



*Interim Report for the six  
months ended 30th June 2013*



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

## **IMPORTANT**

- I. 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 2013 interim report (the “Interim Report”) does not contain any false information, misleading statements or material omissions, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.**
  
- II. The interim financial statements of the Company for the six months ended 30 June 2013 are unaudited.**
  
- III. Mr. Zhang Wenhui, the person in charge of the Company, Ms. Shi Zhenjuan, the officer in charge of the accounting function, and Ms. Cao Shuo, the officer in charge of the accounting department (the chief accountant), have warranted the truthfulness, accuracy and completeness of the financial report contained in this Interim Report.**
  
- IV. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds?**  
No
  
- V. Did the Company provide external guarantees in violation of specified decision-making procedures?**  
No

## SECTION I DEFINITIONS

In this report, unless the context requires otherwise, the following terms shall have the following meanings:

“Group”	the Company and its subsidiaries
“Subsidiaries”	subsidiaries of the Company
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Company Limited
“TMICL”	Tianjin Municipal Investment Company Limited
“Water Recycling Company”	Tianjin Water Recycling Company Limited
“TCCC”	Tianjin City Construction and Communication Committee
“Tianjin Haihe”	Tianjin Haihe Construction Development and Investment Company Limited
“TECI”	Tianjin City Environment Construction and Investment Company Limited
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Company Limited
“TLP”	Tianjin Lecheng Properties Company Limited
“TMG”	Tianjin City Metro Group Company Limited
“TSC”	Tianjin Sewage Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## SECTION II COMPANY PROFILE

### I. Information on the Company

Chinese name of the Company	天津創業環保集團股份有限公司
Abbreviation of the Chinese name of the Company	創業環保
English name of the Company	Tianjin Capital Environmental Protection Group Company Limited
Abbreviation of the English name of the Company	TCEPC
Legal representative of the Company	Mr. Zhang Wenhui

### II. Contact Persons and Contact Details

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

### III. Changes in the Basic Information

Registered address of the Company	No. 45 Guizhou Road, Heping District, Tianjin the PRC
Postal code of the registered address of the Company	300051
Office address of the Company	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin the PRC
Postal code of the office address of the Company	300381
Website of the Company	<a href="http://www.tjcep.com">http://www.tjcep.com</a>
Email address	<a href="mailto:tjcep@tjcep.com">tjcep@tjcep.com</a>

### IV. Changes in Places Where the Company's Information is Disclosed and Available for Inspection

Name of the newspaper designated by the Company for the disclosure of information	Shanghai Securities News
Website designated by China Securities Regulatory Committee (the "CSRC") for the disclosure of Interim Report	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Place where the Interim Report of the Company is available for inspection	Office of the Secretary to the Board, 18/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin the PRC

## V. Profile of the Shares of the Company

Type of Shares	Stock exchange for listing shares	Stock name	Stock code	Previous stock name
A Shares	Shanghai Stock Exchange (the “SSE”)	創業環保	600874	渤海化工
H Shares	The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)	Tianjin Capital	1065	Tianjin Bohai

## VI. Changes in the Company’s Registration during the Reporting Period

There were no changes in the Company’s registration during the reporting period.

**SECTION III MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS**  
**(Prepared in accordance with PRC Accounting Standards)**

**(i) Major accounting data and financial indicators**

Unit: 0'000 Currency: RMB

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

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

**(ii) Difference in accounting standards between the PRC and overseas**

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

**(iii) Extraordinary profit and loss items and amounts**

Unit: 0'000 Currency: RMB

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



## SECTION IV DIRECTORS' REPORT

### I. Discussion and Analysis of the Operations of the Company during the Reporting Period by the Board

#### (i) Overview of the operation and management of the Company during the reporting period

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

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

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

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

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

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

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

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

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

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

## **2. Analysis of income from the principal businesses**

### **(1) Sewage water treatment business and construction business**

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

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

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

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

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

## **(2) Recycled water business**

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

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

## **(3) Tap water business**

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

## **(4) Cooling and heating supply service business**

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

## **(5) Toll collection business**

For the toll collection business, the Group has since 2010 recognized income based on the amount received according to the "Entrusted Toll Collection Agreement" pursuant to the spirit of the Jin Zheng Ban (2010) No.51 Document "Opinions on the Implementation of Oil Prices and Tax Expenses Reforms and the Cancellation of Toll Collection on Government Indebted Tier 2 Roads" dated 19 May 2010. During the reporting period, the Company recorded an income of RMB33.51 million from the toll collection business, which was in line with the same period last year.

(iii) Analysis of principal businesses

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

Unit: 0'000 Currency: RMB

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

**Explanation of changes:**

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

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

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

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

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

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

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

Unit: 0'000 Currency: RMB

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

### Explanation of changes:

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

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

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

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

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

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

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

### **3. Others**

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

During the reporting period, there were no material changes in the Company's profit composition or profit source.

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

Not applicable

#### **(3) Explanation of the progress in the operation plan**

During the reporting period, the Company's various operation and management activities were conducted in accordance with the operation plan formulated by the Board at the beginning of the year.

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

1. Principal businesses by industry and by products

Unit: 0'000 Currency: RMB

Principal Businesses by Industry							
By industry	Income from operations	Costs of operations	Gross profit margin (%)	Increase/decrease in income from operations as compared to last year (%)	Increase/decrease in costs of operations as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)	Remark
Sewage water treatment and construction business	61,834	35,688	42.28	2.49	5.4	-2.02	
Recycled water pipeline connection and water supply business	9,331	6,901	26.04	69.01	76.41	-3.1	Note 1
Toll collection business	3,351	356	89.38	Unchanged	Unchanged	Unchanged	
Tap water supply business	1,814	1,179	35.01	-15.82	-13.56	-1.70	
Energy supply business	2,643	2,077	21.42	26.28	26.03	0.17	
Others	387	771	-99.22	283.17	1,206.78	-141.02	Note 2

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

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

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



## 2. Principal businesses by geographical regions

Unit: 0'000 Currency: RMB

<b>Region</b>	<b>Income from operations</b>	<b>Increase/decrease in income from operations as compared to last year (%)</b>	<b>Remark</b>
Tianjin	56,052	9.52	
Qijing	3,491	5.79	
Guizhou	1,192	-1.16	
Fuyang	2,398	16.52	
Baoying	1,014	65.69	Note 1
Hangzhou	8,010	3.37	
Wendeng	1,342	9.37	
Xi'an	3,738	0.08	
Anguo	415	-49.39	Note 2
Wuhan	1,705	3.02	
Hong Kong	4	-63.64	Note 3

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

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

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

**(v) Analysis of core competitiveness**

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

**(vi) Analysis of the investment**

**1. Overall analysis of external equity investment**

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

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

**(1) Trust arrangement**

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

**(2) Trust loan**

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

**3. Use of proceeds from fund-raising**

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

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

Unit: 0'000 Currency: RMB

Subsidiary	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net asset	Net profit
Tianjin Water Recycling Company Limited	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacture, installation, commissioning and operation of equipment for recycled water.	10,000	Limited company	100%	109,564.53	13,239.22	1,308.23
Hangzhou Tianchuang Water Company Limited	Hangzhou, Zhejiang	Operation and maintenance for sewage water treatment and recycled water utilization facilities, and ancillary services such as technology services and technology training.	25,745	Limited company	70%	73,349.89	31,415.15	1,309.73

## 5. Projects made out of funds other than proceeds from fund-raising

Unit: 0'000 Currency: RMB

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

## II. Proposal on the Profit Distribution or Transfer into Capital Reserve Fund

### Implementation of or adjustment to the profit distribution plan during the reporting period

The profit distribution plan of the Company for the year 2012 was considered and approved at the 2012 Annual General Meeting of the Company, pursuant to which the Company made a payment of RMB0.06 (including tax) in cash per share to holders of A shares and RMB0.06 (equivalent to HK\$0.07530) (including tax) per share to holders of H shares. The Company published the “Announcement on the Implementation of 2012 Profit Distribution for A Shares” in the PRC on 2 July 2013. The record date for the profit distribution was 5 July 2013. The Company published the “Announcement in respect of Dividend Distribution” and the “Announcement in respect of Dividend Payment” in Hong Kong on 24 April 2013 and 23 June 2013 respectively. Dividends were paid to the holders of A shares and H shares on 12 July 2013.

## III. Other Disclosures

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

Not applicable

### (II) Explanation by the Board and the Supervisory Committee on “Qualified Audit Report” provided by Accountants

Not applicable

## SECTION V IMPORTANT ISSUES

### I. Material Litigation, Arbitration and Events of General Media Interest

During the reporting period, the Company had no material litigation, arbitration or event of general media interest.

### II. Matters relating to Bankruptcy and Restructuring

During the reporting period, there was no matter relating to bankruptcy and restructuring of the Company.

### III. Transactions involving Assets and Corporate Mergers

**The Company's acquisition or disposal of assets and corporate mergers, which were disclosed in its announcements, without changes to their subsequent implementation are as follows:**

Summary and Type of Event	Search Index
According to the general development plan of Tianjin, the Tianjin Municipal People's Government decided to relocate Jizhuangzi Sewage Water Treatment Plant and Jizhuangzi Water Recycling Plant owned by the Company and its wholly-owned Subsidiary, Water Recycling Company respectively, and authorized TCCC and Tianjin Haihe to enter into the Jizhuangzi Sewage Water Treatment Plant Relocation Agreement and the Jizhuangzi Water Recycling Plant Relocation Agreement (collectively the " <b>Relocation Agreements</b> ") and the Jizhuangzi Sewage Water Treatment Plant Land Consolidation Reserve Project Compensation Agreement and the Jizhuangzi Water Recycling Plant Land Consolidation Reserve Project Compensation Agreement (collectively the " <b>Compensation Agreements</b> ") with the Company and Water Recycling Company respectively, to specify the respective responsibilities and obligations of each party.	"Announcement in respect of the Relocation of Jizhuangzi Sewage Water Treatment Plant and Water Recycling Plant" and "Announcement on the Resolutions Passed at the 2012 First Extraordinary General Meeting" disclosed on the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) on 25 May 2012 and 16 July 2012 respectively.

Summary and Type of Event	Search Index
<p>Pursuant to the Relocation Agreements and Compensation Agreements, the compensation for the Jizhuangzi Sewage Water Treatment Plant and Water Recycling Plant shall be the preliminary construction budget for the new sewage water treatment plant and new water recycling plant as approved by the competent authorities of the Tianjin Municipal People's Government in the total amount of approximately RMB2,065,590,100 and RMB260,350,700 respectively. The new sewage water treatment plant and water recycling plant shall be constructed by the Company and Water Recycling Company respectively according to the construction scale, specifications and standards as approved in the preliminary design.</p> <p>The Relocation Agreements and Compensation Agreements were publicly announced by the Company upon approval by the Board on 24 May 2012 and became effective upon approval at the extraordinary general meeting held on 13 July 2012.</p>	

#### IV. The Company's Share Incentive Scheme and its Effect

Not applicable

## V. Material Connected Transactions

### (I) Connected transactions in the ordinary course of business

#### 1. Transactions that were disclosed in announcements, without subsequent progress or changes to their implementation are as follows:

Summary of Events	Search Index
<p>On 31 May 2013, Jiayuanxing and TMG entered into the Cold Supply Agreement, the principal terms of which are as follows:</p> <p>The unit price for provision of cold supply services by Jiayuanxing to TMG shall be RMB65 per square metre. The service area of cold supply shall be 60,218 square metres and the service fees for the cold supply services shall be RMB3,914,170. The cold supply service period shall be from 1 June 2013 to 30 September 2013.</p> <p>On 31 May 2013, Jiayuanxing, TLP and Tianjin Yuanyicheng Commercial Operation Management Company Limited (天津元易誠商業運營管理有限公司) entered into the Cold Supply Agreement, the principal terms of which are as follows:</p> <p>The unit price for provision of cold supply services by Jiayuanxing to TLP shall be RMB65 per square metre. The service area of cold supply shall be 363,042 square metres and the service fees for the cold supply services shall be RMB23,597,730. The cold supply service period shall be from 1 June 2013 to 30 September 2013.</p>	<p>“Announcement in respect of Entering into Cold Supply Agreement by a Subsidiary and a Connected Party” disclosed on the website of the SSE (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) on 3 June 2013.</p>

Summary of Events	Search Index
<p>On 14 June 2013, the Company and Tianjin Investment Group entered into an agreement, pursuant to which the Company shall provide project management services to Tianjin Investment Group in respect of the construction project of Jinnan Sludge Treatment Plant. The service fees were expected to be RMB5,130,000 (equivalent to approximately HK\$6,515,100) but no more than RMB6,000,000 (equivalent to approximately HK\$7,620,000) (subject to the final service fees to be approved by the relevant government authorities), and the term of the agreement was 485 days from the date of the agreement.</p>	<p>“Announcement regarding H Shares” disclosed on the website of the SSE (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) on 17 June 2013.</p>
<p>The Company provides operation services to the Zhangguizhuang Sewage Water Treatment Plant and Zhangguizhuang Water Recycling Plant (the “<b>Plants</b>”) for Tianjin Investment Group.</p> <p>On 1 August 2013, the Company and Tianjin Investment Group entered into the Entrusted Operation Agreement in relation to Zhangguizhuang Sewage Water Treatment Plant and Water Recycling Plant (the “<b>Operation Agreement</b>”), pursuant to which the Company shall continue to provide operation services to the Plants for Tianjin Investment Group.</p> <p>Pursuant to the Operation Agreement, the Company shall provide operation services to Tianjin Investment Group for a term of one year starting from the effective date of the agreement. The monthly service fees of the operation service shall be RMB4,473,000 provided that the services shall meet the service standards as specified in the Operation Agreement. The total annual service fees shall be approximately RMB53,676,000.</p>	<p>“Announcement of Connected Transactions in the ordinary course of business in relation to renewing the Entrusted Operation Agreement in respect of Zhangguizhuang Sewage Water Treatment Plant and Water Recycling Plant with Tianjin Investment Group” disclosed on the website of the SSE (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) on 2 August 2013.</p>



## 2. Transactions that were not disclosed in announcements:

Unit: Yuan Currency: RMB

Connected party	Relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction	Percentage of the amount of the transaction of the same nature (%)	Settlement method of connected transaction	Market price	Reasons for the significant difference between transaction price and market reference price
TECI	Subsidiary of Tianjin Investment Group	Other inflows	Note 1	Note 2	2.25	398,579.25	9.87	Paid on a monthly basis	2.25	No difference
Total				/	/	398,579.25	9.87	/	/	/

Note 1: In order to obtain steady return of rental income in respect of its owned premises, on 1 April 2013, the Company entered into two tenancy agreements with TECI to lease certain areas of the 4th, 11th and 12th floors of a building owned by the Company with a daily rent of RMB2.25 per square meter. These two agreements were terminated on 28 June 2013. Total rent of RMB398,579.25 was realized during the reporting period.

Note 2: The terms of the tenancy agreements were determined after arm's length negotiation between the parties with reference to the open market rent of the comparable premises.

### (II) Material connected transactions in respect of mutual external investment

During the reporting period, the Company had no material connected transactions in respect of mutual external investment.

### (III) Connected rights or liabilities of debts

During the reporting period, the Company had no non-operating connected rights or liabilities of debts.

## VI. Material Contracts and their Performance

### (i) Custody, subcontracting and leasing

Not applicable

### (ii) Guarantees

Unit: 0' 000 Currency: RMB

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

### (iii) Other material contracts or transactions

The Company did not have other material contracts or transactions during the reporting period.

## **VII. Performance of Commitments**

Not applicable

## **VIII. Appointment and Removal of the Accountants**

The Company's half-year financial report for 2013 was not audited and the Company has not changed its accountants.

## **IX. Punishments to and Rectification of the Company and its Directors, Supervisors, Senior Management, Shareholders with over 5% Interest, Ultimate Controllers and Purchasers**

During the reporting period, none of the Company and its Directors, Supervisors, senior management, shareholders with over 5% interests, ultimate controllers and purchasers was subject to any investigation, administrative punishments and criticism by the CSRC or public reprimands by any stock exchanges.

## **X. Corporate Governance**

The Company has in place a sound system for general meetings, the Board and the Supervisory Committee, and has achieved a clear division of responsibility and authority and an effective balance between its power authority, decision-making body, supervisory authority and management level as well as has scientific decision-making procedures. The Board at the same time establishes specific committees such as audit committee, remuneration and assessment committee, and nomination committee. The organization and business of the Company were independent of its shareholders. The controlling shareholder of the Company acted in a regulated manner and did not misappropriate the Company's funds.

During the reporting period, the Company held general meetings, board meetings, meetings of various committees under the Board and supervisory committee meetings in accordance with the requirements of its Articles of Association. Each of the Directors, Supervisors and senior management of the Company discharged their duties in a truthful, honest and diligent way in order to protect the interests of the Company and its shareholders as a whole. The Company's corporate governance had complied with applicable laws and regulations and the relevant requirements of the CSRC and the Stock Exchange.

As at the end of the reporting period, the Company had in place a relatively well-established internal control system. In the first half of 2013, the Company furthered the establishment of various systems of the companies within the Group. Meanwhile, the Company also formulated the Manual of Guidelines for Internal Risk Controls, to provide a theory basis for the Company to build a risk-oriented internal control system. In order to further facilitate the implementation of

the Guidelines for Internal Control in Enterprises within the Group, the Company formulated the Internal Control Work Plan for 2013 and submitted it to the Board, which was approved and had been strictly implemented during the first half of 2013.

In the second half of the year, the Group's internal control work will focus on continuing to improve the internal control systems of the Company and its subsidiaries, and conducting self-assessment of the design and operation of the Company's internal control mechanism, while conducting internal control audits in addition to external audits, and rectify the issues identified during the self-assessment and external audits, so as to ensure the effectiveness and further improve the management of the Group's internal control system.

## **XI. Liquidity and Financial Resources**

There were no seasonal changes in the Group's borrowings requirement. As at 30 June 2013, there were no outstanding bank loans and interests not being repaid upon maturity. Details of the bank borrowings of the Group are stated in the notes to the condensed consolidated financial statements of the Group as at 30 June 2013.

According to the accounting report prepared in accordance with the PRC Accounting Standards for Business Enterprises, the gearing ratio was 63.59% as at 30 June 2013.

## **XII. Foreign Exchange Risk**

The operations and customers of the Group's subsidiaries are located in the PRC. Most of the operating assets and transactions are settled in RMB, and all of the Group's borrowings are denominated in RMB. Therefore, the Group has no significant foreign exchange risk. The sole foreign exchange exposure of the Group arises from long-term payables. Such long-term payables were resulted from the Asset Transfer Agreement signed between the Company and TSC on 9 November 2010 for the purchase of assets generated from foreign bank loans, involving mainly US dollars and Japanese Yen.

As at 30 June 2013, if RMB had weakened/strengthened by 5% against the US dollar, with all other variables held constant, the after tax profit for the year would have been RMB4 million (2012: RMB4 million) lower/higher, mainly as a result of the foreign exchange losses/gains on the translation of US dollar-denominated portion of long-term payables. As at 30 June 2013, if RMB had weakened/strengthened by 5% against Japanese Yen, with all other variables held constant, the after tax profit for the year would have been RMB9 million lower/higher (2012: RMB11 million).

### **XIII. Employee and Emolument Policy**

As at 30 June 2013, the Group had 1,437 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB100.94 million. The Group adopted a wage system in accordance with post ranks. An employee's income was also pegged with his own length of service, education, skills as well as the economic benefits to the Company.

### **XIV. Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2013.

### **XV. Rights of Debt**

As at 30 June 2013, pursuant to the "Sewage Water Processing Agreement", "Sewage Water Processing Interim Service Agreement" and "Construction in Progress Fee Agreement" entered into between the Group and TSC, the total receivables and long-term receivables of the Group from TSC amounted to RMB1,670,746,000, representing approximately 18.4% of the total market capital of the Group as at 30 June 2013.

During the reporting period, TSC repaid a total of approximately RMB137.62 million of the outstanding sewage water treatment service fees to the Group.

### **XVI. Charge on Assets**

Other than the security guarantee provided by Baoying Capital Water Company Limited (the Group's subsidiary) by using its land use rights and property ownership rights to secure the loan of RMB10 million and the pledge guarantee provided by Qujing Capital Water Company Limited (the Group's subsidiary) by using the rights to receive tap water and sewage water processing fees to secure the loan of RMB126 million, the Group did not create other charges as at 30 June 2013.

### **XVII. Acquisition and Disposal of Subsidiaries**

During the reporting period, the Group did not acquire or dispose of any of its Subsidiaries.

## SECTION VI CHANGES IN SHARES AND SHAREHOLDERS

### I. Changes in Share Capital

#### (i) Changes in shares

There were no changes in the total number of shares and share capital structure of the Company during the reporting period.

Unit: Shares

	Before this change		Increase/decrease during this period (+, -)					After this change	
	Quantity	Percentage (%)	New shares issued	Bonus issue	Transfer of surplus to capital	Others	Sub-total	Quantity	Percentage (%)
I. Restricted shares	-	-	-	-	-	-	-	-	-
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal persons shares	-	-	-	-	-	-	-	-	-
3. Shares held by other domestic entities	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic legal persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign entities	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Non-restricted circulating shares	1,427,228,430	-	-	-	-	-	-	1,427,228,430	-
1. RMB ordinary shares	1,087,228,430	76.18	-	-	-	-	-	1,087,228,430	76.18
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	340,000,000	23.82	-	-	-	-	-	340,000,000	23.82
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	1,427,228,430	100	-	-	-	-	-	1,427,228,430	100

#### (ii) Changes in restricted shares

During the reporting period, there were no changes in the restricted shares of the Company.

## II. Details of Shareholders

### Number of shareholders and their shareholdings

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

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



### III. Changes in the Controlling Shareholder and the Ultimate Controller

There were no changes in the controlling shareholder and the ultimate controller of the Company during the reporting period.

### IV. Substantial shareholders' and other persons' interests and/or short positions in the shares and underlying shares of the Company

As at 30 June 2013, the following entity, other than the Directors, Supervisors or chief executive of the Company, had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholder	Capacity	Number and class of securities (Note)	Approximate percentage in the relevant class of securities	Approximate percentage in the total issued share capital of the Company
TMICL	Beneficial owner	736,499,791 A Shares (L)	67.74%	51.60%
ISIS Asset Management Plc.	Investment manager	17,286,000 H Shares (L)	5.08%	1.21%
HSBC Asset Management (Hong Kong) Limited	Investment manager	20,000,000 H Shares (L)	5.88%	1.40%

Note: The letter "L" represents the entity's long positions in the shares.

Save as disclosed above, there is no person (other than the Directors, Supervisors or chief executive of the Company) who, as at 30 June 2013, had an interest and/or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. Changes in Shareholdings

#### (i) Changes in shareholdings of the existing and resigned Directors, Supervisors and senior management during the reporting period

There was no change in the shareholding of the Directors, Supervisors and senior management of the Company during the reporting period.

#### (ii) Directors', Supervisors' and the Company's chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at 30 June 2013, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ name of associated corporations	Capacity	Number and class of securities (Note)	Approximate percentage in the total issued share capital of the Company/ associated corporations
<b>Supervisor</b> Nie Youzhuang	The Company	Beneficial owner	959 domestic shares (non- restricted circulating shares) (L)	0.00007%

Note: The letter "L" represents the person's long positions in the shares, underlying shares and debentures of the Company or its associated corporations.

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2013, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

## **II. Changes in the Directors, Supervisors and Senior Management of the Company**

There was no change in the Directors, Supervisors and senior management of the Company during the reporting period.

## SECTION VIII FINANCIAL REPORT

### I. Prepared in accordance with Hong Kong Financial Reporting Standards

#### CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

(All amounts in RMB thousand unless otherwise stated)

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

		As at	
	Note	30 June 2013 Unaudited	31 December 2012 Audited
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	11	1,427,228	1,427,228
Other reserves		733,216	733,216
Retained earnings		1,650,320	1,619,785
– Proposed final dividend		—	85,634
– Others		1,650,320	1,534,151
		3,810,764	3,780,229
<b>Non-controlling interests</b>		157,591	152,442
<b>Total equity</b>		3,968,355	3,932,671
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	4,434,914	3,814,738
Deferred revenue		384,755	385,661
Deferred income tax liabilities	13	65,917	60,645
		4,885,586	4,261,044
<b>Current liabilities</b>			
Trade payables	14	33,549	20,847
Advances from customers	14	624,890	601,371
Wages payables		7,227	9,298
Income tax payable	14	11,640	21,763
Other taxes payable	14	4,073	4,943
Dividend payable		114,766	30,929
Other payables	14	419,922	511,940
Borrowings	12	828,843	912,188
		2,044,910	2,113,279
<b>Total liabilities</b>		6,930,496	6,374,323
<b>Total equity and liabilities</b>		10,898,851	10,306,994
<b>Net current assets</b>		1,327,587	695,782
<b>Total assets less current liabilities</b>		8,853,941	8,193,715

**Zhang Wenhui**  
*Director*

**Lin Wenbo**  
*Director*

The notes on page 7 to 28 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

*(All amounts in Rmb thousand unless otherwise stated)*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2013</b>	<b>2012</b>
Revenue	6(a)	793,594	735,532
Business tax		(7,936)	(4,700)
Cost of sales		(469,723)	(411,983)
<b>Gross profit</b>		<u>315,935</u>	<u>318,849</u>
Other income - net	6(a)	22,333	10,436
Administrative expenses		(56,308)	(55,214)
<b>Operating profit</b>	15	281,960	274,071
Finance income		14,283	16,223
Finance costs		(131,231)	(128,514)
Finance costs - net	16	(116,948)	(112,291)
Share of profits /(loss) of an associate		(1,067)	584
<b>Profit before income tax</b>		163,945	162,364
Income tax expense	17	(41,868)	(44,205)
<b>Profit for the period</b>		<u>122,077</u>	<u>118,159</u>
Other comprehensive income for the period, net of tax		—	—
<b>Total comprehensive income for the period</b>		<u><u>122,077</u></u>	<u><u>118,159</u></u>
<b>Profit /Total comprehensive income attributable to:</b>			
– Owners of the parent		116,169	114,956
– Non-controlling interests		5,908	3,203
		<u><u>122,077</u></u>	<u><u>118,159</u></u>
<b>Earnings per share for profit attributable to the owners of the parent (in Rmb per share)</b>			
– basic		<u>Rmb0.08</u>	<u>Rmb0.08</u>
– diluted		<u>Rmb0.08</u>	<u>Rmb0.08</u>
<b>Interim dividends</b>	18	<u>—</u>	<u>—</u>

The notes on page 7 to 28 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

*(All amounts in Rmb thousand unless otherwise stated)*

	Note	Unaudited				Non- controlling interests	Total
		Equity holders of the Company	Share capital	Other Reserves	Retained Earnings		
<b>Balance at 1 January 2013</b>		1,427,228	733,216	1,619,785	3,780,229	152,442	3,932,671
<b>Comprehensive income</b>							
– Profit for the period		—	—	116,169	116,169	5,908	122,077
<b>Total comprehensive income</b>		—	—	116,169	116,169	5,908	122,077
<b>Transactions with owners</b>							
– Dividends distributed	18	—	—	(85,634)	(85,634)	(759)	(86,393)
<b>Total transactions with owners</b>		—	—	(85,634)	(85,634)	(759)	(86,393)
<b>Balance at 30 June 2013</b>		<u>1,427,228</u>	<u>733,216</u>	<u>1,650,320</u>	<u>3,810,764</u>	<u>157,591</u>	<u>3,968,355</u>
<b>Balance at 1 January 2012</b>		<u>1,427,228</u>	<u>708,492</u>	<u>1,432,617</u>	<u>3,568,337</u>	<u>147,372</u>	<u>3,715,709</u>
<b>Comprehensive income</b>							
– Profit for the period		—	—	114,956	114,956	3,203	118,159
<b>Total comprehensive income</b>		—	—	114,956	114,956	3,203	118,159
<b>Transactions with owners</b>							
– Dividends distributed	18	—	—	(57,089)	(57,089)	(500)	(57,589)
<b>Total transactions with owners</b>		—	—	(57,089)	(57,089)	(500)	(57,589)
<b>Balance at 30 June 2012</b>		<u>1,427,228</u>	<u>708,492</u>	<u>1,490,484</u>	<u>3,626,204</u>	<u>150,075</u>	<u>3,776,279</u>

The notes on page 7 to 28 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

*(All amounts in Rmb thousand unless otherwise stated)*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Cash generated from operation	148,351	229,771
PRC income tax paid	(26,473)	(27,700)
Interest received	8,543	10,469
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	<b>130,421</b>	<b>212,540</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(350,736)	(246,175)
Net cash received from disposal of fixed assets	37	53
Dividend received	—	500
Other cash received relating to investing activities	420,000	24,715
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>69,301</b>	<b>(220,907)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Payments of interest expenses and distribution of dividends of profits	(100,855)	(100,775)
Repayments of bank borrowing	(704,544)	(724,842)
Proceeds from bank borrowing	135,040	1,126,242
Proceeds from issuance of bonds	700,000	—
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>29,641</b>	<b>300,625</b>
	<hr/>	<hr/>
<b>Net increase in cash</b>	<b>229,363</b>	<b>292,258</b>
Add: Cash and bank balances at beginning of period	996,965	688,993
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>1,226,328</b>	<b>981,251</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes on page 7 to 28 form an integral part of this condensed consolidated interim financial information.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

### 1 Company profile and principal activities

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was established on 8 June 1993 in Tianjin, the People’s Republic of China (the “PRC”) as a joint stock limited liability company. The holding company and ultimate holding company of the Company is Tianjin Municipal Investment Company Limited (“TMICL”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“TICIG”) respectively.

The principal activities of the Company and its subsidiaries (the “Group”) include processing of sewage water and construction and management of related facility, supply of tap water, recycled water and heat and cooling as described below:

#### (a) Processing of sewage water

Pursuant to relevant agreements (“Sewage Processing Agreements”), the Group currently provides sewage water processing services via the following plants:

Plant Location	Agreement date	Customer
Dong Jiao, Tianjin	10 October 2000	Tianjin Sewage Company (“TSC”)
Ji Zhuang Zi, Tianjin	10 October 2000	TSC
Xian Yang Lu, Tianjin	10 October 2000	TSC
Bei Cang, Tianjin	10 October 2000	TSC
Gui Yang, Guizhou	16 September 2004	Guiyang City Administration Bureau
Bao Ying, Jiangsu	13 June 2005	Baoying Construction Bureau
Chi Bi, Hebei	15 July 2005	Chibi Construction Bureau
Fu Yang, Anhui	18 December 2005	Anhui Fuyang Construction Committee
Qu Jing, Yunnan	25 December 2005	Qujing City Water General Company
Hong Hu, Hubei	29 December 2005	Honghu Construction Bureau
Hang Zhou, Zhejiang	20 November 2006	Hangzhou Sewage Company
Jing Hai, Tianjin	12 September 2007	Tianyu Science Technology Park Administration Committee of Tianjin New Technology Industry Area
Wen Deng, Shandong	19 December 2007	Wendeng Construction Bureau
Xi An, Shanxi	18 March 2008	Xi An Municipal Infrastructure Construction Investment General Company
An Guo, Hebei	14 October 2008	An Guo Municipal Government
Xian Ning, Hubei	16 October 2008	Xianning Construction Committee
Ying Dong, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qu jing, Yunnan	16 August 2011	QuJing Housing and Urban Construction Bureau
Chao hu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau

Except for four Tianjin plants including Dong Jiao, Ji Zhuang Zi, Xian Yang Lu and Bei Cang, all other plants above are governed by service concession arrangements which fall into the scope of HK(IFRIC) - Int 12.

The principal terms and the pricing formula as set out in the relevant agreements are briefly summarised below:

*Dong Jiao:*

The Company will have full recovery of actual operating costs, including depreciation of property, plant and equipment, excluding interest expenses and foreign exchange gains or losses and at minimum:

- (i) earn a return of 15% per annum of the average balances of the monthly net book value of property, plant and equipment (as defined in the agreement) of the plants; and
- (ii) incentive pricing adjustments will be made for cost saving and/or when actual processing volume exceeds the minimum processing volume stipulated in the agreement.

*Ji Zhuang Zi, Xian Yang Lu and Bei Cang:*

Based on the supplementary agreement reached with TSC on 10 March 2006, the Company is entitled to a predetermined sewage processing fee from the completion date of construction to the completion date of inspection of the Ji Zhuang Zi, Xian Yang Lu and Bei Cang plants. After the inspection of these three plants is completed, processing fee will be collected from TSC using the same principle as for Dong Jiao plant as described above.

*All other sewage water processing plants:*

Initial sewage water processing prices are predetermined, thereafter processing prices may be revised after considering various factors including renovation of equipment, additional investment, power and energy, labour force, and other significant changes of government policy.

All sewage water processing plants outside Tianjin, except for the one in Guiyang, are guaranteed a minimum processing volume by their respective customers. If the actual volume is lower than the guaranteed volume, processing fee will be settled using the guaranteed volume.

Pursuant to the relevant agreement, Guiyang Price Bureau adjusts the sewage water processing price periodically, which will allow full recovery of all actual costs, including operating cost, depreciation, income tax and a return of 8% on budgeted net assets of the plant.

**(b) Construction and management of sewage water facility**

The Group provides design, construction and operations of sewage processing facility and financing, construction and transfer of sewage processing facility project services.

**(c) Supply of tap water**

Pursuant to relevant agreements, the Group provides tap water supply service initially at pre-determined price and the processing prices as pre-determined may be revised after considering various cost factors based on contract terms.

**(d) Recycled water and pipeline connection**

The Group's recycled water business includes developing, constructing and operating of recycled water projects, production and sale of recycled water and research, development and technical consultation of processing technology and equipment of recycled water.

**(e) Heat and cooling supply services**

The heat and cooling supply services include design, construction, operations and transfer of centralized heat and cooling infrastructures, and providing heat and cooling services.

The Group has signed a concession agreement with Tianjin city construction and Transportation Committee of providing heating and cooling supply services for Tianjin City Cultural Center's concentrated energy station project. This is governed by service concession arrangements that fall into the scope of HK (IFRIC) - Int 12.

This condensed consolidated interim financial information was approved for issue on 29 August 2013.

This condensed consolidated financial information has not been audited.

**2 Basis of preparation**

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

**3 Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

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

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

#### 4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

#### 5 Financial risk management

The Group's activities expose it to a variety of financial risks (including foreign currency risk and interest rate risk). The Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The interim condensed consolidated financial statement do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

##### (a) Market risk:

###### (i) Foreign currency risk:

The Group has no significant foreign currency risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. All of the Group's borrowings are denominated in RMB. The sole foreign currency exposure of the Group arises from fluctuation of US dollar and Japanese Yen ("JPY") pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from TSC.

At 30 June 2013, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the period would have been Rmb 4 million (30 June 2012: Rmb4 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, post-tax profit for the period would have been Rmb 9 million (30 June 2012: Rmb11 million) higher/lower.

###### (ii) Interest rate risk

The Group's interest rate risk arises mainly from cash and bank balances, long-term receivables, borrowings and long-term payables.

The Group has significant borrowings and long-term payables. Those taken at variable rates expose the Group to cash flow interest-rate risk, whilst those taken at fixed rates expose the Group to fair value interest-rate risk.

The tables below set out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the maturity dates.

	Fixed	Floating	Non-interest Bearing	Total
<b>At 30 June 2013</b>				
Assets				
Cash and bank balances	7,255	1,222,673	—	1,229,928
Long-term receivables	335,619	—	—	335,619
Liabilities				
Current borrowings	—	801,345	137	801,482
Non current borrowings	—	1,540,660	1,180,613	2,721,273
Long-term payables due within 1 year	20,768	6,593	—	27,361
Long-term payables	258,310	89,019	—	347,329
Debentures payable	1,382,675	—	—	1,382,675
<b>At 31 December 2012</b>				
Assets				
Cash and bank balances	3,600	996,965	—	1,000,565
Long-term receivables	337,631	—	—	337,631
Liabilities				
Current borrowings	—	883,725	462	884,187
Non current borrowings	—	2,011,421	10,613	2,022,034
Long-term payables due within 1 year	21,231	6,770	—	28,001
Long-term payables	258,132	92,622	—	350,754
Debentures payable	691,950	—	—	691,950

At 30 June 2013, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, net profit for the year would have been lower/higher by Rmb 9 million (31 December 2012: Rmb21 million).

The Group analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

**(b) Credit risk:**

Credit risk arises from deposits with banks and credit exposures to customers.

The Group manages credit risk on bank deposits by placing the majority of its cash and bank balances with state owned/ listed banks in the PRC. The Group has not had any significant loss arising from non-performance by these parties in the past and management does not expect so in the future.

The credit risk on trade receivables is concentrated on a few customers, all of which are PRC government bodies. Thus, the management considers that the risk is limited.

The maximum credit risk of the Company includes the carrying value of its financial assets on books and the notional amount of financial guarantees issued for its subsidiaries.

**(c) Liquidity risk:**

Cash flow forecasting is performed in the operating entities and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

The Group's financial assets and liabilities (inclusive of interests) are analysed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, using the contracted undiscounted cash flows, as follows:

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 30 June 2013</b>					
Cash and bank balances	1,229,928	—	—	—	1,229,928
Trade and other receivables	1,909,839	—	—	—	1,909,839
Long-term receivables	18,813	86,577	74,250	335,220	514,860
Long-term bank borrowings	(845,239)	(505,503)	(919,546)	(236,403)	(2,506,691)
Long-term payables	(32,917)	(33,319)	(103,029)	(568,076)	(737,341)
Other non-current liabilities	(22,770)	(22,125)	(63,474)	(10,613)	(118,982)
Trade and other payables	(454,196)	—	—	—	(454,196)
Short-term borrowings	(58,553)	—	—	—	(58,553)
Debentures payable	(84,630)	(84,630)	(1,607,410)	—	(1,776,670)
<b>At 31 December 2012</b>					
Cash and bank balances	1,000,565	—	—	—	1,000,565
Trade and other Receivables	1,583,332	—	—	—	1,583,332
Long-term receivables	15,503	87,607	63,650	363,603	530,363
Long-term bank borrowings	(928,544)	(948,347)	(876,878)	(366,591)	(3,120,360)
Long-term payables	(32,572)	(32,917)	(101,421)	(603,003)	(769,913)
Other non-current liabilities	(23,002)	(22,341)	(64,424)	(15,353)	(125,120)
Trade and other payables	(532,787)	—	—	—	(532,787)
Short-term borrowings	(91,267)	—	—	—	(91,267)
Debentures payable	(46,480)	(46,480)	(792,960)	—	(885,920)

**(d) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to maintain a gearing ratio of about 40% - 60%. The gearing ratio of the Group is as follows:

	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Total borrowings	4,093,757	3,976,926
Less: Cash and cash equivalents	(1,222,673)	(996,965)
Net debt	<u>2,871,084</u>	<u>2,979,961</u>
Total equity	<u>3,968,354</u>	<u>3,932,671</u>
Total capital	<u>6,839,438</u>	<u>6,912,632</u>
Gearing ratio	<u>42%</u>	<u>43%</u>

There is no significant change in gearing ratio of the Group for the six months ended 30 June 2013.

**(e) Fair value estimation**

Long-term borrowings, long-term payables, and debentures that are not traded in an active market, are estimated at fair value that is determined by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar cash flows.

## 6 Revenue and segment information

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

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

	Unaudited	
	For the six months ended	
	30 June 2013	30 June 2012
Revenue from principal operation (Note 6(b))	793,594	735,532
Other income - net	22,333	10,436
	<u>815,927</u>	<u>745,968</u>

### (b) Operating segment analysis

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

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



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

	Sewage processing and facility construction services			Recycle water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Segment revenue	428,408	80,207	109,722	93,309	26,434	18,136	59,711	815,927
Segment expense	(348,771)	(65,140)	(102,726)	(73,818)	(26,913)	(17,292)	(16,255)	(650,915)
Results before share of profits of an associate	79,637	15,067	6,996	19,491	(479)	844	43,456	165,012
Share of losses of an associate								(1,067)
Profit before income tax								163,945
Income tax expense								(41,868)
Profit for the period								<u>122,077</u>
Segment assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,087,811	10,865,290
Investment in an associate	—	—	—	—	—	—	33,561	33,561
Total assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,121,372	10,898,851
Total liabilities	4,646,168	402,178	314,914	1,068,963	314,915	124,147	59,211	6,930,496
Other information								
– Interest income	4,369	252	905	2,404	27	4	6,322	14,283
– Interest expenses	(83,627)	(11,882)	(23,200)	(199)	(5,318)	(4,588)	(657)	(129,471)
– Depreciation	(83,415)	—	—	(11,095)	—	—	(1,964)	(96,474)
– Amortisation	(5,293)	(18,124)	(31,364)	(286)	(6,808)	(5,170)	(283)	(67,328)
– Capital expenditures	151,204	64	16,618	27,548	223	107	2,471	198,235

(ii) For the period ended 30 June 2012

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

## 7 Property, plant and equipment and intangible assets

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
<b>Six months ended 30 June 2013</b>		
<b>Opening net book amount as at 1 January 2013</b>	3,740,746	2,753,686
Additions	182,180	16,044
Disposals	(2,166)	—
Depreciation and amortisation	(94,638)	(61,820)
	<u>3,826,122</u>	<u>2,707,910</u>
<b>Six months ended 30 June 2012</b>		
<b>Opening net book amount 1 January 2012</b>	3,264,574	2,803,037
Additions	82,181	16,489
Disposals	(2,243)	—
Depreciation and amortisation	(71,769)	(60,864)
	<u>3,272,743</u>	<u>2,758,662</u>

Certain of the concession rights with net book value of Rmb 241 million (31 December 2012: Rmb 246 million) have been secured against loan facilities.

## 8 Investment in an associate

	<b>Unaudited For the six months ended 30 June 2013</b>
Beginning of the period	34,628
Share of loss	(1,067)
	<u>33,561</u>

Tianjin International Machinery Co., Ltd. (TIMC) is a sino-foreign joint venture registered in the Tianjin Economics Development Area. The principal activities of TIMC include research and development, production and sale of environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.

## 9 Trade receivables and trade receivables due after one year

Details of the trade receivables are as follows:

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

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

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

## 10 Long-term receivables

	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Receivables from toll road concession	<u>335,619</u>	<u>337,631</u>

Receivables from toll road concession represent amortised cost using effective interest method, calculated with reference to future revenues from the toll road asset of the Company.

## 11 Share capital

The Company's authorised, issued and fully paid up capital for the period is tabled below. All of the Company's shares are ordinary shares with par value of one Renminbi.

	“A” Circulating shares	“H” Circulating shares	Total
At 1 January 2013 – Audited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>
At 30 June 2013 – Unaudited	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

“A” shares represent shares listed on the Shanghai Securities Exchange and “H” shares represent shares listed on the Main Board of The Stock Exchange of Hong Kong. All the “A” and “H” shares rank pari passu in all respects.

## 12 Borrowings

	Note	Unaudited 30 June 2013	Audited 31 December 2012
Non-current liabilities:			
Long-term bank borrowings	(a),(b)	2,172,916	2,710,056
Less: Current portion	(a),(b)	<u>(726,800)</u>	<u>(778,180)</u>
		1,446,116	1,931,876
Debentures payable	(c)	1,382,675	691,950
Long-term payables	(d)	347,329	350,754
Other non-current liabilities		<u>1,258,794</u>	<u>840,158</u>
		<u>4,434,914</u>	<u>3,814,738</u>
Current liabilities:			
Current portion of long-term bank borrowings	(a),(b)	726,800	778,180
Current portion of long-term payables	(d)	27,361	28,001
Short-term bank borrowings	(b)	55,000	86,000
Other current liabilities		<u>19,682</u>	<u>20,007</u>
		<u>828,843</u>	<u>912,188</u>

(a) **Long-term bank borrowings**

Movement of bank borrowings is analyzed as follows:

	<b>Unaudited</b>
<b>Six months ended 30 June 2012</b>	
Opening amount 1 January 2012	2,690,760
New borrowings	1,126,242
Repayments of borrowings	<u>(720,220)</u>
Closing amount as at 30 June 2012	<u><u>3,096,782</u></u>
<b>Opening amount as at 1 January 2013</b>	
New borrowings	135,040
Repayments of borrowings	<u>(672,180)</u>
Closing amount as at 30 June 2013	<u><u>2,172,916</u></u>

These borrowings mature as follows:

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 30 June 2013</b>					
Long-term bank borrowings	<u>726,800</u>	<u>424,750</u>	<u>797,266</u>	<u>224,100</u>	<u>2,172,916</u>
<b>At 31 December 2012</b>					
Long-term bank borrowings	<u>778,180</u>	<u>850,750</u>	<u>738,526</u>	<u>342,600</u>	<u>2,710,056</u>

(b) Summary of terms of bank borrowings:

	Unaudited 30 June 2013	Audited 31 December 2012
Long-term bank borrowings:		
Pledge	136,000	143,000
Guarantee	1,028,316	1,111,956
Unsecured	1,008,600	1,455,100
	<u>2,172,916</u>	<u>2,710,056</u>
Short-term bank borrowings:		
Guarantee	39,000	20,000
Unsecured	16,000	66,000
	<u>55,000</u>	<u>86,000</u>

(c) Debentures payable

	31 December 2012	Addition	Decrease	30 June 2013
Debentures payable				
– par value	700,000	700,000	—	1,400,000
– transaction cost	(8,050)	(10,500)	1,225	(17,325)
	<u>691,950</u>	<u>689,500</u>	<u>1,225</u>	<u>1,382,675</u>

On 29 May 2013, the Company issued a long-term debenture at par value of Rmb 700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and pays fixed interest rate at 5.45% annually. The principal will be repaid on maturity.

(d) Long-term payables and current portion of long-term payables

	Unaudited 30 June 2013		Audited 31 December 2012	
	Payable	Unrecognized financial charges	Payable	Unrecognized financial charges
Payable to TSC for assets acquisition	<u>684,147</u>	<u>(309,457)</u>	<u>700,393</u>	<u>(321,638)</u>

(i) Summary of terms of long-term payable above:

	Maturity date	Original balance	Effective interest rate	Ending balance	Due within 1 year
TSC	20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>347,329</u>	<u>27,361</u>

Balance of the long-term payable to TSC is the consideration payable in respect of the acquisition of sewage processing assets from TSC, net of unrecognized financing charges.

Pursuant to “Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project” (the “Transfer Agreement”). After the first instalment of Rmb 261 million in cash, the balance of the consideration will be settled on quarterly basis in RMB translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is based on discounting future cash payments using an agreed and fixed effective interest rate of 5.94%.

(ii) The payable amounts of long-term payables (including interest) are denominated in the following currencies.

	Unaudited 30 June 2013	Audited 31 December 2012
JPY	534,115	546,618
US dollar	<u>150,032</u>	<u>153,775</u>
	<u>684,147</u>	<u>700,393</u>

The balance denominated in US dollar bears an interest rate at 6 month LIBOR plus 0.6%, whilst the balance denominated in JPY bears fixed interest rates at 1% and 1.55% per annum respectively.



### 13 Deferred income tax liabilities

	Six months ended 30 June	
	2013	2012
Opening balance at 1 January	60,645	48,479
Charged to profit or loss	5,272	5,672
	<hr/>	<hr/>
Closing balance at 30 June	<u>65,917</u>	<u>54,151</u>

### 14 Trade payables, Advances, Other payables and Tax payables

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

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

(b) Advances from customers comprise:

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

(c) Other payables comprise:

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

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

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

## 15 Operating profit

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2013</b>	<b>2012</b>
Crediting:		
Rental of investment properties	<u>(4,036)</u>	<u>(6,330)</u>
Charging:		
Depreciation and amortisation expenses	163,802	140,351
Staff costs	98,144	80,536
Raw materials and consumables used	20,547	20,848
Repair and maintenance expenses	28,442	28,025
Loss of disposal of property, plant and equipment	<u>876</u>	<u>2,190</u>

## 16 Finance costs-net

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

## 17 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2013 (30 June 2012: profits tax has been provided at the rate of 16.5%). PRC income tax is calculated at the statutory rate of 25% (2012: 25%).

Tax charge comprises:

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

## 18 Interim dividends

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

## 19 Commitments and contingent liabilities

(i) The Group's commitments at the balance sheet date in respect of construction projects are as follows:

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2013 Rmb' million	Audited 31 December 2012 Rmb' million	Unaudited 30 June 2013 Rmb' million	Audited 31 December 2012 Rmb' million
Sewage water processing plants in:				
– Ji Zhuang Zi relocation project	735	330	767	1,318
– Ning He Project	5	—	1	—
Water recycling plants in:				
– Ji Zhuang Zi recycling water plant relocation project	119	72	74	150
	<u>859</u>	<u>402</u>	<u>842</u>	<u>1,468</u>

(ii) The Group does not have any significant contingent liabilities as at the financial statement date.

## 20 Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of the business between the Group and its related parties during the period.

(i) Income:

Related parties	Nature of transaction	Unaudited For the six months ended	
		30 June 2013	30 June 2012
TICIG	Commission income from contract operation	26,838	—
Tianjin Lecheng Properties Limited	Income from heat and cooling supply	12,364	10,110
Tianjin Subway Group Limited company	Income from heat and cooling supply	2,051	1,897
Tianjin Environment Construction Investment Company Limited	Rental income from TCEP building	943	908
Tianjin Zi Ya Recycled economy industry Investment development Ltd.	Income from serving as construction agency	800	—
Tianjin Zi Ya Recycled economy industry Investment development Ltd.	Construction revenue from sewage water processing plant	—	1,958
Tianjin Environment Construction Investment Company Limited	Income from heating and cooling supply	—	261
TICIG	Rental income from TCEP building	<u>—</u>	<u>239</u>

(ii) Key management compensation for the six months ended 30 June 2013 is summarized as follows:

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2013</b>	<b>2012</b>
Salaries and other short-term employee benefits	4,977	4,787
Other long-term benefits	719	653
	<u>5,696</u>	<u>5,440</u>

(iii) Receivables from and payables to related parties:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
TICIG	26,838	13,419
Tianjin Lecheng Properties Limited	15,065	8,197
Tianjin City Resource Operation Co., Ltd.	1,600	801
Tianjin Subway Group Co., Ltd.	963	—
Tianjin Environment Construction Investment Company Co., Ltd.	943	—
Tianjin Zi Ya Recycled economy industry Investment development Ltd.	800	—
	<u>46,209</u>	<u>22,417</u>

(iv) Transactions/ balances with other state owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-controlled entities”).

During the period, the Group’s significant transactions with these state controlled entities include processing of sewage water and construction and management of related facility, processing of tap water, recycled water and supply of heating and cooling. As at period end, majority of the Group’s cash and bank balances and borrowings are with state controlled banks and listed banks.

## II. Prepared in accordance with PRC Accounting Standards

### Balance Sheet

As at 30 June 2013

(All amounts in RMB thousand unless otherwise stated)

	Notes	Group		Company	
		Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and bank balances	(1)	1,229,928	1,000,565	705,360	469,715
Notes receivables		200	6,000	—	—
Trade receivables	(2)	1,909,839	1,566,743	1,762,241	1,454,780
Prepayments	(3)	138,908	120,306	62,511	43,815
Dividends receivable		—	—	29,690	6,750
Other receivables	(4)	9,624	10,589	112,129	108,459
Inventories	(5)	72,570	92,509	10,867	11,197
Other current assets		11,428	12,349	96,290	107,700
<b>Total current assets</b>		<u>3,372,497</u>	<u>2,809,061</u>	<u>2,779,088</u>	<u>2,202,416</u>
<b>NON-CURRENT ASSETS</b>					
Long-term receivables	(6)	404,413	406,425	404,413	406,425
Long-term equity investments	(7)	37,561	38,628	1,285,755	1,285,755
Investment properties	(8)	110,446	112,282	86,908	88,491
Fixed assets	(9)	3,193,349	3,281,259	2,912,158	2,992,541
Construction in progress	(9)	632,773	459,487	564,958	419,507
Intangible assets	(10)	3,140,055	3,191,339	426,221	431,966
Other non-current assets		7,757	8,513	51,553	40,377
<b>Total non-current assets</b>		<u>7,526,354</u>	<u>7,497,933</u>	<u>5,731,966</u>	<u>5,665,062</u>
<b>TOTAL ASSETS</b>		<u><u>10,898,851</u></u>	<u><u>10,306,994</u></u>	<u><u>8,511,054</u></u>	<u><u>7,867,478</u></u>

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June	31 December	30 June	31 December
	6	2013	2012	2013	2012
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Short-term borrowings	(13)	55,000	86,000	16,000	66,000
Trade payables	(11)	33,549	20,847	18,142	5,373
Advances	(11)	624,890	601,371	7,610	4,871
Wages payable	(12)	7,227	9,298	4,152	5,882
Taxes payable	(11)	15,713	26,706	10,453	17,954
Dividend payable	(17)(c)	114,766	30,929	114,556	30,929
Other payables	(11)	419,922	511,940	606,402	590,875
Other non-current liabilities					
due within one year	(13)	754,161	806,181	558,361	619,501
Other current liabilities	(13)	19,682	20,007	16,364	16,364
<b>Total current liabilities</b>		<u>2,044,910</u>	<u>2,113,279</u>	<u>1,352,040</u>	<u>1,357,749</u>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	(13)	1,446,116	1,931,876	477,600	863,600
Debentures payable	(13)	1,382,675	691,950	1,382,675	691,950
Deferred revenue	(14)	384,755	385,661	200,929	201,880
Deferred income tax liabilities	(15)	65,917	60,645	22,197	21,721
Long-term payables	(13)	347,329	350,754	347,329	350,754
Other non-current liabilities	(13)	1,258,794	840,158	1,055,453	735,453
<b>Total non-current liabilities</b>		<u>4,885,586</u>	<u>4,261,044</u>	<u>3,486,183</u>	<u>2,865,358</u>
<b>TOTAL LIABILITIES</b>		<u>6,930,496</u>	<u>6,374,323</u>	<u>4,838,223</u>	<u>4,223,107</u>

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	(16)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	(17)(a)	382,311	382,311	380,788	380,788
General reserves	(17)(b)	350,905	350,905	350,905	350,905
Undistributed profits	(17)(c)	<u>1,650,320</u>	<u>1,619,785</u>	<u>1,513,910</u>	<u>1,485,450</u>
<b>Equity attributable to owners of the parent</b>		3,810,764	3,780,229	3,672,831	3,644,371
<b>Minority Interests</b>	(18)	<u>157,591</u>	<u>152,442</u>	<u>—</u>	<u>—</u>
<b>Total shareholders' equity</b>		<u>3,968,355</u>	<u>3,932,671</u>	<u>3,672,831</u>	<u>3,644,371</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>10,898,851</u>	<u>10,306,994</u>	<u>8,511,054</u>	<u>7,867,478</u>

The accompanying notes form an integral part of these financial statements.

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*



## Income Statement

For the six months ended 30 June 2013

(All amounts in RMB thousand unless otherwise stated)

	Notes	Group		Company	
		Unaudited Six months ended 30 June		Unaudited Six months ended 30 June	
	6	2013	2012	2013	2012
<b>Income from operations</b>	(19)	851,355	765,100	474,298	447,971
Less: Cost for operations	(19)	(509,418)	(434,391)	(246,462)	(212,899)
Business tax and surcharges	(20)	(7,936)	(4,700)	(4,036)	(2,242)
Administrative expenses	(21)	(56,308)	(55,214)	(32,867)	(32,043)
Financial expenses - net	(22)	(116,948)	(112,291)	(72,629)	(67,717)
Add: Investment income	(23)	(1,067)	1,084	24,940	26,750
Including: Share of profit of an associate		(1,067)	584	—	—
<b>Operation profit</b>		159,678	159,588	143,244	159,820
Add: Non-operating income	(24)	5,214	5,030	1,112	1,061
Less: Non-operating expenses	(25)	(947)	(2,254)	(47)	(2,146)
Including: Loss on disposal of non-current assets		(876)	(2,190)	(47)	(2,146)
<b>Total profit</b>		163,945	162,364	144,309	158,735
Less: Income tax	(26)	(41,868)	(44,205)	(30,215)	(35,106)
<b>Net profit</b>		122,077	118,159	114,094	123,629
Attributable to owners of the parent		116,169	114,956	114,094	123,629
Minority interests		5,908	3,203	—	—
<b>Earnings per share</b> <b>(in Rmb Yuan)</b>	(27)				
– Basic		0.08	0.08		
– Diluted		0.08	0.08		

	Notes	<b>Group Unaudited Six months ended 30 June</b>		<b>Company Unaudited Six months ended 30 June</b>	
	6	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Other comprehensive income</b>		—	—	—	—
<b>Total comprehensive income</b>		122,077	118,159	114,094	123,629
Attributable to owners of the parent		116,169	114,956	114,094	123,629
Minority interests		5,908	3,203	—	—

The accompanying notes form an integral part of these financial statements.

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accounting department*

## Cash Flow Statement

For the six months ended 30 June 2013

(All amounts in RMB thousand unless otherwise stated)

	Group Unaudited Six months ended 30 June 2013		Company Unaudited Six months ended 30 June 2013	
	2013	2012	2013	2012
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods and rendering of services	567,175	579,904	171,567	196,344
Tax refunds received	423	2,361	—	—
Cash received relating to other operating activities	23,474	22,047	8,978	11,966
<b>Sub-total of cash inflows</b>	<u>591,072</u>	<u>604,312</u>	<u>180,545</u>	<u>208,310</u>
Cash paid for goods and services	(263,550)	(221,956)	(106,304)	(91,957)
Cash paid to and on behalf of employees	(100,942)	(88,652)	(51,814)	(48,098)
Payments of taxes and levies	(65,549)	(43,952)	(46,809)	(27,354)
Cash payments relating to other operating activities	(30,610)	(37,212)	(13,975)	(20,158)
<b>Sub-total of cash outflows</b>	<u>(460,651)</u>	<u>(391,772)</u>	<u>(218,902)</u>	<u>(187,567)</u>
<b>Net cash flows from operating activities</b>	<u>130,421</u>	<u>212,540</u>	<u>(38,357)</u>	<u>20,743</u>
<b>2. Cash flows from investing activities</b>				
Cash received from returns on investments	—	500	—	500
Net cash received from disposal of fixed assets and intangible assets	37	53	—	51
Cash received from subsidiaries	—	—	106,209	24,946
Cash received relating to other operating activities	420,000	24,715	320,000	—
<b>Sub-total of cash inflows</b>	<u>420,037</u>	<u>25,268</u>	<u>426,209</u>	<u>25,497</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(350,736)	(246,175)	(274,887)	(118,158)
Cash paid to acquire equity investments	—	—	(22,000)	(5,600)
<b>Sub-total of cash outflows</b>	<u>(350,736)</u>	<u>(246,175)</u>	<u>(296,887)</u>	<u>(123,758)</u>
<b>Net cash flows from investing activities</b>	<u>69,301</u>	<u>(220,907)</u>	<u>129,322</u>	<u>(98,261)</u>

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Six months</b>		<b>Six months</b>	
	<b>ended 30 June</b>		<b>ended 30 June</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>3. Cash flows from financing activities</b>				
Cash received from borrowings	135,040	1,126,242	100,000	1,011,450
Cash received from debentures	700,000	—	700,000	—
<b>Sub-total of cash inflows</b>	<u>835,040</u>	<u>1,126,242</u>	<u>800,000</u>	<u>1,011,450</u>
Repayments of amounts borrowed	(704,544)	(724,842)	(596,500)	(572,500)
Payments for distribution of dividends or profits or payments for interest expenses	(100,855)	(100,775)	(58,820)	(59,867)
<b>Sub-total of cash outflows</b>	<u>(805,399)</u>	<u>(825,617)</u>	<u>(655,320)</u>	<u>(632,367)</u>
<b>Net cash flows from financing activities</b>	<u>29,641</u>	<u>300,625</u>	<u>144,680</u>	<u>379,083</u>
<b>4. Effect of foreign exchange rate changes on cash</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>5. Net increase in cash</b>	229,363	292,258	235,645	301,565
Add: Cash and bank balances at beginning of year	<u>996,965</u>	<u>688,993</u>	<u>469,715</u>	<u>257,969</u>
<b>6. Cash and bank balances at end of year (Note 6(26)(b))</b>	<u><u>1,226,328</u></u>	<u><u>981,251</u></u>	<u><u>705,360</u></u>	<u><u>559,534</u></u>

The accompanying notes form an integral part of these financial statements.

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*

## Consolidated statement of changes in equity

For the six months ended 30 June 2013

(All amounts in RMB thousand unless otherwise stated)

	Attributable to owners of the parent				Minority interests	Total shareholders' equity
	Share capital	Capital surplus	General reserve	Undistributed profits		
Balance at 1 January 2012	1,427,228	382,311	326,181	1,432,617	147,372	3,715,709
<b>Changes in 2012</b>						
Net profit	—	—	—	268,981	5,570	274,551
Profit appropriation						
– Appropriation to statutory common reserve	—	—	24,724	(24,724)	—	—
– Dividend appropriation to shareholders	—	—	—	(57,089)	(500)	(57,589)
Balance at 31 December 2012	1,427,228	382,311	350,905	1,619,785	152,442	3,932,671
<b>Changes for the six months ended 30 June 2013</b>						
Net profit	—	—	—	116,169	5,908	122,077
Profit appropriation						
– Dividend appropriation to shareholders	—	—	—	(85,634)	(759)	(86,393)
Balance at 30 June 2013	<u>1,427,228</u>	<u>382,311</u>	<u>350,905</u>	<u>1,650,320</u>	<u>157,591</u>	<u>3,968,355</u>

The accompanying notes form an integral part of these financial statements.

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accounting department*

**Company statement of changes in equity****For the six months ended 30 June 2013***(All amounts in RMB thousand unless otherwise stated)*

	Share capital	Capital surplus	General reserve	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2012</b>	1,427,228	380,788	326,181	1,320,023	3,454,220
<b>Changes in 2012</b>					
Net profit	—	—	—	247,240	247,240
Profit appropriation					
– Appropriation to statutory common reserve	—	—	24,724	(24,724)	—
– Dividend appropriation to shareholders	—	—	—	(57,089)	(57,089)
<b>Balance at 31 December 2012</b>	1,427,228	380,788	350,905	1,485,450	3,644,371
<b>Changes for the six months ended 30 June 2013</b>					
Net profit	—	—	—	114,094	114,094
Profit appropriation					
– Dividend appropriation to shareholders	—	—	—	(85,634)	(85,634)
<b>Balance at 30 June 2013</b>	<u>1,427,228</u>	<u>380,788</u>	<u>350,905</u>	<u>1,513,910</u>	<u>3,672,831</u>

The accompanying notes form an integral part of these financial statements.

**Zhang Wenhui**  
*Company Representative*

**Shi Zhenjuan**  
*Person in charge of  
accounting function*

**Cao Shuo**  
*Person in charge of  
accounting department*

## Notes to the Financial Statements

### For the six months ended 30 June 2013

(All amounts in RMB thousand unless otherwise stated)

#### 1 COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Tianjin Capital Environmental Protection Group Company Limited (the “Company”) was established on 8 June 1993 in Tianjin City of the People’s Republic of China (the “PRC”) as a joint stock limited liability company. The holding company and ultimate holding company of the Company is Tianjin Municipal Investment Company Limited (“TMICL”) and Tianjin City Infrastructure Construction and Investment Group Company Limited (“TICIG”) respectively.

The principal activities of the Company and its subsidiaries (the “Group”) include processing of sewage water, construction and management of related facility, supply of tap water, recycled water and heat and cooling as described below:

##### (a) Processing of sewage water

Pursuant to relevant agreements (“Sewage Water Processing Agreements”), the Group currently provides sewage processing services via the following plants:

Plant Location	Agreement date	Customer
Dong Jiao, Tianjin	10 October 2000	Tianjin Sewage Company (“TSC”)
Ji Zhuang Zi, Tianjin	10 October 2000	TSC
Xian Yang Lu, Tianjin	10 October 2000	TSC
Bei Cang, Tianjin	10 October 2000	TSC
Gui Yang, Guizhou	16 September 2004	Guiyang City Administration Bureau
Bao Ying, Jiangsu	13 June 2005	Baoying Construction Bureau
Chi Bi, Hubei	15 July 2005	Chibi Construction Bureau
Fu Yang, Anhui	18 December 2005	Anhui Fuyang Construction Committee
Qu Jing, Yunnan	25 December 2005	Qujing City Water General Company
Hong Hu, Hubei	29 December 2005	Honghu Construction Bureau
Hang Zhou, Zhejiang	20 November 2006	Hangzhou Sewage Company
Jing Hai, Tianjin	12 September 2007	Tianyu Science Technology Park
Wen Deng, Shandong	19 December 2007	Wendeng Construction Bureau
Xi An, Shanxi	18 March 2008	Xi’an Infrastructure Investment Group
An Guo, Hebei	14 October 2008	An Guo Municipal Government
Xian Ning, Hubei	16 October 2008	Xianning Construction Committee
Ying Dong, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Qu Jing, Yunnan	16 August 2011	QuJing Housing and Urban Construction Bureau
Chao Hu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau

Except for four Tianjin plants including Dong Jiao, Ji Zhuang Zi, Xian Yang Lu and Bei Cang, all other plants above are governed by service concession arrangements which fall into the scope of Accounting Standards interpretation No.2 (CAS Int-No.2) (Note 4(14)(b)).

The principal terms and the pricing formula as set out in the relevant agreements are briefly summarised below:

*Dong Jiao:*

The Company will have full recovery of actual operating costs, including depreciation of fixed assets, excluding interest expenses and foreign exchange gains or losses and at minimum:

- (i) earn a return of 15% per annum of the average balances of the monthly net book value of fixed assets (as defined in the agreement) of the plants; and
- (ii) incentive pricing adjustments will be made for cost saving and/or when actual processing volume exceeds the minimum processing volume stipulated in the agreement.

*Ji Zhuang Zi, Xian Yang Lu and Bei Cang:*

Based on the supplementary agreement reached with TSC on 10 March 2006, the Company is entitled to a pre-determined sewage processing fee from the completion date of construction to the completion date of inspection of the Ji Zhuang Zi, Xian Yang Lu and Bei Cang plants. After the inspection of these three plants is completed, processing fee will be collected from TSC using the same principle as for Dong Jiao plant as described above.

*All other sewage processing plants:*

Initial sewage water processing prices are predetermined, thereafter processing prices may be revised after considering various factors including renovation of equipment, additional investment, power and energy, labour force, and other significant changes of government policy.

All sewage processing plants except for the one in Guiyang, are guaranteed a minimum processing volume by their respective customers. If the actual volume is lower than the guaranteed volume, processing fee will be settled using the guaranteed volume.

Pursuant to the relevant agreement, Guiyang Price Bureau adjusts the sewage water processing price periodically, which will allow full recovery of all actual costs, including operating cost, depreciation, income tax and a return of 8% on budgeted net assets of the plant.

**(b) Construction and management of sewage water facility**

The Group provides design, construction and operations of sewage processing facility and financing, construction and transfer of sewage processing facility project services.

**(c) Supply of tap water**

Pursuant to relevant agreements, the Group provides tap water supply service initially at pre-determined pricing and the prices as pre-determined may be revised after considering various cost factors based on contract terms.



**(d) Recycled water**

The Group's recycled water business includes developing, constructing and operating of recycled water projects, production and sale of recycled water and research, development and technical consultation of processing technology and equipment of recycled water.

**(e) Heat and cooling supply services**

The heat and cooling supply services include design, construction, operations and transfer of centralized heat and cooling infrastructures, and providing heat and cooling services.

The Group has signed a concession agreement with Tianjin City Construction and Transportation Committee of providing heating and cooling supply services for Tianjin City Cultural Center's concentrated energy station project, which fall into the scope of Accounting Standards Interpretation No.2 (CAS Int-No.2) (note 4(14)(b)).

These consolidated financial statements were approved by the Directors of the Company on 29 August 2013.

**2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Group adopted the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance for Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises" or "CAS") and No. 15 General Requirements of Financial Reporting of Information Disclosure Preparation Regulation of Company with Public Issuance Securities (Revised in 2010) stipulated by China Securities Regulatory Commission.

**3 STATEMENT OF COMPLIANCE WITH CAS**

The financial statements of the Company for the six months ended 30 June 2013 truly and completely present the financial position as of 30 June 2013 and the operating results, cash flows and other information for the six months ended 30 June 2013 of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

**4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

**(1) Accounting period**

The accounting year starts on 1 January and ends on 31 December. These financial statements are prepared for the six-month period from 1 January to 30 June 2013.

**(2) Recording currency**

The recording currency is Renminbi ("Rmb").

### **(3) Preparation of consolidated financial statements**

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are fully consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not held by the Company are recognized as minority interests and presented separately in the consolidated balance sheet within equity and net profits respectively.

In the circumstances of wholly or partly purchase of minority interests from non-controlling shareholders after obtaining control of subsidiaries, the assets or liabilities of subsidiaries should be measured on a continuous basis from the acquisition date or combination date in the consolidated financial statement. The difference between the addition of investment in subsidiaries and the proportionate share of net assets measured on a continuous basis associated with the newly obtained interests is treated as an adjustment to capital surplus (share premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

### **(4) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(5) Foreign currency translation**

Foreign currency transactions are translated into Rmb using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into Rmb using the spot exchange rate on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

## **(6) Financial instruments**

### **(a) Financial assets**

The Group's financial assets represent receivables (Note 4(7)), which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### **(i) Recognition and measurement**

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. The related transaction cost of other financial assets is included in the initial recognition amounts.

Receivables are carried at amortised cost using the effective interest method.

#### **(ii) Impairment of financial assets**

The Group assesses the carrying amount of a financial asset at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss.

If an impairment loss on a financial asset carried at amortised cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

#### **(iii) Derecognition of financial assets**

A financial asset is derecognised where: (1) the contractual rights to receive cash flows from the asset have suspended; (2) the Group has transferred substantially all the risks and rewards associated with ownership of the asset to the transferee; (3) the Group has neither transferred nor retained substantially all the risks and rewards associated with ownership of the asset, but has waived control of the asset.

When a financial asset is derecognized, the differences between its carrying value and proceeds received and the cumulative amount of changes in fair value previously recorded in equity are recognized in profit and loss.

**(b) Financial liabilities**

The financial liabilities are classified initially as financial liabilities at fair value through profit and loss and other financial liabilities. The Group's financial liabilities mainly represent other financial liabilities, including payables, borrowings and short-term debentures.

Payables include trade and other payables, which are initially recognized at fair value and subsequently measured at amortised cost using effective interest method. Payables due within one year (including one year) are included in current liabilities, the remaining portion are included in non-current liabilities.

Borrowings and debentures are initially recognized at its fair value net of transaction costs, and subsequently measured at amortised cost using effective interest method. Borrowings and debentures with maturity within one year (including one year) are included in short-term borrowings and short-term debentures. Borrowings with maturity over one year but due within one year (including one year) at balance sheet date are included in current portion of non-current liabilities, the remaining portion are included in long-term borrowings and long-term debentures.

When the current obligation under a financial liability is completely or partially cancelled, the whole or relevant portion of the liability is derecognized. The differences between carrying value of derecognized portion and consideration paid are recognized in profit and loss.

**(7) Receivables**

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyer.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amounts according to the original terms, a provision for impairment of the receivable is made.

Receivables that are not individually significant together with those receivables that have been individually evaluated for impairment and found not to be impaired are grouped on the basis of similar credit risk characteristics. The impairment losses are determined, considering the current conditions, on the basis of historical loss experience for the groups of receivables with the same or the similar credit risk characteristics of prior years.

## **(8) Inventories**

Inventories include raw materials, finished goods, low cost consumables and work in progress, and are stated at the lower of cost and net realisable value.

The amount of construction contract costs incurred, plus profits and less losses recognized and progress billings is determined on an individual contract basis. Where positive, this amount is recognized in assets as construction in progress. Where negative, it is recognized in liabilities.

Except for work in progress, cost for raw materials, finished goods and low cost consumables is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and systematically allocated production overhead based on the normal production capacity. Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

Cost is determined using the weighted average method. The Group adopts the perpetual inventory system.

## **(9) Long-term equity investments**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates as well as other long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are all investees over which the Company is able to control. Joint ventures are all investees over which the Group is able to control jointly with other parties. Associates are all investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted using the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured are accounted for using cost method.

### **(a) Recognition of investment cost**

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

**(b) Subsequent measurement and recognition method of income/loss**

Long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit declared by the investee.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Long-term equity investment accounted for using the equity method, the Group recognised the investment income based on its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standards on contingencies, the Group continues to recognise the investment losses and the provision. For changes in owner's equity of the investee other than those arising from its net profit or loss, the Group record directly in capital surplus its proportion, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions between the Group and its investees are eliminated to the extent of the Group's interest in the investees, on the basis of which the investment gain or losses are recognised. The loss on the intra-group transaction between the Group and its investees, of which the nature is asset impairment, is recognised in full amount, and the relevant unrealised gain or loss is not allowed to be eliminated.

**(c) Determination of control, joint control and significant influence over investees**

Control is the power to govern the financial and operating policies so as to obtain benefits from their operating activities. The existence and effect of potential voting rights (including that derived from the convertible bonds and warrants that are currently convertible or exercisable) is considered to determine whether the Group has control over the investee.

Joint control is contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

Significant influence is the power to participate the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**(d) Impairment of long-term equity investments**

The carrying value of investments in subsidiaries, joint ventures and associates are written down to its recoverable amount when its recoverable amount is lower than the carrying value(Note 4(15)). When other equity investments which are not quoted in active market and whose fair value can not be reliably measured are impaired, the differences between its carrying value and its discounted present value of future cash flows using return rate of similar financial assets under current market. Once the impairment loss is recognised, it is not allowed to be reversed for the value recovered in the subsequent periods.

**(10) Investment properties**

Investment properties are buildings that held for the purpose of lease, is measured initially at cost. Subsequent expenditures incurred for an investment property is included in the cost of the investment property when it is probable that economic benefits associated with the investment property will flow to the Group and its cost can be reliably measured, otherwise the expenditure is recognised in profit and loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment property. They are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation (amortisation) rates of the investment properties are as follows:

	<b>Estimated useful lives</b>	<b>Estimated residual value rate</b>	<b>Annual depreciation (amortisation) rate</b>
Buildings	40-50 years	5%	1.9%-2.4%

When an investment property is changed to an owner-occupied property, it is transferred to fixed asset at the date of the change. When an owner-occupied property is changed to be held to earn rentals or for capital appreciation, the fixed asset is transferred to investment property at the date of the change at the carrying amount of the property.

The estimated useful life, net residual value of the investment property and the depreciation (amortisation) method applied are reviewed, and adjusted as appropriate at each financial year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment property less its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

When the recoverable amount of an investment property is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).

## (11) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles and others.

A fixed asset is recognised when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognized and all the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	<b>Estimated useful lives</b>	<b>Estimated residual value rate</b>	<b>Annual depreciation rate</b>
Buildings and structures	10-50 years	0%-5%	1.9%-9.5%
Machinery and equipment	10-20 years	0%-5%	4.8%-10%
Motor vehicles and others	5-10 years	0%-5%	9.5%-20%

Pipelines network laid outside the plant are included in structures and are depreciated over their estimated useful lives of 25 years.

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each financial year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

When the recoverable amount of a fixed asset is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).



## **(12) Construction in progress**

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, other costs necessary to bring the fixed assets ready for their intended use and borrowing costs that are eligible for capitalization. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. When the recoverable amount of construction in progress is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).

## **(13) Borrowing costs**

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For those specific borrowings relating to the acquisition and construction of fixed assets which meet capitalization conditions, the capitalization amount of borrowing costs of specific borrowings is the net amount of specific borrowings interest expense incurred for the period after deducting interest income of unused bank deposits or investment income arising from temporary investments.

For those general borrowings occupied relating to the acquisition and construction of fixed assets which meet capitalization conditions, the capitalization amount of borrowing costs of specific borrowings is calculated according to the weighted average amount of cumulative asset expenditures exceeded asset expenditures associated with specific borrowings and weighted average effective interest rate of general borrowings occupied. The effective interest rate is the interest rate used for discounting the future cashflow of borrowings during its expected using periods or its applicable shorter periods to its initial recognized amount.

## **(14) Intangible assets**

Intangible assets including land use rights, concession rights, technical know-how and softwares are measured at cost.

### **(a) Land use rights**

Land use rights are amortised on the straight-line basis over their estimated useful lives of 25 to 50 years. If the purchase costs of land use rights and attached buildings cannot be reliably allocated between the land use rights and buildings, all the purchase costs are recognised as fixed assets.

**(b) Concession rights**

As described in Note 1(a) and (e), the Group engages with government bodies and participates in the development, financing, operation and maintenance of infrastructure for public sewage processing services (concession services) over a specified period of time (concession services period). The Group has access to operate the infrastructure to provide the concession services in accordance with the terms specified in the arrangement. The arrangement is governed by the relevant Sewage Water Processing Agreements that set out performance standards, mechanisms for adjusting prices. The concession services arrangement is within the scope of Accounting Standards interpretation No.2(CAS Int-No.2), and the Group recognise the related rights in the services concession arrangements as intangible assets or financial assets. The operator shall recognise an intangible asset to the extent that it receives a right (licence) to charge users of the public service and shall recognize a financial asset to the extent that it has an unconditional contractual right to receive a guaranteed minimum traffic volume from the grantor. Therefore intangible assets - concession rights are recognised for the rights under these service concession arrangements by the Group, which are amortized on a straight-line basis over the terms of operation ranging from 25 to 30 years.

**(c) Technical know-how and softwares**

Separately acquired technical know-how and softwares are shown at historical cost. Technical know-how and softwares has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of technical know-how and softwares over their useful lives.

**(d) Periodical review of useful life and amortization method**

For an intangible asset with a finite useful life, review and adjustment on useful life and amortization method are performed at each year-end. When the recoverable amount of an intangible asset is lower than its carrying value, the carrying value shall be reduced to its recoverable amount (Note 4(15)).

**(e) Impairment of intangible assets**

The carrying value of intangible assets are written down to its recoverable amount when its recoverable amount is lower than the carrying value

#### **(15) Impairment of long-term assets**

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. A provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the asset impairment loss mentioned above is recognised, it is not allowed to be reversed for the value recovered in the subsequent periods.

#### **(16) Employee benefits**

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

Except for the benefits paid to terminated employees, employee benefits are recognised as a liability in the accounting period in which an employee has rendered service, and as costs of assets or expenses to whichever the employee service is attributable.

#### **(17) Dividend distribution**

Proposed cash dividend is recognized as a liability in the period in which it is approved by the shareholders' meeting.

#### **(18) Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

**(a) Sewage water processing and heat and cooling supply**

Revenue from sewage water processing and heat and cooling supply is recognised when services are rendered.

**(b) Construction contract**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**(c) Sales of tap water and recycled water**

Revenue from the sale of tap water and recycled water is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the tap water and recycled water are delivered to customers.

**(d) Sales of pipe connection for recycled water**

Revenue from the sales of pipe connection for recycled water is recognized under completion method.

**(e) Contract operation income**

Revenue from contract operation is recognised under the accrual basis according to the service agreement.

**(f) Operating lease revenue**

Revenue from operating lease is recognized on a straight-line basis over the period of the lease.

**(g) Interest income**

Interest income is recognised using the effective interest method.

**(h) Dividend income**

Dividend income is recognised when the right to receive payment is established.

## **(19) Government grants**

Government grants represent monetary assets granted from government bodies for free, including financial subsidies and refund of taxes, etc.

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are measured at its received or receivable amount when they are in form of monetary assets.

Government grants relating to assets are recognized as deferred revenue and are allocated into income statement on straight-line basis over the useful lives of related assets.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

## **(20) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are relate to the same tax payer within the Group and same fiscal authority, and;
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

## **(21) Segment information**

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

## **(22) Critical accounting estimate and judgments**

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

### **(i) Impairment for receivables**

The Group determines the impairment of trade and other receivables based on objective evidence of impairment and historical loss experience of the respective individual balances. Management believes that trade and other receivables as at 30 June 2013 are not impaired.

(ii) Income Tax

The Group is subject to income taxes in numerous regions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. The Group recognises income taxes in each regions based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 5 TAXATION

The applicable taxes and tax rates of the Group are mainly presented as follows:

<b>Tax by category</b>	<b>Basis of Tax</b>	<b>Tax rate</b>
Enterprise income tax	Taxable income	0% - 25%
Value Added Tax (VAT)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	6% - 13%
Business tax	Gross service income	3%-5%
City construction and maintenance tax	The amount of paid business tax and VAT	7%

The information of preferential tax policies granted to the subsidiaries is as below:

<b>Name of subsidiaries</b>	<b>Enterprise income tax rate from January to June in 2013</b>	<b>Preferential tax policy</b>
Chi Bi Capital Water Co.,Ltd.	12.5%	Income from engaging in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax for the first 3 years and reduction half for the next 3 years.
Fu Yang Capital Water Co.,Ltd.	12.5%	Income from engaging in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax for the first 3 years and reduction half for the next 3 years.
Wen Deng Capital Water Co.,Ltd.	12.5%	Income from engaging in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax for the first 3 years and reduction half for the next 3 years.
Gui Zhou Capital Water Co.,Ltd.	15%	According to Notice about implementation of preferential tax policy relating to development of western regions from Municipal Office of Guizhou Province, Qian Guoshuihan[2011] No.19.
Tianjin Water Recycling Co.,Ltd.	The taxable income is 90% of revenue	According to Caishui[2008]47, since January 1, 2008, revenue generated by products which were in line with national or industry standards, the taxable income amount is reduced 90% of the total revenue
Tianjin Kaiying Technology Development Co., Ltd	15%	According to Article 28 of Corporate Income Tax Law, Corporate Income Tax shall be levied at the reduced rate of 15% for High/new tech Enterprises that are specifically supported by the State. According to Notice about administration of pre-tax deduction for enterprise research and development expense from State Taxation Administration, Guoshuifa [2008] Article 7 of No.116, for Research and development costs expensed for the current period without the formation of intangible assets, additional 50% actual amount of research and development expenditure for the current year can be directly deducted from the taxable income of the current year.



## 6 NOTES TO THE FINANCIAL STATEMENTS

### (1) CASH AND BANK BALANCES

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Cash on hand and in bank	1,229,928	1,000,565	705,360	469,715
Including:				
Special funds for construction in progress (note (a))	299,248	200,466	185,855	139,137
Restricted bank deposits due within one year (note (b))	3,600	3,600	—	—

(a) The special funds for construction in progress represent the unutilised balances of the special loans obtained for sewage processing projects and recycled water projects.

(b) The bank deposits represented deposits for project bids due within one year of Rmb 3,600 thousand (2012: Rmb 3,600 thousand).

### (2) TRADE RECEIVABLES

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Trade receivables	1,909,839	1,566,743	1,762,241	1,454,780
Less: Provision for bad debts	—	—	—	—
	1,909,839	1,566,743	1,762,241	1,454,780

(a) Aging of trade receivables is as follows:

Aging	Group			
	Unaudited June 30 2013		Audited December 31 2012	
	% of total		% of total	
	Amount	balance	Amount	balance
Within one year	1,008,079	53%	921,093	59%
One to two years	901,760	47%	645,650	41%
Total	<u>1,909,839</u>	<u>100%</u>	<u>1,566,743</u>	<u>100%</u>

Aging	Company			
	Unaudited June 30 2013		Audited December 31 2012	
	% of total		% of total	
	Amount	balance	Amount	balance
Within one year	870,322	49%	818,971	56%
One to two years	891,919	51%	635,809	44%
Total	<u>1,762,241</u>	<u>100%</u>	<u>1,454,780</u>	<u>100%</u>

(b) Accounts receivable are analysed by categories as follows:

Category	Group							
	Unaudited 30 June 2013				Audited 31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	1,708,451	89%	—	—	1,421,319	91%	—	—
General credit group	201,388	11%	—	—	145,424	9%	—	—
Total	<u>1,909,839</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>1,566,743</u>	<u>100%</u>	<u>—</u>	<u>—</u>

Category	Company							
	Unaudited 30 June 2013				Audited 31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	1,708,451	97%	—	—	1,421,319	98%	—	—
General credit group	53,790	3%	—	—	33,461	2%	—	—
Total	<u>1,762,241</u>	<u>100%</u>	<u>—</u>	<u>—</u>	<u>1,454,780</u>	<u>100%</u>	<u>—</u>	<u>—</u>

- (c) As at 30 June 2013, accounts receivable with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

Trade receivables	Group and Company		
	Ending balance	Provision for bad debts	Ratio
TSC	1,670,746	—	—
Tianjin Municipal Highway Administration Bureau	37,705	—	—
Total	<u>1,708,451</u>	<u>—</u>	<u>—</u>

- (i) TSC is the Chinese government subordinate enterprise which has good creditability history. In December 2012, TSC and its supervising government department submitted application to Tianjin Government to apply for granting concession services right of four sewage water processing plants in Tianjin to the Company. The application is in the process of government approval. Management expected to collect the receivables from TSC when the concession services agreements are signed and replaced the current agreement. Therefore, Management believes that the receivable balance is not impaired.
- (ii) As at 30 June 2013, the toll fee during the first half year of 2013 receivables from Tianjin Municipal Highway Administration Bureau has been outstanding.

(d) Aging of trade receivables of general credit group is as follows:

<b>Aging</b>	<b>Group</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2013</b>		<b>31 December 2012</b>	
	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>% of total balance</b>
Within one year	191,547	95%	135,583	93%
One to two years	9,841	5%	9,841	7%
<b>Total</b>	<b>201,388</b>	<b>100%</b>	<b>145,424</b>	<b>100%</b>

<b>Aging</b>	<b>Company</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2013</b>		<b>31 December 2012</b>	
	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>% of total balance</b>
Within one year	53,790	100%	33,461	100%
<b>Total</b>	<b>53,790</b>	<b>100%</b>	<b>33,461</b>	<b>100%</b>

(e) Trade receivables from any of the shareholders of the Company who hold 5% or more of voting shares are analyzed as below:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2013</b>	<b>31 December 2012</b>
TICIG	26,838	13,419

(f) As at 30 June 2013, the trade receivables from the top five debtors is analysed as below:

Entity Name	Relationship with the Group	Amount	Aging	% of total balance
TSC	customer	778,827	within 1 year	41%
		891,919	1 to 2 years	47%
Qijing City Water General Company	customer	32,813	within 1 year	1.7%
		9,841	1 to 2 years	0.5%
Tianjin Municipal Highway Administration Bureau	agent	37,705	within 1 year	2%
TICIG	Ultimate holding company	26,838	within 1 year	1%
Hangzhou Sewage Company	customer	16,905	within 1 year	1%
Total		<u>1,794,848</u>		<u>94.2%</u>

(g) As at 30 June 2013, the trade receivables from related parties is analysed as below:

Entity Name	Relationship with the Group	Unaudited 30 June 2013		Audited 31 December 2012	
		Amount	% of total balance	Amount	% of total balance
TICIG	Ultimate holding company	26,838	1.41%	13,419	0.86%
Tianjin Lecheng Properties Limited	Controlled by the same ultimate holding company	15,065	0.79%	8,197	0.52%
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company	1,600	0.08%	801	0.05%
Tianjin Subway Group Limited company	Controlled by the same ultimate holding company	963	0.05%	—	—
Tianjin Environment Construction Investment Company Limited	Controlled by the same ultimate holding company	943	0.05%	—	—
Tianjin Zi Ya Recycled economy industry Investment development Ltd.	Controlled by the same ultimate holding company	800	0.04%	—	—
Total		<u>46,209</u>	<u>2.42%</u>	<u>22,417</u>	<u>1.43%</u>

### (3) PREPAYMENTS

(a) The aging of prepayments is analysed as below:

Aging	Group			
	Unaudited 30 June 2013		Audited 31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within one year	117,424	85%	85,069	71%
One to two years	15,205	11%	28,809	24%
Over two years	6,279	4%	6,428	5%
	<u>138,908</u>	<u>100%</u>	<u>120,306</u>	<u>100%</u>

As at 30 June 2013, the prepayments aged over one year with amount of Rmb21,484 thousand (2011: Rmb35,237 thousand) mainly for plant construction projects and recycled water pipeline connection service for which the projects have not been completed and hence balances remain outstanding.

Aging	Company			
	Unaudited 30 June 2013		Audited 31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within one year	62,126	99.4%	43,576	99.5%
One to two years	276	0.4%	144	0.3%
Over two years	109	0.2%	95	0.2%
	<u>62,511</u>	<u>100%</u>	<u>43,815</u>	<u>100%</u>

(b) As at 30 June 2013, the prepayments to the top five debtors are analysed as below:

	Relationship with the Group	Amount	% of total balance	Prepayment time	Reason for not settled
Tianjin Machinery & Electric Equipment Imp. & Exp. Co., Ltd	Equipment supplier	16,161	12%	2013	Equipment under inspection
Tianjin No. 2 Municipal & Highway Engineering Co., Ltd	Construction contractor	4,475	3%	2012	Project in progress
		5,530	4%	2013	
China Tiesiju Civil Engineering Co., Ltd	Construction contractor	2,550	2%	2012	Project in progress
		7,324	5%	2013	
Tianjin Installtion Engineering Co., Ltd	Construction contractor	9,410	7%	2013	Project in progress
Tianjin Jianzhang Enviroment Co., Ltd.	Equipment supplier	7,599	5%	2012	Equipment under inspection
		<u>53,049</u>	<u>38%</u>		

(c) As at 30 June 2013, there were no prepayments to any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2012: Nil). As at 30 June 2013, there were no prepayments to any of the related parties of the Company (31 December 2012: Nil).

#### (4) OTHER RECEIVABLES

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Project deposits	4,755	3,207	2,698	2,200
Payment on behalf of others	770	1,893	3	38
Receivables from subsidiaries	—	—	107,138	105,034
Others	4,099	5,489	2,290	1,187
Less: Provision for bad debts	—	—	—	—
	<u>9,624</u>	<u>10,589</u>	<u>112,129</u>	<u>108,459</u>

- (a) The ageing of the Group's other receivables is analysed as below:

<b>Ageing</b>	<b>Group</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2013</b>		<b>31 December 2012</b>	
	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>% of total balance</b>
Within one year	5,909	61%	4,892	46%
One to two years	702	7%	857	8%
Two to three years	209	2%	1,538	15%
Over three years	2,804	30%	3,302	31%
<b>Total</b>	<b>9,624</b>	<b>100%</b>	<b>10,589</b>	<b>100%</b>

<b>Ageing</b>	<b>Company</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2013</b>		<b>31 December 2012</b>	
	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>% of total balance</b>
Within one year	5,832	5.20%	919	0.85%
One to two years	22,680	20.23%	23,923	22.06%
Two to three years	9,828	8.76%	9,828	9.06%
Over three years	73,789	65.81%	73,789	68.03%
<b>Total</b>	<b>112,129</b>	<b>100%</b>	<b>108,459</b>	<b>100%</b>

- (b) As at 30 June 2013, there were no receivables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2012: Nil).



(c) As at 30 June 2013, the other receivables from the top five debtors is analysed as below:

Entity Name	Relationship with the Group	Amount	Aging	% of total balance
Tianjin Qinglong Construction and Installation Engineering Co., Ltd.	Customer	1,000	Within 1 year	10%
Tianjin Construction Team Communication Service Centre	Regulator	1,000	2 to 3 years	10%
Fuxin Development Area Sewage Processing Plant Construction Office	Customer	989	Within 1 year	10%
Tianjin city safety management and supervision station	Regulator	541	Within 1 year	6%
Tianjin Construction Wastes Management Station	Regulator	500	1 to 2 years	5%
		4,030		41%

(d) Other receivables is analysed as below:

Category	Group							
	Unaudited 30 June 2013				Audited 31 December 2012			
	Ending Balance		Provision for bad debt		Ending Balance		Provision for bad debt	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
General credit portfolio	9,624	100%	—	—	10,589	100%	—	—
Total	9,624	100%	—	—	10,589	100%	—	—

Category	Company							
	Unaudited 30 June 2013				Audited 31 December 2012			
	Ending Balance		Provision for bad debt		Ending Balance		Provision for bad debt	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
General credit portfolio	112,129	100%	—	—	108,459	100%	—	—
Total	112,129	100%	—	—	108,459	100%	—	—

## (5) INVENTORIES

(a) Inventories are summarised by categories as follows:

	Group					
	Unaudit 30 June 2013			Audit 31 December 2012		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	18,066	—	18,066	17,962	—	17,962
Finished goods	107	—	107	—	—	—
Spare parts and low cost consumables	86	—	86	106	—	106
Work in progress	54,311	—	54,311	74,441	—	74,441
	<u>72,570</u>	<u>—</u>	<u>72,570</u>	<u>92,509</u>	<u>—</u>	<u>92,509</u>

	Company					
	Unaudit 30 June 2013			Audit 31 December 2012		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	10,602	—	10,602	11,029	—	11,029
Work in progress	265	—	265	168	—	168
	<u>10,867</u>	<u>—</u>	<u>10,867</u>	<u>11,197</u>	<u>—</u>	<u>11,197</u>

(6) LONG-TERM RECEIVABLES

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Receivables from toll road concession (note (a))	335,619	337,631	335,619	337,631
Receivables from TSC(note b)	68,794	68,794	68,794	68,794
	<u>404,413</u>	<u>406,425</u>	<u>404,413</u>	<u>406,425</u>

(a) Receivables from toll road concession represent amortised cost using effective interest method, calculated with reference to a guaranteed future traffic flow over the concession period.

(b) As at 30 June 2013, receivables of TSC construction fund had passed the credit period. Since TSC is the Chinese government subordinate enterprise which has good creditability history, the management believes there is no material risk of impairment for receivables (note 6 (2)(c)).

(7) LONG-TERM EQUITY INVESTMENTS

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Investment in subsidiaries (note (a))	—	—	1,308,255	1,308,255
Less: Impairment provision for long-term investment (note (b))	—	—	(26,500)	(26,500)
	—	—	1,281,755	1,281,755
Investment in an associate (note (c))	33,561	34,628	—	—
Other long-term equity investments(note (d))	4,000	4,000	4,000	4,000
	<u>37,561</u>	<u>38,628</u>	<u>1,285,755</u>	<u>1,285,755</u>

(a) Subsidiaries

the subsidiaries acquired by establishment or investment:

	Company type	Place of registration	Nature of business and business activity	Registered capital	Enterprise type	Legal representative	Institution code
Qijing Capital Water Co., Ltd.	A	Qijing	Sewage processing, tap water supply	178,983	Limited Company	Zhao Yi	781687756
Guizhou Capital Water Co., Ltd.	A	Guizhou	Sewage processing	100,000	Limited Company	Zhao Yi	750194086
Fuyang Capital Water Co., Ltd.	B	Fuyang	Sewage processing	69,000	Limited Company	Zhao Yi	783074750
Baoying Capital Water Co., Ltd.	A	Baoying	Sewage processing	53,000	Limited Company	Zhao Yi	776407692
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	B	Hong Kong	Sewage processing	62,987	Limited Company	Tang Fusheng	N/A
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Sewage processing	257,445	Limited Company	Zhao Yi	785336929
Wendeng Capital Water Co., Ltd.	B	Wendeng	Sewage processing	52,000	Limited Company	Zhao Yi	661386940
Tianjin Jing Hai Capital Water Co., Ltd.	B	Tianjin	Sewage processing	12,000	Limited Company	Yang Guang	666139631
Tianjin Water Recycling Co., Ltd.	B	Tianjin	Production and sales of recycled water and technical consulting for water recycling business	100,000	Limited Company	Tang Fusheng	72573188X
Xi'an Capital Water Co., Ltd.	B	Xi'an	Sewage processing	270,000	Limited Company	Zhao Yi	668679180
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	B	Tianjin	Environmental engineering protection and technical consultation	5,000	Limited Company	Zhang Wenhui	673733268

	Company type	Place of registration	Nature of business and business activity	Registered capital	Enterprise type	Legal representative	Institution code
Anguo Capital Water Co., Ltd.	B	Anguo	Tap water supply and drain off for urban area and sewage processing	41,000	Limited Company	Li Yuqing	681355439
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Sewage processing and tap water supply	103,240	Limited Company	Zhao Yi	679132033
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Production and sales of new types of construction material, garden greening construction	37,500	Limited Company	Fu Yana	752229932
Tianjin Capital Water Co., Ltd.	B	Tianjin	Sewage processing	5,000	Limited Company	Yang Guang	697448664
Tianjin Zichuang Project Investment Co., Ltd.	B	Tianjin	Construction project investment	23,400	Limited Company	Lin Wenbo	55946747X
Tianjin Jinning Capital Water Co., Ltd	B	Tianjin	Sewage processing	15,000	Limited Company	Li Yuqing	559490071
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd	B	Tianjin	Energy saving, innovative energy research, consulting and transfer service property management	60,000	Limited Company	Tang Fusheng	569314725

A: Subsidiary

B: Wholly-owned subsidiaries

	Investment cost at beginning/ end of the year	Share holding/ Voting rights (%)	Consolidate financial statement (Y/N)	Minority interest	Provisions of impairment	Cash dividends declared in the current year
Xi'an Capital Water Co., Ltd.	270,000	100	Y	—	—	—
Hangzhou Tianchuang Capital Water Co., Ltd.	180,212	70	Y	100,001	—	—
Qijing Capital Water Co., Ltd.	154,918	87	Y	27,397	—	—
Tianjin Water Recycling Co., Ltd.( Note ii)	100,436	100	Y	—	—	15,000
Guizhou Capital Water Co., Ltd.( Note ii)	95,000	95	Y	6,913	—	5,000
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	62,987	100	Y	1,182	—	—
Wendeng Capital Water Co., Ltd.	52,000	100	Y	—	—	4,000
Wuhan Tianchuang Environmental Protection Co.,Ltd	98,500	100	Y	2,473	—	—
Fuyang Capital Water Co., Ltd.(Note ii)	69,202	100	Y	—	—	—
Anguo Capital Water Co., Ltd.	41,000	100	Y	—	—	—
Baoying Capital Water Co., Ltd.	37,100	70	Y	18,682	—	1,700
Tianjin Capital New Materials Co., Ltd.	26,500	71	Y	547	(26,500)	—
Tianjin Jing Hai Capital Water Co., Ltd	12,000	100	Y	—	—	—
Tianjin Kaiying Environmental Engineering Technology Consultant Co., Ltd.	5,000	100	Y	—	—	—
Tianjin Zichuang Project Investment Co., Ltd.	23,400	100	Y	—	—	—

	Investment cost at beginning/ end of the year	Share holding/ Voting rights (%)	Consolidate financial statement (Y/N)	Minority interest	Provisions of impairment	Cash dividends declared in the current year
Tianjin Jinning Capital Water Co., Ltd.	15,000	100	Y	—	—	—
Tianjin Capital Water Co., Ltd.	5,000	100	Y	—	—	—
Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd	60,000	100	Y	—	—	—
Total	<u>1,308,255</u>			<u>157,591</u>	<u>(26,500)</u>	<u>25,700</u>

- (i) The Group is not exposed to significant restriction on recovery or remittance of return on investment in subsidiaries.
- (ii) For the six months ended 30 June 2013, the cash dividend declared by the subsidiaries was Rmb25.70 million.
- (b) Full provision has been made for the investment in Tianjin Capital New Materials Co., Ltd. of approximately Rmb26.5 million as at 30 June 2013 (31 December 2012: Rmb26.5 million).
- (c) Investment in an associate

	Registered capital	Interest & voting shares held	30 June 2013			6 months ended 30 June 2013	
			Total assets	Total liabilities	Net assets	Revenue	Share of loss
Tianjin international Machinery Co., Ltd.	<u>120,000</u>	<u>27.50%</u>	<u>708,583</u>	<u>564,733</u>	<u>143,850</u>	<u>327,367</u>	<u>(1,067)</u>

Tianjin International Machinery Co., Ltd. (TIMC) is a Sino-foreign joint venture registered in the Tianjin Economics Development Area. The principal activities of TIMC include research and development, production and sale of environment protection equipment; engineering technical consultation; trading; manufacturing and sale of general equipment.

The movements of the Group's investment in TIMC are as follows:

	Investment cost	31 December 2012	Share of loss	Cash dividends by the associate	30 June 2013	Share holding/ Voting rights (%)
Tianjin international Machinery Co., Ltd.	33,000	34,628	(1,067)	—	33,561	27.50%

(d) Other long-term equity investments

	Accounting method	Investment cost	31 December 2012 and 30 June 2013	Share holding Voting rights	Cash dividends declared in the current year
Tianjin Beifang Rencaigang Company Limited	Cost method	2,000	2,000	6.10%	—
Tianjin Baotong Light Mass Materials Company Limited	Cost method	2,000	2,000	4.90%	—
			4,000		—



(8) INVESTMENT PROPERTIES

<b>Buildings</b>	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2012 and 30 June 2013	<u>137,374</u>	<u>110,648</u>
Accumulated depreciation		
At 31 December 2012	(25,092)	(22,157)
Charge for the year	<u>(1,836)</u>	<u>(1,583)</u>
At 30 June 2013	<u>(26,928)</u>	<u>(23,740)</u>
Net book value		
At 30 June 2013	<u>110,446</u>	<u>86,908</u>
At 31 December 2012	<u>112,282</u>	<u>88,491</u>

The Group's investment properties mainly represent the apportioned cost of its office building located in Tianjin held for long-term rental. Based on the Directors' assessment, the fair value of leased building at 30 June 2013 was approximately Rmb151 million (2012: Rmb151 million) and its carrying value was approximately Rmb87 million.

## (9) FIXED ASSETS AND CONSTRUCTION IN PROGRESS

### (a) Group

	<b>Buildings &amp; structure</b> (note (i))	<b>Machinery &amp; equipment</b>	<b>Motor vehicles &amp; others</b>	<b>Total</b>
– Cost				
At 1 January 2012	1,592,323	1,681,433	172,971	3,446,727
Transfer from construction in progress	435,518	532,965	77,251	1,045,734
Addition	877	7,376	5,269	13,522
Disposal	(23,746)	(9,200)	(15,755)	(48,701)
At 31 December 2012	2,004,972	2,212,574	239,736	4,457,282
Transfer from construction in progress	—	2,172	—	2,172
Addition	—	234	6,488	6,722
Disposal	—	(14,265)	(4,553)	(18,818)
At 30 June 2013	2,004,972	2,200,715	241,671	4,447,358
– Accumulated depreciation				
At 1 January 2012	(591,649)	(381,290)	(74,079)	(1,047,018)
Charge for the year	(49,532)	(79,258)	(19,703)	(148,493)
Disposal	4,821	4,866	9,801	19,488
At 31 December 2012	(636,360)	(455,682)	(83,981)	(1,176,023)
Charge for the period	(32,562)	(47,985)	(14,091)	(94,638)
Disposal	—	12,424	4,228	16,652
At 30 June 2013	(668,922)	(491,243)	(93,844)	(1,254,009)
– Net book value				
At 30 June 2013	<u>1,336,050</u>	<u>1,709,472</u>	<u>147,827</u>	<u>3,193,349</u>
At 31 December 2012	<u>1,368,612</u>	<u>1,756,892</u>	<u>155,755</u>	<u>3,281,259</u>

(i) All of the Group's buildings, structures and plants are located in the PRC.

(ii) For the six months ended 30 June 2013, the Group's depreciation expense of Rmb 92 million (For the six months ended 30 June 2012: Rmb54million) has been included in cost of operations and Rmb 3 million (For the six months ended 30 June 2012: Rmb 4 million) in administrative expenses.

(iii) As at 30 June 2013, the certificate of title to the building and land use rights included in property, plant and equipment, land use rights and investment properties with carrying amount of Rmb 143 million (cost of Rmb 177 million) (31 December 2012: carrying amount of Rmb145 million and cost of Rmb 177million) has yet to be or is in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, the Directors believe that the titles will be received in due course without additional significant cost to the Group, if any.

(b) Company

	<b>Buildings &amp; structure</b>	<b>Machinery &amp; equipment</b>	<b>Motor vehicles &amp; others</b>	<b>Total</b>
– Cost				
At 1 January 2012	1,418,286	1,569,921	133,794	3,122,001
Transfer from construction in progress	415,815	480,232	75,997	972,044
Addition	—	526	858	1,384
Disposal	—	(3,196)	(10,035)	(13,231)
At 31 December 2012	1,834,101	2,047,483	200,614	4,082,198
Transfer from construction in progress	—	2,172	—	2,172
Addition	—	—	3,675	3,675
Disposal	—	(14,158)	(4,322)	(18,480)
At 30 June 2013	1,834,101	2,035,497	199,967	4,069,565
– Accumulated depreciation				
At 1 January 2012	(564,528)	(337,701)	(67,480)	(969,709)
Charge for the year	(48,219)	(68,092)	(12,843)	(129,154)
Disposal	—	2,305	6,901	9,206
At 31 December 2012	(612,747)	(403,488)	(73,422)	(1,089,657)
Charge for the period	(30,753)	(41,790)	(11,681)	(84,224)
Disposal	—	12,424	4,050	16,474
At 30 June 2013	(643,500)	(432,854)	(81,053)	(1,157,407)
– Net book value				
At 30 June 2013	<u>1,190,601</u>	<u>1,602,643</u>	<u>118,914</u>	<u>2,912,158</u>
At 31 December 2012	<u>1,221,354</u>	<u>1,643,995</u>	<u>127,192</u>	<u>2,992,541</u>

(c) Construction in progress comprised of the following projects:

	Budget	31 December 2012	Addition	Transfer to fixed assets	30 June 2013	Capitalised borrowing costs as at 31 December 2012 and 30 June 2013	Ratio of incurred costs to budget costs (%)	Sources of funds
Sewage water processing plants:								
- Jin Nan	2,065,590	417,130	146,883	—	564,013	—	27%	Government grants
Others	—	2,377	740	(2,172)	945	—	—	Self-raised fund
Total -Company		419,507	147,263	(2,172)	564,958	—		
Recycling water plants:								
- Jin Nan	260,351	39,111	27,542	—	66,653	—	26%	Government grants
Others		869	293	—	1,162	—	—	Self-raised fund
Total -Group		459,487	175,458	(2,172)	632,773	—		

(d) Construction in progress

As at 31 December 2012, the progress of significant projects of construction in progress is analysed as follows:

	Construction progress	Remark
Sewage water processing plants - Jin Nan	27%	Estimated by percent of occurred cost amount to total project budget
Water recycling plants - Jin Nan	26%	Estimated by percent of occurred cost amount to total project budget

In year 2012, in order to improve the infrastructure construction of Tianjin, Tianjin Government decided to relocate Tianjin Jizhuangzi sewage water processing plant and water recycling plant owned by the Group, and authorized the Group to construct and operate Tianjin Jinnan sewage water processing plant and water recycling plant. The total investment amount of the Jinnan Project is about Rmb2.33 billion. Instructed from Tianjin Government, the construction fund is provided by land compensation fund from Tianjin Haihe Construction Developing Investment Co., Ltd. ("Haihe Company"), which is under common control by TICIG, the Company's ultimate holding company. The Group will keep operating Jizhuangzi sewage water processing plant and water recycling plant during the construction period of the Jinnan Project. When the construction is complete and the Jinnan Project is ready for use, the Jizhuangzi sewage water processing plant and water recycling plant will be demolished.

The Company commenced the construction of Jinnan Project prior year and it is expected that the plant will start a trial operation commencing from 15 November 2013. As of 30 June 2013, the Company has received land compensation fund of Rmb1,150 million and recorded as other non-current liabilities (note6 (14)(e)(i)).

**(10) INTANGIBLE ASSETS**

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Concession rights (note (a))	2,700,479	2,745,732	—	—
Land use rights (note (b))	432,145	437,653	419,577	424,835
Technical know-how and computer software (note (c))	7,431	7,954	6,644	7,131
	<u>3,140,055</u>	<u>3,191,339</u>	<u>426,221</u>	<u>431,966</u>

(a) The movements of concession rights are as follows:

	<b>Group</b>
Cost	
At 31 December 2012	3,290,910
Addition( Note(i))	16,030
Disposals	—
At 30 June 2013	<u>3,306,940</u>
Accumulated amortisation	
At 31 December 2012	(545,178)
Charge for the period	(61,283)
At 30 June 2013	<u>(606,461)</u>
Net book value	
At 30 June 2013	<u>2,700,479</u>
At 31 December 2012	<u>2,745,732</u>

- (i) The addition mainly include the equity acquired by Hanshan Company and the phase II project of Xianning Yong'an sewage water processing plant owned by Wuhan Tianchuang Environmental Co., Ltd.
- (ii) As at 30 June 2013, certain of concession rights with net book value of Rmb227 million (Cost: Rmb302 million) (31 December 2012: net book value: Rmb232 million; cost: Rmb302 million) have been secured against long-term borrowings of Rmb126 million (31 December 2012: Rmb133 million) (note 6(14)(a)(i)). Certain of concession rights with net book value Rmb14 million (Cost: Rmb19 million) (31 December 2012: net book value: Rmb 14 million; cost: Rmb 19 million) have been secured against long-term borrowings of Rmb9 million (31 December 2012: Rmb10 million).(Note 6 (14)(a)(i))
- (iii) The remaining amortization period of concession rights range from 17 to 28 years.
- (b) The movements of land use rights are as follows:

	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2012	583,057	567,266
Addition	—	—
Disposals	—	—
At 30 June 2013	<u>583,057</u>	<u>567,266</u>
Accumulated amortisation		
At 31 December 2012	(145,404)	(142,431)
Charge for the period	<u>(5,508)</u>	<u>(5,258)</u>
At 30 June 2013	<u>(150,912)</u>	<u>(147,689)</u>
Net book value		
At 30 June 2013	<u><u>432,145</u></u>	<u><u>419,577</u></u>
At 31 December 2012	<u><u>437,653</u></u>	<u><u>424,835</u></u>

(c) The movements of technical know-how and computer software are as follows:

	<b>Group</b>	<b>Company</b>
Cost		
At 31 December 2012	11,059	10,211
Addition	14	—
	<hr/>	<hr/>
At 30 June 2013	11,073	10,211
	<hr/>	<hr/>
Accumulated amortisation		
At 31 December 2012	(3,105)	(3,080)
Charge for the period	(537)	(487)
	<hr/>	<hr/>
At 30 June 2013	(3,642)	(3,567)
	<hr/>	<hr/>
Net book value		
At 30 June 2013	7,431	6,644
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2012	7,954	7,131
	<hr/> <hr/>	<hr/> <hr/>

#### (11) TRADE PAYABLES, ADVANCES, TAXES PAYABLE AND OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Trade payables (note (a))	33,549	20,847	18,142	5,373
Advances (note (b))	624,890	601,371	7,610	4,871
Other payables (note (c))	419,922	511,940	606,402	590,875
Taxes payable (note (d))	15,713	26,706	10,453	17,954
	<hr/>	<hr/>	<hr/>	<hr/>
	1,094,074	1,160,864	642,607	619,073
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(a) As at 30 June 2013, the majority of trade payables are aged within one year and mainly for raw materials purchase.

As at 30 June 2013, there were no trade payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2012: Nil). And there were no trade receivables from any of the related parties of the Company (31 December 2012: Nil).

(b) Advances comprise:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
For recycled water pipeline connection	610,729	580,944	—	—
For heating and cooling service	2,500	13,776	—	—
Received from project of Han Gu	2,765	2,261	2,765	2,261
Other advances	8,896	4,390	4,845	2,610
	<u>624,890</u>	<u>601,371</u>	<u>7,610</u>	<u>4,871</u>

As at 30 June 2013, advances of Rmb495 million (31 December 2012: Rmb314 million) are aged over one year, which mainly represent advances in relation to those projects of recycled water pipeline connection. The balances are yet to be settled as those projects have not been completed.

As at 30 June 2013, there were no advances from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2012: Nil). And there were no advances from any of the related parties of the Company (31 December 2012: Nil).

(c) Other payables comprise:

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Construction costs payable	295,520	392,679	268,039	299,271
Payable for purchase of fixed assets and concession rights of plants	20,892	40,935	—	10,148
Long-term debenture interests payables (Note 6(14)(c))	34,166	7,747	34,166	7,747
Others	69,344	70,579	304,197	273,709
	<u>419,922</u>	<u>511,940</u>	<u>606,402</u>	<u>590,875</u>

As at 30 June 2013, other payables of Rmb109 million (31 December 2012: Rmb137 million) are aged over year, which mainly represent unsettled payables and deposits for upgrade projects.

As at 30 June 2013, there were no other payables from any of the shareholders of the Company who hold 5% or more of voting shares (31 December 2012: Nil). And there were no other payables from any of the related parties of the Company (31 December 2012: Nil).



(d) The balances of taxes payable mainly represent income tax payable and business tax payable.

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Income tax payable	11,640	21,763	7,597	15,501
Business tax payable	2,463	2,727	1,950	1,631
Value-added tax payable	22	1,047	—	—
Others	1,588	1,169	906	822
	<u>15,713</u>	<u>26,706</u>	<u>10,453</u>	<u>17,954</u>

**(12) EMPLOYEE BENEFITS PAYABLE**

	<b>31 December 2012</b>	<b>Increase in current period</b>	<b>Decrease in current period</b>	<b>30 June 2012</b>
Wages and salaries, bonuses, allowances and subsidies	3,569	51,132	(52,294)	2,407
Staff welfare	2,036	1,573	(3,003)	606
Social security contributions	216	28,398	(28,266)	348
Including: Medical insurance	(597)	8,001	(7,342)	62
Basic pensions	863	17,451	(18,043)	271
Unemployment insurance	57	1,770	(1,812)	15
Work injury insurance	(74)	511	(437)	—
Maternity insurance	(33)	665	(632)	—
Housing funds	845	14,389	(14,969)	265
Labor union funds and employee education funds	2,632	2,652	(1,683)	3,601
	<u>9,298</u>	<u>98,144</u>	<u>(100,215)</u>	<u>7,227</u>

As at 30 June 2013, no defaulted payables are included in the balance of employee benefits payable.

**(13) LONG-TERM BORROWINGS, SHORT-TERM BORROWINGS, DEBENTURES PAYABLE, LONG-TERM PAYABLES AND OTHER LIABILITIES**

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Non-current liabilities:					
Long-term bank borrowings	(a)	2,172,916	2,710,056	1,008,600	1,455,100
Less: Current portion within one year	(a)	<u>(726,800)</u>	<u>(778,180)</u>	<u>(531,000)</u>	<u>(591,500)</u>
		1,446,116	1,931,876	477,600	863,600
Debentures payable	(c)	1,382,675	691,950	1,382,675	691,950
Long-term payables	(d)	347,329	350,754	347,329	350,754
Other non-current liabilities	(e)	<u>1,258,794</u>	<u>840,158</u>	<u>1,055,453</u>	<u>735,453</u>
		<u>4,434,914</u>	<u>3,814,738</u>	<u>3,263,057</u>	<u>2,641,757</u>
Current liabilities:					
Current portion of long-term bank borrowings	(a)	726,800	778,180	531,000	591,500
Current portion of long-term payables	(d)	27,361	28,001	27,361	28,001
Short-term borrowings	(b)	55,000	86,000	16,000	66,000
Other current liabilities	(e)	<u>19,682</u>	<u>20,007</u>	<u>16,364</u>	<u>16,364</u>
		<u>828,843</u>	<u>912,188</u>	<u>590,725</u>	<u>701,865</u>

(a) Long-term bank borrowings

Long-term bank borrowings are summarised by banks as follows:

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Borrowings from:				
China Construction Bank	580,600	608,850	172,600	177,600
Industrial and Commercial Bank of China	508,256	553,216	20,000	20,000
State Development Bank	367,500	421,500	218,000	258,000
Agricultural Bank of China	271,060	371,990	200,000	300,000
Shanghai Bank	17,000	318,000	17,000	318,000
Ping an Bank	171,000	190,000	171,000	190,000
China Everbright Bank	90,000	94,000	90,000	94,000
China Merchants Bank	—	47,500	—	47,500
Bank of China	25,000	30,000	—	—
China CITIC Bank	—	30,000	—	30,000
Rural Credit Cooperative Union	22,500	25,000	—	—
China Bohai Bank	20,000	20,000	20,000	20,000
Tianjin Agriculture and Commerce Bank	100,000	—	100,000	—
	<u>2,172,916</u>	<u>2,710,056</u>	<u>1,008,6000</u>	<u>1,455,100</u>

Summary of current portion of of long-term bank borrowings:

	Note	Group		Company	
		Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Pledge	(i)	18,000	16,000	—	—
Guarantee	(ii)	177,800	170,680	—	—
Unsecured		531,000	591,500	531,000	591,500
		<u>726,800</u>	<u>778,180</u>	<u>531,000</u>	<u>591,500</u>

Summary of non-current portion of of long-term bank borrowings:

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Pledge	(i)	118,000	127,000	—	—
Guarantee	(ii)	850,516	941,276	—	—
Unsecured		477,600	863,600	477,600	863,600
		<u>1,446,116</u>	<u>1,931,876</u>	<u>447,600</u>	<u>863,600</u>

- (i) As at 30 June 2013, bank borrowings of Rmb 136 million (31 December 2012: Rmb143 million) include Rmb 126 million (31 December 2012: Rmb133 million) secured by the right to receive tap water and sewage processing fees of the Company's subsidiary, Qujing Capital Water Co. Ltd. (Note 6(10)(a)). The remaining Rmb10 million is secured by the land use right and property of Baoying Capital Water Co., Ltd.(31 December 2012: 10 million) (Note 6(10)(a)).
- (ii) As at 30 June 2013, bank borrowings of Rmb 746 million (31 December 2012: Rmb820 million) and Rmb282 million (31 December 2012: Rmb292million) are secured by the guarantee of the Company and TICIG respectively.
- (iii) As at 30 June 2013, the weighted average interest rate of long-term bank borrowings is 6.55% annually (31 December 2012: 6.41%).
- (iv) These borrowings mature as follows:

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Within one year	726,800	778,180	531,000	591,500
In the second year	424,750	850,750	214,000	650,000
In the third to fifth year	797,266	738,526	263,600	167,600
After the fifth year	229,100	342,600	—	46,000
	<u>2,172,916</u>	<u>2,710,056</u>	<u>1,008,600</u>	<u>1,455,100</u>

(v) Current portion of top five long-term bank borrowings is analysed as follows:

	Grant date	Expiry date	Currency	Rate(%)	Group	
					Unaudited 30 June 2013	Audited 31 December 2012
Agriculture Bank of China	2012-04-28	2014-01-27	RMB	6.77%	100,000	—
Agriculture Bank of China	2012-04-28	2014-04-28	RMB	6.77%	100,000	—
China Construction Bank	2012-04-24	2014-01-23	RMB	6.77%	95,000	—
China Ever bright Bank	2012-01-13	2014-01-12	RMB	6.46%	37,000	—
China Ever bright Bank	2012-04-27	2014-04-26	RMB	6.46%	37,000	—
					<u>369,000</u>	<u>—</u>

(vi) Non-current portion of top five long-term bank borrowings is analysed as follows:

	Grant date	Maturity date	Currency	Rate(%)	Group	
					30 June 2013	31 December 2012
China Construction Bank	2008-09-28	2022-09-27	RMB	6.555%	260,000	271,000
State Development Bank	2009-10-12	2019-10-11	RMB	6.550%	126,000	151,000
China Construction Bank Industrial and Commercial	2006-05-26	2018-05-26	RMB	6.390%	108,000	118,000
Bank of China	2006-11-23	2016-11-22	RMB	6.345%	103,000	103,000
Tianjin Agriculture and GroupCommerce Bank	2013-02-08	2016-01-03	RMB	6.150%	100,000	—
					<u>697,000</u>	<u>643,000</u>

(b) Short-term borrowings

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Borrowings from:				
Shanghai Pudong Development Bank	16,000	16,000	16,000	16,000
China Minsheng Bank	39,000	20,000	—	—
China Merchants Bank	—	50,000	—	50,000
	<u>55,000</u>	<u>86,000</u>	<u>16,000</u>	<u>66,000</u>

Summary of terms of short-term borrowings:

	Group		Company	
	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2013	Audited 31 December 2012
Guaranteed ( Note(i))	39,000	20,000	—	—
Unsecured (Note(ii))	16,000	66,000	16,000	66,000
	<u>55,000</u>	<u>86,000</u>	<u>16,000</u>	<u>66,000</u>

- (i) Includes Rmb39 million borrowed from China Minsheng Bank guaranteed by the Company for the subsidiary, Tianjin Zichuang Investment Co., Ltd (2012: Rmb20 million borrowed from China Minsheng Bank guaranteed by the Company for the subsidiary, Tianjin Zichuang Investment Co., Ltd).
- (ii) Rmb16 million is unsecured loans (2012: Rmb66 million).
- (iii) The weighted average interest rate of short-term bank borrowings for the six months ended 30 June 2013 is 6.46% (2012: 6.16%) per annum.

## (c) Debentures payable

	<b>31 December 2012</b>	<b>Addition</b>	<b>Decrease</b>	<b>30 June 2013</b>
Debentures payable				
– par value	700,000	700,000	—	1,400,000
– transaction cost	(8,050)	(10,500)	1,225	(17,325)
	<u>691,950</u>	<u>689,500</u>	<u>1,225</u>	<u>1,382,675</u>

On 29 May 2013, the Company issued a long-term debenture at par value of Rmb 700 million on the inter-bank market of National Association of Financial Market Institutional Investors of the PRC. The debenture matures five years from the issue date, and pays fixed interest rate at 5.45% annually. The principal will be repaid on maturity.

Interest accrued of debentures is analysed as follows:

	<b>31 December 2012</b>	<b>Interest accrued</b>		<b>30 June 2013</b>
		<b>Interest accrued in current year</b>	<b>Interest paid in current year</b>	
Corporate debenture	<u>7,747</u>	<u>26,419</u>	<u>—</u>	<u>34,166</u>

## (d) Long-term payable and the current portion of long-term payable

	<b>Group and Company</b>			
	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2013</b>		<b>31 December 2012</b>	
	<b>Payable amount</b>	<b>unrecognized finance charge</b>	<b>Payable amount</b>	<b>unrecognized finance charge</b>
Payable to TSC for assets acquisition	<u>684,147</u>	<u>(309,457)</u>	<u>700,393</u>	<u>(321,638)</u>

- (i) Summary of terms of long-term payable above:

	<b>Duration</b>	<b>Original Balance</b>	<b>Effective Interest rate</b>	<b>Ending Balance</b>	<b>Due within one year</b>
TSC	to 20 March 2041	<u>430,314</u>	<u>5.94%</u>	<u>347,329</u>	<u>27,361</u>

Balance of the long-term payable to TSC is the consideration payable in respect of the acquisition of sewage processing assets from TSC as at 30 June 2013, net of unrecognized financing charges.

Pursuant to “Assets transfer agreement from foreign banks loans about Haihe River Tianjin sewage processing project and Beicang sewage processing project” (the “Transfer Agreement”), TSC sold to the Company the certain sewage processing assets. The down payment is Rmb261 million, and remaining payments will be settled in Rmb translating at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is based on discounting future cash payments using an effective interest rate of 5.94%.

- (ii) The payable amounts of long-term payables (including interest) are denominated in the following currencies.

	<b>Group and Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
JPY	534,115	546,618
US dollar	<u>150,032</u>	<u>153,775</u>
	<u>684,147</u>	<u>700,393</u>

The balance denominated in US dollar bears an interest rate at 6 month LIBOR plus 0.6%, whilst the balance denominated in JPY bears fixed interest rates at 1% and 1.55% per annum respectively.



- (iii) The long-term payable mature as follows, and as at 30 June 2013, the current portion of long-term payable of Rmb27 million was classified as current liabilities.

	<b>Group and Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Unaudited 31 December 2012</b>
Within 1 year	27,361	28,001
In the 1 to 2 year	27,674	26,721
In the 3 to 5 year	74,086	73,495
Over the 5 year	245,569	250,538
	<u>374,690</u>	<u>378,755</u>

(e) Other liabilities

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Non-current liabilities:				
- Land compensation fund for Jizhuangzi sewage plant relocation(note(i))	990,000	670,000	990,000	670,000
- Land compensation fund for Jizhuangzi water recycling plants relocation(note(i))	160,000	80,000	—	—
- Government loan for sewage water processing plants construction (note(ii))	65,453	65,453	65,453	65,453
- Government loan for water recycling plants construction (note(iii))	12,728	14,092	—	—
- Culture center construction compensation (note iv)	20,000	—	—	—
- Others	10,613	10,613	—	—
	<u>1,258,794</u>	<u>840,158</u>	<u>1,055,453</u>	<u>735,453</u>
Current liabilities:				
- Current portion of Government loan for sewage water processing plants construction (note(ii))	16,364	16,364	16,364	16,364
- Current portion of Government loan for water recycling plants construction (note(iii))	3,181	3,181	—	—
- Others	137	462	—	—
	<u>19,682</u>	<u>20,007</u>	<u>16,364</u>	<u>16,364</u>

- (i) As of 30 June 2013, the Group has received Rmb1,150 million land compensation fund of Jinnan sewage treatment plants and water recycling plant (note 6 (9)(d)).
- (ii) A loan was taken from TMEB by the Company during 2005 specifically for construction of sewage water processing plants. The loan is repayable in equal installments over eleven years from 2007. The current portion of the long-term loan is Rmb 16 million at the end of year 2013 (2012: Rmb16 million). The loan bears interest at 5% per annum for the first six years. From the seventh year to maturity, the interest will be based on the one-year deposit plus 0.3% premium.
- (iii) A loan was taken from TMEB by Tianjin Water Recycling Co., Ltd, the subsidiary of the company during 2003 specifically for construction of water recycling plants. The loan is repayable in equal installments over eleven years from 2007. The current portion of the long-term loan is Rmb3 million at the end of 2013 (2012: Rmb3million). The interest will be based on the one-year deposit plus 0.3% premium.
- (iv) As at 30 June 2013, the group has received Rmb 20 Million Construction compensation fund from the Tianjin Culture Center.

#### (14) DEFERRED REVENUE

Deferred revenue represents the subsidies received from governmental bodies in relation to Group's certain construction and research & development projects. The detail of deferred revenue is as below:

	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Sewage water processing plants :		
– Xian Yang Lu (upgrade project)	67,079	67,219
– Ji Zhuang Zi (upgrade project)	39,453	39,535
– Dong Jiao (upgrade project)	38,359	38,439
Water recycling plants in:		
– Dong Jiao	24,815	25,131
– Bei Chen	21,000	21,000
Others	10,223	10,556
Total-Company	<u>200,929</u>	<u>201,880</u>
Heating and cooling supply service project:	104,563	104,563
Water recycling plants :		
– Ji Zhuang Zi (sewage reuse project)	42,057	42,057
– Ji Zhuang Zi (expansion project)	20,400	20,400
– Xian Yang Lu (water recycling project)	15,171	15,171
Others	1,635	1,590
Total-Group	<u><u>384,755</u></u>	<u><u>385,661</u></u>

#### (15) DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities

	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Depreciation of fixed assets	<u>65,917</u>	<u>60,645</u>
Taxable temporary differences		
Depreciation of fixed assets	<u><u>263,668</u></u>	<u><u>242,580</u></u>

## (16) SHARE CAPITAL

Movement of the Company's authorised, issued and fully paid up capital is tabled below. All of the Company's shares are ordinary shares with par value of one Renminbi.

	<b>A shares</b>	<b>H shares</b>	<b>Total</b>
At 31 December 2012 and 30 June 2013	<u>1,087,228</u>	<u>340,000</u>	<u>1,427,228</u>

"A" shares represent shares listed on the Shanghai Securities Exchange and "H" shares represent shares listed on the Main Board of The Stock Exchange of Hong Kong. All the "A" and "H" shares rank pari passu in all respects.

## (17) RESERVES AND DIVIDEND

- (a) Capital reserve comprises share premium arising from the issuance of shares and adjustment from acquisition of shares from minority interests. This reserve can be utilised to offset prior years' losses or for issuance of bonus shares.
- (b) According to the PRC Companies Law and the Company's Articles of Association, a company is required to transfer 10% of its net profit for the year to the statutory common reserve, which can be ceased till the reserve reaches 50% of the registered capital. This reserve shall only be used to make up losses; or to increase the capital of the Company upon approval from the shareholders.
- (c) Dividends

A dividend in respect of year ended 31 December 2012 of Rmb0.6 (gross tax) every 10 shares, 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: Rmb0.4 (gross tax) every 10 shares, amounting to a total dividend of Rmb 57 million).

## (18) MINORITY INTERESTS

Minority interests attributable to respective subsidiaries' minority shareholders are set out as below:

	Group	
	Unaudited 30 June 2013	Audited 31 December 2012
Subsidiaries		
Hangzhou Tianchuang Capital Water Co., Ltd.	100,001	95,466
Qijing Capital Water Co., Ltd.	27,793	27,397
Baoying Capital Water Co., Ltd.	18,682	18,507
Guizhou Capital Water Co., Ltd.	6,913	6,921
Honghu Capital Water Co., Ltd.	2,473	2,444
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	1,182	1,656
Tianjin Capital New Material Co., Ltd.	547	51
	<u>157,591</u>	<u>152,442</u>

## (19) INCOME FROM AND COST FOR OPERATIONS

	Group Unaudited			
	For the six months ended			
	30 June 2013		30 June 2012	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Income from principal operations	793,594	469,723	735,532	411,983
Other operating income	57,761	39,695	29,568	22,408
	<u>851,355</u>	<u>509,418</u>	<u>765,100</u>	<u>434,391</u>

	Company Unaudited			
	For the six months ended			
	30 June 2013		30 June 2012	
	Income from operations	Cost of operations	Income from operations	Cost of operations
Income from principal operations	432,078	219,551	430,002	203,279
Other operating income	42,220	26,911	17,969	9,620
	<u>474,298</u>	<u>246,462</u>	<u>447,971</u>	<u>212,899</u>

(a) Income from and cost of principal operations

The income and cost categorised by the nature of service are analysed as below:

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2013</b>		<b>30 June 2012</b>	
	<b>Income from operations</b>	<b>Cost of operations</b>	<b>Income from operations</b>	<b>Cost of operations</b>
Processing of sewage water and construction of related facility	618,337	356,881	603,322	338,595
Water recycling and connection project	93,309	69,009	55,211	39,119
Heating and cooling supplying	26,434	20,768	20,928	16,477
Tap water supplying	18,136	11,787	21,546	13,643
Others	37,378	11,278	34,525	4,149
	<u>793,594</u>	<u>469,723</u>	<u>735,532</u>	<u>411,983</u>

The income and cost categorised by the area is analysed as below:

	<b>Group Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2013</b>		<b>30 June 2012</b>	
	<b>Income from operations</b>	<b>Cost of operations</b>	<b>Income from operations</b>	<b>Cost of operations</b>
Tianjin area	560,517	316,731	511,796	262,093
Hangzhou area	80,096	48,807	77,494	49,799
Xi'an area	37,383	28,634	37,354	29,441
Qujing area	34,908	23,696	33,003	22,383
Others	80,690	51,855	75,885	48,267
	<u>793,594</u>	<u>469,723</u>	<u>735,532</u>	<u>411,983</u>

(b) Income from and cost of other operating

	<b>Group</b>			
	<b>Unaudited</b>			
	<b>For the six months ended</b>			
	<b>30 June 2013</b>		<b>30 June 2012</b>	
	<b>Income from</b>	<b>Cost for</b>	<b>Income from</b>	<b>Cost for</b>
	<b>operations</b>	<b>operations</b>	<b>operations</b>	<b>operations</b>
Entrust operation income	47,387	32,333	13,096	9,835
Technical service	2,352	778	11,046	6,363
Rental of investment properties	4,036	2,425	5,078	2,837
Others	3,986	4,159	348	3,373
	<u>57,761</u>	<u>39,695</u>	<u>29,568</u>	<u>22,408</u>

(c) Revenue from the five largest customers of the Group

Revenue from the top five customers of the Group with an amount of Rmb 573 million for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Rmb 556million) accounts for 67% (for the six months ended 30 June 2012: 72%) of the total revenue of the Group, as analysed below:

	<b>Revenue</b>	<b>% of total balance</b>
TSC	387,047	45%
Hangzhou Sewage Company	80,096	9%
Xi'an Urban Infrastructure Construction Investment Group Co., Ltd.	37,384	4%
Qijing City Water General Company	34,822	4%
Tianjin Municipal and Highway Management Bureau	33,513	4%
	<u>572,862</u>	<u>66%</u>

**(20) BUSINESS TAX AND SURCHARGES**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Business tax	6,898	4,045	3,572	1,984
City construction and maintenance fee	567	369	250	139
Education fee surcharge and others	471	286	214	119
	<u>7,936</u>	<u>4,700</u>	<u>4,036</u>	<u>2,242</u>

**(21) Administrative expenses**

The detail of administrative expenses is as below:

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Employee wages	33,283	28,908	21,287	19,207
Travelling, meeting and entertainment expenses	5,379	6,104	1,059	1,750
Taxes	2,589	3,744	1,167	1,408
Depreciation	3,205	3,639	1,463	1,508
Auditors' remuneration	2,849	2,781	2,610	2,500
Expenses of Board of Directors	1,088	1,244	1,008	1,244
Repair and maintenance expenses	2,222	2,448	1,375	1,523
Office expenses	1,315	1,342	519	655
Expenditure on power	567	710	389	516
Amortization	584	1,377	548	558
Consulting services fee	874	476	489	351
Others	2,353	2,441	873	823
	<u>56,308</u>	<u>55,214</u>	<u>32,867</u>	<u>32,043</u>



**(22) FINANCIAL EXPENSES – NET**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Interest expenses of borrowings	129,471	138,009	83,627	90,747
Less: Capitalised interest	—	(11,070)	—	(10,554)
	<u>129,471</u>	<u>126,939</u>	<u>83,627</u>	<u>80,193</u>
Net interest expenses	129,471	126,939	83,627	80,193
Less: Interest income	(14,283)	(16,223)	(12,291)	(13,551)
– long-term receivables	(5,740)	(5,754)	(5,740)	(5,754)
– bank deposits	(8,543)	(10,469)	(6,551)	(7,797)
Others	1,760	1,575	1,293	1,075
	<u>116,948</u>	<u>112,291</u>	<u>72,629</u>	<u>67,717</u>

**(23) INVESTMENT INCOME**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Investment income from the long-term equity investment accounted by cost method	—	500	24,940	26,750
Investment income from the long-term equity investment accounted by equity method	(1,067)	584	—	—
	<u>(1,067)</u>	<u>1,084</u>	<u>24,940</u>	<u>26,750</u>

Investment income from the long-term equity investment accounted by cost method

	Group		Company	
	Unaudited		Unaudited	
	For the	For the	For the	For the
	six months	six months	six months	six months
	ended 30	ended 30	ended 30	ended 30
	June 2013	June 2012	June 2013	June 2012
Tianjin Beifang Rencaigang Company Limited	—	500	—	500
Tianjin Water Recycling Co., Ltd	—	—	15,000	10,000
Guizhou Capital Water Co., Ltd	—	—	4,750	9,500
Wendeng Capital Water Co., Ltd	—	—	4,000	—
Baoying Capital Water Co., Ltd	—	—	1,190	—
Qijing Capital Water Co., Ltd	—	—	—	6,750
	—	500	24,940	26,750

Investment income from the long-term equity investment accounted by equity method

	Group		Company	
	Unaudited		Unaudited	
	For the	For the	For the	For the
	six months	six months	six months	six months
	ended 30	ended 30	ended 30	ended 30
	June 2013	June 2012	June 2013	June 2012
Tianjin International Machinery Co., Ltd	(1,067)	584	—	—
	(1,067)	584	—	—

#### (24) NON-OPERATING INCOME

	Unaudited		Amount recognized in non-recurring profit or loss for the six months ended 30 June 2013
	For the	For the	
	six months	six months	
	ended 30	ended 30	
	June 2013	June 2012	
Gain on disposal of fixed assets	2,047	1,350	2,047
Government grants	2,586	2,613	2,586
Others	581	1,067	581
	5,214	5,030	5,214

**(25) NON-OPERATING EXPENSES**

	Unaudited		Amount recognized in non-recurring profit or loss for the six months ended 30 June 2013
	For the six months ended 30 June 2013	For the six months ended 30 June 2012	
Loss on disposal of fixed assets	876	2,190	876
Others	71	64	71
	<u>947</u>	<u>2,254</u>	<u>947</u>

**(26) INCOME TAX**

	Group Unaudited		Company Unaudited	
	For the six months ended 30 June 2013	For the six months ended 30 June 2012	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Current income tax	36,596	38,533	29,739	34,229
Deferred income tax	5,272	5,672	476	877
	<u>41,868</u>	<u>44,205</u>	<u>30,215</u>	<u>35,106</u>

## (27) EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to owners of the parent of Rmb 116 million (For the six months ended 30 June 2012: Rmb115 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2012: 1,427 million shares).

As there was no related matter impacted the number of shares issued, diluted earnings per share are calculated using the same bases as described above for calculating basic earnings per share.

	<b>Group Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Profit attributable to owners of the parent	116,169	114,956
Weighted average number of ordinary shares in issue (million shares)	1,427	1,427
Basic and diluted earnings per share (Rmb Yuan)	<u>0.08</u>	<u>0.08</u>

**(28) NOTES TO THE CASH FLOW STATEMENTS AND SUPPLEMENTARY INFORMATION****(a) Reconciliation of net profit to cash flows from operating activities**

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Net profit	122,077	118,159	114,094	123,629
Adjustments for:				
Depreciation of fixed assets and investment properties	96,474	73,605	85,808	61,824
Amortisation of intangible assets	67,327	66,746	5,745	5,817
Losses/(gain) on disposal of fixed assets	(1,171)	2,190	47	2,146
Financial expenses-net	129,471	126,939	83,627	80,193
Investment (income)/losses	1,067	(1,084)	(24,940)	(26,750)
Amortisation of deferred revenue	(621)	(619)	(619)	(619)
Increase in deferred tax liabilities	5,272	5,672	476	877
(Increase)/decrease in inventories	19,939	(8,000)	330	(5,509)
Increase in operating receivables	(291,308)	(224,185)	(284,420)	(238,650)
Increase/(decrease) in operating payables	(18,106)	53,117	(18,505)	17,785
Net cash flows from operating activities	<u>130,421</u>	<u>212,540</u>	<u>(38,357)</u>	<u>20,743</u>
Net changes in cash and bank balances				
Cash at end of year	1,226,328	981,251	705,360	559,534
Less: cash at beginning of year	<u>996,965</u>	<u>688,993</u>	<u>469,715</u>	<u>257,969</u>
Net increase in cash and bank balances	<u><u>229,363</u></u>	<u><u>292,258</u></u>	<u><u>235,645</u></u>	<u><u>301,565</u></u>

(b) Cash and bank balances include the following for the purposes of the cash flow statement:

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Cash and bank balances	1,229,928	984,851	705,360	559,534
Less: Restricted bank deposit(Note6(1)(b))	<u>(3,600)</u>	<u>(3,600)</u>	<u>—</u>	<u>—</u>
Cash and bank balances shown in the cash flow statements	<u><u>(1,226,328)</u></u>	<u><u>981,251</u></u>	<u><u>705,360</u></u>	<u><u>559,534</u></u>

(c) Cash received relating to other operating activities in the cash flow statement mainly includes:

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Interest income from bank deposits	8,543	10,469	1,083	1,017
Release of deposit on project bids	4,094	1,030	3,930	1,030
Subsidies received	1,460	2,335	—	2,085
Others	<u>9,377</u>	<u>14,993</u>	<u>3,965</u>	<u>7,834</u>
	<u><u>23,474</u></u>	<u><u>22,047</u></u>	<u><u>8,978</u></u>	<u><u>11,966</u></u>

(d) Cash paid relating to other operating activities in the cash flow statement mainly includes:

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Travelling, meeting and entertainment expenses	5,379	6,104	1,059	1,750
Expenses of board of directors	1,088	1,244	1,088	1,244
Deposit	1,144	1,375	—	102
Consulting service fee	6,114	4,927	5,599	4,492
Repair and maintenance expenses	2,022	2,448	1,175	1,523
Others	14,863	21,114	5,054	11,047
	<u>30,610</u>	<u>37,212</u>	<u>13,975</u>	<u>20,158</u>

(e) Cash received relating to other investing activities in the cash flow statement mainly includes:

	<b>Group Unaudited</b>		<b>Company Unaudited</b>	
	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2012</b>
Land compensation fund received (note6 (14)(e))	400,000	—	320,000	—
Culture center construction compensation received	20,000	—	—	—
Received of government grants	—	24,715	—	—
	<u>420,000</u>	<u>24,715</u>	<u>320,000</u>	<u>—</u>

## 7 SEGMENT REPORTING

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

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

(a) Segment information as at and for the year ended 30 June 2013 is as follows:

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
Income from third parties (Note 6(19))	428,408	80,207	109,722	93,309	26,434	18,136	95,139	851,355
Interest income (Note 6(22))	4,369	252	905	2,404	27	4	6,322	14,283
Interest expenses (Note 6(22))	(83,627)	(11,882)	(23,200)	(199)	(5,318)	(4,588)	(657)	(129,471)
Investment profit from associate (Note 6(7)(c))	—	—	—	—	—	—	(1,067)	(1,067)
Depreciation & Amortisation	(88,708)	(18,124)	(31,364)	(11,381)	(6,808)	(5,170)	(2,247)	(163,802)
Total profit	79,637	15,067	6,996	19,491	(479)	844	42,389	163,945
Income tax expense	(21,179)	(1,970)	(2,449)	(3,792)	(1,626)	(211)	(10,641)	(41,868)
Net profit	58,458	13,097	4,547	15,699	(2,105)	633	31,748	122,077
Segment assets	5,671,847	733,499	1,532,501	1,174,661	382,075	282,896	1,121,372	10,898,851
Segment liabilities	4,646,168	402,178	314,914	1,068,963	314,915	124,147	59,211	6,930,496
Investment in associate	—	—	—	—	—	—	37,561	37,561
Non-current assets addition other than related to long-term investment	151,204	64	16,618	27,548	223	107	2,471	198,235



(b) Segment information as at and for the year ended 30 June 2012 is as follows:

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and cooling	Tap water	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants					
	Income from third parties(Note 6(19))	396,489	77,696	129,137	55,211	20,928	21,546	
Interest income (Note 6(22))	6,091	326	706	2,665	29	20	6,386	16,223
Interest expenses (Note 6(22))	(80,194)	(13,518)	(26,471)	(1,509)	(702)	(4,352)	(193)	(126,939)
Investment profit from associate (Note 6(7)(c))	—	—	—	—	—	—	584	584
Depreciation & Amortisation	(63,880)	(18,124)	(33,169)	(11,494)	(6,737)	(4,496)	(2,451)	(140,351)
Total profit/(loss)	92,068	14,208	11,579	12,311	(74)	1,955	30,317	162,364
Income tax expense	(22,994)	(1,703)	(3,731)	(2,958)	(2,170)	(104)	(10,545)	(44,205)
Net profit/(loss)	69,074	12,505	7,848	9,353	(2,244)	1,851	19,772	118,159
Segment assets	5,225,860	765,236	1,570,914	750,111	366,645	280,048	688,216	9,647,030
Segment liabilities	3,746,212	445,582	577,167	698,501	307,876	87,693	7,720	5,870,751
Investment in associate	—	—	—	—	—	—	45,253	45,253
Non-current assets addition other than related to long-term investment	66,914	2,895	6,720	8,044	3,076	820	10,201	98,670

## 8 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk:

(i) Foreign currency risk:

The Group has no significant foreign currency risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. All of the Group's borrowings are denominated in RMB. The sole foreign currency exposure of the Group arises from fluctuation of US dollar and Japanese Yen (ating pursuant to the long-term payment scheme set out in the asset transfer agreement of foreign loan financed assets from TSC (note 6(14)(d)).

At 30 June 2013, if RMB had strengthened/weakened by 5 % against the US dollar with all other variables held constant, post-tax profit for the period would have been Rmb4 million (2012: Rmb4 million) higher/lower. Similarly, if RMB had strengthened/weakened by 5 % against the JPY with all other variables held constant, post-tax profit for the period would have been Rmb 9 million (2012: Rmb11 million) higher/lower.

(ii) Interest rate risk:

The Group's interest rate risk arises mainly from cash and bank balances, long-term receivables, borrowings and long-term payables.

The Group has significant borrowings and long-term payables. Those taken at variable rates expose the Group to cash flow interest-rate risk, whilst those taken at fixed rates expose the Group to fair value interest-rate risk.

The tables below set out the Group's and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the maturity dates.

	Group				Company			
	Fixed	Floating	Non-interest bearing	Total	Fixed	Floating	Non-interest bearing	Total
At 30 June 2013								
Assets								
Cash and bank balances	7,225	1,222,673	—	1,229,928	—	705,360	—	705,360
Long-term receivables	<u>335,619</u>	<u>—</u>	<u>—</u>	<u>335,619</u>	<u>335,619</u>	<u>—</u>	<u>—</u>	<u>335,619</u>
Liabilities								
Current borrowings	—	801,345	137	801,482	—	563,364	—	563,364
Non-current borrowings	—	1,540,660	1,180,613	2,721,273	—	559,416	990,000	1,549,416
Long-term payables due								
within 1 year	20,768	6,593	—	27,361	20,768	6,593	—	27,361
Long-term payables	258,310	89,019	—	347,329	258,310	89,019	—	347,329
Debentures payable	<u>1,382,675</u>	<u>—</u>	<u>—</u>	<u>1,382,675</u>	<u>1,382,675</u>	<u>—</u>	<u>—</u>	<u>1,382,675</u>
At 31 December 2012								
Assets								
Cash and bank balances	3,600	996,965	—	1,000,565	—	469,715	—	469,715
Long-term receivables	<u>337,631</u>	<u>—</u>	<u>—</u>	<u>337,631</u>	<u>337,631</u>	<u>—</u>	<u>—</u>	<u>337,631</u>
Liabilities								
Current borrowings	—	883,725	462	884,187	—	673,864	—	673,864
Non-current borrowings	—	2,011,421	10,613	2,022,034	—	929,053	—	929,053
Long-term payables due								
within 1 year	21,231	6,770	—	28,001	21,231	6,770	—	28,001
Long-term payables	258,132	92,622	—	350,754	258,132	92,622	—	350,754
Debentures payable	<u>691,950</u>	<u>—</u>	<u>—</u>	<u>691,950</u>	<u>691,950</u>	<u>—</u>	<u>—</u>	<u>691,950</u>

At 30 June 2013, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, profit for the period would have been lower/higher by Rmb 9 million (30 June 2012: Rmb10.5 million).

The Group analyses its interest rate exposure by considering refinancing, renewal of existing positions and alternative financing resolution.

(b) Credit risk:

Credit risk arises from deposits with banks and credit exposures to customers.

The Group manages credit risk on bank deposits by placing the majority of its cash and bank balances with state owned/ listed banks in the PRC. The Group has not had any significant loss arising from non-performance by these parties in the past and management does not expect so in the future.

The credit risk on trade receivables is concentrated on a few customers, all of which are PRC government bodies. Thus, the management considers that the risk is limited.

The maximum credit risk of the Company includes the carrying value of its financial assets on books and is increased by the notional amount of financial guarantees issued for its subsidiaries.

(c) Liquidity risk:

Cash flow forecasting is performed in the operating entities and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.

The Group's financial assets and liabilities (inclusive of interests) are analysed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, using the contracted undiscounted cash flows, as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2013					
Cash and bank balances	1,229,928	—	—	—	1,229,928
Trade and other receivables	1,909,839	—	—	—	1,909,839
Long-term receivables	18,813	86,577	74,250	335,220	514,860
Long-term bank borrowings	(845,239)	(505,503)	(919,546)	(236,403)	(2,506,691)
Long-term payables	(32,917)	(33,319)	(103,029)	(568,076)	(737,341)
Other non-current liabilities	(22,770)	(22,125)	(63,474)	(10,613)	(118,982)
Trade and other payables	(454,196)	—	—	—	(454,196)
Short-term borrowings	(58,553)	—	—	—	(58,553)
Debentures payable	(84,630)	(84,630)	(1,607,410)	—	(1,776,670)
At 31 December 2012					
Cash and bank balances	1,000,565	—	—	—	1,000,565
Trade and other receivables	1,583,332	—	—	—	1,583,332
Long-term receivables	15,503	87,607	63,650	363,603	530,363
Long-term bank borrowings	(928,544)	(948,347)	(876,878)	(366,591)	(3,120,360)
Long-term payables	(32,572)	(32,917)	(101,421)	(603,003)	(769,913)
Other non-current liabilities	(23,002)	(22,341)	(64,424)	(15,353)	(125,120)
Trade and other payables	(532,787)	—	—	—	(532,787)
Short-term borrowings	(91,267)	—	—	—	(91,267)
Debentures payable	(46,480)	(46,480)	(792,960)	—	(885,920)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to maintain a gearing ratio of about 40% - 60%. The gearing ratio of the Group is as follows:

	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
Total borrowings	4,093,757	3,976,926
Less: Cash and cash equivalents	(1,222,673)	(996,965)
Net debt	2,871,084	2,979,961
Total equity	3,968,354	3,932,671
Total capital	6,839,438	6,912,632
Gearing ratio	42%	43%

There is no significant change in gearing ratio of the Group for the six months ended 30 June 2013.

(e) Fair value estimation

Long-term borrowings, long-term payable, and debentures that are not traded in an active market, are estimated at fair value that is determined by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar cash flows.

## 9 SIGNIFICANT RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) General information of the parent company

	<b>Type</b>	<b>Place of registration</b>	<b>Legal representative</b>	<b>Nature of business</b>	<b>Code of organisation</b>
TMICL	Limited Company	Tianjin, the PRC	Xiong Guang Yu	Development and management of municipal infrastructures	70042249

The Company's ultimate controlling party is company TICIG

- (a) Registered capital and changes in registered capital of the parent company

	31 December 2012	Increase in current year	Decrease in current year	30 June 2013
TMICL	<u>1,820,000</u>	<u>—</u>	<u>—</u>	<u>1,820,000</u>

- (b) The percentages of share holding and voting rights in the Company held by the parent company

	30 June 2013		31 December 2012	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
TMICL	<u>51.60%</u>	<u>51.60%</u>	<u>51.60%</u>	<u>51.60%</u>

- (2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in note6 (7)(a).

- (3) Information of joint ventures and associates

The general information and other related information of joint ventures and associates is set out in note6 (7)(c).

- (4) Information of other related parties

#### Relationship with the Group

Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Controlled by the same ultimate parent company
Tianjin Environment Construction Investment Company Limited	Controlled by the same ultimate parent company
Tianjin Lecheng Properties Limited	Controlled by the same ultimate parent company
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate parent company
Tianjin Subway Group Limited company	Controlled by the same ultimate parent company
Tianjin Haihe Construction Developing Investment Co.,Ltd.	Controlled by the same ultimate parent company

(5) Related party transactions

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions between the Group and its related parties during the year:

(i) Income

Name of related party	Nature of transaction	Unaudited	% of total	Unaudited	% of total
		For the six months ended 30 June 2013	amount of the same transaction	For the six months ended 30 June 2012	amount of the same transaction
TICIG	Commission income from contract operation	26,838	56.64	—	—
Tianjin Lecheng Properties Co., Ltd.	Income from supply of heat and cooling	12,364	46.77	10,110	48.31
Tianjin subway Group Co., Ltd.	Income from supply of heat and cooling	2,051	7.76	1,897	9.06
Tianjin Environment Construction Investment Company Co., Ltd.	Rental income from TCEP building	943	23.36	908	17.88
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Management fee from construction projects	800	20.07	—	—
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	Construction revenue from sewage water processing plant	—	—	1,958	34.05
Tianjin Environment Construction Investment Company Co., Ltd.	Income from supply of heat and cooling	—	—	261	1.25
TICIG	Rental income from TCEP building	—	—	239	4.71

The Group's pricing on construction contract service with related parties is based on the reference price for construction market stipulated by government. Rental income from related parties is negotiated by both parties involved in the lease and by making reference to the market price. Pricing on heat and cooling with related parties is based on the reference price stipulated by government.

(ii) Key management compensation

	<b>Unaudited For the six months ended 30 June 2013</b>	<b>Unaudited For the six months ended 30 June 2012</b>
Key management compensation	<u>5,696</u>	<u>5,440</u>

(6) Receivables from and payables to related parties

Receivables from related parties

<b>Name of related party</b>	<b>Unaudited 30 June 2013</b>	<b>Audited 31 December 2012</b>
TICIG	26,838	13,419
Tianjin Lecheng Properties Limited	15,065	8,197
Tianjin City Resource Operation Co., Ltd.	1,600	801
Tianjin Subway Group Co., Ltd.	963	—
Tianjin Environment Construction Investment Company Co., Ltd.	943	—
Tianjin Ziya Recycling Economy Industry Investment & Development Co., Ltd.	<u>800</u>	<u>—</u>

(7) Transactions/ balances with other state owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-controlled entities”).

During the period, the Group’s significant transactions with these state controlled entities include processing of sewage water and construction and management of related facility, processing of tap water, recycled water and supply of heat and cooling. As at period end, majority of the Group’s cash and bank balances and borrowings are with state controlled banks and listed banks.



## 10 COMMITMENTS

The Group's capital commitments at the balance sheet date in respect of construction projects are as follows:

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2013 Rmb' million	Audited 31 December 2012 Rmb' million	Unaudited 30 June 2013 Rmb' million	Audited 31 December 2012 Rmb' million
Sewage water processing plants in:				
– Ji Zhuang Zi (relocation project)	735	330	767	1,318
– Ninghe project	5	—	1	—
Water recycling plants in:				
– Ji Zhuang Zi water recycling plants (relocation project)	119	72	74	150
	<u>859</u>	<u>402</u>	<u>842</u>	<u>1,468</u>

## SUPPLEMENT OF THE FINANCIAL STATEMENT

For the year ended 30 June 2013

(All amounts in RMB thousand unless otherwise stated)

### (1) Extraordinary profit and loss statement

	Unaudited For the six months ended 30 June 2013	Unaudited For the six months ended 30 June 2012
Gains/(losses) on disposal of non-current assets	(876)	(2,190)
Other non-operating income and expenses	5,144	4,966
	<u>4,267</u>	<u>2,776</u>
Effect amount of income tax	(1,067)	(694)
Effect amount of minority interest(after tax)	(646)	(818)
	<u>2,554</u>	<u>1,264</u>

Basis of preparing extraordinary profit and loss statement

According to *Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public - Extraordinary profit and loss statement [2008]* published by China Security Regulatory Commission("CSRC"), Extraordinary profit and loss is the trading and issues that have no direct relation with the normal operations of a company, or that are related with normal operations but affect the users of the statement to make reasonable judgment of the company's operation performance and profitability due to the special and occasional nature of such trading and issues.

### (2) Reconciliation statement of inland and abroad financial statement

There's no difference on inland and abroad financial statement.

### (3) Rate of return on net assets and earnings per share

	Weighted average income rate of net assets(%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	For the	For the	For the	For the	For the	For the
	six months	six months	six months	six months	six months	six months
	ended	ended	ended	ended	ended	ended
	30 June	30 June	30 June	30 June	30 June	30 June
	2013	2012	2013	2012	2013	2012
Net profit attribute to the ordinary share holders of the company	3.05	3.17	0.08	0.08	0.08	0.08
Net profit exclude extraordinary profit and loss attribute to the ordinary share holders of the company	2.98	3.14	0.08	0.08	0.08	0.08

**(4) Statement of the abnormal conditions and the reason on main subjects of the financial statement**

**(i) Consolidated balance sheet**

Item	Unaudited	Audited	Variance	Percentage	Analysis
	30 June 2013	31 December 2012			
<b>Asset</b>					
Construction in progress	632,773	459,487	173,286	37.71%	Mainly for the construction work for the Jinnan sewage water processing plant and water recycling plant
<b>Liability</b>					
Short-term borrowings	55,000	86,000	(31,000)	36.05%	Repaid short-term loans during the period.
Trade payables	33,549	20,847	12,702	60.93%	Mainly for the operating cost and other expense for the sewage water processing plants of parent company
Dividend payable	114,766	30,929	83,837	271.06%	Mainly include annual dividend payable of 2012.
Taxes payable	15,713	26,706	(10,993)	41.16%	During the period, the income tax payable of 2012 was settled.
Debenture payables	1,382,675	691,950	690,725	99.82%	During the period, the group issued debentures of Rmb 700 million.
Other non-current liabilities	1,258,794	840,158	418,636	49.83%	Mainly include the land compensation fund of Jizhuangzi sewage water processing plant and water recycling plant of Rmb400 million received in this period.

## (ii) Consolidated income statement

Item	Unaudited For the six months ended 30 June 2013	Unaudited For the six months ended 30 June 2012	Variance	Percentage	Analysis
Business tax	(7,936)	(4,700)	(3,236)	68.85%	Mainly due to the incremental commission income from contract operation of Zhangguizhuang sewage water processing plant and Hangu Yingcheng sewage water processing plant and the increasing pipeline construction income, which are both subject to business tax.
Investment income/ (loss)	(1,067)	1,084	(2,151)	198.43%	The associate company incurred loss in this period.
Non-operating expenses	(947)	(2,254)	1,307	57.99%	Loss on disposal of fixed assets reduced as compared with prior period.

## (iii) Consolidated cash flow statement

Item	Unaudited For the six months ended 30 June 2013	Unaudited For the six months ended 30 June 2012	Variance	Percentage	Analysis
Net cash flows from operating activities	130,421	212,540	(82,119)	38.64%	Mainly due to the cash collection of operation revenue from parent company and the subsidiary of Recycle Water Company; concurrently, due to the increase in operation expenses for JiaYuan Company and Recycled Water Company.
Net cash flows from investing activities	69,301	(220,907)	290,208	131.37%	Mainly due to the receipt of the second land compensation for Jizhuangzi sewage water processing plant and water recycling plant in this period.
Net cash flows from financing activities	29,641	300,625	(270,984)	90.14%	Mainly due to the cash received from borrowing in this period is lower than the prior period.
Net increase in cash and bank balances	229,363	292,258	(62,895)	21.52%	Mainly due to the decrease of the net cash flow from both operation activities and financing activities.

## **SECTION IX MISCELLANEOUS**

### **I. REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

### **II. AUDIT COMMITTEE**

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2013.

### **III. CORPORATE GOVERNANCE CODE**

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

### **IV. MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company has adopted a code of conduct regarding the securities transactions by the Directors and Supervisors on the terms exactly the same as the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules. The Company, having made specific enquiries to all the Directors and Supervisors, confirmed that all the Directors and Supervisors have complied with the code of conduct regarding the securities transactions by the Directors and Supervisors during the reporting period.

## **SECTION X LIST OF DOCUMENTS AVAILABLE FOR INSPECTION**

- I. The financial statements signed and sealed by the person in charge of the Company, the officer in charge of the accounting function and the officer in charge of the accounting department (the chief accountant).**
- II. Original copies of all documents and announcements of the Company publicly disclosed in the website designated by the CSRC during the reporting period.**
- III. The interim report released in other stock markets.**

Tianjin Capital Environmental Protection Group Company Limited  
Chairman: Zhang Wenhui