Group had further strengthened the strategic positions of the water resources recycling and utilization business and the new energy utilization business by continuous nurturing of the recycled water sales business and significant expansion of the pipelines network connection services. The project of new energy cooling and heating supply services provided cooling supply services to users for the first time and the project was operating well with gradually maturing technology and management, which assures further development of the market.

6. During the reporting period, with the aim of increasing the operational efficiency, the Group further strengthened management, endeavored to reduce management fees and imposed reasonable control on production costs, and through establishing a comprehensive incentive mechanism centering on appraisals against targets and job performance, adjusting the form of labour organizations, increasing staff training and enhancing productivity, the pressure of persistent rising costs of human resources was reduced.

7. During the reporting period, the Group further enhanced internal control management and gradually established a risk-oriented internal control management system to ensure the healthy and continuous development of the Company effectively.

(II) Discussion and Analysis on the Results of Operations during the Reporting Period

(1) Analysis on the overall results of operations during the reporting period

In 2012, the Group recorded an operating income of RMB1,637.32 million, representing an increase of RMB74.83 million or 4.79% as compared to 2011. The increase in operating income was mainly attributable to an increase in income generated from the Company's business in sewage water treatment service, recycled water business and the business of cooling and heating supply services. Meanwhile, there was a significant decrease in the sewage water treatment construction business.

While there was an increase in the operating income, the operating costs also increased by RMB77.147 million or 9% as compared to 2011, which was mainly due to the increase in the charges of energy, raw materials, sludge treatment, depreciation and labour costs as compared to last year.

In line with the increase in operating income, business tax and surcharge increased by RMB2.647 million or 29.97% as compared to the corresponding period of last year.

Finance costs increased by RMB15.91 million or 8.1% as compared to 2011. Effects of exchange rate fluctuations in Japanese Yen and US Dollars during the reporting period were included. Exchange gains increased by RMB31 million and amortized unrecognized finance costs upon acquisition of foreign invested assets increased by RMB6 million as compared to last year. If these two items were excluded, finance costs increased by RMB40.91 million or 20.83% as compared to 2011, which was due to the increase in the principal amount of loans during the reporting period, a general increase in interest rates on loans and capitalized interest due to consolidation. The interest expenses were increased as compared to 2011.

Investment gains decreased by RMB5.927 million as compared to 2011, which was mainly due to losses incurred by the invested unit.

During 2012, the Group's government grants realized and income from disposal of assets of the subsidiary, Tianjin Capital New Materials Company Limited, increased. Together with the decrease in loss from disposal of assets, the non-operating profit and loss increased by RMB18.239 million as compared to 2011.

In conclusion, the Group recorded a net profit (attributable to the shareholders of the Company) of RMB268.981 million during the reporting period, representing a slight decrease of RMB6.805 million or 2.47% as compared to 2011.

(2) Analysis of income from the principal businesses

a. Sewage water processing business

As at the end of the reporting period, the sewage water processing capacity of the Group was 3.782 million cubic metres per day, which was in line with 2011, and the sources for generating revenue from sewage water treatment include: (1) the sewage water treatment service fees charged by the four sewage water treatment plants in the central urban area of Tianjin pursuant to the "Sewage Water Processing Agreement" and the "Sewage Water Processing Interim Service Agreement"; (2) the sewage water treatment services provided by the subsidiaries under the Group in accordance with the licensed operation agreements on sewage water treatment and the agreements on sewage water treatment services signed between the local governments and those subsidiaries; (3) entrusted operation by which the Group charged operating service fees by rendering operating services in relation to sewage water treatment. The Group had processed a total of 1,040.88 million cubic metres of sewage water during the reporting period through the above ways, representing an increase of 6.3% as compared to 2011. Income realized amounted to RMB1,269.91 million, representing an increase of 6.44% as compared to 2011. This was mainly attributed to an increase in the volume of water processed by individual sewage water treatment plant. Sewage water treatment plants in Hanshan, Fuyang and Xicheng, Qujing were in operation throughout the year. The volume of water processed by entrusted operation projects increased significantly as compared to 2011.

During the reporting period, the Group's four sewage water treatment plants in the central urban area of Tianjin processed a total of 407.00 million cubic metres of sewage water for the whole year and realized a sewage water treatment service income of RMB785.51 million. Both the volume of water processed and income increased by 2.35% as compared to 2011

During the reporting period, the subsidiaries of the Group processed a total of 508.06 million cubic metres of sewage water, representing an increase of 5.2% as compared to 2011. Income from sewage water processing services of RMB426.99 million was realized, representing an increase of 7.57% as compared to 2011.

During the reporting period, the Group's entrusted operation projects processed a total of 125.82 million cubic metres of sewage water, representing an increase of 27.3% as compared to 2011, and realized an income of RMB57.41 million, representing an increase of 100.17% as compared to 2011.

b. ***Sewage water treatment plants construction business (including income from deodorization engineering application business)***

During the reporting period, income from sewage water treatment plant construction of the Company was RMB29.10 million, representing a decrease of 72.54% as compared to 2011. This was mainly attributed to no new sewage water treatment plant construction projects during the reporting period and the existing projects were close to completion. During the reporting period, the Company continued to propel the marketing of the sewage water treatment plant all-process deodorization patented technology and realized a total income of RMB4.7496 million, which was basically in line with 2011.

c. ***Recycled water business***

During the reporting period, the recycled water production and sales business was affected by unfavourable factors such as decreased power generation indicators of thermal power plants, delayed water supply time for Yangliuqing Power Plant and decreased usage of green water due to abundant rainfall. Accordingly, the production and sales of recycled water decreased as compared to 2011 and water sales of 12.8655 million cubic metres was realized. However, because of an increase in prices of recycled water during the reporting period, an income of RMB32.3785 million was realized, representing an increase of 20.41% as compared to 2011.

During the reporting period, the Company vigorously developed the recycled water pipeline connection business and realized a total income of RMB101.1165 million, representing an increase of 29.29% as compared to 2011.

d. ***Tap water business***

During the reporting period, the Company's tap water business recorded an on-grid water volume of 42.9423 million cubic metres, representing an increase of 9.5% as compared to 2011, which was mainly attributable to an increase in the agreed on-grid water volume of Anguo Tap Water Plant, and realized an income of RMB44.11 million, representing an increase of 10% as compared to 2011.

e. Provision of cooling and heating supply service business

During the reporting period, the Tianjin Cultural Centre centralized energy station project invested, constructed and operated by the Company was in stable operation, and provided cooling and heating supply services to users on a sustained and stable basis. Total realized income from cooling and heating supply service fees for the full year were RMB51.9760 million, representing an increase of 1,773.68% as compared to 2011. This was mainly attributed to the short service term in 2011 as the project started to provide heating supply services at the end of 2011, but provided complete-cycle cooling and heating supply services in 2012.

f. Toll collection business

For the toll collection business, the Group has recognized income from the road business based on the amount received according to the "Subcontracting Toll Collection Agreement" 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, and continued to maintain a stable income level. During the reporting period, the Company recorded an income of RMB67.03 million from the toll collection business, which was in line with 2011.

(III) Analysis of principal operations

(1) Analysis of changes in relevant items in the income statement and cash flow statement

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	163,732.00	156,249.00	4.79
Costs for operations	95,118.80	87,404.10	8.83
Administrative expenses	10,511.80	10,430.10	0.78
Financial expenses	21,232.80	19,641.50	8.10
Net cash flows from operating activities	50,779.10	83,417.30	-39.13
Net cash flows from investing activities	13,565.40	-54,167.60	-125.04
Net cash flows from financing activities	-33,547.30	-14,293.40	134.70
Research and development expenses	589.83	709.68	-16.89

(2) Income

1) Analysis of factors driving changes in business income

For details, please refer to "Analysis of income from the principal businesses" above.

2) Analysis of factors affecting the Company's product income mainly through physical sales

Not applicable.

3) Analysis of orders

The Group is principally engaged in the sewage water processing business and signs licensed operation agreements or agreements on sewage water treatment services with the governments or government representatives of the places where the projects are located for a term of 20 to 30 years depending on different projects. The Group will charge sewage water treatment service fees and adjust the prices according to such agreements.

4) Analysis of the impacts of new products and new services

The Company's cooling and heating supply service business and sewage water processing deodorization engineering are key new businesses developed by the Company since 2011. As at the end of the reporting period, income from the aforesaid new businesses accounted for a very small percentage of the Company's income from operations.

5) Information on major sales customers

Total income from operations from the Group's top five customers was RMB1,151 million, representing 70% of the Group's total income from operations. For details, please refer to the Group's financial statements.

(3) Costs

1) Costs analysis

Unit: 0'000 Currency: RMB

By industry	Cost item	Amount for the current period	Percentage of total costs for the current period (%)	Amount for the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Remark
(1) Sewage water	Labour	8,453.5	9.48	7,545.0	9.01	12.04	
	Energy consumption	17,657.5	19.80	16,570.7	19.8	6.56	
	Material consumption	4,479.79	5.02	4,204.5	5.02	6.55	
	Repair and Maintenance	7,638.22	8.57	6,878.7	8.22	11.04	
	Sludge disposal and plant environment costs	5,931.91	6.61	3,075.3	3.67	92.89	Note 1
	Depreciation and amortization	23,195.7	26.02	21,438.8	25.61	8.19	
	Remaining manufacturing costs	1,476.9	1.66	1,592.8	1.90	-7.28	
(2) Sewage water plant construction	Engineering construction costs	2,636.8	2.96	10,626.7	12.70	-75.19	Note 2

By industry	Cost item	Amount for the current period	Percentage of total costs for the current period (%)	Amount for the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Remark
(3) Tap water	Labour	805.4	0.90	722.0	0.86	11.55	
	Energy consumption	683.1	0.77	597.8	0.71	14.27	
	Material consumption	78.7	0.09	77.8	0.09	1.13	
	Repair and Maintenance	176.5	0.2	155.9	0.19	13.17	
	Depreciation and amortization	1,269.5	1.42	1,162.37	1.39	9.22	
	Remaining manufacturing costs	249.4	0.28	323.9	0.39	-23.02	
(4) Recycled water	Labour	806.9	0.91	622.7	0. 74	29.59	Note 3
	Energy consumption	674.8	0.72	706.9	0.84	-4.54	
	Material consumption	565.5	0.63	439.7	0.53	28.61	
	Repair and Maintenance	1,148.0	1.29	901.7	1.08	27.31	
	Depreciation and amortization	2,121.3	2.38	1,426.7	1.70	48.69	
	Remaining manufacturing costs	226.5	0.25	218.2	0.26	3.88	

By industry	Cost item	Amount for the current period	Percentage of total costs for the current period (%)	Amount for the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Remark
(5) Recycled water pipeline network connection	Engineering construction costs	4,042.8	4.53	2,820.5	3.37	31.06	Note 4
(6) Energy supply	Labour	357.8	0.40	37.2	0.04	861.83	Note 5
	Energy consumption	1,361.4	1.53	0	0	—	
	Material consumption	13.6	0.02	0	0	—	
	Repair and Maintenance	105.4	0.12	0	0	—	
	Depreciation and amortization	1,329.7	1.49	159.3	0.19	734.73	
	Remaining manufacturing costs	325.1	0.36	10.1	0.01	3,122.67	
(7) Toll collection	Collection management costs	712.0	0.80	712.0	0.85	—	
(8) Others	Labour	314.5	0.35	260.0	0.31	20.98	
	Remaining manufacturing costs	319.5	0.36	412.7	0.49	-22.58	

Note:

1. There was a year-on-year increase because the unit price for sludge treatment in the sewage water treatment business increased.

2. Sewage water treatment plant construction business: The construction of the Hangu Yingcheng DBO project and the BT project of Tianjin Zichuang Engineering Investment Company Limited in the last year was basically completed, resulting in decrease in costs.

3. Recycled water business: The depreciation costs of the consolidation of the Jizhuangzi recycled water plant reconstruction and expansion project increased. The labour costs, material consumption and repair and maintenance expenses also increased year-on-year.

4. Recycled water pipeline connection business: Income for the year increased substantially and costs subsequently increased.

5. Energy supply business: Heating supply services were rendered starting from the end of 2011 and the service period was very short. There was a sharp increase in various costs as complete-cycle cooling and heating supply services were provided starting from the current year.

2) Information on major suppliers

In 2012, purchases from the top five suppliers amounted to RMB133 million, representing 23% of the total purchases for the year.

(4) Fees

For details of finance costs, and business tax and surcharges, please refer to the "Analysis on the Results of Operations" above.

During the reporting period, administrative expenses were basically in line with the previous year.

(5) Research and development expenses

1) Research and development expenses

Unit: 0'000 Currency: RMB

Expensed research and development expenses for the period	575.33
Capitalized research and development expenses for the period	14.5
Total research and development expenses	589.83
Total research and development expenses as a percentage of net assets (%)	0.16
Total research and development expenses as a percentage of income from operations (%)	0.36

2) Explanation

The Group initiated 22 technological programs, including "Study of the Overall Technological Upgrade and Optimization of the Whole-process Deodorization Technology in Urban Sewage Water Plants" and "Jinnan Sludge Treatment Plant Technology Type Selection Test and Technological Support", to meet the technological innovation demand for "Upgrading and reconstruction work of the sewage water treatment plants" and "Energy saving and emission reduction by enterprises". The programs and projects were implemented smoothly and met its expected requirements.

In 2012, the Group completed a total of 10 patent filings, including two invention patents and 8 utility patents. In 2012, the Group obtained a total of 10 patents, including one invention patent and 9 utility patents.

(6) Cash flow

Unit: 0'000 Currency: RMB

Items	2012	2011	Increase/ decrease	Percentage change (%)	Details of changes
Net cash flow from operating activities	50,779.10	83,417.30	-32,638.20	-39.13	During the same period of the previous year, the Company recovered part of outstanding sewage water treatment fees, and construction and management fees carried forward from the previous year. Therefore, cash inflow from operating activities showed a peak value.
Net cash flow from investing activities	13,565.40	-54,167.60	67,733.00	-125.04	During the current period, the Company received the first land consolidation reserve compensation for the relocation and construction of the Jizhuangzi Sewage Water Plant and Recycled Water Plant of RMB750 million. Therefore, net cash inflow from investing activities increases substantially as compared to the previous period.
Cash flow from financing activities	-33,547.30	-14,293.40	-19,253.90	134.70	During the current period, the repayment amount was higher than the loan amount. Therefore, net cash outflow was higher than the previous period.
Net increase in cash and cash equivalents	30,797.20	14,956.30	15,840.90	105.91	This was mainly attributed to a year-on-year increase in net cash flow from investing activities.

(7) Others

1) Detailed explanation of material changes in the Company's profit composition or profit source

There have been no material changes in the profit composition or profit source.

2) Analysis and explanation of the progress in the implementation of various types of financing and major asset reorganization by the Company in the previous period

Not applicable.

3) Explanation of the progress in the development strategy and operation plan

The Group organized production and operation activities in accordance with the development strategy and operation plan formulated by the Board in early 2012. With the efforts of all employees, as at the end of the reporting period, the development strategy and operation plan formulated at the beginning of the year were basically achieved. The targets on income, expenses and costs were basically achieved. The construction investment amounting to RMB71.90 million as set in the cooling and heating supply service project under the original operation plan used for developing the new energy cooling and heating service projects in the region of Jiefang South Road was terminated since the project investment unit was changed to government investment. The Group will subsequently further keep track of the status of this project.

1、 Analysis of the industry, products or regional operations

(1) Principal businesses by industry and by products

Unit: 0'000 Currency: RMB

Principal Businesses by Industry

By industry	Income from operations	Costs of operations	Gross profit margin (%)	Increase/decrease in income from operations as compared to last year (%)	Increase/decrease in costs of operations as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)	Remark
Sewage water processing and sewage water treatment plant construction business	124,160.70	71,994.30	42.02	-2.64	-0.74	Decreased by 1.11 percentage points	
Recycled water pipeline connection and water supply business	13,349.50	9,468.10	29.08	27.02	36.46	Decreased by 4.91 percentage points	Note 1
Toll collection business	6,702.70	712.00	89.38	Unchanged	Unchanged	Unchanged	
Tap water supply business	4,411.50	2,856.40	35.25	10.35	17.01	Decreased by 3.68 percentage points	Note 2
Energy supply business	5,197.60	3,492.90	32.80	1,773.68	1,589.84	Increased by 7.31 percentage points	Note 3
Others	294.60	634.10	-115.24	-2.42	-5.74	Increased by 7.58 percentage points	Note 4

Note: (1) The gross profit margin of the recycled water pipeline connection and water supply business for the year decreased, mainly attributed to increased depreciation of the water supply business as a result of the consolidation of the Jizhuangzi recycled water reconstruction and expansion project, and increased labour costs, material consumption, and repair and maintenance expenses.

(2) The gross profit margin of the tap water business decreased, mainly attributed to the growth of labour costs and electricity charges of Anguo Capital Water Company Limited.

(3) Both income and costs of the energy supply business experienced significant changes as compared to the same period last year. This was because the project began to provide heating supply services at the end of 2011 with a very short service term and began to provide complete-cycle cooling and heating supply services in 2012.

(4) This mainly includes design consultation and system integration service income.

(2) Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

Region	Income from operations	Increase/decrease in income from operations as compared to last year (%)	Remark
Tianjin	107,307.10	1.13	
Qujing	6,960.00	0.79	
Guizhou	2,447.10	-0.56	
Fuyang	4,258.10	16.76	
Baoying	2,049.60	67.12	Note 1
Hangzhou	15,363.10	4.55	
Wendeng	2,481.60	4.33	
Xi'an	7,611.30	1.10	
Anguo	1,519.70	13.26	
Wuhan	4,036.60	37.42	Note 2
Hong Kong	82.40	-4.63	

Note:

(1) With the operation of the phase II assets of the subsidiary, Bao Ying Capital Water Company Limited, the daily processing capacity was increased from 30,000 cubic metres/day to 50,000 cubic metres/day, resulting in a significant increase in income.

(2) Since all water volume of the branch in Xianning, Wuhan was recognized by the local competent authority, the income increased.

2、 Analysis of assets and liabilities

(1) Analysis of assets and liabilities

Unit: 0'000 Currency: RMB

Items	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Percentage change in amount as at the end of the current period as compared to the end of the previous period (%)
Cash and bank balances	100,056.50	9.71	69,169.30	7.61	44.65
Trade receivables (including notes receivable)	157,274.30	15.26	109,658.30	12.07	43.42
Other receivables	1,058.90	0.10	1,704.90	0.19	-37.89
Other current assets	1,234.90	0.12	783.10	0.09	57.69
Fixed assets	328,125.90	31.84	238,370.90	26.24	37.65
Construction in progress	45,948.70	4.46	88,086.50	9.70	-47.84
Short-term borrowings	8,600.00	0.83	15,200.00	1.67	-43.42
Advances	60,137.10	5.83	42,338.70	4.66	42.04
Dividend payable	3,092.90	0.30	146.10	0.02	2,016.97
Taxes payable	2,670.60	0.26	827.40	0.09	222.77
Other non-current liabilities	84,015.80	8.15	10,970.30	1.21	665.85

Explanation of changes:

Cash and bank balances: During the year, the Company received the first land consolidation reserve compensation for the relocation and construction of the Jizhuangzi Sewage Water Plant and Recycled Water Plant.

Trade receivables (including notes receivable): The increase in trade receivables was mainly attributed to additional sewage water processing fees receivable by the Company during the year.

Other receivables: The decrease in other receivables was mainly attributed to some amounts carried forward during the year.

Other current assets: Other current assets were mainly input tax of value-added tax to be deducted.

Fixed assets/construction in progress: During the period, the upgrade and reconstruction project in respect of the Company's four sewage water treatment plants was completed and consolidated, resulting in an increase in fixed asset items and a decrease in construction in progress.

Short-term borrowings: Part of the short-term borrowings due were repaid during the year.

Advances: These were mainly additional payment for facilities project received in advance by Tianjin Water Recycling Company Limited, a subsidiary of the Company, during the year.

Dividend payable: This was mainly additional dividend for 2011 payable to Tianjin Municipal Investment Company Limited during the year.

Taxes payable: These were mainly enterprise income tax payable at the end of the year.

Other non-current liabilities: These were mainly the first land consolidation reserve payment of RMB750 million for the relocation and construction of the Jizhuangzi Sewage Water Plant and Recycled Water Plant received during the year.

(2) Explanation of changes in assets measured at fair value and major asset measurement attributes

There have been no changes in assets measured at fair value and major asset measurement attributes.

3、 Analysis of core competitiveness

The Group's core competitiveness is mainly reflected in the following four aspects: first, the Group owns the most influential service brand in the sewage water processing industry and an established service network with nationwide coverage in the PRC; second, the Group owns leading technologies, diversified solutions and integrated service capability; third, the Group can effectively grasp the specific needs of the government and corporate customers, and adopt a variety of cooperation models to achieve win-win for all parties; fourth, the Group has the best operation and management practical experience in the water treatment industry and possesses sound capabilities of controlling risks and responding to emergencies. During the reporting period, the Group further stepped up its efforts in the research and development of proprietary technologies and techniques on the basis of maintaining the franchise of its projects, steadily enhancing its corporate core competitiveness.

4、 Analysis of the investment status

(1) Overall analysis of external equity investments

There were no additional external equity investments during the year.

(2) Trust arrangement in respect of non-financial corporations and investment in derivatives

1) Trust arrangement

The Company did not make any trust arrangements during the year.

2) Trust loan

The Company did not have any trust loans during the year.

(3) Use of proceeds from fund-raising

During the reporting period, there was no fund raising of the Company or there was no fund raised in previous periods that was applied in this period.

(4) Analysis of major subsidiaries and companies in which the Company has invested

(A) Operations and results of the major subsidiaries in which the Company has controlling interests

Unit: 0'000 Currency: RMB

Subsidiary	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Tianjin Water Recycling Company Limited	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacture, installation, commissioning and operation of equipment for recycled water.	10,000	Limited company	100%	96,185.60	13,431.00	2,373.70
Guizhou Capital Water Company Limited	Guiyang, Guizhou	Development, construction, operation and management of urban sewage water treatment plants, tap water plants and solid waste processing facilities; research, development and promotion of environmental protection technology; consultancy services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	10,000	Limited company	95%	16,418.40	13,841.40	354.20
Tianjin Capital New Materials Company Limited	Tianjin	Manufacture and sales of construction materials, new compound material products and polymer material products; technical consultation on new piping materials.	3,750	Limited company	70.67%	310.50	17.70	445.90

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Baoying Capital Water Company Limited	Yangzhou, Jiangsu	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	5,300	Limited company	70%	12,789.60	6,169.00	334.60
Qujing Capital Water Company Limited	Qujing, Yunnan	Centralized water supply (limited to branch operation); development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	17,898	Limited company	86.55%	40,212.00	19,938.40	674.10

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Fuyang Capital Water Company Limited	Fuyang, Anhui	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	6,900	Limited company	100%	18,675.20	9,849.50	1,050.20
Hangzhou Tianchuang Water Company Limited	Hangzhou, Zhejiang	Operation and maintenance for sewage water processing and recycled water utilization facilities, and ancillary services such as technology services and technology training.	25,745	Limited company	70%	76,070.60	31,822.40	1,107.40
Tianjin Capital Environmental Protection (Hong Kong) Company Limited	Hong Kong	Treatment and recycling and utilization of sewage water.	US$ 7,840,000	Limited company	100%	5,464.80	5,494.10	-936.40

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Wendeng Capital Water Company Limited	Wendeng, Shandong	Development, construction, operation and management of sewage water treatment and its ancillary facilities, solid waste treatment facilities and water recycling facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	5,200	Limited company	100%	15,023.90	6,772.50	270.10
Tianjin Jing Hai Capital Water Company Limited	Jinghai, Tianjin	Development, construction, operation and management of sewage water treatment plant, urban sewage water treatment plant and tap water plants and their ancillary facilities, and solid waste treatment facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities and environmental projects.	1,200	Limited company	100%	3,842.90	1,146.00	-51.20

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Xian Capital Water Company Limited	Xi'an, Shaanxi	Development, construction, operation and management of urban sewage water treatment plants, tap water plants and its ancillary facilities, solid waste treatment facilities; research, development and promotion of environmental protection technology; application of renewable energy and related equipment; installation services for sewage water treatment plant equipment; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	27,000	Limited company	100%	57,477.40	23,152.50	-1,159.80

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Tianjin Kaiying Technology Development Company Limited	Tianjin	Development, consultation, service and transfer of environmental protection technology and product, mechanical equipment and computer software technology; municipal projects and design; mechanical equipment leasing; installation and maintenance of sewage water treatment equipment; wholesale and retail of mechanical equipment (excluding cars), electronic products and computer software; the followings operated by business segment: water treatment equipment, sludge treatment equipment, aeration equipment, air purification equipment, manufacturing and processing of sewage water and sludge treatment reagent; sewage water treatment.	500	Limited company	100%	789.40	614.10	-41.40

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Anguo Capital Water Company Limited	Anguo, Hebei	Urban water supply (water-drawing permit valid until September 2, 2013 and hygiene permit valid until April 11, 2015); sewage water treatment; sewage and water supply related technical consultation and related services.	4,100	Limited company	100%	9,046.60	4,201.20	146.40
Wuhan Tianchuang Environmental Protection Company Limited	Hubei, Wuhan	Investment and development, construction, operation, management and consultancy services of municipal sewage water treatment plant, tap water plant and their ancillary facilities, solid waste treatment facilities and water recycling facilities; production, supply and sales of equipment and materials relating to water and environmental protection; research, development and promotion of environmental protection technology.	10,324	Limited company	100%	32,350.00	10,975.00	428.20

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Tianjin Capital Environmental Water Company Limited	Jinnan, Tianjin	Development, construction, operation and management of sewage water treatment, municipal sewage water treatment plant, tap water plant and their ancillary facilities, solid waste treatment facilities; research, development and promotion of environmental protection technology; project consultancy services for water treatment facilities and environmental protection works.	500	Limited company	100%	459.90	459.90	2.60
Tianjin Zichuang Engineering Investment Company Limited	Jinghai, Tianjin	Investment in engineering projects.	2,340	Limited company	100%	8,000.10	2,238.80	-94.60
Tianjin Jinning Capital Environmental Water Company Limited	Ninghe, Tianjin	Sewage water treatment; development, construction of municipal sewage water treatment plants and its ancillary facilities; project consultancy services for water treatment facilities and environmental protection works.	1,500	Limited company	100%	4,534.60	1,608.60	134.60

Subsidiary	Principal place of business	Major product or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Tianjin Jiayuanxing Innovative Energy Technology Company Limited	Tianjin High-tech Zone	Development, consultation, service and transfer of energy saving, environmental protection and new energy technology; property management services.	6,000	Limited company	100%	38,585.00	6,926.40	825.20

(B) Operations and results of the major companies which the Company has invested

Tianjin Beifang Rencaigang Company Limited

As at the end of the reporting period, the Group invested a total of RMB2,000,000 in Tianjin Beifang Rencaigang Company Limited, representing 6.1% of its registered capital. Its principal activities comprise senior executive insurance services, senior executive personnel services (employment agent service, financial guarantee consultation service, personal creditworthiness assessment), enterprise talent assistance project; development and operation of technological project achievements and real estate development and operation. During the reporting period, the Group received bonus distribution in the total sum of RMB500,000 for the years 2010 and 2011 from this company.

Tianjin Baotong Light Mass Materials Company Limited

As at the end of the reporting period, the Group invested a total of RMB2,000,000 in Tianjin Baotong Light Mass Materials Company Limited, representing 4.9% of its registered capital. The principal activities of this company include production and sales of high resistance and light mass materials and its products. In 2010, it continued to commence its liquidation and deregistration procedures by the liquidation team authorized by the general meeting. In the second half of 2010, the liquidation team preliminarily completed the procedures in relation to the listing-for-sale of assets. The delisting price is approximately RMB21.36 million. Currently, the asset delivery is completed. As at the end of 2012, the transfer procedures were under processing.

(5) Projects made out of funds other than proceeds from fund-raising

Unit: 0'000 Currency: RMB

Project	Project amount	Project progress	Amount invested during the year	Total actual amount invested	Project Income
Dongjiao Upgrade and Reconstruction Project	40,937.00	Completed	7,616.60	33,705.62	As as the date hereof, the processing capacity and the service unit price of this project were not changed. The depreciation for asset consolidation and operating costs increased.
Jinnan Sewage Water Plant Project	206,559.01	19%	27,347.45	27,347.45	No income realized as this project has not yet completed.
Cultural Centre Energy Station Project	43,274.38	Completed	13,535.93	32,998.09	Since the end of 2011, income realized according to the relevant agreements.
Total	290,770.39	/	48,499.98	94,051.16	/

5. Conditions of special purpose entities controlled by the Company

Not applicable.

4.2 Discussion and analysis on the Company's future development by the Board

1. Landscape of competition and development trend of the industry

The "construction of ecological civilization" mentioned in the five-in-one layout plan confirmed by the 18th CPC National Congress is destined to bring important development opportunities for the environmental protection industry. More specifically, market developments in the areas of sludge business, upgrading and reconstruction of sewage water treatment plants, utilization of recycled water, disposal of domestic garbage, ecological restoration industry and utilization of new clean energy will offer the Group's business enormous space for growth. Currently, in the domestic sector of sewage water treatment in the PRC, centralization in the overall market remains at low level with intensive market competition, therefore simply relying on cost competition will definitely reduce the profitability level of enterprises. However, if the high value-added sector in the industrial chain can be further extended continuously by leveraging on specialized technical process and technology, not only the market position can be strengthened, but also the profitability level of the enterprises can be enhanced. In addition, in the area of emerging business, further improvements in the related ancillary policies are still required to be finalized by government authorities in order to reduce the commercial risk faced by participating enterprises.

2. Development strategies of the Company and development plan for 2013

The Group will adhere to the vision of "returning clean water to the world, delivering fresh air to the earth" to pursue sustainable development in accordance with the strategic positioning provided in the water and environment integrated solution, in order to achieve the triple-winner situation among enterprise, society and staff.

In the aspect of business development, the Group will continue to be prudent on the investment and operation of sewage water treatment development projects, keep on increasing market development efforts to expand high value-added sectors such as operation service and technical service for sewage water treatment, as well as commence the production and sales business of water treatment chemical agents. The Group will continue to nurture the recycled water utilization market and establish the new energy utilization market. And new business areas such as industrial waste water treatment, sludge treatment, garbage treatment and ecological restoration will be actively explored.

In the aspect of technical research and development, the Group will continue to adhere to the technology guided development strategy by using the Tianjin Waste Water and Sewage Water Engineering Technical Centre as the platform to strengthen the academic research and technical research and development of the industry as a driving force for the research and development of proprietary technology and its commercial operation.

In the aspect of management, the Group will improve organizational structure and system flow process in accordance with the development needs of the business, strengthen budgetary control and cost control, improve optimized allocation and training of human resources, enhance the establishment of corporate culture and strengthen risk control management, in order to further increase corporate management efficiency and competitiveness.

3. Operation plan and strategies for 2013

A. Operation plan:

In 2013, the Group's sewage water treatment volume is expected to reach 897 million cubic meters and fixed asset investment in engineering projects is expected to reach RMB559 million including the Jinnan sewage water treatment plant and recycled water plant project, and some construction projects of subsidiaries. The Group will continue to control the costs and quality of operation and construction strictly and ensure the operation and construction quality and construction progress. In 2013, the Company will implement the following operation plan:

(1) Keep on driving the sewage water treatment licensed operation projects and collection of account receivables actively in the Tianjin area, strive to finalize the sewage water treatment licensed operation right and implement the collection plan of account receivables;

(2) Keep on maintaining the performance of existing licensed operation project agreements, implement price adjustment of sewage water treatment projects as planned in accordance with the agreements;

(3) Implement the upgrading and reconstruction works for existing sewage water treatment licensed operation projects as planned according to the requirements of the agreements and the government;

(4) Continue to expand the operation service market, technical service market and the application market of the full-process deodorization technology for sewage water treatment plants;

(5) Continue to drive the transformation of technological achievements and prepare to commence production and sales business of flocculant elixir;

(6) Develop new growth sources of revenue and profit, prepare to commence solid waste disposal business;

(7) Negotiate and confirm the investment, compensation and price adjustment for cooling supply in new energy cooling and heating supply projects;

(8) Complete the construction, commissioning and trial operation, removal and conversion work of the Jizhuangzi sewage water treatment plant and recycled water plant relocation and construction project with a view to realizing commercial operation of the new plants.

B. Income, fees and cost plans:

In 2013, subject to no material changes in the existing policy direction conformed by the Group, the operating environment and conditions of sewage water treatment service agreements, the range of changes in fee income from sewage water treatment service will not exceed 5% as compared to 2012.

Cost control target:

In 2013, as charges for all types of resources and energies are still hovering at high levels, the business cost of the Group is under relatively great upward pressure, subject to no material changes in the existing policy direction conformed by the Group and the operating environment, it is expected the Group's cost of sewage water treatment business will increase by not more than 10% in 2013 as compared to 2012. Also, it is expected the rise in cost will not have material effect on the overall operation of the Company.

C. Technological research and development investment plans:

In 2013, the Group will further increase its efforts in technological research and development. Technological research and development fees invested in technological research plans will not be less than RMB3.2042 million, which will continue to center on the core technical processes and technical breakthroughs in the areas of sewage water treatment, sludge treatment and transformation of resources and energies, etc. to create dynamic competitive advantages for the enterprise.

4. Demand for funds required by the Company for maintaining current business and completion of investment projects under construction

The Group's existing funding channels are basically able to satisfy the requirements of the Group's annual operation plan. In 2013, the Group plans to invest RMB1.185 billion in engineering projects, which are mainly the expenses for Jinnan sewage water treatment plant and recycled water plant and the upgrading and reconstruction expenditure for some of the sewage water treatment plants of the Company and subsidiaries. In 2013, the amount for fixed asset purchase plan of the Group will be approximately RMB7.18 million.

In 2013, the Group will improve the debt structure by direct and indirect financing methods in accordance with the operation requirements, to increase the efficiency of funds and strive to lower finance costs. Capital cooperation in joint projects will be enhanced through timely introduction of strategic investors and financial investors. Funding requirements of relevant projects will be obtained through existing channels by the Group and financed by the compensation amount received for the Jizhuangzi relocation project.

5. Facing possible risks

(1) Licensed operation risk: The service prices of four sewage water treatment plants of the Company in the Tianjin region are subject to certain risks of adjustment. Since the second half of 2005, pursuant to the requirements in the "Administrative Measures for Tianjin Municipal Public Utilities Licensed Operation" promulgated by Tianjin Municipal Government Order 2005 No.91, the Company made an application to the competent authority for the licensed operation right of the four sewage water treatment plants in Tianjin region. At the end of 2012, the competent authority had reported the application to the Tianjin Municipal Government for instruction and proposed that the Tianjin Municipal Government should consent to grant licensed operation right to the Company's four sewage water treatment plants and proposed that the relevant department of the Tianjin Municipal Government should determine the price of sewage water treatment service. Currently, the price of services provided by the Company's four sewage water treatment plants is RMB1.93/m^3, which is facing possible risk of adjustment. The Group will conduct sufficient communication and negotiation with the relevant departments and strive to reach a price for sewage water treatment service in line with the market mechanism.

(2) Foreign exchange risk: The Group's operations and customers are located within the PRC and most of its operating assets and transactions are settled by RMB, and all the borrowings of the Group are denominated in RMB, therefore, the Group has no material foreign exchange risk. The only foreign exchange risk of the Group arises from long-term payable amounts. Long-term payables were incurred as a result of the purchase of the foreign bank loans assets from Tianjin Sewage Company by the Company denominated mainly in US dollars and Japanese Yen.

As at 31 December 2012, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of approximately RMB4 million in the net profit of the Group. As at 31 December 2012, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase/decrease of approximately RMB10 million in the net profit of the Group.

(3) Interest rate risk: The interest rate risk of the Group mainly came from cash and bank deposits, long-term receivables, borrowings and long-term payables. The Group has material borrowings and long-term payables. Borrowings and long-term payables at floating rates expose the Group to interest rate risk on cash flows, while borrowings and long-term payables at fixed rates expose the Group to interest rate risk on fair value. As at 31 December 2012, if the bank loan interest rate increases/decreases by 1%, with other factors being constant, the net profit for the year will decrease/increase by RMB28 million.

4.3 The Board's proposal on the profit appropriation or transfer of capital reserve fund to share capital

As audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers, the net profit attributable to the Company in 2012 amounted to RMB268.98 million. After deduction of the statutory common reserve of RMB24.72 million drawn in accordance with the relevant requirements of the Company Law of the PRC and the Articles of Association of the Company, adding the retained profit of RMB1,432.62 million at the beginning of the year, and less the distribution in 2012 of the 2011 cash dividend of RMB57.09 million, the actual profit distributable to the shareholders for the year amounted to RMB1,619.79 million. According to the profit appropriation policy in 2012, a cash dividend of RMB0.60 (gross tax) per ten shares will be distributed to all shareholders, with the cash dividend amount in the sum of RMB85.6338 million, representing 31.84% of the available-for-distribution profit attributable to the Company realized in 2012. No transfer from the capital reserve fund to share capital was made for 2012. The appropriation proposal shall be submitted to the 2012 annual general meeting of the Company (to be held on 16 May 2013) for consideration and shall be implemented after approval.

In respect of the dividend distribution for holders of H shares, if the above appropriation proposal is approved by the shareholders of the Company, the record date shall fall on 30 May 2013. In order to determine the list of holders of H shares who are entitled to receive the dividend, the H share register of members of the Company will be closed from 25 May 2013 to 30 May 2013, both days inclusive, during which period no transfer of the Company's H shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H shares registrar and transfer office, Hong Kong Registrars Limited, at Rooms 1712 -1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 pm on 24 May 2013. Therefore, holders of H shares whose names appear on the H share register of members of the Company on 25 May 2013 will be entitled to receive the above dividend.

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations, which came into force on 1 January 2008, and other relevant rules, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the Corporate Income Tax Law of the PRC) shareholders whose names appear on the H share register of members of the Company on 25 May 2013. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The 10% corporate income tax will not be withheld from the dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company on 25 May 2013.

Any natural person investor whose H shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and duly lodge all transfer documents with the relevant H share certificates with the Company's H share registrar for registration. All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations to withhold for payment the 10% corporate income tax; and the dividend will only be payable to the shareholders whose names appear on the H share register of members of the Company on 25 May 2013. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.

§ 5 FINANCIAL ACCOUNTING REPORT

5.1 Financial information extracted from the consolidated financial statements of the Group prepared in accordance with Hong Kong Financial Reporting Standards

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in Rmb thousand unless otherwise stated)

		For the year ended 31 December	
	Note	**2012**	2011
Revenue	2(a)	**1,541,166**	1,493,146
Business tax		**(11,478)**	(8,831)
Cost of sales	3	**(891,577)**	(835,020)
Gross profit		**638,111**	649,295
Administrative expenses	3	**(105,118)**	(104,301)
Other income - net	2(b)	**37,043**	30,523
Other gains/(losses) – net		**21,133**	(3,254)
Operating profit		**591,169**	572,263
Finance income		**66,846**	23,963
Finance costs		**(279,174)**	(220,378)
Finance costs-net	4	**(212,328)**	(196,415)
Share of (loss)/profits of an associate		**(6,041)**	186
Profit before income tax		**372,800**	376,034
Income tax expense	5	**(98,249)**	(96,154)
Profit/total comprehensive income for the year		**274,551**	279,880
Profit and total comprehensive income for the year attributable to:			
Owners of the parent		**268,981**	275,786
Non-controlling interests		**5,570**	4,094
		274,551	279,880
Earnings per share for profit attributable to the owners of the parent (in Rmb Yuan)			
– basic	6	**0.19**	0.19
– diluted	6	**0.19**	0.19
Proposed final dividends	7	**85,634**	57,089

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012
(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 31 December 2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment		**3,740,746**	3,264,574
Intangible assets		**2,753,686**	2,803,037
Land use rights		**437,653**	451,784
Investment properties		**112,282**	115,955
Investment in an associate		**34,628**	40,669
Available-for-sale financial assets		**4,000**	4,000
Long-term receivables		**337,631**	338,446
Trade receivables due after one year	8	**68,794**	68,794
Other non-current assets		**8,513**	8,634
		7,497,933	7,095,893
Current assets			
Inventories		**92,509**	80,569
Trade receivables	8	**1,572,743**	1,096,583
Prepayments		**120,306**	95,706
Other receivables		**10,589**	17,049
Other current assets		**12,349**	7,831
Cash and bank balances		**1,000,565**	691,693
		2,809,061	1,989,431
Total assets		**10,306,994**	9,085,324

CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2012
(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 31 December 2012	2011
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,427,228**	1,427,228
Other reserves		**733,216**	708,492
Retained earnings		**1,619,785**	1,432,617
– Proposed final dividend		**85,634**	57,089
– Others		**1,534,151**	1,375,528
		3,780,229	3,568,337
Non-controlling interests		**152,442**	147,372
Total equity		**3,932,671**	3,715,709
LIABILITIES			
Non-current liabilities			
Borrowings		**3,814,738**	3,051,136
Deferred revenue		**385,661**	369,928
Deferred income tax liabilities		**60,645**	48,479
		4,261,044	3,469,543
Current liabilities			
Trade payables	9	**20,847**	18,481
Advances from customers		**601,371**	423,387
Wages payables		**9,298**	8,227
Income tax payable		**21,763**	7,671
Other taxes payable		**4,943**	603
Dividend payable		**30,929**	1,461
Other payables		**511,940**	412,095
Borrowings		**912,188**	1,028,147
		2,113,279	1,900,072
Total liabilities		**6,374,323**	5,369,615
Total equity and liabilities		**10,306,994**	9,085,324
Net current assets		**695,782**	89,359
Total assets less current liabilities		**8,193,715**	7,185,252

Notes to the condensed consolidated financial statement
(All amounts in thousand unless otherwise stated)

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

Amendment to HKAS 12, 'Income taxes', on deferred tax, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes-recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is accordingly withdrawn.

There are no HKFRS or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

HKAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed.

HKFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Segment information

An analysis of revenue and contributions to operating profit for the year by principal activities is as follows:

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

	2012	2011
Sales turnover	**1,541,166**	1,493,146
Other income – net	**37,043**	30,523
Total revenues	**1,578,209**	1,523,669

(b) Analysis of other income

	2012		2011	
	Income	**Cost**	Income	Cost
Contract operation service	**57,408**	**41,990**	28,679	17,333
Technical service	**19,009**	**3,485**	13,667	2,684
Rental	**10,529**	**5,501**	12,027	4,813
Other	**9,708**	**8,635**	15,171	14,191
	96,654	**59,611**	69,544	39,021

(c) 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 perspectives. From a service perspective, management assesses the performance of processing of sewage water and construction of related facilities, recycled water and pipeline connection, heating and cooling services and tap water operation. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants).

Other services include contract operation services, lease of office building or apartments and other services. These are not separately presented within the reportable operating segments, but included in the 'all other segments' column.

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

The segment information provided to the managers operating meeting for the reportable segments for the year ended 31 December 2012 and 2011 respectively is as follows:

(i) For the year ended 31 December 2012

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and Cooling Services	Tap water operations	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	801,482	153,631	286,494	133,495	51,976	44,115	107,016	1,578,209
Segment expense	(601,340)	(139,176)	(264,979)	(106,446)	(38,278)	(42,770)	(6,379)	(1,199,368)
Results before share of profits of an associate	200,142	14,455	21,515	27,049	13,698	1,345	100,637	378,841
Share of (loss)/ profits of an associate								(6,041)
Profit before tax								372,800
Income tax expense								(98,249)
Profit for the year								274,551
Segment assets	5,605,653	760,044	1,697,790	909,639	384,503	332,373	582,364	10,272,366
Investment in an associate	—	—	—	—	—	—	34,628	34,628
Total assets	5,605,653	760,044	1,697,790	909,639	384,503	332,373	616,992	10,306,994
Total liabilities	3,846,900	422,482	727,236	856,916	316,586	115,238	88,965	6,374,323
Other information								
– Interest income	11,627	499	992	5,297	59	31	11,496	30,001
– Interest expenses	(175,466)	(27,771)	(48,516)	(1,766)	(5,260)	(11,895)	(510)	(271,184)
– Depreciation	(123,741)	—	—	(20,660)	—	—	(7,765)	(152,166)
– Amortization	(11,015)	(33,688)	(63,513)	(553)	(13,297)	(12,695)	(1,343)	(136,104)
– Capital expenditures	576,075	10,619	44,995	55,554	9,772	1,797	16,408	715,220

(ii) For the year ended 31 December 2011

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and Cooling Services	Tap water operations	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	825,075	146,946	298,530	105,099	2,774	39,976	105,269	1,523,669
Segment expense	(577,301)	(138,593)	(271,164)	(81,687)	(1,424)	(40,201)	(37,451)	(1,147,821)
Results before share of profits of an associate	247,774	8,353	27,366	23,412	1,350	(225)	67,818	375,848
Share of (loss)/ profits of an associate								186
Profit before tax								376,034
Income tax expense								(96,154)
Profit for the year								279,880
Segment assets	4,574,655	784,819	1,701,045	715,894	356,644	335,259	576,339	9,044,655
Investment in an associate	—	—	—	—	—	—	40,669	40,669
Total assets	4,574,655	784,819	1,701,045	715,894	356,644	335,259	617,008	9,085,324
Total liabilities	3,047,488	478,126	731,689	680,026	256,979	125,954	49,353	5,369,615
Other information								
– Interest income	6,513	430	1,055	4,250	36	65	11,614	23,963
– Interest expenses	(129,143)	(27,631)	(44,632)	(6,066)	(234)	(11,207)	(295)	(219,208)
– Depreciation	(113,184)	—	(3,476)	(16,700)	—	—	(6,477)	(139,837)
– Amortization	(9,949)	(36,249)	(57,515)	(132)	(856)	(11,624)	(1,103)	(117,428)
– Capital expenditures	168,180	13,326	51,775	21,978	336,736	52,497	22,204	666,696

3 Expense by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2012	2011
Utilities	**196,595**	176,337
Employee benefit expense	**157,097**	137,742
Depreciation of property, plant and equipment and investment properties	**152,166**	139,837
Amortisation of intangible assets and land use right	**136,104**	117,428
Repair and maintenance expenses	**77,200**	60,927
Raw materials and consumables used	**53,075**	48,919
Sewage processing fee	**53,120**	24,552
Cost of recycling water pipeline connection service	**40,428**	28,205
Cost for construction contract	**26,368**	110,900
Travel, meeting and business entertainment expenses	**15,898**	13,262
Other taxes	**12,369**	9,624
Toll road management fee	**7,120**	7,120
Auditors' remuneration	**4,200**	4,200
Operating lease rentals for land and buildings	**904**	784
Others	**64,051**	59,484
	996,695	939,321

4 Finance costs- net

	2012	2011
Interest expenses of borrowings	**290,435**	238,355
Less:Capitalised interest	**(19,251)**	(19,147)
Net interest expenses	**271,184**	219,208
Less: Interest income	**(30,001)**	(23,963)
– long-term receivables	**(11,507)**	(11,433)
– bank deposits	**(18,494)**	(12,530)
Exchange gains	**(36,845)**	(5,814)
Others	**7,990**	6,984
	212,328	196,415

5 Income tax expense

	2012	2011
Tax charge comprises:		
Current income tax	**86,083**	86,102
Deferred income tax	**12,166**	10,052
	98,249	96,154

6 Earnings per share

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb269 million (2011: Rmb276 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2011: 1,427 million shares).

Diluted earnings per share is calculated using the same bases as described above for calculating basic earnings per share.

	2012	2011
Profit attributable to owners of the parent	**268,981**	275,786
Weighted average number of ordinary shares in issue (million shares)	**1,427**	1,427
Basic and diluted earnings per share (Rmb Yuan)	**0.19**	0.19

7 Dividends

A dividend in respect of year ended 31 December 2011 of Rmb0.04 (gross tax) per share, total shares of 1,427 million shares on 3 July 2011, amounting to a total dividend of Rmb57 million, was approved at the Annual General Meeting on 11 May 2012 (2011: Rmb0.11 (gross tax) per share, amounting to a total dividend of Rmb157 million).

The dividends paid in 2012 and 2011 were Rmb28 million and Rmb157 million respectively.

A dividend in respect of the year ended 31 December 2012 of Rmb0.06 per share, amounting to a total dividend of Rmb86 million, is to be approved at the annual general meeting. These financial statements do not reflect this dividend payable.

8 Trade receivables

	Group As at 31 December 2012	2011
Due from TSC for: (note (b))		
– Sewage processing service	**1,421,319**	998,903
– Construction of sewage processing plants	**68,794**	68,794
	1,490,113	1,067,697
Less: Non-current portion	**(68,794)**	(68,794)
	1,421,319	998,903
Due from others – current	**151,424**	97,680
	1,572,743	1,096,583

(a) The ageing of trade receivables is analysed below:

	Group 2012	2011
Within 1 year	**927,093**	865,014
1 to 2 years	**645,650**	231,569
	1,572,743	1,096,583

(b) TSC is the Chinese government subordinate enterprise which has good creditability history.

In December 2012, TSC and its supervising government department submitted application to Tianjin Government to apply for granting concession services right of four sewage water processing plants in Tianjin to the Company. The application is in the process of government approval. Management expected to collect the receivables from TSC when the concession services agreements are signed and replaced the current agreement. Therefore, Management believes that the receivable balance is not impaired.

9 Trade payables

As at 31 December 2012, the majority of trade payables are aged within one year.

5.2 Significant differences between financial information reported under Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "PRC Accounting Standards for Business Enterprises")

There is no difference between the consolidated net profit and consolidated net assets prepared under HKFRSs and the PRC Accounting Standards for Business Enterprises.

§6 SALE AND PURCHASE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

§7 CORPORATE GOVERNANCE CODE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the year, in compliance with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

§8 MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of practice in respect of securities transactions conducted by the Directors with standards not lower than those prescribed in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. During the reporting period, all Directors have complied with the Model Code for securities transactions conducted by the Directors.

§9 PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

§10 PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and there is no restriction against such rights under the laws of the PRC.

§11 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the audit committee (the "**Audit Committee**") to review and supervise the financial reporting procedures and internal controls of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited accounts for the year ended 31 December 2012 with the Directors.

By Order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
28 March 2013

As at the date of this announcement, the Board of Directors comprises four executive Directors: Mr. Zhang Wenhui, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Shi Zhenjuan; 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.