



桑德國際
sound global

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Co. Reg. No. 200515422C

SOUNDLY

Sound Global Ltd. Interim Report 2011

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CORPORATE PROFILE

Sound Global Ltd. (formerly known as Epure International Ltd.) is one of China's leading turnkey water & wastewater treatment solutions providers. Backed by extensive R&D and technical expertise, it has successfully completed many award-winning projects. The Group develops proprietary technologies and customises them into effective turnkey solutions for industrial and municipal projects. It has a strong marketing network in China, where it is much sought after for its strong design and engineering project management capabilities.

In 2006, Sound Global diversified into the management of water treatment plants. It has also invested in Build, Operate and Transfer ("BOT") projects to diversify its project portfolio. The Group acquired Beijing Hi-Standard Water Treatment Equipment Co., Ltd ("Hi-Standard"), progressing towards its aspiration of becoming a fully integrated services provider.

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CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Directors**

Wen Yibo (Chairman)
Wang Kai (Chief Executive Officer)
Luo Liyang
Zhang Baolin

Independent Non-Executive Directors

Wong See Meng (Lead Independent Non-Executive Director)
Seow Han Chiang Winston
Fu Tao

COMMITTEES**Audit Committee**

Wong See Meng (Chairman)
Seow Han Chiang Winston
Fu Tao

Remuneration Committee

Seow Han Chiang Winston (Chairman)
Wong See Meng
Fu Tao

Nomination Committee

Wong See Meng (Chairman)
Wen Yibo
Seow Han Chiang Winston

AUTHORISED REPRESENTATIVES (SGX)

Wen Yibo
Tan Wei Shyan

AUTHORISED REPRESENTATIVES (SEHK)

Wen Yibo
Wong Tak Yee

JOINT COMPANY SECRETARIES

Tan Wei Shyan, LLB
Wong Tak Yee, Chartered Secretary (ACIS, ACS)
Yu Man To Gerald, FCPA, CPA (AUST.)

REGISTERED OFFICE

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AIA Tower
Singapore 048542
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Facsimile: +65 6535 8577

OFFICES**Our Principal Office and Contact Details**

National Environmental Protection Industry Zone
Tongzhou District, Beijing 101102, PRC
Telephone: +8610 6050 4718
Facsimile: +8610 6050 4766

Our Singapore Office and Contact Details

460 Alexandra Road #14-04
PSA Building
Singapore 119963
Telephone: +65 6272 6678
Facsimile: +65 6272 1658

Our Hong Kong Office and Contact Details

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong
Telephone: +852 2980 1888
Facsimile: +852 2545 1628

CORPORATE WEBSITE

<http://www.soundglobal.com.sg>

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd.
The Bank of East Asia, Limited

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809
Partner-in-charge: Chua How Kiat
Date of appointment: November 12, 2010

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

SOLICITORS

Shook Lin & Bok LLP
1 Robinson Road #18-00
AIA Tower
Singapore 048542

WongPartnership LLP
20 One George Street #20-01
Singapore 049145

Li & Partners
22/F., World-Wide House
Central
Hong Kong

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	6 months ended June 30, 2011	6 months ended June 30, 2010
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	1,060,268	644,989
Gross profit	329,552	195,003
Profit before income tax	209,774	146,289
Income tax expense	(34,345)	(26,192)
Profit for the period	175,429	120,097
Profit for the period attributable to		
Owners of the company	175,429	120,011
Non-controlling interest	—	86
	175,429	120,097
Earnings per Share		
Basic (RMB cents)	13.60	9.30
Diluted (RMB cents)	13.60	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2011	As at December 31, 2010
	RMB'000 (Unaudited)	RMB'000 (Audited)
Current assets	3,429,169	3,501,693
Non-current assets	988,025	848,605
Total assets	4,417,194	4,350,298
Current liabilities	1,236,199	1,356,485
Non-current liabilities	1,121,469	1,057,558
Total liabilities	2,357,668	2,414,043
Capital and reserves	2,059,526	1,936,255

MANAGEMENT DISCUSSION & ANALYSIS



SIGNIFICANT TRENDS, CONDITIONS AND EVENTS

The Company will continuously expand its share in the Engineering, Procurement and Construction (“EPC”) market and consolidate its leading market position by proactively seeking Sewage Treatment Plant Upgrade and Improvement Project. The requirement on the standard of the discharge is relatively low for a number of sewage treatment plants which were built during the period of “9th Five-Year-Plan” and “10th Five-Year-Plan”. This generates a tremendous demand for improving the discharge standard of the sewage treatment plants with the implementation of the measures on upgrading the discharge standard to grade 1A standard in various regions and provinces. In addition, with the adoption of more stringent regulatory standard by the PRC government in respect to zero discharge of industrial sewage and recycling, improvement projects from industrial sewage treatment sector will be undertaken.

The Company will expand the source of stable income, such as BOT and Operation and Maintenance (“O&M”) projects. The rapid pace of development of urbanization of the PRC and the zonation development for industrial and corporate enterprises help to create investment opportunities which provide the Company with investment options with more favorable returns. The Company will continue to explore O&M markets vigorously. Currently, there are approximately 2,000 sewage treatment plants under operation and 2,000 sewage treatment plants under construction in the PRC. Following the completion of the construction of large-scale sewage treatment facilities in the PRC, the proportion of water treatment enterprises turning to water service companies will increase year by year. The market of water treatment operations has already proceeded from a nourishing stage to a development stage where a rapid growth is witnessed.

The Company will continue to expand its international business, including EPC and equipment sales, extending its coverage to emerging markets and developing countries such as the Middle East and Southeast Asia regions, in order to satisfy the enormous demand from such regions.

Urban sewage has been one of the main sources of regional pollution in the PRC. The sewage treatment market for small towns is still in its beginning stage, which will be a new strategic target in the PRC following the sewage treatment projects for large and middle-sized cities. In the future, a rapid growth in the construction of sewage treatment plants for small-sized cities is expected. By fully leveraging on our strengths in the technology, management and integrated industrial chain, as well as developing and applying the state-of-art patent technology similar to SMART patent technology, the Company, through centralized, modularized and clustered management, will formulate an economically viable solution for the environmental management in the rural areas in the PRC.

REVIEW OF GROUP'S FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by approximately RMB415.3 million or 64.4% from approximately RMB645.0 million for the six months ended June 30, 2010 to approximately RMB1,060.3 million for the six months ended June 30, 2011.

The increase was attributed mainly to: (1) contribution from the Saudi Arabia project of approximately RMB223.4 million; (2) increased contribution from the O&M segment of approximately RMB17.3 million from RMB5.9 million for the six months ended June 30, 2010 to RMB23.2 million for the six months ended June 30, 2011 as certain BOT projects started operations; and (3) increased contribution from the turnkey EPC services amounting of approximately RMB216.0 million from RMB565.5 million for the six months ended June 30, 2010 to RMB781.5 million for the six months ended June 30, 2011 as the Group continues to bid for EPC projects in China.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB134.6 million or 69.0% from approximately RMB195.0 million for the six months ended June 30, 2010 to approximately RMB329.6 million for the six months ended June 30, 2011. This increase is in line with the higher revenue and the stable gross profit margin.

The gross profit margin increased by approximately 0.9% from approximately 30.2% for the six months ended June 30, 2010 to approximately 31.1% for the six months ended June 30, 2011. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate from quarter to quarter depending on the amount of revenue recognised for the relevant projects during the relevant quarters. On a year-to-year basis, the gross profit margin remains relatively stable at around 30%.



MANAGEMENT DISCUSSION & ANALYSIS

Other Operating Income

Other operating income increased by approximately RMB7.8 million or 66.0% from approximately RMB11.7 million for the six months ended June 30, 2010 to approximately RMB19.5 million for the six months ended June 30, 2011. This increase was mainly due to the deemed interest income arising from service concession receivables as a result of the increased investments in BOT projects.

Other Expenses

Other expenses decreased by approximately RMB11.2 million or 44.4% from approximately RMB25.1 million for the six months ended June 30, 2010, representing expenses related to listing on The Stock Exchange of Hong Kong Limited (“SEHK”), to approximately RMB13.9 million for the six months ended June 30, 2011, representing net foreign exchange loss of approximately RMB7.0 million and allowance for doubtful debts of approximately RMB6.9 million. The foreign exchange loss resulted from US dollar denominated bank balances as US dollars weakened.

Distribution Expenses

Distribution expenses increased by approximately RMB2.7 million or 55.0% from approximately RMB4.9 million for the six months ended June 30, 2010 to approximately RMB7.6 million for the six months ended June 30, 2011. This is due mainly to tender fees paid to agents and the increase in shipping handling fees, which is in line with the increase in business operations.

Research and Development Expenses

Research and development expenses increased by approximately RMB3.1 million or 167.6% from approximately RMB1.8 million for the six months ended June 30, 2010 to approximately RMB4.9 million for the six months ended June 30, 2011 due mainly to the increase in material costs and salaries to facilitate the increasing business operations.



Administrative Expenses

Administrative expenses increased by approximately RMB38.9 million or 182.0% from approximately RMB21.4 million for the six months ended June 30, 2010 to approximately RMB60.3 million for the six months ended June 30, 2011.

This increase was due mainly to (1) the increase in salaries and related staff costs of approximately RMB9.5 million due to salary increment and increase of Group's headcount from 774 as at June 30, 2010 to 947 as at June 30, 2011, (2) expenses in relation to share base payments of approximately RMB14.7 million, and (3) the increase in administrative expenses incurred for Saudi Arabia project from approximately RMB3.1 million for the six months ended June 30, 2010 to approximately RMB13.1 million for the six months ended June 30, 2011.

Finance Costs

Finance costs increased by approximately RMB45.2 million or 628.7% from approximately RMB7.2 million for the six months ended June 30, 2010 to approximately RMB52.4 million for the six months ended June 30, 2011. The increase was due mainly to increased borrowings, namely from International Finance Corporation and the convertible loan notes issued in third quarter of 2010.

Share of Result of an Associate

This pertains to the 20% owned Shanghai Chenghuan Water Operation Co., Ltd, of which the Group's share of loss was approximately RMB81,000 for the six months ended June 30, 2011.

Income Tax Expenses

Income tax expenses increased by approximately RMB8.1 million or 31.1% from approximately RMB26.2 million for the six months ended June 30, 2010 to approximately RMB34.3 million for the six months ended June 30, 2011 as the Group's profit increased.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by approximately RMB55.4 million or 46.2% from approximately RMB120.0 million for the six months ended June 30, 2010 to approximately RMB175.4 million for the six months ended June 30, 2011. The increase is mainly contributed by the turnkey projects and services segment as contribution from equipment fabrications segment remained consistent and certain BOT projects have just started operation, resulting in contribution from O&M segment remained low.

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MANAGEMENT DISCUSSION & ANALYSIS



REVIEW OF GROUP'S FINANCIAL POSITION

Current Assets

The Group's current assets comprised of cash and bank balances, restricted bank balances, trade and other receivables, amount due from customers for contract work, inventories and land use rights (due within one year).

Trade receivables, stated at net of allowance for doubtful debts, amounted to approximately RMB873.7 million. The allowance for doubtful debts was approximately RMB55.0 million.

Other receivables were made up mainly of performance and tender deposits placed when we bid for projects and bills receivables of approximately RMB62.8 million, advance payments to suppliers and subcontractors of approximately RMB62.6 million, other receivables of approximately RMB34.0 million as well as service concession receivables due within one year of approximately RMB47.7 million.

Amount due from contract customers referred to costs incurred on the projects that have not been billed to customers.

Inventories referred to equipment components and parts. As at June 30, 2011, the overall increase in inventories was attributable mainly to Hi-Standard. Inventories from turnkey business are not expected to be material as most of the civil engineering works are subcontracted to third parties.

The decrease in current assets arose mainly from the decrease in bank balances offset by the increase in trade receivables. The decrease in bank balances was due mainly to the repayment of borrowings, investment in new BOT projects and dividend paid whereas the increase in trade receivables was due to increase in operations.

Non-Current Assets

The Group's non-current assets consisted of property, plant and equipment, land use rights, service concession receivables, deferred tax assets, and investments in an associate as well as intangible assets and goodwill arising from the acquisition of Hi-Standard.

Property, plant and equipment comprised mainly building, plant and machinery, transportation vehicles, and fixtures and equipment. We depreciate our property, plant and equipment using the straight-line method over their estimated useful lives, at rates ranging between 3% and 33% per annum. The slight increase in property, plant and equipment was due mainly to additions for increasing business operations.

Land use rights were amortised on a straight-line basis over the period of the lease. The decrease in land use rights was due to amortisation.

Investment in an associate pertained to the 20% stake in Shanghai Chenghuan Water Operation Co., Ltd.

Intangible assets pertained to patents that arose from the acquisition of Hi-Standard. The decrease was due to amortisation.

Service concession receivables arose from BOT projects carried out by subsidiaries.

Deferred tax assets arose mainly from the allowance for doubtful debts.

The increase in non-current assets arose mainly from the increased investment in BOT projects.

Current Liabilities

The Group's current liabilities were made up mainly of borrowings within one year, trade and other payables, amounts due to customers for contract work and income tax payable.

Borrowings were obtained to fund our working capital and investment in BOT projects.

Trade and other payables were made up of amounts outstanding for trade purchases of approximately RMB646.4 million, other taxes payable (including value added tax and sales tax) of approximately RMB162.5 million, performance and tender deposits received from sub-contractors and bills payables of approximately RMB20.8 million, advances received from customer of approximately RMB59.4 million as well as accruals and other payables of approximately RMB44.7 million.

Amount due to contract customers referred to progress billings made to contract customers based on contracts in excess of actual costs incurred on the projects.

Income tax payable increased as business operation increased.

The decrease in current liabilities was due mainly to the repayment of bank borrowings.

MANAGEMENT DISCUSSION & ANALYSIS

Non-Current Liabilities

Long term borrowings were obtained to fund our BOT projects.

Convertible bonds represented the debt component of the bonds issued on September 15, 2010.

Deferred tax liabilities arose mainly from unremitted overseas dividends and upward fair value adjustments for assets upon the acquisition of Hi-Standard.

Capital And Reserves

Equity attributable to owners of the Company increased by approximately RMB123.3 million or 6.4% from approximately RMB1,928.6 million as at December 31, 2010 to approximately RMB2,051.9 million as at June 30, 2011. This increase was due mainly to retained profits of approximately RMB108.5 million after deducting dividends paid out of approximately RMB66.9 million and recognition of share based payment of approximately RMB14.7 million.

The non-controlling interest of approximately RMB7.6 million related to a 20% minority interest in Yantai Bihai Water Co., Ltd, one of the subsidiaries operating a BOT project.

Cash Flow Statement

Net cash used in operating activities was approximately RMB226.5 million for the six months ended June 30, 2011. The negative cash flow in operation was resultant from the increased administrative expenses and higher trade and other receivables as driven by the increased business operations. Cash outflow in service concession receivables was due to Group's increased investment in BOT projects.

Net cash generated from investing activities amounted to approximately RMB214.9 million for the six months ended June 30, 2011. These amounts were due mainly to a decrease in pledged deposits as certain banks borrowings were repaid.

Net cash used in financing activities amounted to approximately RMB224.8 million for the six months ended June 30, 2011 resulting largely from repayment of borrowings.

As at June 30, 2011, the Group's cash position remained strong and stood at approximately RMB1,788.0 million.

Gearing

	As at June 30, 2011	As at December 31, 2010
	RMB'000	RMB'000
Borrowings (current)	260,497	430,200
Borrowings (non-current)	291,459	241,096
Convertible loan notes	793,624	784,878
Total debt	1,345,580	1,456,174
Cash on hand	1,787,989	2,027,352
Shareholders' equity	2,059,526	1,936,255
Net debt to equity ratio	Net cash	Net cash
Total debt to equity ratio	0.65	0.75

Total debt to equity ratio decreased as some of the short-term loans were repaid during the period. Net debt to equity ratio remained constant as net of cash.

Loans

Aggregate Amount Of Group's Borrowings And Debt Securities:

Amount repayable in one year or less, or on demand:

As at June 30, 2011		As at December 31, 2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)	(unaudited)	(audited)	(audited)
141,717	118,780	306,000	124,200

Amount repayable after one year:

As at June 30, 2011		As at December 31, 2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)	(unaudited)	(audited)	(audited)
251,459	833,624	241,096	784,878

Details of any collateral:

The bank loans are secured by charges over the Company's assets, right under the service concession contracts and equity interest in certain subsidiaries.

BOARD OF DIRECTORS

WEN YIBO

Executive Director And Chairman

Mr. Wen Yibo, aged 45, is an Executive Director and Chairman of our Company and a founder of our Group. He was appointed to our Board on November 7, 2005 and is responsible for charting our Group's strategic direction.

Mr. Wen graduated with a bachelor of environmental engineering from the Lanzhou Railway College (currently known as Lanzhou Jiaotong University) in July 1986. In December 1989, he graduated from Tsinghua University with a master degree in environmental engineering. Mr. Wen has accumulated more than 16 years of experience in the environmental protection industry. Between 1989 and 1990, Mr. Wen worked as a lecturer in the environmental engineering department of Tsinghua University. From 1990 to 1993, he was a senior engineer at the engineering division of the Planning and Design Institute of the Ministry of Chemical Engineering. In November 1993, Wen Yibo and his wife, Zhang Huiming, co-founded Beijing Sound Environmental Technology Development Company and Mr. Wen has served as its Chairman since then.

In recognition of the contributions made by Mr. Wen to the development of the environmental protection industry in the PRC, he was awarded the "China Environmental Protection Industry (Enterprises) Development Contribution Award" by the China Environmental Protection Industry Association in 2005. He is currently the legal representative of Beijing Sound Environmental Engineering Co., Ltd and is also director and legal representative of several companies including Beijing Sound Environment Group Co., Ltd and Sound Environmental Resources Co., Ltd.

Mr. Wen was accorded a senior engineer in September 1998 by the Beijing Senior Specialized Technique Qualification Evaluation Committee and was accorded the professor engineer in September 2003. Mr. Wen is also retained as a part-time professor in Tongji University and Lanzhou Jiaotong University. Mr. Wen is also a director of Sound Water (BVI) Limited, a substantial shareholder of the Company.



WANG KAI

Executive Director and Chief Executive Officer

Mr. Wang Kai, aged 48, is an Executive Director and Chief Executive Officer of our Company. Mr. Wang was appointed to our Board on December 24, 2010 and he was appointed as the Chief Executive Officer on February 2, 2011.

Mr. Wang graduated with a bachelor and master degree in 1984 and 1990 respectively from the School of Environmental Science and Engineering of Tsinghua University. From 1984 to 1987, Mr. Wang was the assistant engineer of Ji'an Room, First Institute of the First Academy of Ministry of Nuclear Industry. From 1990 to 1998, Mr. Wang acted as the engineer of the Chengdu Institute of Methane Science of the Ministry of Agriculture, Second Design Institute. Mr. Wang joined Beijing Sound Environment Group Co., Ltd. in 1998 as the chief engineer. Mr. Wang was appointed as the deputy general manager of Beijing Sound Environmental Engineering Co., Ltd in August 2010 and has been appointed as its Director since October 2010.

Mr. Wang is an expert in the environmental field in China. He possesses comprehensive knowledge, skills and extensive experience in environmental engineering. Mr. Wang graduated with a master degree in Environmental Science and Engineering from Tsinghua University. He was the chief technology officer of Beijing Sound Environment Group Co., Ltd, primarily in charge of technical development. Mr. Wang has extensive experience in environmental protection engineering applied technology research and has more than 20 years of research and practical experience. Mr. Wang is also proficient in technical economy evaluation and operations plan management. Upon the appointment as deputy general manager, Mr. Wang took charge of corporate development, encompassing the areas of new business development, mergers and its related feasibility study, operations plan management, engineering economic, quality control and management.

ZHANG BAOLIN

Executive Director

Mr. Zhang Baolin, aged 48, is an Executive Director and was appointed to our Board on March 12, 2010. He is the dean of the design department of Beijing Sound Environmental Engineering Co., Ltd and is responsible for the design proposals of our projects, value-added technology (standardization of design and optimization of design) and design innovation.

Mr. Zhang graduated with a bachelor degree in water treatment and drainage from Lanzhou Railway College (currently known as Lanzhou Jiaotong University) in July 1993. Between 1983 and 1987, he was an assistant engineer of Lanzhou Xining Railway Bureau. From 1988 to 2000, he worked at Lanzhou Coal Mining Design Institute as an engineer. Since August 2000, he has worked as the dean of the design department of Beijing Sound Environmental Engineering Co., Ltd. Mr. Zhang was accorded a senior engineer in April 1998 by the Gansu Bureau of Personnel. He was also recognized as a registered supervisory engineer in 1999 jointly by the Ministry of Personnel and the Ministry of Construction of the PRC and passed the examination of registered public utilities engineer jointly held by the Ministry of Construction and the Ministry of Personnel of the PRC in 2005 and passed the examination of registered environmental engineer jointly held by the Ministry of Environmental Protection and the Ministry of Personnel of the PRC in 2008.

BOARD OF DIRECTORS

LUO LIYANG

Executive Director

Mr. Luo Liyang, aged 37, is an Executive Director and was appointed to our Board on February 2, 2011. Mr. Luo has been the deputy general manager (marketing) of our Company since March 12, 2010 and the deputy general manager and manager of the marketing department in Beijing Sound Environmental Engineering Co., Ltd since he joined our Group in May 2000. He is responsible for market planning and channel exploitation, construction and management of product platform and establishment of our sales network. Mr. Luo graduated with a bachelor degree in environmental monitoring from Henan Normal University in July 1997.

From July 1997 to March 1998, he was a vice manager of the environmental protection department of Henan Xuchang Biochemical Co., Ltd. From March 1998 to May 2000, he was a vice manager of the business department of Henan Luohe Huanhaiqing Environmental Protection Co., Ltd. Mr. Luo was accorded an engineer in December 1998 by the Henan Science and Technology Committee.

WONG SEE MENG

Lead Independent Non-Executive Director

Mr. Wong See Meng, aged 62, is an Independent Non-Executive Director and was appointed to our Board on May 18, 2009.

Mr. Wong graduated from the University of Singapore (now known as the National University of Singapore) in business administration with honors in 1971 and was admitted as Associate of the Chartered Institute of Management Accountants (U.K.) in 1983. He also holds the membership of the Singapore Institute of Directors and the Singapore Institute of Management. Between 1971 and 1972, he worked in ESSO Singapore Pte. Ltd.. He joined ESSO Singapore Pte. Ltd. as a finance trainee in 1971 and was appointed refinery accountant and head of the refinery accounting department in 1972.

Between 1972 and 1973, he worked as a project analyst in Singapore Petroleum Co., Pte. Ltd.. He worked as assistant manager in Orient Leasing Singapore Ltd. from 1973 and worked as manager from 1976 to 1978. He joined GATX Leasing (Pacific) Ltd. as personal assistant to the general manager in 1978 and became assistant vice president and general manager in 1980.

He joined Forward Overseas Credit Ltd. as the general manager in 1981 and became the chief general manager in 1983 until 1987. From 1987 to 2001, he worked in Development Bank of Singapore Ltd.. He joined the Development Bank of Singapore Ltd. as the general manager in 1987 and became the senior vice president in 1993 and the managing director in 1997. He was the general manager of Raffles Medical Group (Hong Kong) between 2001 and 2002 and the business development manager of Sino Land Group (Hong Kong) between 2002 and 2003. From 2003 to 2007, he was the managing director of ORIX Leasing Singapore Ltd.. Mr. Wong has been appointed as a non-independent and non-executive director of Multi-Fineline Electronix, Inc., the shares of which are listed on NASDAQ, since May 2011. Currently Mr. Wong provides training on banking and finance for senior management staff from various Chinese banks.



SEOW HAN CHIANG WINSTON

Independent Non-Executive Director

Mr. Seow Han Chiang Winston, aged 42, is an Independent Non-Executive Director and was appointed to our Board on August 24, 2006.

Mr. Seow holds a bachelor of law (honors) degree from the National University of Singapore. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1995 and has been practicing law in Singapore since his admission.

Mr. Seow joined Madhavan Partnership as an associate in 1995 and became a partner in the corporate department in 1998. From 2006 to 2007, he was a corporate partner of KS Chia Gurdeep & Param. From 2007 to May 2011, he was a corporate partner of KhattarWong. He is currently a corporate partner of RHT Law LLP.

FU TAO

Independent Non-Executive Director

Mr. Fu Tao, aged 43, is an Independent Non-Executive Director and was appointed to our Board on August 24, 2006. Mr. Fu graduated from the Peking University in 1990 with a bachelor of science in applied chemistry. He obtained a master degree in environmental engineering from Tsinghua University in 1993 and also obtained a doctorate in civil engineering from the Harbin University of Civil Engineering and Architecture (currently known as Harbin Institute of Technology) in 1999.

Between 1994 and 1999, Mr. Fu worked in the department of science and technology at the Ministry of Construction (“MOC”) as a project officer in charge of urban construction projects. From 1999 to 2001, he was the director of the information division at the Center of Promoting Housing Industrialization of the MOC. Between 2001 and 2002, Mr. Fu was the chief secretary of the China Housing Industry Association. He is a senior engineer and has held the position of director of the water policy research center at Tsinghua University since 2003.

Over the years, Mr. Fu has been involved in many government research projects and study programs relating to the PRC water industry. These include, amongst others, the pilot study on a benchmarking system for urban water treatment conducted by the MOC and the North China Water Quality Study program conducted jointly by the World Bank and the MOC.

SENIOR MANAGEMENT & JOINT COMPANY SECRETARIES

ZHOU HAO

Deputy General Manager

Mr. Zhou Hao, aged 39, has been the Deputy General Manager (Operations) of our Company since March 12, 2010 and the Deputy General Manager of Beijing Sound Environmental Engineering Co., Ltd since he joined our Group in March 1998. He is responsible for the management of our EPC business, project management and engineering debug and delivery. Mr. Zhou obtained a bachelor degree of water treatment and drainage from the environmental engineering department of Xi'an Metallurgy and Architecture College (currently known as Xi'an University of Architecture and Technology) in July 1993. From August 1993 to March 1998, he worked as an assistant director of the design office of the mechanical power department of Ningxia Hengli Steel Group.

YU MAN TO GERALD

Chief Financial Officer and Joint Company Secretary

Mr. Yu Man To Gerald, aged 44, joined our Company as Chief Financial Officer on June 21, 2011. He oversees and coordinates the operation of the Group's finance department including all financial, accounting and taxation functions and financing activities of the Group. He is also one of the joint company secretaries of the Group.

Mr. Yu holds a master degree in business administration and a bachelor degree in business. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA) and a certified public accountant in Australia (CPA (Aust.)). Before joining the Company, Mr. Yu worked as the chief financial officer and company secretary of Towngas China Company Limited, Wai Chun Mining Industry Group Company Limited and Wai Chun Group Holdings Limited. Mr. Yu was with Towngas China for almost 9 years and was with an international accounting firm for over 7 years prior to joining Towngas China.



TAN WEI SHYAN
Joint Company Secretary

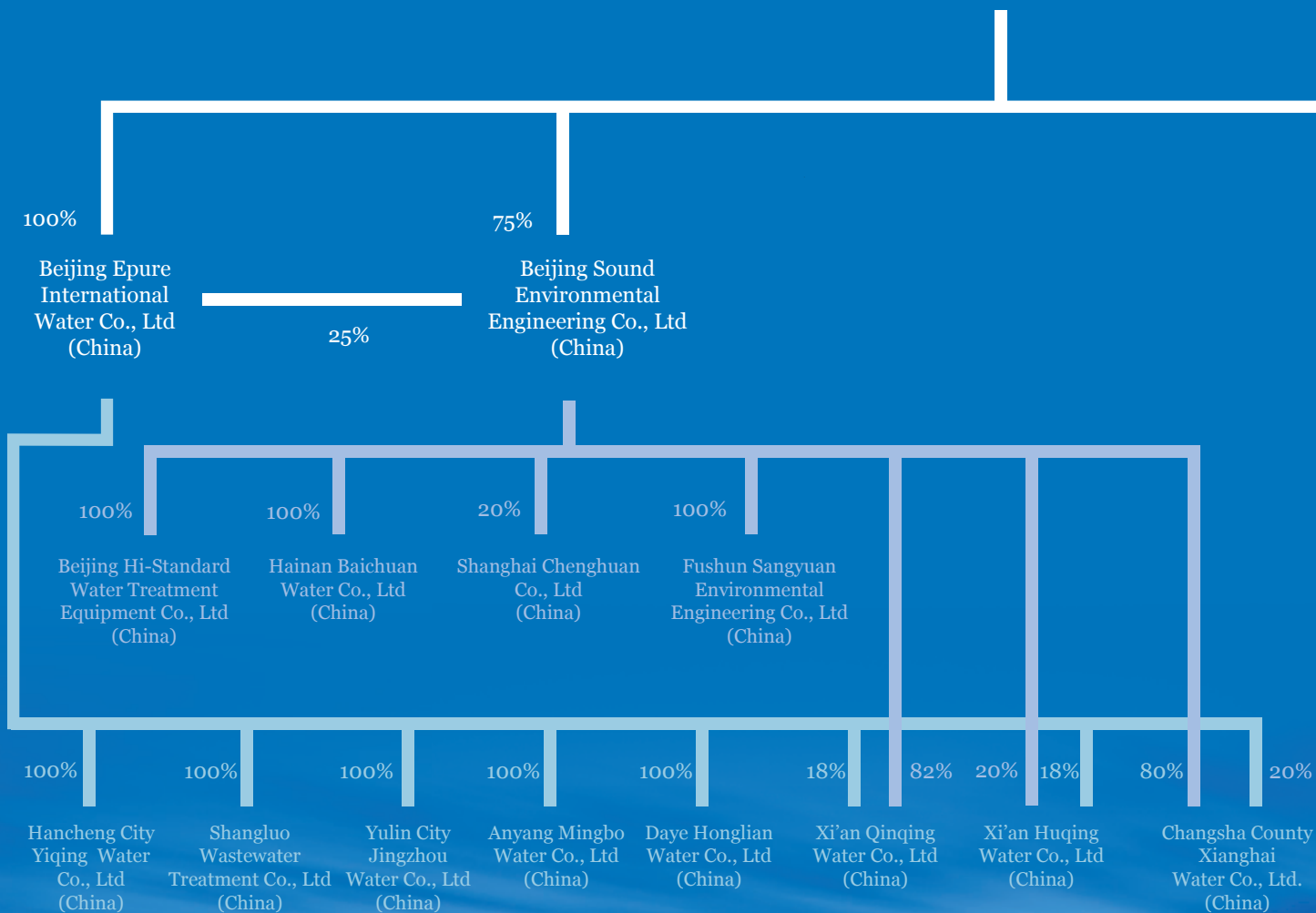
Mr. Tan Wei Shyan, aged 33, has been one of our joint company secretaries since April 2007. Mr. Tan graduated with a bachelor of law (honors) degree from the University of Exeter in 2001. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2003. Mr. Tan was engaged in general corporate work, and had experience in commercial transactions including joint ventures, commercial leases and listed companies work. Since 2005, Mr. Tan has been practicing at Shook Lin & Bok LLP in Singapore where he is currently a partner in the corporate and corporate finance department.

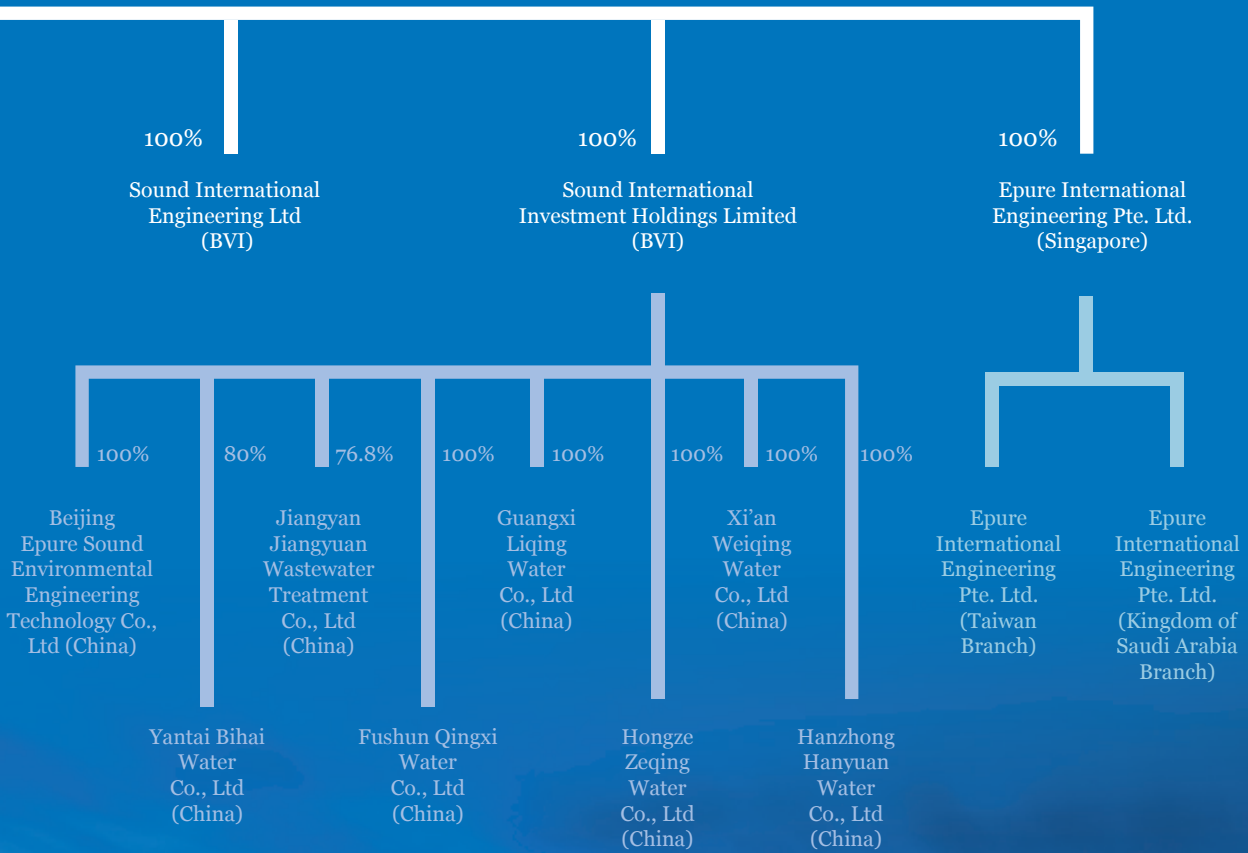
WONG TAK YEE
Joint Company Secretary

Ms. Wong Tak Yee, aged 54, has been one of our joint company secretaries since June 2010. Ms. Wong graduated with a bachelor degree of arts in language and translation from The Open University of Hong Kong in 2006 and also obtained her master degree of arts in English for the professions from The Hong Kong Polytechnic University in 2009. Ms. Wong was admitted as a Chartered Secretary of The Institute of Chartered Secretaries and Administrators in United Kingdom in 1986 and The Hong Kong Institute of Chartered Secretaries in 1994. From 1997 to 2000, Ms. Wong worked at Deloitte Touche Tohmatsu in Hong Kong as a senior manager of the company secretarial services department. Since 2000, Ms. Wong has been working at Tricor Group and is currently a director of the corporate services division of Tricor Services Limited. Ms. Wong has over 25 years of experience in providing corporate secretarial services and has been providing professional services to Hong Kong listed companies for over 10 years.

GROUP STRUCTURE

(AS AT JUNE 30, 2011)





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INFORMATION FOR INVESTORS

2011 INTERIM RESULTS ANNOUNCEMENT

August 5, 2011

2011 ANNUAL RESULTS ANNOUNCEMENT

February 2012

PRINCIPAL SHARE REGISTRAR IN SINGAPORE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODES

Singapore Stock Exchange: E6E.SI
Hong Kong Stock Exchange: 00967

INVESTOR RELATIONS

Wonderful Sky Financial Group Limited
Unit 3102-3105 31/F., Office Tower, Convention Plaza
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GENERAL INFORMATION, REVIEW REPORT AND FINANCIAL INFORMATION

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GENERAL INFORMATION

DIRECTORS

The directors of the Company in office during the six months ended June 30, 2011 and up to the date of the 2011 Interim Report are:

Executive Directors:

Wen Yibo (Chairman)
 Wang Kai (Chief Executive Officer)
 Zhang Baolin
 Luo Liyang (Appointed on February 2, 2011)
 Li Li (Resigned on February 2, 2011)

Independent Non-Executive Directors:

Wong See Meng
 Fu Tao
 Seow Han Chiang Winston

DIRECTORSHIPS

Present and past directorships of our directors in other listed companies, group and related companies and major appointments in other companies are as follows:

Name	Present Directorships	Directorships for the past 3 years
Wen Yibo	Beijing Sound Environmental Engineering Co., Ltd Beijing Lümeng Investment Co., Ltd Beijing Sanghua Environmental Technology Development Co., Ltd Beijing Xiaojiahe Wastewater Treatment Co., Ltd Beijing Sound Environment Group Co., Ltd. Sound Environmental Resources Co., Ltd Green Capital Holdings Limited Sound Water (BVI) Limited Sound Water (Hong Kong) Limited Beijing Sound Water Technology Co., Ltd Beijing Epure International Water Co., Ltd Beijing Epure Sound Environmental Engineering Technology Co., Ltd Sound International Investment Holdings Limited Sound International Engineering Ltd.	NIL
Wang Kai	Beijing Sound Environmental Engineering Co., Ltd	NIL
Luo Liyang	NIL	NIL
Zhang Baolin	NIL	NIL
Wong See Meng	Multi-Fineline Electronix, Inc.	Lion Asiapac Ltd
Fu Tao	Beijing Jincheng Property and Technology Development Co. Ltd Beijing Capital Co., Ltd Interchina Holdings Company Limited	NIL

Name	Present Directorships	Directorships for the past 3 years
Seow Han Chiang	Eucon Holding Limited	Oculus Limited
Winston	Link Hi Holdings Limited	@Source Investments Pte Ltd
	Dragon Palace International Limited	Aircentral Asia Pte Ltd
	Boulder Group Pte Ltd	DMS Video Game Technologies Pte Ltd
	Cosmo Aviation (S) Pte Ltd	Frexon Engrg. Pte Ltd
	D&W Corporate & Consultancy Services Pte Ltd	Genesys Telecommunications Laboratories Asia Pte Ltd
	GMT Alpha Pte Ltd	MP Corporate Secretarial Services Pte Ltd
	Intellectual Product Protection Pte Ltd	Primary Enterprises (S) Pte Ltd
	Nanjya Monjya Wisma Pte Ltd	Fastube Limited
	Oceanexplor Logistics Pte Ltd	
	Offshoreworks (Singapore) Pte Ltd	
	Oils Overseas (Asia Pacific) Pte Ltd	
	Petchem International Pte Ltd	
	Petchem International Trading & Shipping Pte Ltd	
	Sanwa F&B Pte Ltd	
	Sanwa Group Pte Ltd	
	Sigma-Two Pte Ltd	
	Superiorcoat Pte Ltd	

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

As at June 30, 2011, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and SEHK were as follows:

Long Position in the Ordinary Shares ("Shares") of the Company and Associated Corporation are as follows:

(A) Company

Name	Number of shares held, capacity and nature of interest			Total	Percentage to the issue share capital of the Company (%)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Wen Yibo	1,607,000	—	701,784,000 (Note 1)	703,391,000	54.53
Wang Kai	3,075,000 (Note 2)	—	—	3,075,000	0.24
Zhang Baolin	3,080,000 (Note 3)	—	—	3,080,000	0.24
Luo Liyang	3,057,400 (Note 4)	—	—	3,057,400	0.24

GENERAL INFORMATION

Notes:

1. These shares were held by Sound Water (BVI) Limited, a company which was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively.
2. Mr. Wang Kai was granted share options to subscribe for 3,075,000 Shares of the Company under the Epure Share Option Scheme of the Company.
3. Mr. Zhang Baolin was granted share options to subscribe for 3,080,000 Shares of the Company under the Epure Share Option Scheme of the Company.
4. Mr. Luo Liyang was granted share options to subscribe for 3,057,400 Shares of the Company under the Epure Share Option Scheme of the Company.

(B) Associated Corporation — Sound Water (BVI) Limited

Name	Number of shares held, capacity and nature of interest			Total	Percentage to the issue share capital of the Associated Corporation (%)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Wen Yibo	9 (Note 1)	1 (Note 1)	—	10	100

Note:

1. Sound Water (BVI) Limited was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively.

Save as disclosed above, at June 30, 2011, none of the directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and SEHK.

SHARE OPTION

(A) Sound Global Share Option Scheme (“the Scheme”)

The Scheme is administered by the Remuneration Committee (the “Committee”) comprising:

Seow Han Chiang Winston (Chairman)
Wong See Meng
Fu Tao

Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company.

The exercise price for the Shares under the Scheme shall be the price determined by the Committee and notified to the option holder which shall not be less than the higher of:

- (i) the average closing price of the Shares as stated in the SEHK’s daily quotation sheets and the average closing prices of the Shares on the SGX-ST for the five market days immediately preceding the date of grant of option; and

- (ii) the closing price of the Shares as stated on the SEHK's daily quotations sheet or the closing price of the Shares on the SGX-ST, whichever is higher, on the date of grant of the option.

The consideration for the grant of an option is S\$1.00. Options granted with the exercise price shall only be exercised after the first anniversary but before the fifth anniversary of the date of grant of that option.

The shares under option may be exercised in whole or in part on the payment of the relevant exercise price (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof). Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Committee.

The Scheme was adopted pursuant to a resolution passed on April 30, 2010, for the primary purpose of providing an opportunity for employees and directors (including non-executive and independent directors) of the Group to participate in the equity of the Company so as to motivate them to greater dedication and higher standards of performance, and to give recognition to past contribution and services.

Under the Scheme, the Committee may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Persons who are controlling shareholders (being persons who directly or indirectly have an interest of 15% of the Company's issued share capital) or their associates shall not participate in the Scheme unless their participation and the actual number of shares to be issued to them and the terms of any options to be granted to them, have been approved by independent shareholders of the Company in general meeting by way of a separate resolution for each such person.

No options to take up unissued shares of the Company or any subsidiary were granted under the Scheme since the date of adoption up to June 30, 2011.

(B) Epure Share Option Scheme ("the Epure Scheme")

The Group adopted the Epure Scheme on August 15, 2007 and the Epure Scheme was terminated upon listing on SEHK.

As at June 30, 2011, the number of shares in respect of which options had been granted under the Epure Scheme was 64,500,000 (2010: Nil), representing 5% (2010: Nil%) of the shares of the Company in issue at that date.

The number of outstanding share options under the Epure Scheme are as follows:

Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at January 1, 2011	Forfeited	Outstanding at June 30, 2011
July 23, 2010	July 23, 2011 to July 22, 2014	July 23, 2011 to July 22, 2015	S\$0.745	58,304,000	(7,277,400)	51,026,600

In respect of options granted on July 23, 2010, 10,000,000 options were granted to the then executive directors and 54,500,000 options were granted to the then employees.

GENERAL INFORMATION

There are no options granted to any of the Company's controlling shareholders or their associates.

The information on directors of the Company participating in the Epure Scheme is as follows:

Name of director	Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at January 1, 2011	Forfeited	Outstanding at June 30, 2011
Wang Kai	July 23, 2010	July 23, 2011 to July 22, 2014	July 23, 2011 to July 22, 2015	\$0.745	3,075,000	—	3,075,000
Luo Liyang	July 23, 2010	July 23, 2011 to July 22, 2014	July 23, 2011 to July 22, 2015	\$0.745	3,057,400	—	3,057,400
Zhang Baolin	July 23, 2010	July 23, 2011 to July 22, 2014	July 23, 2011 to July 22, 2015	\$0.745	3,080,000	—	3,080,000
Li Li *	July 23, 2010	July 23, 2011 to July 22, 2014	July 23, 2011 to July 22, 2015	\$0.745	3,650,000	(3,650,000)	—

* Resigned on February 2, 2011.

No employees or employee of related corporations has received 5% or more of the total options granted under the Epure Scheme.

Upon the participant ceasing to be in the full-time employment of the Group, the options shall, to the extent unexercised, immediately forfeited. The exercise of the option granted under the Epure Scheme is also subject to the following conditions:

- i) the options will be exercisable in four equal tranches, commencing one year from the date of grant and on each anniversary of the date of grant up to the fifth anniversary;
- ii) the increase in profit after tax for each of the financial years ended/ending December 31, 2010, 2011, 2012 and 2013 must be at least 15.0%, excluding all exceptional items; and
- iii) the compounded growth rate for profit after tax, based on profit after tax for the financial year ended December 31, 2009, must be at least 25% for each of the financial years ended/ending December 31, 2010, 2011, 2012 and 2013, excluding all exceptional items.

SUBSTANTIAL SHAREHOLDERS

As at June 30, 2011, so far as is known to the directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as the Company is aware:

Name	Number of shares	Percentage to the issued share capital of company (%)
Zhang Huiming	703,391,000 (L) (Note 1)	54.53 (L)
Sound Water (BVI) Limited	701,784,000 (L)	54.40 (L)
International Finance Corporation	103,950,000 (L)	8.10 (L)
Morgan Stanley	133,678,396 (L)	10.36 (L)
	131,082,500 (S)	10.16 (S)
Deutsche Bank Aktiengesellschaft	76,653,248 (L)	5.94 (L)
	31,356,699 (S)	2.43 (S)

(L) — Long position (S) — Short position

Note:

1. These shares were held by her husband, Mr. Wen Yibo (1,607,000 Shares) and Sound Water (BVI) Limited (701,784,000 Shares), a company which was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively. Hence, Ms. Zhang Huiming was deemed to be interested in the 703,391,000 shares of the Company held by Mr. Wen Yibo and Sound Water (BVI) Limited.

Save as disclosed above, as at June 30, 2011, no person (other than directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The unaudited interim results for the six months ended June 30, 2011 have been reviewed by the Audit Committee.

Deloitte Touche Tohmatsu, the Company’s external auditor, has carried out a review of the unaudited interim financial information for the six months ended June 30, 2011 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended June 30, 2011.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended June 30, 2011, all directors have complied with the required standards of the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

For the six months ended June 30, 2011, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the securities of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2011, there were 947 employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save for those disclosed in this report, there were no significant investments held as at June 30, 2011, nor other material acquisitions and disposals of subsidiaries during the period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SOUND GLOBAL LTD.

Introduction

We have reviewed the interim financial information set out on pages 29 to 46, which comprises the condensed consolidated statement of financial position of Sound Global Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of June 30, 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 5, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Notes	Six months ended	
		June 30, 2011	June 30, 2010
		RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	4	1,060,268	644,989
Cost of sales		(730,716)	(449,986)
Gross profit		329,552	195,003
Other operating income	5	19,458	11,724
Other expenses	6	(13,934)	(25,075)
Distribution expenses		(7,617)	(4,913)
Research and development expenses		(4,889)	(1,827)
Administrative expenses		(60,271)	(21,370)
Share of result of an associate		(81)	(56)
Finance costs	7	(52,444)	(7,197)
Profit before income tax		209,774	146,289
Income tax expenses	8	(34,345)	(26,192)
Profit for the period		175,429	120,097
Other comprehensive income			
Exchange difference arising on translation and total other comprehensive income for the period		104	52
Total comprehensive income for the period		175,533	120,149
Profit for the period attributable to:			
Owners of the Company		175,429	120,011
Non-controlling interests		—	86
		175,429	120,097
Total comprehensive income attributable to:			
Owners of the Company		175,533	120,063
Non-controlling interests		—	86
		175,533	120,149
Earnings per share			
Basic (RMB cents)	11	13.60	9.30
Diluted (RMB cents)	11	13.60	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2011

	Notes	June 30, 2011 RMB'000 (unaudited)	December 31, 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	47,085	46,719
Interest in an associate		2,466	2,547
Land use rights		44,875	45,454
Intangible assets		35,000	40,000
Goodwill		41,395	41,395
Service concession receivables	13	808,736	665,118
Deferred tax assets		8,468	7,372
		<u>988,025</u>	<u>848,605</u>
CURRENT ASSETS			
Inventories		21,938	12,056
Trade and other receivables	14	1,080,813	808,750
Land use rights		1,158	1,158
Amounts due from customers for contract work		435,557	337,651
Restricted bank balances		101,714	314,726
Bank balances and cash		1,787,989	2,027,352
		<u>3,429,169</u>	<u>3,501,693</u>
CURRENT LIABILITIES			
Trade and other payables	15	933,839	886,414
Tax payable		39,817	30,260
Borrowings — due within one year	16	260,497	430,200
Amounts due to customers for contract work		2,046	9,611
		<u>1,236,199</u>	<u>1,356,485</u>
NET CURRENT ASSETS		<u>2,192,970</u>	<u>2,145,208</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,180,995</u>	<u>2,993,813</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		36,386	31,584
Borrowings — due after one year	16	291,459	241,096
Convertible loan notes	18	793,624	784,878
		<u>1,121,469</u>	<u>1,057,558</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>2,059,526</u>	<u>1,936,255</u>
CAPITAL AND RESERVES			
Share capital		833,368	833,368
Reserves		1,218,558	1,095,287
		<u>2,051,926</u>	<u>1,928,655</u>
Equity attributable to owners of the Company		2,051,926	1,928,655
Non-controlling interests		7,600	7,600
		<u>2,059,526</u>	<u>1,936,255</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Share capital	Merger reserve	Capital reserve	Translation reserve	Share option reserve	Convertible loan notes reserve	Statutory surplus fund	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2010 (audited)	833,368	(88,296)	34,010	—	—	—	60,529	733,435	1,573,046	18,898	1,591,944
Profit for the period	—	—	—	—	—	—	—	120,011	120,011	86	120,097
Other comprehensive income for the period	—	—	—	52	—	—	—	—	52	—	52
Total comprehensive income for the period	—	—	—	52	—	—	—	120,011	120,063	86	120,149
Acquisition of additional interest in a subsidiary	—	—	984	—	—	—	—	—	984	(18,984)	(18,000)
Deemed distribution to the ultimate holding company	—	—	—	—	—	—	—	(27,000)	(27,000)	—	(27,000)
Balance at June 30, 2010 (unaudited)	833,368	(88,296)	34,994	52	—	—	60,529	826,446	1,667,093	—	1,667,093
Balance at January 1, 2011 (audited)	833,368	(88,296)	7,994	366	12,479	79,676	63,737	1,019,331	1,928,655	7,600	1,936,255
Profit for the period	—	—	—	—	—	—	—	175,429	175,429	—	175,429
Other comprehensive income for the period	—	—	—	104	—	—	—	—	104	—	104
Total comprehensive income for the period	—	—	—	104	—	—	—	175,429	175,533	—	175,533
Recognition of equity-settled share based payments	—	—	—	—	14,672	—	—	—	14,672	—	14,672
Dividends paid (Note 10)	—	—	—	—	—	—	—	(66,934)	(66,934)	—	(66,934)
Balance at June 30, 2011 (unaudited)	833,368	(88,296)	7,994	470	27,151	79,676	63,737	1,127,826	2,051,926	7,600	2,059,526

Notes:

- (i) The merger reserve arose, pursuant to the reorganization in 2006, from the use of the whole proceeds of the interest free loan granted by the Company's immediate holding company, Sound Water (BVI) Limited ("Sound Water"), a company incorporated in the British Virgin Islands (the "BVI"), to finance the acquisition of a subsidiary, Beijing Sound Environmental Engineering Co., Ltd.. The amount was calculated as the difference between the loan amount of US\$18.8 million (equivalent to RMB150,896,000) and the share capital of the subsidiary acquired of RMB62,600,000.
- (ii) This reflects (a) the fair value of the 2,157,000 shares of the Company amounting to RMB34,010,000 transferred to an initial public offering consultant at a nominal value of S\$1.00 during the listing on Singapore Exchange Securities Trading Limited in 2006; and (b) the difference between the consideration of RMB18,000,000 in relation to the acquisition of 40% interest in Anyang Mingbo Water Co., Ltd. by the Group and the carrying value on the non-controlling interest.
- (iii) In accordance with the Articles of Association of certain subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(226,472)	109,887
NET CASH FROM INVESTING ACTIVITIES		
Interest received	5,059	2,515
Purchases of property, plant and equipment	(2,248)	(441)
Proceeds from disposal of property, plant and equipment	1	—
Disposal of available for sale investment	—	2,700
Decrease in restricted bank balances	212,098	45,993
	214,910	50,767
NET CASH USED IN FINANCING ACTIVITIES		
Interest paid	(42,495)	(7,197)
Payment of dividends	(66,934)	—
Payments for combination of a subsidiary	—	(45,000)
Borrowings raised	158,000	129,700
Repayment of borrowings	(273,420)	(119,000)
	(224,849)	(41,497)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(236,411)	119,157
CASH AND CASH EQUIVALENTS AT JANUARY 1	2,027,352	1,237,698
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,952)	123
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH	1,787,989	1,356,978

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKSE”) and with International Accounting Standard 34, Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2011 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised IFRSs”) issued by International Accounting Standards Board.

The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued and are not yet effective.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed for First-time Adopters ¹
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
IAS 19 (Revised 2011)	Employee Benefits ²
IAS 27 (Revised 2011)	Separate Financial Statements ²
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after July 1, 2011

² Effective for annual periods beginning on or after January 1, 2013

³ Effective for annual periods beginning on or after January 1, 2012

⁴ Effective for annual periods beginning on or after July 1, 2012

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) in order to allocate resources to the segments and to assess their performance.

The Group is organized into business units based on their products and services, based on which information is prepared and reported to the Group’s chief operating decision maker for the purposes of resource allocation and assessment of performance.

The Group is primarily engaged in three operating segments, namely (1) turnkey projects and services, (2) manufacturing (equipment fabrication), and (3) operations of water and wastewater treatment facilities (“O&M”).

The accounting policies of the operating segments are the same as the Group’s accounting policies described in the Group’s annual consolidated financial statements for the year ended December 31, 2010. Segment results represent the profits earned by each segment without allocation of central administration costs, directors’ remuneration, share of result of an associate, interest income, foreign exchange gains and losses, finance costs at corporate level.

Segment information about the Group’s operating segments is presented below.

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Six months ended June 30, 2011					
Revenue					
External sales	1,004,894	32,217	23,157	—	1,060,268
Inter-segment sales	—	50,659	—	(50,659)	—
	<u>1,004,894</u>	<u>82,876</u>	<u>23,157</u>	<u>(50,659)</u>	<u>1,060,268</u>
Segment results	240,630	12,805	22,243	—	275,678
Unallocated income					1,137
Unallocated expenses					(66,960)
Share of result of an associate					(81)
Profit before income tax					<u>209,774</u>

3. SEGMENT INFORMATION (cont'd)

	Turnkey projects and services RMB'000	Equipment fabrications RMB'000	O&M RMB'000	Elimination RMB'000	Total RMB'000
Six months ended June 30, 2010					
Revenue					
External sales	565,500	73,615	5,874	—	644,989
Inter-segment sales	—	196	—	(196)	—
	<u>565,500</u>	<u>73,811</u>	<u>5,874</u>	<u>(196)</u>	<u>644,989</u>
Segment results	160,520	10,958	8,834	—	180,312
Unallocated income					—
Unallocated expenses					(33,967)
Share of result of an associate					(56)
Profit before income tax					<u>146,289</u>

Inter-segment sales are charged at prevailing market price.

4. REVENUE

	Six months ended	
	June 30, 2011 RMB'000	June 30, 2010 RMB'000
Revenue from construction contracts (including turnkey services and sales of equipment related to construction contracts)	1,004,488	560,049
Revenue from sale of goods	32,217	73,615
Operating and maintenance income	23,157	5,874
Design service	406	5,451
	<u>1,060,268</u>	<u>644,989</u>

5. OTHER OPERATING INCOME

	Six months ended	
	June 30, 2011 RMB'000	June 30, 2010 RMB'000
Interest income	5,059	2,515
Imputed interest income on service concession receivables	14,399	8,986
Net foreign exchange gains	—	159
Sundry income	—	64
	<u>19,458</u>	<u>11,724</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

6. OTHER EXPENSES

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
Net foreign exchange loss	6,977	—
Allowance for doubtful debts	6,957	—
Expenses related to listing on the HKSE	—	25,075
	<u>13,934</u>	<u>25,075</u>

7. FINANCE COSTS

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
Interest expenses on borrowings		
— wholly repayable within five years	11,385	7,197
— not wholly repayable within five years	5,763	—
Interest expenses on convertible loan notes	35,296	—
	<u>52,444</u>	<u>7,197</u>

8. INCOME TAX EXPENSES

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
The charge comprises:		
Current tax		
PRC income tax	25,150	22,626
Overseas income tax	5,489	—
	<u>30,639</u>	<u>22,626</u>
Deferred tax	3,706	3,566
	<u>34,345</u>	<u>26,192</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25%.

In accordance with the Interim Measures of Beijing New Tech Industry Development Test Zone approved by the State Council on May 10, 1988 and promulgated by the People’s Government of Beijing on May 20, 1988, the newly established new tech enterprise within test zone shall be entitled to an exemption from income tax for the three years commencing from its establishment, and thereafter, entitled to a 50% relief of income tax for the next three years subject to the approval from the relevant authority. A PRC subsidiary of the Company was exempted from income tax for each of the years ended December 31, 2007, 2008 and 2009, and is subject to income tax at 7.5% for each of the years ended December 31, 2010, 2011 and 2012.

8. INCOME TAX EXPENSES (cont'd)

According to No.88 provision of the Implementation Rules on the EIT Law of the PRC and the third item in No.27 provision of the EIT Law of the PRC, the income of companies engaged in environmental protection projects, or energy and water saving projects, which meet relevant requirements, shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations and thereafter, be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the competent department of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicized and implemented after being approved by the State Council. Certain subsidiaries of the Company have obtained the approval and are entitled to exempt from enterprise income tax in the three years from the first revenue-generating year and enjoy 12.5% preferential enterprise income tax rate in the following three years.

The overseas income tax comprises of the income tax in Singapore and the Kingdom of Saudi Arabia, which are calculated at 17% and 20% respectively on the estimated profit for the periods under review.

9. PROFIT FOR THE PERIOD

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
Amortization of intangible assets, included in cost of sales	5,000	5,000
Amortization of land use rights	579	579
Depreciation for property, plant and equipment	1,835	1,418
Loss on disposal of property, plant and equipment	46	8

10. DIVIDENDS

During the current interim period, a final dividend of S\$0.01 per share in respect of the year ended December 31, 2010 (2010: nil) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid in the current period amounted to RMB66,934,000 (2010: nil).

The directors do not recommend the payment of an interim dividend.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
Profit for the period attributable to owners of the Company	175,429	120,011
	'000	'000
Number of shares	1,290,000	1,290,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

11. EARNINGS PER SHARE (cont'd)

The computation of diluted earnings per share for the six months ended June 30, 2011 has not assumed the conversion of the outstanding convertible loan notes since their exercise would result in an increase in earnings per share or the exercise of share options of the Company because the exercise price of those options are higher than the average market price of shares during the period.

There was no potential ordinary shares in issue during the six months ended June 30, 2010.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

In the current period, the Group spent approximately RMB2,248,000 on additions to fixtures and equipments in the PRC.

As at June 30, 2011, certain of the Group's buildings with an aggregate carrying amount of RMB35,251,000 (2010: RMB35,625,000) were pledged to secure general banking facilities granted to the Group.

13. SERVICE CONCESSION RECEIVABLES

	June 30, 2011	December 31, 2010
	RMB'000	RMB'000
Service concession receivables	856,431	674,538
Less: Amounts due within one year shown in trade and other receivables	(47,695)	(9,420)
	<u>808,736</u>	<u>665,118</u>

Service concession receivables arose from the service concession contracts to build and operate wastewater treatment and recycling water plants. The Group is the operator under certain build-operate-transfer arrangements. With respect to the contracts, the Group has evaluated and assessed that such contracts come under the scope of IFRIC 12 Service Concession Arrangements. Service concession receivables were recognized to the extent that the Group has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services.

14. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing trade customers with credit normally within 90 days except for construction project for which settlement is made in accordance with the terms specified in the contracts governing the relevant transactions.

14. TRADE AND OTHER RECEIVABLES (cont'd)

The table below is an analysis of trade receivables net of allowance for doubtful debts and bills receivables based on invoice issuance date:

	June 30, 2011	December 31, 2010
	RMB'000	RMB'000
Trade receivables:		
Within 90 days	345,766	310,288
91 days to 180 days	178,066	128,149
181 days to 1 year	239,523	195,470
1 to 2 years	110,337	19,575
	<hr/>	<hr/>
	873,692	653,482
	<hr/>	<hr/>
Bills receivables:		
Within 180 days	35,880	51,506
	<hr/>	<hr/>

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on invoice issuance date:

	June 30, 2011	December 31, 2010
	RMB'000	RMB'000
Trade payables		
Within 90 days	318,114	254,660
91 days to 180 days	88,408	147,593
181 days to 1 year	147,944	81,784
1 to 2 years	47,521	48,242
2 to 3 years	26,015	40,473
More than 3 years	18,394	8,459
	<hr/>	<hr/>
	646,396	581,211
	<hr/>	<hr/>
The table below is an analysis of bills payables		
Within 180 days	8,490	11,818
	<hr/>	<hr/>

16. BORROWINGS

During the period, the Group obtained new bank borrowing amounting to RM158,000,000 and repaid bank borrowing of RMB273,420,000.

17. SHARE CAPITAL

Issued and fully paid	Number of shares	RMB'000
At January 1, 2010, December 31, 2010 and June 30, 2011	1,290,000,000	833,368

The Company has one class of ordinary shares with no par value and carry no right to fixed income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

18. CONVERTIBLE LOAN NOTES

The Company issued RMB885 million, 6% convertible loan notes on September 15, 2010. The convertible loan notes entitle the holders to convert them into ordinary shares of the Company (unless previously redeemed, converted or purchased and cancelled) at any time on or after October 25, 2010 up to the close of business on September 8, 2015 at a conversion price (subject to adjustments) of S\$0.924 per share, translated to RMB4.639 per share at fixed exchange rate. On February 28, 2011, the Company announced the payment of a final dividend of S\$0.01 per share for the year ended December 31, 2010 which was paid in the period ended for June 30, 2011. The payment of such dividend has resulted in the adjustment of the conversion price to S\$0.910 (translated to RMB4.569 per share). Unless previously redeemed, purchased or cancelled, the convertible loan notes will be redeemed on September 15, 2015. Interest of 6% will be paid semi-annually with the first interest payment date falling on March 15, 2011.

On or at any time after September 15, 2013, the Company may redeem all but not some of the convertible loan notes at a redemption price equivalent to RMB principal amount together with interest accrued on that date on some conditions (as defined in the Terms and Conditions of the Bonds in the Offering Circular dated September 10, 2010 (the "Offering Circular")). Meanwhile, the holders will have a right to require the Company to redeem the loan notes at a redemption price equivalent to RMB principal amount together with interest accrued on that date following the occurrence of relevant event (as defined in the Offering Circular).

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes reserve". The transaction costs of RMB25,435,000 are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. The effective interest rate of the liability component is 9% per annum.

The movement of the liability component of the convertible loan notes for the period is set out below:

	RMB'000
Issuance of convertible loan notes	779,889
Interest charge	20,477
	<hr/>
Carrying amount as at December 31, 2010	800,366
Interest charge	35,296
Interest paid	(26,550)
	<hr/>
Carrying amount as at June 30, 2011	809,112
Less: Amounts due within one year included in other payables shown under current liabilities	(15,488)
	<hr/>
	793,624
	<hr/>

19. RELATED PARTY DISCLOSURE

- (a) During the period, the Group entered into the following significant transactions with related parties:

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
Revenue from construction contracts		
<i>Fellow subsidiaries:</i>		
Baotou Lucheng Water Co., Ltd (“Baotou Lucheng”)	74	13,645
Daye Qingbo Water Co., Ltd (“Daye Qingbo”)	—	264
Jiayu Jiaqing Water Co., Ltd. (“Jiayu Jiaqing”)	9,618	21,716
Jingmen Xiajiawan Water Co., Ltd (“Jingmen Xiajiawan”)	—	3,496
Jingzhou Jingqing Water Co., Ltd (“Jingzhou Jingqing”)	—	2,753
Tongliao Bibo Water Co., Ltd (“Tongliao Bibo”)	—	15,713
Xianning Ganyuan Water Co., Ltd (“Xianning Ganyuan”)	—	3,554
	<hr/>	<hr/>
	9,692	61,141
	<hr/>	<hr/>
Revenue from sales of goods		
<i>Fellow subsidiary:</i>		
Tongliao Bibo	—	38
	<hr/>	<hr/>
	—	38
	<hr/>	<hr/>

The terms for the above transactions are negotiated and mutually agreed between the respective parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

19. RELATED PARTY DISCLOSURE (cont'd)

(b) At the reporting date, the Group had the following balances with related parties:

	June 30, 2011	December 31, 2010
	RMB'000	RMB'000
Trade receivables		
<i>Fellow subsidiaries:</i>		
Baotou Lucheng	5,503	5,134
Daye Qingbo	984	—
Hubei Jichu Water Co., Ltd	727	2,727
Jingmen Xiajiawan	938	—
Jiayu Jiaqing	2,051	—
Jingzhou Jingqing	15,634	15,634
Nanchang Xianghu Water Co., Ltd	98	98
Tongliao Bibo	44	44
Xianning Ganyuan	2,040	2,002
Beijing Xiaojiahe Wastewater Treatment Engineering Co., Ltd (“Beijing Xiaojiahe”)	—	56
	<u>28,019</u>	<u>25,695</u>
Trade payables		
<i>Fellow subsidiary:</i>		
Beijing Sound Environment Group Co., Ltd. (“Beijing Sound Enviro”)	—	2
	<u>—</u>	<u>2</u>
Amounts due from customers for contract work		
<i>Fellow subsidiaries:</i>		
Baotou Lucheng	150	438
Daye Qingbo	—	984
Jiayu Jiaqing	3,348	6,753
Jingmen Xiajiawan	—	938
	<u>3,498</u>	<u>9,113</u>

19. RELATED PARTY DISCLOSURE (cont'd)

(c) Compensation of key management personnel

The emoluments of key management during the period including the directors were as follows:

	Six months ended	
	June 30, 2011	June 30, 2010
	RMB'000	RMB'000
Wages and salaries	863	984
Contributions to defined contribution plan	90	101
Share-based payments	3,399	—
	<u>4,352</u>	<u>1,085</u>

(d) At the reporting date, the Group had the following balances with related parties

	June 30, 2011	December 31, 2010	Maximum balances during the six months ended
			June 30, 2011
	RMB'000	RMB'000	RMB'000
Other receivables			
<i>Directors</i>			
Wen Yi Bo	50	50	50
Luo Li Yang	6	—	6
	<u>56</u>	<u>50</u>	<u>56</u>
	June 30, 2011	December 31, 2010	
	RMB'000	RMB'000	
<i>Fellow subsidiary</i>			
Sound Water	—	1,440	

19. RELATED PARTY DISCLOSURE (cont'd)

(e) Others (cont'd)

- 2) In addition to the above transactions, the Group has entered into sub-contract arrangements with the following main contractors:

Name of main contractor	The project related to the sub-contract (the "Project")	Name of operator of the Project (the "Operator")	Relationship with the Operator
Hubei Gongye Construction Group Co., Ltd (“Hubei Gongye Construction Group”)	Hubei Zhushan Wastewater Treatment Plant Construction Project	Hubei Jichu Water Co. Ltd.	Fellow Subsidiary
Xiangfan Shizheng Engineering Group Co., Ltd (“Xiangfan Shizheng”)	Xiangfan Guanying Wastewater Treatment Plant Construction Project	Xiangfan Hanshui Qingyi Water Co., Ltd.	Fellow Subsidiary
Jingzhou City Construction Group Co., Ltd (“Jingzhou City Construction”)	Zhijiang and Hubei Jingzhou Wastewater Treatment Plant Construction Project	Jingzhou Jingqing and Zhijiang Zhiqing Water Co., Ltd.	Fellow Subsidiary

During the period, the Group entered into the following transactions with the above mentioned main contractors:

	Six months ended June 30, 2011 RMB'000	Six months ended June 30, 2010 RMB'000
Revenue from construction contracts		
Hubei Gongye Construction Group	—	2,584
Xiangfan Shizheng	—	17,047
	—	19,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

19. RELATED PARTY DISCLOSURE (cont'd)

(e) Others (cont'd)

- 2) In addition to the above transactions, the Group has entered into sub-contract arrangements with the following main contractors: (cont'd)

At the reporting date, the Group had the following balances with these main contractors:

	June 30, 2011	December 31, 2010
	RMB'000	RMB'000
Trade receivables		
Hubei Gongye Construction Group	—	1,642
Xiangfan Shizheng	—	2,740
Jingzhou City Construction	258	258
	258	4,640
Trade payables		
Hubei Gongye Construction Group	—	767
Amounts due from customers for contract work		
Hubei Gongye Construction Group	—	1,410
	—	1,410
Other receivables		
Jingzhou City Construction	50	50
	50	50

The above mentioned other receivables are interest-free, unsecured and repayable on demand.