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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 2013

§ 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 2013 annual report of the Company. For detailed information, please read the 2013 annual report of the Company carefully.

- 1.2 PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have reviewed the 2013 financial reports of the Company and have issued standard unqualified audit reports.
- 1.3 Mr. Zhang Wenhui, the Company's chairman, Ms. Shi Zhenjuan, the officer in charge of the accounting work, and Ms. Cao Shuo, 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 2013 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
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§ 3 ACCOUNTING DATA AND FINANCIAL INDICATORS

(For each of the three years ended 31 December 2013 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	2013	2012	Increase/decrease for the period as compared to the same period last year (%)	2011
Operating income	174,986	163,732	6.87	156,249
Net profit attributable to the shareholders of the Company	28,190	26,898	4.80	27,579
Net profit after deduction of extraordinary items attributable to the shareholders of the Company	26,849	25,318	6.04	27,823
Net cash flow from operating activities	57,147	49,424	15.63	83,417
			Increase/decrease for the end of the period as compared to the end of the same period last year (%)	
	As at the end of 2013	As at the end of 2012		As at the end of 2011
Net assets attributable to the shareholders of the Company	397,649	378,023	5.19	345,834
Total assets	1,107,375	1,030,699	7.44	908,532

3.2 Major financial indicators

Currency: RMB

Major financial indicators	2013	2012	Increase/decrease for the period as compared to the same period last year (%)	2011
Basic earnings per share (RMB/share)	0.20	0.19	5.26	0.19
Diluted earnings per share(RMB/share)	0.20	0.19	5.26	0.19
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.19	0.18	5.56	0.19
Weighted average return on net assets ratio (%)	7.27	7.33	Decreased by 0.06 percentage point	7.73
Weighted average return on net assets ratio after deduction of extraordinary items (%)	6.92	6.91	Increased by 0.01 percentage point	7.80

3.3 Extraordinary items

Unit: 0'000 Currency: RMB

Extraordinary items	Amount in 2013	Amount in 2012	Amount in 2011
Profit/loss from disposal of non-current assets	-485	316	-1,366
Government subsidies	2,291	1,210	676
Other non-operating income and expenses except for the above items	77	587	365
Effect on minority interests	-71	-5	—
Income tax effect	-471	-528	81
Total	<u>1,341</u>	<u>1,580</u>	<u>-244</u>

§ 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 investment, construction, operation and technical consultation in respect of sewage water treatment facilities, production and sales of recycled water, connection of pipelines network, tap water supply, new energy cooling and heating supply services and toll collection business.

In 2013, under the leadership of the Board, the Group's management closely adhered to the strategic plan of the Group for the “Twelfth Five-Year Plan” period, followed the major strategies and operation plan of the Group and continued to apply the operation philosophy of “technology as the guide, operation as core” to further strengthen its internal control management, strictly implement appraisals against targets and job performance as well as continuously enhance the quality and capacities of its staff in order to increase their working efficiency. While ensuring the product and service quality, the Group strived to reduce costs and expenses to improve its operating efficiency. Aimed at maximizing the value created for the shareholders, the Group continuously enhanced its operation management and technological research and development to further build up the core competitiveness of the Company. In particular:

1. Four sewage water treatment plants including Tianjin Jizhuangzi Sewage Water Treatment Plant obtained the licensed operation right for a period of 30 years and signed the Licensed Operation Agreement on 18 February 2014. The term of the licensed operation commenced from 1 January 2014, which has laid a foundation for the long-term and stable operation of the four sewage water treatment plants including Tianjin Jizhuangzi Sewage Water Treatment Plant by the Company during the next 30 years and the stable and sustainable development of the Company's sewage water treatment business.

2. While endeavoring to ensure the service quality of its operation projects, the Group has effectively conducted price adjustment as agreed in respect of projects in cities such as Hangzhou and Guizhou. The service price adjustment period had commenced, which provided a guarantee for the stable and sustainable operation of those projects.
3. The Group has made a new progress in technology research and development and transformation of technological achievements. The sewage water treatment plant all-process deodorization patented technology has been further promoted, which results in significant increase in income. The Group has also made some achievements in research and development of new technologies for treatment of specific industrial waste water and sludge from sewage water treatment plants. Such technologies have been ready to marketing.
4. The Group has built up its brand in respect of the business of new energy cooling and heating supply services through high quality services, which laid a foundation for its future market expansion.
5. In respect of Jizhuangzi relocation project, the newly-constructed sewage water treatment plant has been commissioned as scheduled, which further consolidated the Group's leading position in the sewage water treatment industry and established a good brand image.

(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 2013, the Group recorded an income from operations of RMB1,749.86 million, representing an increase of RMB112.54 million or 6.87% as compared to 2012. The increase in income from operations was mainly attributable to the significant increase in income generated from the entrusted operation of sewage water treatment plants, the business of sales of recycled water and pipeline connection business as well as the business of the sewage water treatment plant all-process deodorization engineering as compared to last year. Meanwhile, the Group recognized part of the unrecognized fee income from cooling supply services due to disputes in 2012.

While there was an increase in the income from operations, the costs of operations also increased by RMB106.39 million or 11.19% as compared to the same period last year, which, on one hand, was attributable to the increase in costs of the entrusted operation of the sewage water treatment plants, recycled water pipeline connection and deodorization engineering in line with the increase of income, and on the other hand, was attributable to the fact that the Company provided full-year depreciation in 2013 in respect of its four sewage water treatment plants including Jizhuangzi Sewage Water Treatment Plant, as compared to the three-month depreciation provided in 2012, which resulted in the increase in the amount of depreciation. Meanwhile, there was an increase in labour costs in 2013.

In line with the increase in the income generated from the entrusted operation business and the BT business, business tax and surcharges increased by 34.81% as compared to last year.

Finance costs decreased by RMB34.52 million or 16% as compared to last year, which was mainly attributable to the increase in exchange gains during the reporting period as compared to last year. If excluding the effect of exchange gains, finance costs for the year would decrease by approximately RMB5 million as compared to last year.

During the reporting period, the Group, based on prudent considerations, made provision for impairment losses of RMB11.32 million in respect of assets of the urban water supply project in Anguo and made provision for bad debt of RMB7.17 million in respect of trade receivables of the sewage water treatment project in Qujing on case-by-case basis.

As a result of the forgoing, the Group recorded a net profit (attributable to the shareholders of the Company) of RMB281.90 million during the reporting period, representing an increase of RMB12.92 million or 4.80% as compared to 2012.

2. Analysis of principal businesses

(1) Sewage water treatment business

As at the end of the reporting period, the sewage water processing capacity of the Group was 3,707,500 cubic metres per day, representing a slight decrease as compared to 2012. The sources for generating revenue from sewage water treatment include: (a) 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; (b) 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; (c) entrusted operation by which the Group charged operation service fees by rendering operation services in relation to sewage water treatment. The Group had processed a total of 1,090.11 million cubic metres of sewage water during the reporting period through the above ways, representing an increase of 4.7% as compared to 2012. Income realized amounted to RMB1,315.13 million, representing an increase of 3.56% as compared to 2012.

During the reporting period, the Group's four sewage water treatment plants in the central urban area of Tianjin processed a total of 401.54 million cubic metres of sewage water for the whole year and realized a sewage water treatment service income of RMB774.97 million. Both the volume of water processed and income decreased by 1.34% as compared to 2012, which was mainly attributable to the decrease in upstream water inflow to some sewage water treatment plants.

During the reporting period, the subsidiaries of the Group processed a total of 538.63 million cubic metres of sewage water, representing an increase of 6% as compared to 2012. Income from sewage water treatment services of RMB440.18 million was realized, representing an increase of 3.1% as compared to 2012.

During the reporting period, the Group's entrusted operation projects processed a total of 149.94 million cubic metres of sewage water, representing an increase of 19.2% as compared to 2012, and realized an income of RMB99.99 million, representing an increase of 74.17% as compared to 2012, which was mainly attributable to the substantial increase in water volume and income from entrusted operation for full year of 2013 of Zhangguizhuang Sewage Water Treatment Plant of the Company as compared to five months from August 2012, and the increase in income generated from part of the entrusted operation projects of Guizhou subsidiaries.

(2) Sewage water treatment plants construction business (including income from deodorization engineering business)

During the reporting period, income from sewage water treatment plant construction business of the Company was RMB43.50 million, representing an increase of 49.48% as compared to last year, which was mainly attributable to the significant increase in income generated from the deodorization engineering business as compared to the same period last year. During the reporting period, the Company continued to promote the marketing of the sewage water treatment plant all-process deodorization patented technology, which resulted in the increase in number of external contracts and realized a total income of RMB19.90 million, representing an increase of 319% as compared to 2012.

(3) *Recycled water business*

During the reporting period, the sales volume of recycled water was 18.713 million cubic metres, mainly due to the increase in the volume of recycled water used by part of recycled water users and full-year usage of recycled water by users of Xianyanglu Recycled Water Plant in 2013 as compared to four-month usage of recycled water from September in 2012. During the reporting period, the recycled water sales business recorded an income of RMB50.68 million, representing an increase of 57% as compared to 2012, which was mainly attributable to the above increase of water sales volume and the mutual effect of new water price charged in full year of 2013 and nine months from April in 2012.

During the reporting period, the Company vigorously developed the recycled water pipeline connection business and realized a total income of RMB114.21 million, representing an increase of 13% as compared to the corresponding period of 2012.

(4) *Tap water business*

During the reporting period, the Company's tap water business recorded a water supply volume of 42.523 million cubic metres, representing a decrease of 1% as compared to 2012, which was mainly attributable to the slight decrease in volume of water supplied by Qujing Tap Water Plant. Since the city water supply project in Anguo was in arbitration process, no income was recognized in respect of its production of tap water. During the reporting period, the Company recorded sales income of tap water of RMB36.47 million, representing a decrease of 17% as compared to 2012.

(5) *Cooling and heating supply service business*

During the reporting period, the Tianjin Cultural Centre centralized energy station project recorded a total income from cooling and heating supply service fees for the full year of RMB71.23 million, representing an increase of 37% as compared to 2012, which was mainly attributable to the recognition of part of the unrecognized fee income from cooling supply services due to disputes in 2012.

(6) Toll collection business

For the toll collection business, the Group has since 2010 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 2012.

(I) Analysis of principal businesses

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	174,986	163,732	6.87
Costs of operations	105,758	95,119	11.18
Business tax and surcharges	1,547	1,148	34.76
Administrative expenses	10,878	10,512	3.48
Finance costs	17,781	21,233	-16.26
Net cash flows from operating activities	57,147	49,424	15.63
Net cash flows from investing activities	-16,492	13,565	-221.58
Net cash flows from financing activities	-40,854	-32,192	26.91
Research and development expenses	646	590	9.49

2. Income

(1) Analysis of factors driving changes in business income

For details, please refer to “Analysis of 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

During the reporting period, there were no material changes in or adjustments to the Company’s products and services.

(5) Information on major sales customers

Total income from operations from the Group’s top five customers was RMB1,163.90 million (2012: RMB1,150.99 million), representing 66% (2012: 70%) of the Group’s total income from operations . For details, please refer to the financial statements of the Group.

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	Note
Sewage water	Labour	8,772	9.03%	8,454	9.48%	3.77%	
	Energy consumption (electricity charges)	17,560	18.07%	17,657	19.80%	-0.55%	
	Material consumption	4,406	4.53%	4,480	5.02%	-1.66%	
	Repair and maintenance	7,501	7.72%	7,638	8.57%	-1.80%	
	Sludge disposal	5,065	5.21%	5,283	5.93%	-4.12%	
	Depreciation and amortization	27,086	27.87%	23,196	26.02%	16.77%	
	Remaining manufacturing costs	2,848	2.93%	2,650	2.97%	7.45%	
	Sub-total	73,237		69,358			

By industry	Cost item	Percentage change in the amount for the current period as compared to the same period last year					Note
		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 of total costs for the same period last year	
Sewage water plant construction	Project construction costs	2,629	2.71%	2,637	2.96%	-0.30%	
	Sub-total	2,629		2,637			
Tap water	Labour	846	0.87%	805	0.90%	5.10%	
	Energy consumption (electricity charges)	564	0.58%	683	0.77%	-17.48%	
	Material consumption	78	0.08%	79	0.09%	-0.96%	
	Repair and maintenance	182	0.19%	188	0.21%	-3.30%	
	Depreciation and amortization	837	0.86%	920	1.03%	-9.07%	
	Remaining manufacturing costs	180	0.18%	181	0.20%	-0.78%	
Recycled water	Sub-total	2,687		2,856			
	Labour	985	1.01%	806.91	0.91%	22.05%	
	Energy consumption (electricity charges)	974	1.00%	674.75	0.76%	44.29%	Note 1
	Material consumption	731	0.75%	565.51	0.63%	29.30%	
	Repair and maintenance	1,503	1.55%	1,030.09	1.16%	45.95%	Note 1
	Depreciation and amortization	2,328	2.40%	2,121.30	2.38%	9.74%	
	Remaining manufacturing costs	281	0.29%	226.68	0.25%	24.18%	
	Sub-total	6,802		5,425			

By industry	Cost item	Percentage change in the amount for the current period as compared to the same period last year					Note
		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 of total costs for the same period last year	
Recycled water pipeline network connection	Project construction costs	4,877	5.02%	4,043	4.53%	20.62%	
	Sub-total	4,877		4,043			
Cooling and heating supply	Labour	361	0.37%	358	0.40%	0.79%	
	Energy consumption (electricity charges)	1,768	1.82%	1,368	1.53%	29.23%	Note 2
	Material consumption	71	0.07%	58	0.07%	22.95%	
	Repair and maintenance	376	0.39%	303	0.34%	23.87%	
	Depreciation	1,343	1.38%	1,330	1.49%	1.00%	
	Municipal heating network fee	245	0.25%	57	0.06%	326.18%	Note 2
	Remaining manufacturing costs	32	0.03%	18	0.02%	78.98%	
	Sub-total	4,197		3,493			
Toll collection	Collection management costs	712	0.73%	712	0.80%	0.00%	
	Sub-total	712		712			
Sales of construction materials	Sales of products	934	0.96%	—	0.00%	N/A	Note 3
	Sub-total	934		—			
Consulation and others	Labour	592	0.61%	314	0.35%	88.25%	Note 4
	Other manufacturing costs	514	0.53%	320	0.36%	60.79%	
	Sub-total	1,106		634			
Total		97,179		89,158		9.00%	

Notes:

1. This was mainly attributable to the increase in maintenance expenses and electricity charges as a result of the increase in sales volume of recycled water during the year.
2. Costs of the cooling and heating supply business increased as compared to last year. Since the energy station was in the commissioning stage and did not operate in full load in the previous year, costs such as electricity charges and materials were lower than those in the year. In addition, since the municipal heating network was fully connected in the year, the heating network fee and related repair and maintenance expenses also increased.
3. Tianjin Capital New Materials Company Limited recorded an increase in sales income of pipelines and a year-on-year increase in costs during the year.
4. There were newly-added costs of operations of Tianjin Capital New Materials Company Limited and technology consultation and R&D expenses of Tianjin Kaiying Technology Development Company Limited during the year.

(2) Information on major suppliers

In 2013, purchases from the top five suppliers amounted to RMB208.66 million, representing 20% of the total purchases for the year.

4. Fees

During the reporting period, administrative expenses slightly increased as compared to last year.

For details of finance costs, and business tax and surcharges, please refer to the “Analysis on the Results of Operations” in the Directors’ Report.

5. Research and development expenses

(1) Research and development expenses

Unit: 0’000 Currency: RMB

Expensed research and development expenses for the period	556.95
Capitalized research and development expenses for the period	88.7
Total research and development expenses	645.65
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 (%)	0.37

(2) Explanation

In 2013, the Group focused its R&D efforts on the market demand for industrial waste water treatment and sludge treatment, and actively carried out technology R&D to provide technical reserves for the Company's entering into specific industrial waste water treatment and sludge treatment market. Meanwhile, the Group conducted technical optimization in light of marketing of the sewage water treatment plant all-process deodorization technology to provide technical support for increasing market share.

6. Cash flow

Unit: 0'000 Currency: RMB

Item	2013	2012	Increase/ decrease	Percentage change (%)	Details of changes
Net cash flow from operating activities	57,147	49,424	7,723	15.63	During the current period, the Company recovered outstanding construction and management fees carried forward from the previous periods and Tianjin Jiayuanxing Innovative Energy Technology Company Limited received price compensation for cooling supply of RMB50 million.
Net cash flow from investing activities	-16,492	13,565	-30,057	-221.58	During the current period, the land consolidation reserve compensation received by the Company for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant decreased, and project investment expenses increased.
Cash flow from financing activities	-40,854	-32,192	-8,662	26.91	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	-198	30,797	-30,995	-100.64	This was attributable to the combined effect of cash flow from the three activities above.

7. Miscellaneous

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

There were no material changes in the profit composition or profit source of the Company during the reporting period.

(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*

In 2013, the development strategy of the Company mainly covered the following three aspects. In respect of businesses, the Company further promoted transformation and upgrading of its business structure to comprehensively transform from traditional water business to diversified environmental service business in accordance with the State's policies. The Company actively promoted the expansion of all-process deodorization business and expanded into business areas such as special industrial waste water treatment, treatment and utilization of sludge. The Company paid more attention on the output of environmental technologies and professional services. In respect of technologies, the Company continued to adhere to the technology guided development strategy and continuously promoted the research and development of proprietary technologies and their industrial applications, and provided continuous support for the research and development of research achievements such as heavy metal detection and biological agents. In respect of management, the Company continued to strengthen cost control, improve the construction of system flow process, enhance risk management, accelerate cultivation of talents, change incentive mechanism, strengthen brand building and social responsibilities as well as improve the flexibility of organizational structure and working mechanism in accordance with the development needs of its businesses, in order to increase its management efficiency and competitiveness.

The Company organized production and operation activities in accordance with the development strategy and operation plan formulated by the Board in early 2013. 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 successfully achieved.

(II) Analysis of the industry, products or regional operations

1. Principal businesses by industry

Unit: 0'000 Currency: RMB

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	Note
Sewage water treatment and sewage water treatment plant construction business	125,865	75,866	39.72	1.37	5.38	Decreased by 2 percentage points	
Recycled water pipeline connection and water supply business	16,489	11,679	29.17	23.52	23.35	Unchanged	
Toll collection business	6,703	712	89.38	Unchanged	Unchanged	Unchanged	
Tap water supply business	3,647	2,687	26.32	-17.33	-5.93	Decreased by 9 percentage points	
Cooling and heating supply business	7,123	4,197	41.08	37.04	20.15	Increased by 8 percentage points	Note 1
Others	1,642	2,039	-24.18	457.30	221.62	Increased by 91 percentage points	Note 2

Notes:

1. Significant increase in income generated from the energy supply business as compared to the same period last year was mainly attributable to the recognition during the year of part of the unrecognized fee income from cooling supply services due to disputes in 2012.
2. There was newly added pipeline sales business of Tianjin Capital New Materials Company Limited during the period, which resulted in the increase in gross profit margin.

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 (%)	Note
Tianjin	114,155	6.38	
Qijing	7,155	2.81	
Guizhou	2,536	3.61	
Fuyang	4,842	13.70	
Baoying	2,044	Unchanged	
Hangzhou	15,631	1.75	
Wendeng	2,768	11.54	
Xi'an	7,868	3.37	
Anguo	780	-48.69	Note 1
Wuhan	3,484	-13.68	
Hong Kong	205	148.66	Note 2

Notes:

1. Since the city water supply project in Anguo was in arbitration process, no income was recognized in respect of its production of tap water during the year.
2. Income from system integration services provided by the Subsidiary in Hong Kong increased during the year.

(III) 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	Percentage of the amount as at the end of the current period to the total assets	Amount as at the end of previous period	Percentage of the amount as at the end of the previous period to the total assets	Percentage change in amount as at the end of the current period as compared to the end of the previous period
Trade receivables	207,909	18.77%	156,674	15.20%	32.70%
Inventories	5,804	0.52%	9,251	0.901%	-37.26%
Other current assets	654	0.06%	1,235	0.12%	-47.04%
Construction in progress	115,208	10.40%	45,949	4.46%	150.73%
Short-term borrowings	0	—	8,600	0.83%	-100.00%
Other current liabilities	329	0.03%	2,001	0.19%	-83.56%
Long-term borrowings	121,329	10.96%	193,188	18.74%	-37.20%
Debentures payable	138,478	12.51%	69,195	6.71%	100.13%
Other non-current liabilities	136,952	12.37%	84,016	8.15%	63.01%

Explanation of changes:

Trade receivables: this was mainly attributable to the increase in sewage water treatment fees due to the Company from Tianjin Sewage Company.

Inventories: this was mainly attributable to the settlement of some projects during the year.

Other current assets: this was mainly attributable to the decrease in input tax debit balance of Tianjin Jiayuanxing Innovative Energy Technology Company Limited, a subsidiary.

Construction in progress: this was mainly attributable to the increase in construction project investment in the relocation and construction project of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant.

Short-term borrowings: this was attributable to full repayment of short-term borrowings during the reporting period.

Other current liabilities: this was attributable to the repayment of government loan provided for sewage water treatment projects in Haihe river basin during the reporting period.

Long-term borrowings: this was attributable to the repayment of part of long-term borrowings during the reporting period.

Debentures payable: this was attributable to the issuance of the second batch of medium-term notes of RMB700 million by the Company during the reporting period.

Other non-current liabilities: this was mainly attributable to the land consolidation reserve compensation of RMB550 million received for the relocation and construction of Jizhuangzi Sewage Water Treatment Plant and Recycled Water Plant during the reporting period.

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

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

(IV) Analysis of Core Competitiveness

The Company's core competitiveness is mainly reflected in the following four aspects: first, the Company 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 Company owns leading technologies, diversified solutions and integrated service capability; 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. During the reporting period, the Company, on one hand, adhered to the technology-guided development philosophy by continuously strengthening research and development of proprietary technology and process in the relevant environmental governance areas, and on the other hand, continued to explore new business areas on the premise of the new energy business gradually matured and its operation capacities stably improved, in order to fully increase its comprehensive competitiveness.

(V) Analysis of the Investment Status

1. Overall analysis of external equity investments

During the reporting period, the Company increased the registered capital of Fuyang Capital Water Company Limited, a wholly-owned subsidiary, by RMB18.50 million in cash. After such capital increase, its registered capital is RMB87.50 million. The Company increased the registered capital of Tianjin Capital Environmental Water Company Limited, a wholly-owned subsidiary, by RMB5 million in cash. After such capital increase, its registered capital is RMB10 million.

For details of these two wholly-owned subsidiaries, please refer to “Operations and results of the major subsidiaries in which the Company has controlling interests”.

Save as disclosed above, there were no other external equity investments 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 year.

(2) Trust loan

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

3. Use of proceeds from fund-raising

During the reporting period, there were no fund raisings of the Company or there were no funds raised in previous periods that were applied during the period.

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

(1) 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; manufacturing, installation, commissioning and operation of equipment for recycled water.	10,000	Limited company	100%	117,006	15,293	3,362
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%	16,556	14,063	721
Tianjin Capital New Materials Company Limited	Tianjin	Manufacturing 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%	635	334	317

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
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%	11,437	6,346	347
Qijing Capital Water Company Limited	Qijing, 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%	38,687	19,807	-131

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
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.	8,750	Limited company	100%	21,073	13,026	1,326
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%	73,439	33,361	1,538
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%	5,152	4,993	-520

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
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%	14,752	6,847	475
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%	3,884	1,163	17

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
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%	55,846	23,123	-30

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 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%	1,865	807	193

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
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%	7,888	2,634	-1,568
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%	27,068	11,265	21

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 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; manufacturing and sales of polyacrylamide flocculant and environmental equipment and wholesale and retail of chemical raw materials; sales, installation and maintenance of mechanical and electrical equipment.	1,000	Limited company	100%	960	938	-22

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 Zichuang Engineering Investment Company Limited	Jinghai, Tianjin	Investment in engineering projects.	2,340	Limited company	100%	5,267	2,454	215
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%	4,187	1,561	-48
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%	40,486	8,482	1,556

(2) Operations and results of the major companies in 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 of RMB300,000 for 2012 from this company.

Tianjin Baotong Light Mass Materials Company Limited

During the year, the liquidation of Tianjin Baotong Light Mass Materials Company Limited was completed. On 26 December 2013, Tianjin Xingye CPA Company Limited (天津市興業有限責任會計師事務所) issued a special audit report on liquidation in respect of the company's liquidation, namely Jin Xing Ye Zhuan Shen Zi (2013) No. 099. According to the report, the Company was allocated liquidated assets of RMB677,000. The Company recorded an investment loss of RMB1,323,000.

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
Jingu Sewage Water Treatment Plant	206,559.01	Main works have been completed and it is commissioning	52,320	79,667	Since it has not been completed, no revenue has been realized.

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

(I) Landscape of competition and development trend of the industry

The 3rd Plenary Session of 18th CPC Central Committee passed the Decision on Major Issues Concerning Comprehensively Deepening Reforms (the “**Decision**”). As an integrated part of the five-in-one layout plan, the construction of ecological civilization becomes a critical reform. Concepts such as “accelerating the reform on the ecological civilization systems”, “drawing a red line for the ecological protection”, “setting up a lifelong accountability system for the ecological environment damage liability” and “implementing a system of paid use of natural resources and ecological compensation” mentioned in the Decision will bring significant development opportunities for the environment protection industry. With the sound development of water businesses such as sewage water treatment, utilization of recycled water and tap water supply, the market development of emerging

business areas such as treatment and utilization of sludge, ecological restoration and air pollution prevention will create significant development space for the business growth of the Company. Currently, the increase in the overall market concentration of the domestic sewage water treatment industry results in the gradual transition of the landscape of competition from fragmentation to concentration. In the process of market consolidation, competitive advantages such as proprietary technology capabilities, nationwide business layout, service brand and operation capacities are becoming more important for an enterprise to strengthen its market position and enhance its profitability.

(II) Development strategy of the Company

The Company 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. The development strategy of the Company can be summarized as “strategy of transformation and development driven by innovation”, among which “innovation” refers to innovation in three aspects. The first aspect is the technology innovation, which is to establish a unique competitive advantage through the research and development of proprietary technologies in the water environment governance industry to extend industry chain and expand business scope, thus increase sources of profit and obtain higher economic value added. The second aspect is business innovation, which is to actively explore new businesses, make balanced development of upstream, midstream and downstream business segments, promote the overall business transformation and establish a large-scale, efficient and sustainable business structure by leveraging on proprietary technologies and seizing the opportunities arising from the ecological civilization construction. The third aspect is management innovation, which is to provide support on organization and resources for the technological progress and business development through enhancement of operation capacities, continuous optimization of organizational structure, remediation and deployment of resources of the Group and adjustments to management and incentive mechanism according to the business development needs. Among the innovation in such three aspects, the technology innovation is to provide support, the business innovation is to play a key role and the management is to provide guarantee. They are inter-related and jointly constitute the core drivers for the transformation and development.

(III) Operation plan and strategies

1. *Operation plan:*

In 2014, the Group's sewage water treatment volume is expected to be 921 million cubic meters (excluding the volume from entrusted operation projects), production volume of tap water is expected to be 39.32 million cubic metres and sales volume of recycled water is expected to be 18 million cubic metres. The capital expenditure of the Group is expected to be RMB1,341 million, which will be mainly used for the finishing works of the newly-constructed sewage water treatment plant and recycled water plant of Jizhuangzi relocation and construction project, the upgrading projects of some subsidiaries, the commercial operation of relocated and newly-constructed Jizhuangzi sewage water treatment plant and recycled water plant as well as the production and sales of flocculant, a kind of water treatment chemicals. In 2014, the Company will implement the following operation strategies:

- (1) While ensuring the quality and quantity, the Company will continue to strictly control costs and expenses, broaden sources of income and reduce expenditures, and strive to increase income of projects;
- (2) While providing high quality services, the Company will strive to create favorable market environment and ensure that adjustment to sewage water treatment service fee can be made according to agreement, and maintain income of projects;
- (3) The Company will strengthen communication to ensure that income from operations can be recognized in its financial statements on a timely basis, and strive to recover trade receivables carried forward from the previous years in order to increase cash inflow from operating activities and improve capital efficiency;
- (4) The Company will continue to promote technology research and development and transformation of technological achievements, and strive to make more breakthroughs in areas such as special industrial waste water treatment and sludge treatment; and
- (5) The Company will put significant efforts to expand sewage water treatment plant entrusted operation projects, sewage water treatment plant all-process deodorization projects and new energy cooling and heating supply projects, to increase income.

2. *Income, fees and cost plans:*

In 2014, assuming no material changes in the existing policy direction conformed by the Group and the operating environment, the range of changes in fee income from sewage water treatment services will not exceed 5% as compared to 2013.

Cost control target:

In 2014, resource and energy expenses and labour costs will continue to increase, and the relocated and newly-constructed Jizhuangzi sewage water treatment plant will adopt the first class A water output standard, which will make the Group facing increasing pressure on business costs. Assuming 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 2014 as compared to 2013. Also, it is expected that the increase in costs will not have material effect on the overall operation of the Company.

3. *Technology research and development investment plans:*

In 2014, the Group will further increase its efforts in technology research and development. Technology research, development and reforms fees to be invested will not be less than RMB6,967,800, 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.

(IV) 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 2014, the Group plans to invest RMB1.328 billion in engineering projects, which are mainly the expenses for the relocated and newly-constructed Jizhuangzi sewage water treatment plant and recycled water plant as well as the upgrading of sewage water treatment plants of some subsidiaries. In 2014, the amount for fixed asset purchase plan of the Group will be approximately RMB13.42 million.

In 2014, the Group will improve the debt structure by direct and indirect financing methods in accordance with the operation requirements, 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 land consolidation compensation amount received for the Jizhuangzi relocation project.

(V) Risks possibly faced

1. The Company has established systematic and comprehensive risk prevention and control systems according to the relevant policies, rules and regulations, which can effectively avoid the various risks that may affect its operation. In the process of promoting the transformation of the Company's business, since the relevant policies in relation to the emerging environmental protection business area are pending further improvement, the Company will focus its risk control efforts on risks faced in respect of new business development.
2. Foreign exchange risk: The operations and customers of the Group's subsidiaries are located within the PRC and most of their 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 payables. Long-term payables were incurred as a result of the asset transfer agreement signed by the Company and Tianjin Sewage Company in respect of purchase of foreign bank loans assets denominated mainly in US dollars and Japanese Yen.

As at 31 December 2013, 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 (31 December 2012: RMB4 million) in the net profit of the Group. As at 31 December 2013, a 5% appreciation or depreciation of RMB against Yen, with other factors being constant, would result in an increase or decrease of approximately RMB8 million (2012: 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 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 2013, 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 RMB18 million (2012: 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 LLP and PricewaterhouseCoopers, the net profit attributable to the Company in 2013 amounted to RMB281.90 million. After deduction of the statutory common reserve of RMB22.35 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 RMB1,619.78 million at the beginning of the year, and less the distribution in 2013 of the 2012 cash dividend of RMB85.63 million, the actual profit distributable to the shareholders for the year amounted to RMB1,793.70 million. According to the profit appropriation policy of the Company, it will be proposed that a cash dividend for 2013 of RMB0.80 (gross tax) per ten shares will be distributed to all shareholders, with the cash dividend amount in the sum of RMB114.18 million, representing 40.50% of the available-for-distribution profit attributable to the Company realized in 2013. No transfer from the capital reserve fund to share capital was made for 2013. The appropriation proposal shall be submitted to the 2013 annual general meeting of the Company for consideration and shall be implemented after approval.

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. 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.

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. 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 2013

(All amounts in Rmb thousand unless otherwise stated)

		For the year ended 31 December	
	Note	2013	2012
Revenue	2(a)	1,614,678	1,541,166
Business tax		(15,474)	(11,478)
Cost of sales	3	(990,286)	(891,577)
Gross profit		608,918	638,111
Administrative expenses	3	(108,784)	(105,118)
Other income - net	2(b)	48,373	37,043
Other gains/(losses) – net		18,829	21,133
Impairment of assets		(18,493)	—
Operating profit		567,336	591,169
Finance income		86,121	53,291
Finance costs		(263,934)	(265,619)
Finance costs-net	4	(177,813)	(212,328)
Share of (loss)/profits of an associate		(2,007)	(6,041)
Profit before income tax		387,516	372,800
Income tax expense	5	(99,159)	(98,249)
Profit/total comprehensive income for the year		288,357	274,551
Profit and total comprehensive income for the year attributable to:			
Owners of the parent		281,899	268,981
Non-controlling interests		6,458	5,570
		288,357	274,551
Earnings per share for profit attributable to the owners of the parent (in Rmb Yuan)			
– basic	6	0.20	0.19
– diluted	6	0.20	0.19
Proposed final dividends	7	114,178	85,634

CONSOLIDATED BALANCE SHEET**AS AT 31 DECEMBER 2013***(All amounts in Rmb thousand unless otherwise stated)*

	<i>Note</i>	As at 31 December 2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment		4,240,202	3,740,746
Intangible assets		2,648,476	2,753,686
Land use rights		426,349	437,653
Investment properties		108,609	112,282
Investment in an associate		32,621	34,628
Available-for-sale financial assets		2,000	4,000
Long-term receivables		333,607	337,631
Trade receivables due after one year	8	—	68,794
Other non-current assets		7,250	8,513
		<u>7,799,114</u>	<u>7,497,933</u>
Current assets			
Inventories		58,035	92,509
Trade receivables	8	2,085,386	1,572,743
Prepayments		115,655	120,306
Other receivables		6,772	10,589
Other current assets		6,540	12,349
Cash and bank balances		<u>1,002,249</u>	<u>1,000,565</u>
		<u>3,274,637</u>	<u>2,809,061</u>
Total assets		<u><u>11,073,751</u></u>	<u><u>10,306,994</u></u>

	<i>Note</i>	As at 31 December 2013	2012
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,427,228	1,427,228
Other reserves		755,567	733,216
Retained earnings		1,793,699	1,619,785
– Proposed final dividend		114,178	85,634
– Others		1,679,521	1,534,151
		3,976,494	3,780,229
Non-controlling interests		158,050	152,442
Total equity		4,134,544	3,932,671
LIABILITIES			
Non-current liabilities			
Borrowings		2,910,758	3,064,738
Deferred revenue		396,447	385,661
Deferred income tax liabilities		68,977	60,645
Other non-current liabilities		1,348,000	750,000
		4,724,182	4,261,044
Current liabilities			
Trade payables	9	21,099	20,847
Advances from customers		701,654	601,371
Wages payables		11,122	9,298
Income tax payable		19,620	21,763
Other taxes payable		5,971	4,943
Dividend payable		36,566	30,929
Other payables		537,600	511,940
Borrowings		881,393	912,188
		2,215,025	2,113,279
Total liabilities		6,939,207	6,374,323
Total equity and liabilities		11,073,751	10,306,994
Net current assets		1,059,612	695,782
Total assets less current liabilities		8,858,726	8,193,715

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

IFRS/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.

IFRS/HKFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

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 2013 that would be expected to have a material 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 2013, 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.

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

	2013	2012
Sales turnover	1,614,678	1,541,166
Other income – net	48,373	37,043
	<u>1,663,051</u>	<u>1,578,209</u>
Total revenues	<u>1,663,051</u>	<u>1,578,209</u>

(b) Analysis of other income

	2013		2012	
	Income	Cost	Income	Cost
Contract operation service	99,985	70,323	57,408	41,990
Technical service	19,596	3,320	19,009	3,485
Rental	8,178	5,219	10,529	5,501
Other	6,401	6,925	9,708	8,635
	<u>134,160</u>	<u>85,787</u>	<u>96,654</u>	<u>59,611</u>

(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 2013 and 2012 respectively is as follows:

(i) For the year ended 31 December 2013

	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	788,140	156,313	314,196	164,889	71,227	36,469	131,817	1,663,051
Segment expense	(591,090)	(138,508)	(285,746)	(121,657)	(48,972)	(47,717)	(39,838)	(1,273,528)
Results before share of profits of an associate	197,050	17,805	28,450	43,232	22,255	(11,248)	91,979	389,523
Share of (loss)/ profits of an associate								(2,007)
Profit before tax								387,516
Income tax expense								(99,159)
Profit for the year								<u>288,357</u>
Segment assets	6,251,521	732,395	1,749,341	1,104,320	403,509	212,992	587,052	11,041,130
Investment in an associate	—	—	—	—	—	—	32,621	32,621
Total assets	6,251,521	732,395	1,749,341	1,104,320	403,509	212,992	619,673	11,073,751
Total liabilities	4,352,326	354,453	684,237	1,037,580	264,034	71,222	175,355	6,939,207
Other information								
– Interest income	3,592	419	1,430	2,249	94	12	11,535	19,331
– Interest expenses	(178,246)	(20,684)	(42,636)	(564)	(9,857)	(7,308)	—	(259,295)
– Depreciation	(157,552)	(1,336)	(9,171)	(25,329)	(349)	(706)	(6,581)	(201,024)
– Amortization	(10,589)	(36,249)	(66,230)	(710)	(13,288)	(9,044)	(888)	(136,998)
– Capital expenditures	<u>622,497</u>	<u>85</u>	<u>34,649</u>	<u>68,102</u>	<u>364</u>	<u>2,412</u>	<u>9,297</u>	<u>737,406</u>

(ii) 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								<u>274,551</u>
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	<u>576,075</u>	<u>10,619</u>	<u>44,995</u>	<u>55,554</u>	<u>9,772</u>	<u>1,797</u>	<u>16,408</u>	<u>715,220</u>

- (iii) Revenue of approximately Rmb775 million are derived from TSC. These revenues are attributable to the Sewage processing and facility construction services segment.

3 Expense by nature

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

	2013	2012
Utilities	211,594	197,217
Depreciation of property, plant and equipment and investment properties	201,024	152,166
Employee benefit expense	177,211	157,097
Amortisation of intangible assets and land use rights	136,998	136,104
Repair and maintenance expenses	69,469	77,200
Sewage mud processing fee	50,664	53,120
Cost of recycling water pipeline connection service	48,766	40,428
Raw materials and consumables used	45,952	53,075
Cost for wastewater plant construction	26,290	26,368
Impairment losses on assets	18,493	—
Expenses for factory environment, laboratory and fire	17,880	18,520
Travel, meeting and business entertainment expenses	13,493	16,131
Pipeline network maintenance expenses	12,098	11,313
Other taxes	10,614	12,369
Toll road management fee	7,120	7,120
Administrative expenses	5,004	4,584
Auditors' remuneration	4,200	4,200
Funding for secretaries	3,175	3,957
Consulting service fees	2,503	1,465
Others	36,522	24,261
	<u>1,099,070</u>	<u>996,695</u>

4 Finance costs- net

	2013	2012
Interest expenses of borrowings	259,295	276,880
Less: Capitalised interest	—	19,251
Net interest expenses	259,295	257,629
Less: Interest income	(19,331)	(16,446)
– long-term receivables	(11,480)	(11,507)
– bank deposits	(7,851)	(4,939)
Exchange gains	(66,790)	(36,845)
Others	4,639	7,990
	<u>177,813</u>	<u>212,328</u>

5 Income tax expense

	2013	2012
Tax charge comprises:		
Current income tax	90,827	86,083
Deferred income tax	8,332	12,166
	<u>99,159</u>	<u>98,249</u>

6 Earnings per share

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb282 million (2012: Rmb269 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2012: 1,427 million shares).

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

	2013	2012
Profit attributable to owners of the parent	<u>281,899</u>	<u>268,981</u>
Weighted average number of ordinary shares in issue (million shares)	<u>1,427</u>	<u>1,427</u>
Basic and diluted earnings per share (Rmb Yuan)	<u>0.20</u>	<u>0.19</u>

7 Dividends

A dividend in respect of year ended 31 December 2012 of Rmb0.06 (gross tax) per share, total shares of 1,427 million shares on 5 July 2013, amounting to a total dividend of Rmb86 million, was approved at the Annual General Meeting on 16 May 2013 (2012: Rmb0.04 (gross tax) per share, amounting to a total dividend of Rmb57 million).

The dividends paid in 2013 and 2012 were Rmb80 million and Rmb28 million respectively.

A dividend in respect of the year ended 31 December 2013 of Rmb0.08 per share, amounting to a total dividend of Rmb114 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	
	2013	2012
Due from TSC for: (note (b))		
– Sewage processing service	1,890,671	1,421,319
– Construction of sewage processing plants	—	68,794
	<u>1,890,671</u>	<u>1,490,113</u>
Less: Non-current portion	—	(68,794)
	<u>1,890,671</u>	<u>1,421,319</u>
Receivables from related parties	48,753	22,417
Due from others	153,131	129,007
	<u>2,092,555</u>	<u>1,572,743</u>
Less: allowance for impairment of trade(note(c)):	(7,169)	—
	<u>2,085,386</u>	<u>1,572,743</u>

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

	Group	
	As at 31 December	
	2013	2012
Within 1 year	954,931	927,093
1 to 2 years	798,902	645,650
2 to 3 years	338,722	—
Total	<u>2,092,555</u>	<u>1,572,743</u>

(b) TSC is a state-owned enterprise owned by Tianjin Government which has good creditability history.

On 18 February 2014, the Tianjin Water Authority Bureau and TUCTC signed agreement of concession services right to grant four sewage water processing plants to the Company. Meanwhile, Tianjin government required TSC and related authorities to settle the outstanding trade receivables. Therefore, management believes that there is no significant impairment risk and no impairment provision required.

(c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	2013	2012
At 1 January	—	—
Provision for receivables impairment	(7,169)	—
At 31 December	(7,169)	—

On 31 December 2013, the total amount of trade receivables owed by Qujing City Water General Company with nature of sewage processing fee and tap water fee was Rmb46.3 million among which Rmb8.5 million was over 2 year. According to management's analysis, impairment provision of Rmb7.2 million was provided.

9 Trade payables

As at 31 December 2013, 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 2013 with the Directors.

By Order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
27 March 2014

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.