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 2013

§1 IMPORTANT

1.1 The board of directors (the "**Board**") and 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 2013 interim report (the "**Interim Report**") does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities 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 2013 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, Ms. Shi Zhenjuan, and the person in charge of the accounting department (the chief accountant), Ms. Cao Shuo, have warranted the truthfulness and completeness of the financial statements in this Interim 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
Place for listing of the A shares	Shanghai Stock Exchange (the "**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: 0'000 Currency: RMB

	During the reporting period (from January to June)	During the same period last year	Increase/decrease for the current reporting period as compared to the same period last year (%)
Operating income	85,136	76,510	11.27
Net profit attributable to the shareholders of the Company	11,617	11,496	1.06
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	11,362	11,369	-0.06
Net cash flow from operating activities	13,042	21,254	-38.64
	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 (%)**
Equity interest attributable to the owners of the Company (or shareholders' equity)	381,076	378,023	0.81
Total assets	1,089,885	1,030,699	5.74

	During the reporting period (from January to June)	During the same period last year	Increase/decrease for the current reporting period as compared to the same period last year (%)
Basic earnings per share (RMB)	0.08	0.08	—
Diluted earnings per share (RMB)	0.08	0.08	—
Basic earnings per share after deduction of extraordinary items (RMB)	0.08	0.08	—
Weighted average return on net assets ratio (%)	3.05	3.17	Decreased by 0.12 percentage point
Weighted average return on net assets ratio after deduction of extraordinary items (%)	2.98	3.14	Decreased by 0.16 percentage point

2.2.2 Extraordinary profit and loss items

Unit: 0'000 Currency: RMB

Extraordinary profit and loss items	Amount
Profit/loss from disposal of non-current assets	-88
Other non-operating income and expenses except for the above items	514
Effect on minority interests	-64
Income tax effect	-107
Total	255

2.2.3 Difference in accounting standards between the PRC and overseas

There is no difference between the financial reports prepared in accordance with Hong Kong Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises.

§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				110,069, among which 92 are shareholders of H shares		
Shareholdings of the top ten shareholders						
Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Total number of shares held (shares)	Increase/ decrease during the reporting period (shares)	Number of restricted shares held	Number of shares pledged or frozen (shares)
Tianjin Municipal Investment Company Limited (“**TMICL**”)	State-owned legal person	51.60	736,499,791	0	0	Pledged 204,320,000
HKSCC Nominees Limited	Unknown	23.40	333,980,900	822,000	0	Unknown
Shenyang Railway Coal Group Co., Ltd.	Unknown	0.21	3,000,000	0	0	Unknown
HO MAN PING	Unknown	0.14	2,014,000	0	0	Unknown
Haitong Securities Co., Ltd. - Client Account of Collateral Securities for Margin Trading (海通證券股份有限公司客戶信用交易擔保證券賬戶)	Unknown	0.12	1,649,811	1,649,811	0	Unknown
CITIC Securities Co., Ltd. - Client Account of Collateral Securities for Margin Trading (中信證券股份有限公司客戶信用交易擔保證券賬戶)	Unknown	0.09	1,270,300	1,270,300	0	Unknown
Agricultural Bank of China Limited - CSI500 Index Open-ended Fund (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	Unknown	0.08	1,185,100	1,185,100	0	Unknown
FUNG CHUN KIT	Unknown	0.08	1,130,000	0	0	Unknown
China Electronics Finance Co., Ltd.	Unknown	0.07	1,050,000	0	0	Unknown
China Jianyin Investment Limited	Unknown	0.07	1,000,000	0	0	Unknown

Shareholdings of the top ten shareholders of non-restricted shares		
Name of shareholder	**Number of non-restricted shares held**	**Type of shares**
TMICL	736,499,791	Ordinary RMB Shares
HKSCC Nominees Limited	333,980,900	H Shares
Shenyang Railway Coal Group Co., Ltd.	3,000,000	Ordinary RMB Shares
HO MAN PING	2,014,000	H Shares
Haitong Securities Co., Ltd. - Client Account of Collateral Securities for Margin Trading (海通證券股份有限公司客戶信用交易擔保證券賬戶)	1,649,811	Ordinary RMB Shares
CITIC Securities Co., Ltd. - Client Account of Collateral Securities for Margin Trading (中信證券股份有限公司客戶信用交易擔保證券賬戶)	1,270,300	Ordinary RMB Shares
Agricultural Bank of China Limited - CSI500 Index Open-ended Fund (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	1,185,100	Ordinary RMB Shares
FUNG CHUN KIT	1,130,000	H Shares
China Electronics Finance Co., Ltd.	1,050,000	Ordinary RMB Shares
China Jianyin Investment Limited	1,000,000	Ordinary RMB 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 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted shares and the top 10 shareholders. Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no client who owned 5% or more interest in the total share capital of the Company. (2) The top ten shareholders are not strategic investors of the Company.	

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) Overview of the operation and management of the Company during the reporting period

During the reporting period, the Company and its subsidiaries (the "**Group**") strictly implemented the operating strategy and working plan for 2013 as formulated by the Board, and conducted its principal businesses in a normal and orderly manner.

During the reporting period, the Group had no new sewage water treatment investment and operation project. The Company actively accelerated the license operation arrangement of the four sewage water treatment plants in Tianjin. Relevant government authorities are currently coordinating the ratification of sewage water treatment service fees, therefore the sewage water treatment service fees prevailing in Tianjin may face the risk of adjustment. The Company will continue to communicate with relevant authorities, with a view to establishing a market-oriented pricing system. The construction of the new sewage water treatment plant and recycled water plant under the Jizhuangzi relocation project proceeded smoothly. The removal, conversion and commissioning work are expected to commence in mid October of this year and at that time, will affect the water inflows of the Jizhuangzi sewage water treatment plant to a certain extent, but the effect is expected to be insignificant. It is expected that the removal and conversion operations of the old and new plants will realize in mid November of this year. Besides on the basis of ensuring the operation quality, all subsidiaries will continue to adjust the service prices and the guaranteed water processing volume pursuant to the provisions of the agreements. As for projects which require upgrading and renovation, relevant subsidiaries will actively perform pre-upgrading and renovation works together with relevant local government authorities.

In respect of the new energy cooling and heating supply business of the Group, the government's construction subsidies of RMB50 million was granted during the reporting period. Meanwhile, the Group adjusted the cooling service prices for users funded by fiscal authorities (please see the announcements published on the websites of SSE and the Stock Exchange on 31 May 2013 for more details) and partially recognized the cooling supply agreements and revenue from such customers for the previous year.

During the reporting period, the Group continued to strengthen its technological research and development and the transformation of R&D achievements. Tianjin Kaiying Technology Development Company Limited, a subsidiary of the Company, which undertook the technological research and development and the achievements transformation tasks for the Group, was successfully recognized as a High-New Technology Enterprise. The technological research and development proceeded in an orderly manner. During the reporting period, the Group spent a total of RMB1,670,600 on technological R&D and technology reform projects. The sewage water treatment plant all-process deodorization patented technology of the Group was launched to the market and generated a revenue of RMB8.82 million, representing an increase of 185.44% as compared to the same period last year.

During the reporting period, the Group continued to actively adjust the industrial structure across the industry chain of the water business by engaging in the production and sales of flocculant, the solid waste processing business and the resource utilization of sludge. So far, the Group has started to implement the construction project of the 750 ton/year flocculant production line (please see the Company's announcements published on the websites of SSE and the Stock Exchange on 5 July 2013 for more details). Other businesses are still under investigation, inspection or preparation.

(II) Discussion and analysis on the overall results of operations of the Company during the reporting period

1. Discussion and analysis on the overall results of operations during the reporting period

During the reporting period, the Group recorded an operating income of RMB851.36 million, representing an increase of RMB86.25 million or 11.27% as compared to the same period last year. The increase in operating income was mainly attributable to an increase in income generated from the business in sewage water treatment service and construction, the recycled water business, and the business of cooling and heating supply services.

While there was an increase in the operating income, the operating costs also increased by RMB75.03 million or 17.27% as compared to the same period last year, which was mainly due to the increase in the charges of energy, raw materials, depreciation and labour costs as compared to last year.

In conclusion, the Group recorded a net profit (attributable to the shareholders of the Company) of RMB116.17 million during the reporting period, representing a slight increase of RMB1.21 million or 1.06% as compared to the same period last year.

2. Analysis of income from the principal businesses

(1) Sewage water treatment business and construction business

In respect of sewage water treatment business, the Group had processed a total of 517.90 million cubic metres of sewage water during the reporting period, representing an increase of 17.15% as compared to the same period last year. Income realized amounted to RMB651.96 million, representing an increase of 6.76% as compared to the same period last year. This was mainly attributable to the increases in the sewage water treatment prices for Fuyang project and Hanshan project owned by the subsidiaries according to agreements, the increase in the minimum guaranteed volume of water for Yingdong project and Wendeng project according to agreements, the increase in the sewage water volume processed by Hangzhou subsidiaries, and the addition of a new entrusted operation project of Zhangguizhuang sewage water treatment plant over the same period last year.

During the reporting period, the Group's four sewage water treatment plants in the central urban area of Tianjin processed a total of 200.54 million cubic metres of sewage water and realized a sewage water treatment service income of RMB387.05 million. Both the volume of water processed and income decreased by 1.70% as compared to the same period last year.

During the reporting period, the subsidiaries of the Group processed a total of 245.75 million cubic metres of sewage water, representing an increase of 3.2% as compared to the same period last year. Income from sewage water treatment services of RMB217.52 million was realized, representing an increase of 6.71% as compared to the same period last year.

During the reporting period, the Group's entrusted operation projects processed a total of 71.61 million cubic metres of sewage water, representing an increase of 36.9% as compared to the same period last year, and realized an income of RMB47.39 million, representing an increase of 261.76% as compared to the same period last year.

During the reporting period, income from the Group's construction business was RMB13.77 million, representing an increase of 139.5% as compared to the same period last year, primarily due to the addition of entrusted construction projects during the reporting period.

(2) Recycled water business

During the reporting period, the Group's recycled water business realized sales of recycled water of 7.534 million cubic metres, representing an increase of 52.6% as compared to the same period last year. Income of RMB20.40 million was realized, representing an increase of 92.27% as compared to the same period last year. It was mainly due to the official supply of water by Xianyanglu Recycled Water Plant to Yangliuqing Power Plant starting since September 2012, resulting an increase in water sales volume, and an upward adjustment to prices of recycled water starting from the end of February 2012.

During the reporting period, the Group's recycled water pipeline connection business realized a total income of RMB72.91 million, representing an increase of 63.48% as compared to the same period last year.

(3) Tap water business

During the reporting period, the Group's tap water business recorded an on-grid water volume of 18.84 million cubic metres, representing a decrease of 11% as compared to the same period last year, and realized an income of RMB18.14 million, representing a decrease of 15.82% as compared to the same period last year. During the reporting period, the water volume of Qujing Tap Water Plant increased, but no water volume or income was recognized by Anguo Tap Water Plant as it was negotiating the implementation of licensed operation agreements with the relevant authorities of the local government.

(4) Cooling and heating supply service business

During the reporting period, a total realized income from the Group's new energy cooling and heating supply service business was RMB26.43 million, representing an increase of 26.28% as compared to the same period last year. This was mainly attributable to the fact that no income was recognized for cooling supply service during the same period last year.

(5) Toll collection business

For the toll collection business, the Group has since 2010 recognized income based on the amount received according to the "Entrusted Toll Collection Agreement" pursuant 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. During the reporting period, the Company recorded an income of RMB33.51 million from the toll collection business, which was in line with the same period last year.

(III) Analysis of principal businesses

1. Analysis of changes in relevant items in the financial statements

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	85,136	76,510	11.27
Costs for operations	50,942	43,439	17.27
Administrative expenses	5,631	5,521	1.99
Financial expenses	11,695	11,229	4.15
Business tax and surcharges	794	470	68.85
Investment income	-107	108	-198.32
Non-operating expenses	95	225	-57.99
Net cash flows from operating activities	13,042	21,254	-38.64
Net cash flows from investing activities	6,930	-22,091	-131.37
Net cash flows from financing activities	2,964	30,063	-90.14
Research and development expenses	167	133	25.56

Explanation of changes:

Business tax and surcharges: The increase was mainly due to an addition of revenue from the Company's entrusted operation of Zhangguizhuang Sewage Water Treatment Plant and Hangu Yingcheng Sewage Water Treatment Plant during the reporting period, as well as an increase in pipeline connection income of Tianjin Water Recycling Company Limited ("**Water Recycling Company**"), a subsidiary of the Company.

Investment income: This mainly represented the losses incurred by associates during the reporting period.

Non-operating expenses: The loss of assets retirement of the Company decreased during the reporting period.

Net cash flows from operating activities: The decrease was mainly attributable to a decrease in operating fees collection of the Company and Water Recycling Company during the reporting period, and an increase in operating expenses of Tianjin Jiayuanxing Innovative Energy Technology Company Limited and Water Recycling Company, subsidiaries of the Company.

Net cash flows from investing activities: The significant increase in cash inflows from investing activities over the same period last year was due to the collection of the land expropriation compensation of RMB400 million for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant during the reporting period.

Net cash flows from financing activities: The decrease in net inflows from financing activities during the reporting period over the same period last year was because the repayment is basically in line with, and the borrowing is lower than, the same period last year.

2. Another analysis of changes in relevant items in the financial statements

Unit: 0’000 Currency: RMB

Item	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 the 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 (%)
Construction in progress	63,277	5.81	45,949	4.46	37.71
Short-term borrowings	5,500	0.50	8,600	0.83	-36.05
Trade payable	3,355	0.31	2,085	0.20	60.91
Dividend payable	11,477	1.05	3,093	0.30	271.07
Taxes payable	1,571	0.14	2,671	0.26	-41.18
Debentures payable	138,268	12.69	69,195	6.71	99.82
Other non-current liabilities	125,879	11.55	84,016	8.15	49.83

Explanation of changes:

Construction in progress: The increase was mainly due to an increase in the construction investment of the new sewage water treatment plant and water recycling plant for Jizhuangzi relocation project.

Short-term borrowings: Part of the short-term borrowings was repaid during the reporting period.

Trade payable: This mainly represented the costs payable by the sewage water treatment plants of the Company such as the operating costs.

Dividend payable: This was mainly due to the provision of dividend payable for 2012.

Taxes payable: The decrease in balance was due to the final settlement of income tax made during the reporting period.

Debentures payable: The Company issued the second tranche of medium-term notes of RMB700 million during the reporting period.

Other non-current liabilities: The increase was mainly due to the collection of the land expropriation compensation of RMB400 million for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant during the reporting period.

(IV) 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 treatment and construction business	61,834	35,688	42.28	2.49	5.4	-2.02	
Recycled water pipeline connection and water supply business	9,331	6,901	26.04	69.01	76.41	-3.1	Note 1
Toll collection business	3,351	356	89.38	Unchanged	Unchanged	Unchanged	
Tap water supply business	1,814	1,179	35.01	-15.82	-13.56	-1.70	
Energy supply business	2,643	2,077	21.42	26.28	26.03	0.17	
Others	387	771	-99.22	283.17	1,206.78	-141.02	Note 2

Note: (1) The increase in income was mainly due to the following three factors: a significant increase in water sales as compared to the same period last year because of the official supply of water by Xianyanglu Recycled Water Plant to Yangliuqing Power Plant starting since September last year; an increase in prices of recycled water from the end of February 2012; an increase in income from the pipeline connection business.

Electricity, agentia fees and repair and maintenance costs increased as a result of the increase in the volume of water, and costs of pipeline connection business increased in line with its income.

(2) The decrease in gross profit margin of other businesses was mainly due to a significant increase in both income from and costs of the sales business of Tianjin Kaiying Technology Development Company Limited and Tianjin Capital New Materials Company Limited, subsidiaries of the Company, as compared to the previous period, as well as a significant decrease in gross profit of the software integration business of Capital Environmental Protection, a subsidiary of the Company.

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	56,052	9.52	
Qujing	3,491	5.79	
Guizhou	1,192	-1.16	
Fuyang	2,398	16.52	
Baoying	1,014	65.69	Note 1
Hangzhou	8,010	3.37	
Wendeng	1,342	9.37	
Xi'an	3,738	0.08	
Anguo	415	-49.39	Note 2
Wuhan	1,705	3.02	
Hong Kong	4	-63.64	Note 3

Note: (1) With the operation of the phase II, income from the principal businesses of Bao Ying Capital Water Company Limited increased.

(2) Mainly affected by the tap water business, income from the principal businesses of Anguo Capital Water Company Limited decreased.

(3) Income from the system integration and software business of the Hong Kong subsidiary decreased.

(V) Analysis of core competitiveness

The Company's core competitiveness is mainly reflected in the following five aspects: first, the Company owns the most influential service brand in the sewage water treatment industry and an established service network with nationwide coverage; second, the Company owns leading technologies, diversified solutions and integrated service capability by virtue of its complete industry chain; third, the Company 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 Company has the best operation and management practical experience in the water treatment industry and possesses sound capabilities of controlling risks and responding to emergencies; fifth, the Company devotes to expand into new energy business segment and sewage water treatment related business segment to establish new competitive edges. During the reporting period, the Company further stepped up its efforts in the research and development of proprietary technologies and techniques while maintaining its license operation projects at the same time, which steadily enhance its corporate core competitiveness.

(VI) Analysis of the investment

1. Overall analysis of external equity investment

The Company has no external equity investment during the reporting period.

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

(1) Trust arrangement

The Company did not make any trust arrangement during the reporting period.

(2) Trust loan

The Company did not have any trust loan during the reporting period.

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

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%	109,564.53	13,239.22	1,308.23
Hangzhou Tianchuang Water Company Limited	Hangzhou, Zhejiang	Operation and maintenance for sewage water treatment and recycled water utilization facilities, and ancillary services such as technology services and technology training.	25,745	Limited company	70%	73,349.89	31,415.15	1,309.73

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 reporting period	Total actual amount invested	Project income
Construction of new sewage water treatment plant for Jizhuangzi relocation project	206,559.01	Major structures and main building were basically completed, and the installation of equipment and greening work were conducted as scheduled.	14,688	56,401	No income was derived from this project as it was not yet completed.

§6 GUARANTEE

Unit: 0'000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to the subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to the subsidiaries)	0
Total amount of guarantees as at the end of the reporting period (A) (excluding guarantees provided to the subsidiaries)	0
Guarantees provided to the subsidiaries by the Company	
Total amount of guarantees provided to the subsidiaries during the reporting period	0
Total amount of guarantees provided to the subsidiaries as at the end of the reporting period (B)	87,296
Total amount of guarantees provided by the Company (including guarantees provided to the subsidiaries)	
Total amount of guarantees (A+B)	87,296
Percentage of the total amount of guarantees to the net assets of the Company (%)	22.91
Of which:	
Amount of guarantees provided to shareholders, ultimate controller and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to borrowers with a gearing ratio of over 70% (D)	0
Total amount of guarantees exceeding 50% of net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

§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 2012

(All amounts in Rmb thousand unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	**2013**	**2012**
Revenue	3(a)	793,594	735,532
Business tax		(7,936)	(4,700)
Cost of sales		(469,723)	(411,983)
Gross profit		315,935	318,849
Other income - net	3(a)	22,333	10,436
Administrative expenses		(56,308)	(55,214)
Operating profit	4	281,960	274,071
Finance income		14,283	16,223
Finance costs		(131,231)	(128,514)
Finance costs - net	5	(116,948)	(112,291)
Share of profits /(loss) of an associate		(1,067)	584
Profit before income tax		163,945	162,364
Income tax expense	6	(41,868)	(44,205)
Profit for the period		122,077	118,159
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		122,077	118,159
Profit /Total comprehensive income attributable to:			
– Owners of the parent		116,169	114,956
– Non-controlling interests		5,908	3,203
		122,077	118,159
Earnings per share for profit attributable to the owners of the parent (in Rmb per share)			
– basic		Rmb0.08	Rmb0.08
– diluted		Rmb0.08	Rmb0.08
Interim dividends	7	—	—

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		3,826,122	3,740,746
Investment property		110,446	112,282
Intangible assets		2,707,910	2,753,686
Land use rights		432,145	437,653
Investment in an associate		33,561	34,628
Available-for-sale financial assets		4,000	4,000
Trade receivables due after one year	8	68,794	68,794
Long-term receivables		335,619	337,631
Other non-current assets		7,757	8,513
		7,526,354	7,497,933
Current assets			
Inventories		72,570	92,509
Trade receivables	8	1,910,039	1,572,743
Other current assets		11,428	12,349
Other receivables		9,624	10,589
Prepayments		138,908	120,306
Cash and cash equivalents		1,229,928	1,000,565
		3,372,497	2,809,061
Total assets		10,898,851	10,306,994

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(All amounts in Rmb thousand unless otherwise stated)

	Note	**As at 30 June 2013 Unaudited**	**As at 31 December 2012 Audited**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		733,216	733,216
Retained earnings		1,650,320	1,619,785
– Proposed final dividend		—	85,634
– Others		1,650,320	1,534,151
		3,810,764	3,780,229
Non-controlling interests		157,591	152,442
Total equity		3,968,355	3,932,671
LIABILITIES			
Non-current liabilities			
Borrowings		4,434,914	3,814,738
Deferred revenue		384,755	385,661
Deferred income tax liabilities		65,917	60,645
		4,885,586	4,261,044
Current liabilities			
Trade payables	9	33,549	20,847
Advances from customers	9	624,890	601,371
Wages payables		7,227	9,298
Income tax payable	9	11,640	21,763
Other taxes payable	9	4,073	4,943
Dividend payable		114,766	30,929
Other payables	9	419,922	511,940
Borrowings		828,843	912,188
		2,044,910	2,113,279
Total liabilities		6,930,496	6,374,323
Total equity and liabilities		10,898,851	10,306,994
Net current assests		1,327,587	695,782
Total assets less current liabilities		8,853,941	8,193,715

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

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 2012, as described in those annual financial statements.

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

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

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 2013	**30 June 2012**
Revenue from principal operation (Note 3(b))	793,594	735,532
Other income - net	22,333	10,436
	815,927	745,968

(b) Operating segment analysis

Reportable segment of the Group was identified as the business unit providing different products or services or operating in different regions. Considering the different requirements of technology and market strategy for different business and geographic segments, the Group managed the production and business activities of each segment independently and evaluated the operating results separately in order to determine resource allocation and assesses performance.

The Company considers the business from both service and geographical perspective. From a service perspective, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and cooling service and tap water operation. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants).

(i) *For the period ended 30 June 2013*

`	Sewage processing and construction			Recycle water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	428,408	80,207	109,722	93,309	26,434	18,13	59,711	815,927
Segment expense	(348,771)	(65,140)	(102,726)	(73,818)	(26,913)	(17,292)	(16,255)	(650,915)
Results before share of profits of an associate	79,637	15,067	6,996	19,491	(479)	844	43,456	165,012
Share of profits of an associate								(1,067)
Profit before income tax								163,945
Income tax expense								(41,868)
Profit for the period								122,077
Segment assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,087,811	10,865,290
Investment in an associate	—	—	—	—	—	—	33,561	33,561
Total assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,121,372	10,898,851
Total liabilities	4,646,168	402,178	314,914	1,068,963	314,915	124,147	59,211	6,930,496
Other information								
– Interest income	4,369	252	905	2,404	27	4	6,322	14,283
– Interest expenses	(83,627)	(11,882)	(23,200)	(199)	(5,318)	(4,588)	(657)	(129,471)
– Depreciation	(83,415)	—	—	(11,095)	—	—	(1,964)	(96,474)
– Amortisation	(5,293)	(18,124)	(31,364)	(286)	(6,808)	(5,170)	(283)	(67,328)
– Capital expenditures	151,204	64	16,618	27,548	223	107	2,471	198,235

(ii) *For the period ended 30 June 2012*

`	Sewage processing and construction			Recycle water and				
	Tianjin plants	Hangzhou plant	Other plants	pipeline connection	Heating and cooling	Tap water	All other segments	Group
Segment revenue	396,489	77,696	129,137	55,211	20,928	21,546	44,961	745,968
Segment expense	(304,421)	(63,488)	(117,558)	(42,900)	(21,002)	(19,591)	(15,228)	(584,188)
Results before share of loss of an associate	92,068	14,208	11,579	12,311	(74)	1,955	29,733	161,780
Share of loss of an associate								584
Profit before income tax								162,364
Income tax expense								(44,205)
Profit for the period								118,159
Segment assets	5,225,860	765,236	1,570,914	750,111	366,645	280,048	646,963	9,605,777
Investment in an associate	—	—	—	—	—	—	41,253	41,253
Total assets	5,225,860	765,236	1,570,914	750,111	366,645	280,048	688,216	9,647,030
Total liabilities	3,746,212	445,582	577,167	698,501	307,876	87,693	7,720	5,870,751
Other information								
– Interest income	6,091	326	706	2,665	29	20	6,368	16,223
– Interest expenses	(80,194)	(13,518)	(26,471)	(1,509)	(702)	(4,352)	(193)	(126,939)
– Depreciation	(58,063)	—	(1,783)	(11,241)	(169)	—	(2,349)	(73,605)
– Amortisation	(5,817)	(18,124)	(31,386)	(253)	(6,568)	(4,496)	(102)	(66,746)
– Capital expenditures	66,914	2,895	6,720	8,044	3,076	820	10,201	98,670

4 Operating profit

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

	Unaudited For the six months ended	
	30 June 2013	**30 June 2012**
Crediting:		
Rental of investment properties	(4,036)	(5,078)
Charging:		
Depreciation and amortisation expenses	163,802	140,351
Staff costs	98,144	80,536
Raw materials and consumables used	20,547	20,848
Repair and maintenance expenses	28,442	28,025
Loss of disposal of property, plant and equipment	876	2,190

5 Finance costs-net

	Unaudited For the six months ended	
	30 June 2013	30 June 2012
Interest expenses of borrowings	129,471	138,009
Less: Capitalised interest	—	(11,070)
	129,471	126,939
Less: Interest income	(14,283)	(16,223)
– long-term receivables	(5,740)	(5,754)
– bank deposits	(8,543)	(10,469)
Others	1,760	1,575
	116,948	112,291

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 2013 (30 June 2012: profits tax has been provided at the rate of 16.5%). PRC income tax is calculated at the statutory rate of 25% (2012: 25%).

Tax charge comprises:

	Unaudited For the six months ended	
	30 June 2013	30 June 2012
Current income tax	36,596	38,533
Deferred income tax	5,272	5,672
	41,868	44,205

7 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2013 (30 June 2012: Nil).

8 Trade receivables and trade receivables due after one year

Details of the trade receivables are as follows:

	Unaudited 30 June 2013	Audited 31 December 2012
Due from TSC for:		
– Water processing services	1,708,451	1,421,319
– Construction of plants	68,794	68,794
	1,777,245	1,490,113
Less: Non-current portion	(68,794)	(68,794)
	1,708,451	1,421,319
Due from others – current	201,588	151,424
	1,910,039	1,572,743

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

	Unaudited 30 June 2013	Audited 31 December 2012
Within one year	1,008,279	927,093
One to two years	901,760	645,650
	1,910,039	1,572,743

9 Trade payables, Advances, Other payables and Tax payables

	Unaudited 30 June 2013	Audited 31 December 2012
Trade payables (note (a))	33,549	20,847
Advances (note (b))	624,890	601,371
Other payables (note (c))	419,922	511,940
Tax payables	15,713	26,706
	1,094,074	1,160,864

(a) As at 30 June 2013, the majority of trade payables are aged within one year.

(b) Advances from customers comprise:

	Unaudited 30 June 2013	**Audited 31 December 2012**
For recycled water pipeline connection	610,729	580,944
For heating and cooling service	2,500	13,776
Received from project of Han Gu	2,765	2,261
Other advances	8,896	4,390
	624,890	601,371

(c) Other payables comprise:

	Unaudited 30 June 2013	**Audited 31 December 2012**
Construction costs payable	295,520	392,679
Payable for purchase of fixed assets and concession rights of plants	20,892	40,935
Debenture interests payables	34,166	7,747
Others	69,344	70,579
	419,922	511,940

The carrying value of trade and other payables approximates their fair value due to their short-term maturities.

As at 30 June 2013, other payables of Rmb 109 million (31 December 2012: Rmb 137 million) are aged over one year, which mainly represent unsettled payables and deposits for upgrade projects.

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

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

§9 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 reporting period, in compliance with the code provisions of Corporate Governance Code 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 2013.

By order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
29 August 2013

As at the date of this announcement, the Board 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.