

Sound Global Ltd. Interim Report 2013

SHORING UP



Stock Code: E6E(SGX) 00967(SEHK)
Co. Reg. No. 200515422C

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CORPORATE PROFILE

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer)
Wang Kai (Chief Financial Officer)
Luo Liyang
Jiang Anping

Independent Non-Executive Directors

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

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES (SGX)

Wen Yibo
Tan Wei Shyan

AUTHORISED REPRESENTATIVES (SEHK)

Wen Yibo
Wong Tak Yee

JOINT COMPANY SECRETARIES

Tan Wei Shyan (LLB)
Wong Tak Yee (FCIS, FCS (PE))

REGISTERED OFFICE

1 Robinson Road #17-00
AIA Tower
Singapore 048542
Telephone: +65 6535 1944
Facsimile: +65 6535 8577

OFFICES

Our Principal Office and Contact Details

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Tongzhou District, Beijing 101102, PRC
Telephone: +8610 6050 4718
Facsimile: +8610 6050 4766

Our Singapore Office and Contact Details

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

Our Hong Kong Office and Contact Details

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: +852 2980 1888
Facsimile: +852 2545 1628

CORPORATE WEBSITE

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

PRINCIPAL BANKERS

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

AUDITORS

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
6 Shenton Way
OUE Downtown 2
#32-00
Singapore 068809
Partner-in-charge: James Xu
Date of appointment: April 29, 2013

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

SOLICITORS

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

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

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

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	6 months ended June 30, 2013 RMB'000 (Unaudited)	6 months ended June 30, 2012 RMB'000 (Unaudited)
Revenue	1,474,638	1,184,034
Gross profit	444,199	351,087
Profit before income tax	229,768	225,762
Income tax expense	(55,166)	(32,311)
Profit for the period	<u>174,602</u>	<u>193,451</u>
Profit for the period attributable to		
Owners of the company	173,413	193,451
Non-controlling interest	1,189	-
	<u>174,602</u>	<u>193,451</u>
Earnings per Share		
Basic (RMB cents)	<u>13.44</u>	15.00
Diluted (RMB cents)	<u>13.44</u>	14.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2013 RMB'000 (Unaudited)	As at December 31, 2012 RMB'000 (Audited)
Current assets	5,379,318	5,008,194
Non-current assets	1,929,551	1,830,931
Total assets	<u>7,308,869</u>	<u>6,839,125</u>
Current liabilities	2,055,692	1,763,281
Non-current liabilities	2,422,014	2,421,332
Total liabilities	<u>4,477,706</u>	<u>4,184,613</u>
Capital and reserves	<u>2,831,163</u>	2,654,512

MANAGEMENT DISCUSSION & ANALYSIS



SIGNIFICANT TRENDS, CONDITIONS AND EVENTS

The Company will continuously expand its share in the Engineering, Procurement and Construction (“EPC”) market and consolidate its leading market position by proactively seeking Sewage Treatment Plant Upgrade and Improvement Project. The requirement on the standard of the discharge is relatively low for a number of sewage treatment plants which were built during the period of “9th Five-Year-Plan” and “10th Five-Year-Plan” and this will give rise to the opportunity of equipment modification. This generates a tremendous demand for improving the discharge standard of the sewage treatment plants with the implementation of the measures on upgrading the discharge standard to grade 1A standard in various regions and provinces. In addition, with the adoption of more stringent regulatory standard by the People’s Republic of China (the “PRC”) government in respect to zero discharge of industrial sewage and recycling, improvement projects from industrial sewage treatment sector will be undertaken. The new breakthrough in the industrial sewage treatment sector includes shale oil wastewater treatment and comprehensive utilization of coal resources waterworks system. Shale oil and shale gas being a new future source of energy, is expecting to have great market potential.

The Company will actively seek out projects with relatively good return and controllable risk in a cautious manner, expanding the source of stable income from BOT and Operation and Maintenance (“O&M”) projects. The rapid pace of development of urbanization of the PRC and the zonation development for industrial and corporate enterprises help to create investment opportunities which provides the Company with investment options with more favorable returns and therefore the Company will increase its efforts to develop investment projects. The Company will continue to explore O&M markets vigorously. Currently, there are 3,340 municipal sewage treatment plants under operation, some of the completed projects may undergo reconstruction, and 2,000 sewage treatment plants under construction in the PRC. Following the completion of the construction of large-scale sewage treatment facilities in the PRC, the proportion of water treatment enterprises turning to water service companies will increase year by year. In addition, with the gradual maturity of the political environment for the third-party trust operation aspect of the industrial sewage treatment market, the water operation service market has entered from the incubation stage into a stage where the scale begins to expand rapidly.

The Company will continue to expand its international business steadily, including EPC and equipment sales, extending its coverage to emerging markets and developing countries such as the Saudi Arabia and Southeast Asia regions, in order to satisfy the enormous demand from such regions. The Company has been qualified for tendering certain overseas projects and has established relevant market development systems in these countries. The Company aims to achieve remarkable progress and development in the next three to five years.

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

** Small & Skillful, Multiple & Modular, Active & Automatic, Rapid and Technologic*



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF GROUP'S FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by approximately RMB290.6 million or 24.5% from approximately RMB1,184.0 million for the six months ended June 30, 2012 to approximately RMB1,474.6 million for the six months ended June 30, 2013.



The increase was attributed mainly to: (1) increased contribution from the O&M segment of approximately RMB34.3 million from approximately RMB37.9 million for the six months ended June 30, 2012 to approximately RMB72.2 million for the six months ended June 30, 2013 as certain BOT projects started operations; and (2) increased contribution from the turnkey EPC services of approximately RMB276.3 million from approximately RMB1,087.8 million for the six months ended June 30, 2012 to approximately RMB1,364.1 million for the six months ended June 30, 2013 as the Group continues to be awarded and fulfilling its EPC projects in China. These increases were partly offset by the decreased external sales from Hi-Standard by approximately RMB20.1 million from RMB58.4 million for the six months ended June 30, 2012 to RMB38.3 million for the six months ended June 30, 2013.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB93.1 million or 26.5% from approximately RMB351.1 million for the six months ended June 30, 2012 to approximately RMB444.2 million for the six months ended June 30, 2013. This increase was in line with the higher revenue and the stable gross profit margin.

The gross profit margin increased by approximately 0.4% from approximately 29.7% for the six months ended June 30, 2012 to approximately 30.1% for the six months ended June 30, 2013. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate from quarter to quarter depending on the amount of revenue recognised for the relevant projects during the relevant quarters. On a year-to-year basis, the gross profit margin remained relatively stable at around 30%.

Other Income

Other income increased by approximately RMB16.3 million or 58.7% from approximately RMB27.9 million for the six months ended June 30, 2012 to approximately RMB44.2 million for the six months ended June 30, 2013. This increase was mainly due to the deemed interest income arising from service concession receivables.

Other Gains and Losses

Other gains and losses increased by approximately RMB28.3 million or 100% from nil for the six months ended June 30, 2012 to RMB28.3 million for the six months ended June 30, 2013.

Other losses incurred for the six months ended June 30, 2013 were mainly due to the change of fair value on financial instruments relating to currency forward contracts and interest rate swap contract. Other gains related to foreign exchange gain resulted from US Dollar denominated senior notes and borrowings as US Dollar weakened against Renminbi.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately RMB5.8 million or 30.8% from approximately RMB18.7 million for the six months ended June 30, 2012 to approximately RMB12.9 million for the six months ended June 30, 2013. This was mainly due to the decrease in tender fees paid to agents.

Research and Development Expenses

Research and development expenses decreased by approximately RMB4.1 million or 26.7% from approximately RMB15.6 million for the six months ended June 30, 2012 to approximately RMB11.5 million for the six months ended June 30, 2013. Higher expenses incurred in prior period as Company venturing into shale oil industrial wastewater treatment.

Administrative Expenses

Administrative expenses increased by approximately RMB7.1 million or 12.9% from approximately RMB55.7 million for the six months ended June 30, 2012 to approximately RMB62.8 million for the six months ended June 30, 2013. This was mainly due to the salary increment and increase of Group's headcount.



MANAGEMENT DISCUSSION & ANALYSIS

Finance Costs

Finance costs increased by approximately RMB79.9 million or 126.4% from approximately RMB63.2 million for the six months ended June 30, 2012 to approximately RMB143.1 million for the six months ended June 30, 2013. The increase was mainly due to interest expenses relating to the USD senior notes issued in the third quarter of 2012.

Income Tax Expenses

Income tax expenses increased by approximately RMB22.9 million or 70.7% from approximately RMB32.3 million for the six months ended June 30, 2012 to approximately RMB55.2 million for the six months ended June 30, 2013. Higher income tax expenses for the relatively consistent pre-tax profits for the six months ended June 30, 2012 and June 30, 2013 arose as higher loss was recorded at Sound Global company level at nil tax payable. The higher loss was resultant from the finance costs related to the issuance of senior notes in the third quarter of 2012 and the loss from changes of fair value of an interest rate swap contract.

Profit Attributable to Owners of the Company

As a results of the above, profit attributable to owners of the Company decreased by approximately RMB20.1 million or 10.4% from approximately RMB193.5 million for the six months ended June 30, 2012 to approximately RMB173.4 million for the six months ended June 30, 2013.



REVIEW OF GROUP'S FINANCIAL POSITION

Current Assets

Current assets increased by approximately RMB371.1 million or 7.4% from approximately RMB5,008.2 million as at December 31, 2012 to approximately RMB5,379.3 million as at June 30, 2013 mainly due to the higher trade and other receivables resulted from the increased in revenue and operations and increased amount due from customers as work performed has yet to reach the billing milestone, partly offset by the lower bank balances and cash.

Inventories refer to equipment components and parts. As at June 30, 2013, the overall increase in inventories was attributable mainly to Hi-Standard to facilitate the increase in revenue. Inventories from turnkey business are not expected to be material as most of the civil engineering works are subcontracted to third parties.

Non-Current Assets

Non-current assets increased by approximately RMB98.7 million or 5.4% from approximately RMB1,830.9 million as at December 31, 2012 to approximately RMB1,929.6 million as at June 30, 2013 mainly arose from increased service concession receivables as investment in BOT projects increased.

Current Liabilities

Current liabilities increased by approximately RMB292.4 million or 16.6% from approximately RMB1,763.3 million as at December 31, 2012 to approximately RMB2,055.7 million as at June 30, 2013 mainly arose from new borrowings raised and higher trade and other payables resulted from the increased operations.

Non-Current Liabilities

Non-current liabilities remained relatively consistent at approximately RMB2,421.3 million as at December 31, 2012 and approximately RMB2,422.0 million as at June 30, 2013.



MANAGEMENT DISCUSSION & ANALYSIS

Capital and Reserves

Equity attributable to owners of the Company increased by approximately RMB175.5 million or 6.6% from approximately RMB2,643.9 million as at December 31, 2012 to approximately RMB2,819.4 million as at June 30, 2013 due mainly to the retained profits of approximately RMB173.4 million.

The non-controlling interest of approximately RMB11.8 million relates to a 20% and 10% minority interest in Yantai Bihai Water Co., Ltd and Anyang Taiyuan Water Co., Ltd respectively. Both of these subsidiaries are operating BOT projects.

Cash Flow Statement

Net cash used in operating activities was approximately RMB262.7 million for the six months ended June 30, 2013. The negative cash flow was mainly arose from the increase in trade and other receivables and amount due from customers for contract work as driven by the increased business operations.

The Group generated positive cash flow of RMB22.0 million for the six months ended June 30, 2013 from investing activities. This was mainly due to the release of pledged deposits for certain bank facilities.

Net cash used in financing activities amounted to approximately RMB83.9 million for the six months ended June 30, 2013. These amounts were due to the repayment of borrowings and interest paid, partly offset by the new borrowings raised.

As at June 30, 2013, the Group's cash position remained strong and stood at approximately RMB2,584.5 million.



FINANCIAL REVIEW

Gearing

	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Borrowings (current)	548,746	465,496
Borrowings (non-current)	843,552	888,662
Convertible loan notes (non-current)	565,143	557,618
Senior notes (non-current)	909,190	922,644
Total debt	<u>2,866,631</u>	<u>2,834,420</u>
Bank balances and cash	<u>2,584,536</u>	<u>2,912,077</u>
Equity attributable to owners of the Company	<u>2,819,374</u>	<u>2,643,912</u>
Net debt	Net debt	Net cash
Total debt to equity ratio	<u>1.02</u>	<u>1.07</u>

Loans

Aggregate amount of Group's borrowings and debt securities:

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

As at June 30, 2013		As at December 31, 2012	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
389,236	159,510	363,146	102,350

Amount repayable after one year:

As at June 30, 2013		As at December 31, 2012	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
1,741,942	575,943	1,800,506	568,418

Details of any collateral:

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

BOARD OF DIRECTORS

WEN YIBO

Executive Director and Chairman

Mr. Wen Yibo, aged 47, is the founder of our Group. He was appointed to our Board on November 7, 2005 and is currently the Executive Director and Chairman of the Company.

Mr. Wen graduated with a bachelor of environmental engineering from the Lanzhou Railway College (currently known as Lanzhou Jiaotong University) in July 1986. In December 1989, he graduated from Tsinghua University with a master degree in environmental engineering. In 2012, he began his PhD studies in engineering in Tsinghua University. Between 1989 and 1990, Mr. Wen worked as a lecturer in the environmental engineering department of Tsinghua University. From 1990 to 1993, he was a senior engineer at the Planning and Design Institute of the Ministry of Chemical Engineering.

Mr. Wen was accorded a senior engineer in September 1998 by the Beijing Senior Specialized Technique Qualification Evaluation Committee and was accorded status of professor engineer in September 2003. Mr. Wen was and is retained as a part-time professor in Tongji University, Tianjin University and Lanzhou Jiaotong University and a part-time researcher in Tianjin University.

Mr. Wen has accumulated more than 20 years of experience in the environmental protection industry. Over the years, Mr. Wen is committed to development and research on environmental pollution treatment technology and has received various technological advancement awards and prominent design awards at ministerial and national levels. Mr. Wen served as the advocate and principal officer in over 30 national patents, two national new products and two national torch projects approved by the State Intellectual Property Office.

Apart from achievements in technology research, Mr. Wen also contributed to exploration in the environmental protection industry through the innovative projects by Sound. Sound pioneered the “turnkey engineering” mode in China which in turn promoted the development of waste water treatment in the country. The “China Clear Water Project”(中華碧水計畫) by Sound introduced the “Build-Operate-Turn (BOT)” mode to the water treatment industry in China, allowing for private enterprises in China to explore a viable commercial model to enter the construction of large scale waste water treatment projects. Mr. Wen proposed to establish the National Environmental Protection Industry Zone in Beijing, which became the model for promoting regional economic development, industry development and enhancing international co-operation. Sound built its first “Venous Industrial Park”(靜脈產業園) and technology research and development center in Hunan, enabling continuous recycling of resources in the Changzhutan area in China. Mr. Wen advocated the establishment of the Environmental Service Industry Association to promote steady and standardized development of the environmental services industry.

Mr. Wen’s dedication to environmental protection industry was well recognized. In recognition of the contributions made by Mr. Wen to the development of the environmental industry in China, he was awarded the “China Environmental Protection Development Contribution Award” by the China Environmental Protection Industry 2005. In October 2009, Mr. Wen was awarded the title of “Excellent Entrepreneur in Environmental Protection Industry of China” by China Environmental Protection Industry. In November 2011, he was awarded the “Entrepreneur of the Year 2011 China” by Ernst & Young. In August 2012, Mr. Wen was elected to serve as Chairman again after holding the office of first Chairman of Environmental Service Industry Association in 2007.

ZHANG JINGZHI

Executive Director and Chief Executive Officer

Mr. Zhang Jingzhi, aged 42, was appointed as the Executive Director and Chief Executive Officer of Sound Global on March 4, 2013, and is responsible for the overall management of the Company. He is a senior engineer (professor level) with a master degree.

Mr. Zhang graduated with a bachelor degree in management information system from University of Science and Technology Beijing, School of Management in June 1993 and a master degree in business administration from School of Business, Renmin University of China in April 2001.

In his early years, Mr. Zhang served at the University of Science and Technology Beijing, School of Management and Ministry of Metallurgical Industry. He joined Sound Group Limited in April 2001 and successively served as an assistant to the president and vice president. From January 2004 to March 2011, he served as a director and successively as a general manager and an executive general manager of Sound Environmental Resources Co., Ltd, the shares of which are listed on Shenzhen Stock Exchange. From April 2011 to February 2013, he served as the executive chairman of Beijing Environment Sanitation Investment Co., Ltd.

Mr. Zhang was the general manager of Sound Environmental Resources Co., Ltd., and was responsible for the overall operation of the company. He was in charge and completed the investment, funding and implementation of nearly twenty solid waste treatment projects by the company. He published over 20 technical articles in various publications and received second technological advancement awards at ministerial level. Mr. Zhang was awarded the title of “Excellent Entrepreneur in Environment Protection Industry of China” in 2009 and ranked 11th in the “2009 Forbes Best CEO of China Listed Company” list. As an expert in the environment protection industry, Mr. Zhang was also invited to attend and present industry analysis reports at several industry forums.

WANG KAI

Executive Director and Chief Financial Officer

Mr. Wang Kai, aged 50, is a senior engineer, certified investment adviser and certified level-one constructor (municipal engineering) with a master degree. Mr. Wang was appointed to our Board on December 24, 2010, and is currently the Chief Financial Officer of the Company.

From 1979 to 1984, Mr. Wang studied environmental engineering at the School of Environmental Science and Engineering of Tsinghua University and obtained a bachelor degree. From 1987 to 1989, he studied radioactive waste management at the School of Environmental Science and Engineering of Tsinghua University and obtained a master degree.

From 1984 and 1987, Mr. Wang was the assistant engineer of Ji'an Room, First Institute of the First Academy of Ministry of Nuclear Industry. From 1990 to 1998, Mr. Wang acted as the engineer of the Chengdu Institute of Methane Science of the Ministry of Agriculture, Second Design Institute. Mr. Wang joined Sound Group Limited in 1998 as the chief engineer.

Devoted to his work on sewage treatment and water pollution control for more than 20 years, Mr. Wang is an expert in the environmental field in China with extensive practical experience in water pollution control and treatment as well as construction management. His vast professional knowledge and extensive practical experience include leading, organizing and participating in numerous design, construction and management projects.

Mr. Wang is currently the instructor of six post-graduate students at Lanzhou Jiaotong University. With over 10 patent applications pending for approval, Mr. Wang has published more than 10 academic dissertations and won the Second Prize of Environmental Protection Science & Technology Award and the Second Prize of All-China Federation of Industry and Commerce's Science and Technology Progress Award (中華全國工商業聯合會科技進步獎).

BOARD OF DIRECTORS

JIANG ANPING

Executive Director

Mr. Jiang Anping, aged 41, was appointed to the Board on October 3, 2011. He has a PhD and is currently the chief engineer of the Company.

Mr. Jiang graduated with a bachelor degree of engineering from the Department of Civil Engineering of Tianjin University in July 1995 and a master degree of engineering from the Department of Environmental Science and Engineering of Tsinghua University in July 1998. He obtained his doctoral degree in engineering science from the Department of Biological Systems Engineering of Washington State University in U.S.A. in December 2009.

From July 1998 to December 1999, Mr. Jiang worked as the assistant engineer in the design department of water supply and drainage under Beijing Municipal Engineering Professional Design Institute; from January 2000 to August 2000, he was the project manager of Beijing China Union Engineering Company Limited; from September 2000 to September 2002, he was the engineer of technical design of Beijing Puresino-Boda Environmental Engineering Co., Ltd.; from October 2002 to July 2005, he worked as the head of the second technology department at research and design institute of Beijing Sound Environmental Engineering Co., Ltd.; from August 2005 to June 2010, he was the assistant researcher of Washington State University; from July 2010 to present, he successively served as the chief engineer of the design and research institute, the deputy head of the design and research institute, the head of the design and research institute and the chief engineer of Sound Global.

Mr. Jiang has extensive professional knowledge and experience in engineering technologies. As the leader of key technological development and engineering design projects, Mr. Jiang plays an important role in the innovation and design improvement of foreign engineering projects by the Company.

Mr. Jiang is currently in charge of a Beijing Municipal Science and Technology project and is a key participant of three “water special projects” under the National 12th Five-Year Plan and a Beijing Municipal Science and Technology project. He has published four theses, with three academic dissertations on Science Citation Index and one on Engineering Index. Mr. Jiang has four patent applications pending for approval in China and one patent for utility model, all of which are currently under public review. He has also filed two patent applications in the U.S.A., one approved and the other under public review. Mr. Jiang Anping was one of the nominees in the first group of 2012 Zhongguancun Science and Technology Innovative High-end Leading Talent (2012年第一批中关村科技创新类高端领军人才).

LUO LIYANG

Executive Director

Mr. Luo Liyang, aged 40, was appointed to our Board on February 2, 2011. Mr. Luo currently acts as deputy general manager (Marketing) of our Company.

Mr. Luo graduated with a bachelor degree in Environmental Monitoring from Henan Normal University in July 1997. Mr. Luo was accorded an engineer in December 1998 by the Henan Science and Technology Committee.

From July 1997 to March 1998, Mr. Luo was vice manager of the environmental protection department of Henan Xuchang Biochemical Co., Ltd. From March 1998 to May 2000, he was vice manager of the business department of Henan Luohe Huanhaiqing Environmental Protection Co., Ltd. In May 2000, he joined Beijing Sound Environmental Engineering Co., Ltd and has held management position in the marketing department of the company to this present day. Since 12 March 2010, he has served as deputy general manager (marketing) of our Company, responsible for marketing, market planning and channel exploitation, construction and management of product platforms. He has successfully established market networks and platforms with more than 20 domestic and overseas marketing organizations for the Company, laying a solid foundation for expanding market network of the Company.

Mr. Luo has innovative thinking and pioneering spirit in the marketing area. He combined specific demands of the market and customers to flexibly apply various business models to the market, thereby introducing new solutions and investment practices.

WONG SEE MENG

Lead Independent Non-Executive Director

Mr. Wong See Meng, aged 65, is an Independent Non-Executive Director and was appointed to our Board on May 18, 2009.

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

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

He joined Forward Overseas Credit Ltd. as the general manager in 1981 and became the chief general manager in 1983 until 1987. From 1987 to 2001, he worked in Development Bank of Singapore Ltd.. He joined the Development Bank of Singapore Ltd. as the general manager in 1987 and became the senior vice president in 1993 and the managing director in 1997. He was the general manager of Raffles Medical Group (Hong Kong) between 2001 and 2002 and the business development manager of Sino Land Group (Hong Kong) between 2002 and 2003. From 2003 to 2007, he was the managing director of ORIX Leasing Singapore Ltd.. From May 2011 to October 2012, Mr. Wong was a non-independent and non-executive director of Multi-Fineline Electronix, Inc., the shares of which are listed on NASDAQ. Currently Mr. Wong provides training on banking and finance for senior management staff from various Chinese banks.

BOARD OF DIRECTORS

SEOW HAN CHIANG WINSTON

Independent Non-Executive Director

Mr. Seow Han Chiang Winston, aged 44, is an Independent Non-Executive Director and was appointed to our Board on August 24, 2006.

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

Mr. Seow joined Madhavan Partnership as an associate in 1995 and became a partner in the corporate department in 1998. From 2006 to 2012, he was successively a corporate partner of KS Chia Gurdeep & Param, KhattarWong and RHTLaw Taylor Wessing LLP. He is currently a corporate partner of Ho & Wee. Mr. Seow is also currently an independent non-executive director of Eucon Holding Limited and ICP Ltd. (Formerly known as Goldtron Limited), the shares of which are listed on Singapore Exchange Securities Trading Limited.

FU TAO

Independent Non-Executive Director

Mr. Fu Tao, aged 45, is an Independent Non-Executive Director and was appointed to our Board on August 24, 2006.

Mr. Fu graduated from the Peking University in 1990 with a bachelor of science in applied chemistry. He obtained a master degree in environmental engineering from Tsinghua University in 1993 and also obtained a doctorate in civil engineering from the Harbin University of Civil Engineering and Architecture (currently known as Harbin Institute of Technology) in 1999.

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

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

JOINT COMPANY SECRETARIES

TAN WEI SHYAN

Joint Company Secretary

Mr. Tan Wei Shyan, aged 35, has been one of our joint company secretaries since April 2007. Mr. Tan graduated with a bachelor of laws (honors) degree from the University of Exeter in 2001. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2003. Mr. Tan was engaged in general corporate work, and had experience in commercial transactions including joint ventures, commercial leases and listed companies work. Since 2005, Mr. Tan has been practicing at Shook Lin & Bok LLP in Singapore where he is currently a partner in the corporate and corporate finance department.

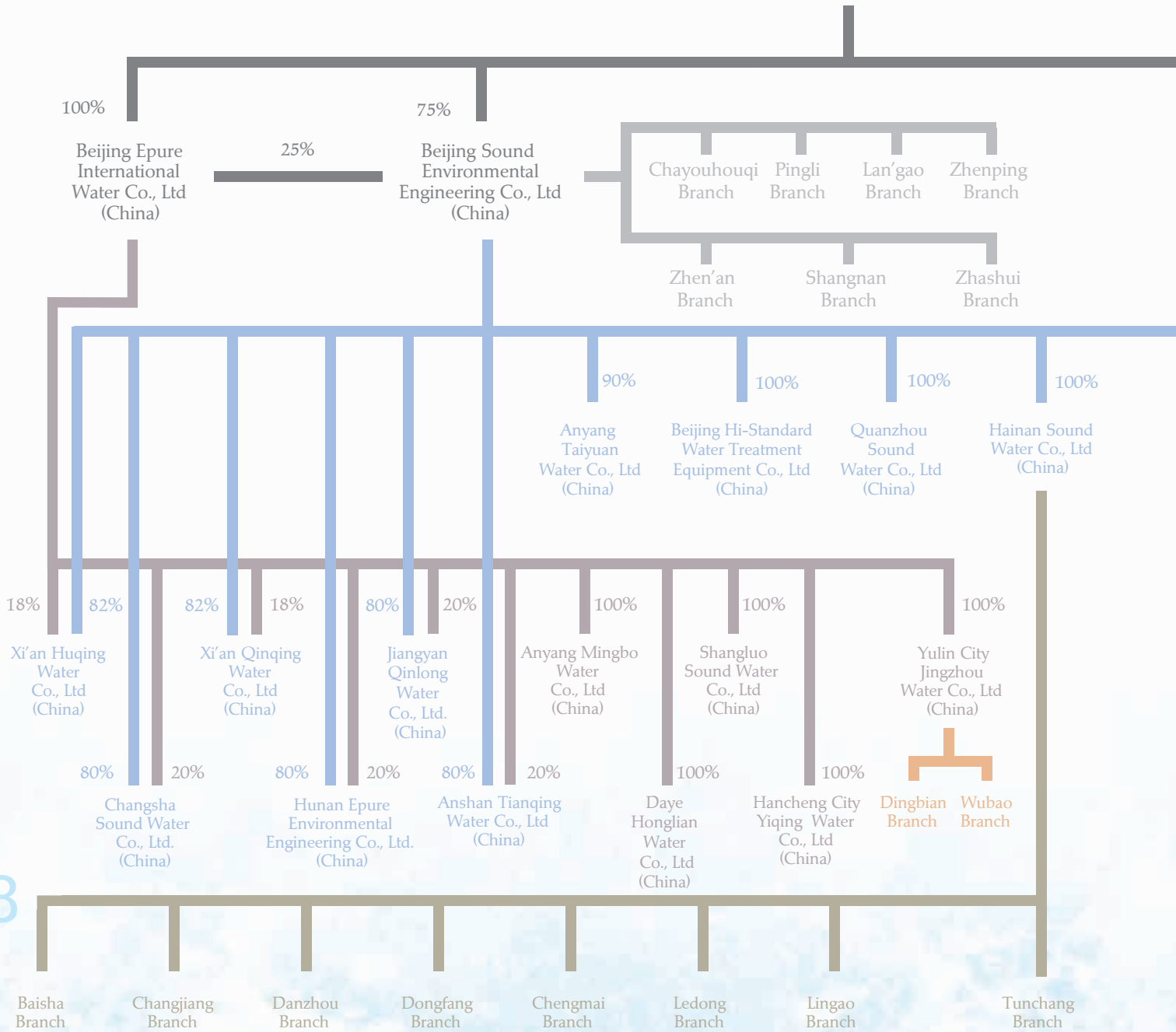
WONG TAK YEE

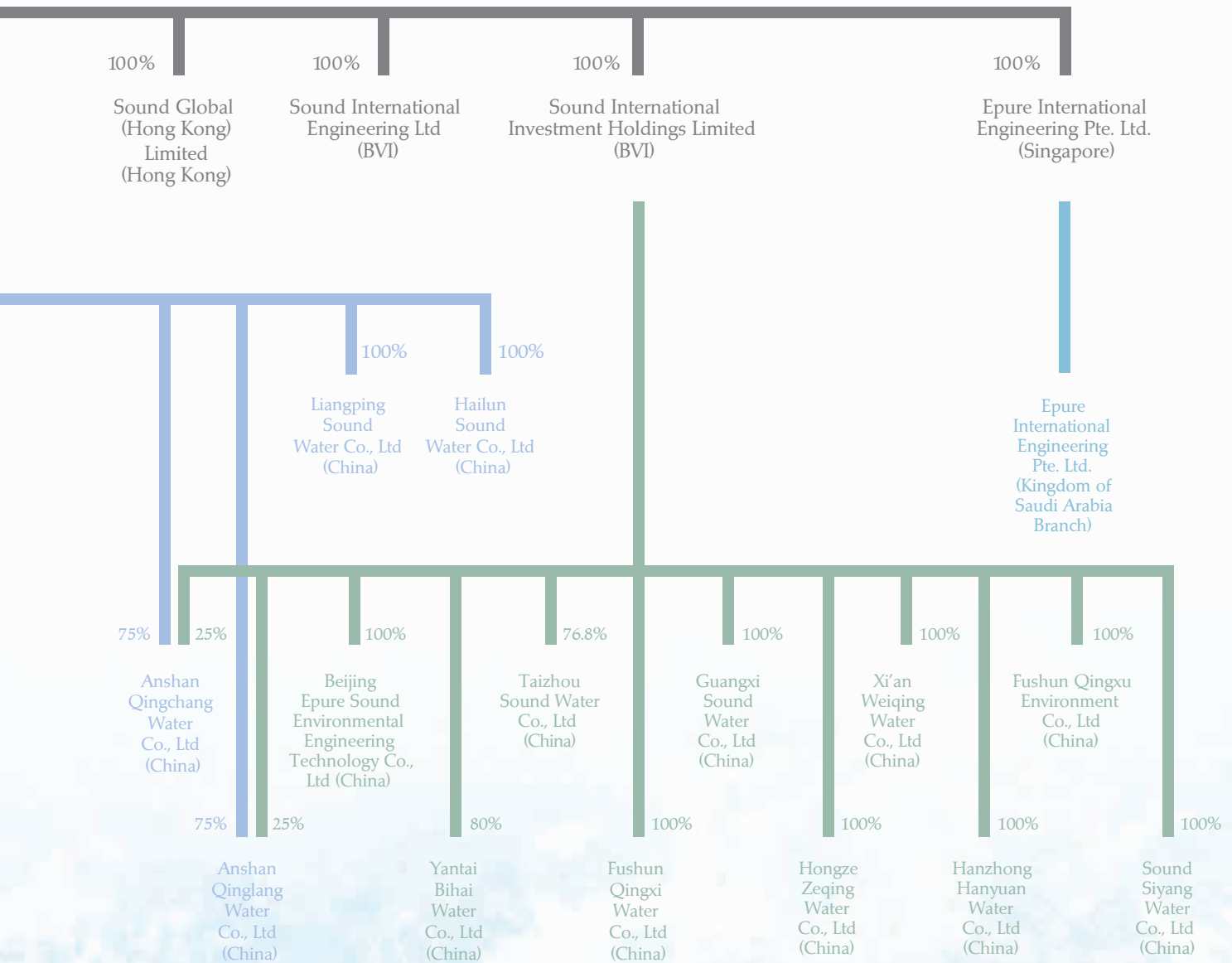
Joint Company Secretary

Ms. Wong Tak Yee, aged 56, has been one of our joint company secretaries since June 2010. Ms. Wong graduated with a bachelor degree of arts in language and translation from The Open University of Hong Kong in 2006 and also obtained her master degree of arts in English for the professions from The Hong Kong Polytechnic University in 2009. Ms. Wong is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries (HKICS). She also holds the Practitioner's Endorsement certificate issued by HKICS. From 1997 to 2000, Ms. Wong worked at Deloitte Touche Tohmatsu in Hong Kong as a senior manager of the company secretarial services department. Since 2000, Ms. Wong has been working at Tricor Group and is currently a director of the corporate services division of Tricor Services Limited. Ms. Wong has over 25 years of experience in providing corporate secretarial services and has been providing professional services to many listed companies in Hong Kong.

GROUP STRUCTURE

AS AT JUNE 30, 2013





INFORMATION FOR INVESTORS

2013 INTERIM RESULTS ANNOUNCEMENT

August 23, 2013

PRINCIPAL SHARE REGISTRAR IN SINGAPORE

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

STOCK CODES

Singapore Stock Exchange: E6E
Hong Kong Stock Exchange: 00967

INVESTOR RELATIONS

Wonderful Sky Financial Group Limited
Unit 3102-3105 31/F., Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong
Telephone: +852 2851 1038
Facsimile: +852 2598 1588

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GENERAL INFORMATION

DIRECTORS

The Directors of the Company in office during the six months ended June 30, 2013 and up to the date of the 2013 Interim report are:

Executive Directors:

Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer)
Wang Kai (Chief Financial Officer)
Luo Liyang
Jiang Anping

Independent Non-Executive Directors:

Wong See Meng
Fu Tao
Seow Han Chiang Winston

DIRECTORSHIPS

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

Name of Director	Present Directorships	Past directorships for the past 3 years
Wen Yibo	Beijing Sound Environmental Engineering Co., Ltd Beijing Lümeng Investment Co., Ltd Beijing Sanghua Environmental Technology Development Co., Ltd Beijing Xiaojiahe Wastewater Treatment Co., Ltd Sound Group Limited Sound Environmental Resources Co., Ltd Green Capital Holdings Limited Sound Water (BVI) Limited Beijing Sound Water Co., Ltd Beijing Epure International Water Co., Ltd Beijing Epure Sound Environmental Engineering Technology Co., Ltd Sound International Investment Holdings Limited Sound International Engineering Ltd. Sound Global (Hong Kong) Limited Sound (HK) Limited Sound Environment (Hong Kong) Limited Beijing Sound Environmental Technology Development Co., Ltd Hunan Sound Venous Industry Development Co., Ltd Hunan Sounddon New Energy Co., Ltd Epure International Engineering Pte Ltd	NIL

Name of Director	Present Directorships	Past directorships for the past 3 years
Zhang Jingzhi	NIL	Sound Environmental Resources Co., Ltd Beijing Environment Sanitation Investment Co., Ltd
Wang Kai	Beijing Sound Environmental Engineering Co., Ltd	NIL
Luo Liyang	NIL	NIL
Jiang Anping	Beijing Sound Environmental Engineering Co., Ltd	NIL
Wong See Meng	NIL	Lion Asiapac Ltd Multi-Fineline Electronix, Inc.
Fu Tao	Beijing Jincheng Property and Technology Development Co. Ltd Beijing Capital Co., Ltd Jiangsu Jiangnan Water Co., Ltd Yonker Environmental Protection Co., Ltd Shanghai Safbon Water Service Co., Ltd	Interchina Holdings Company Limited
Seow Han Chiang Winston	Eucon Holding Limited ICP Ltd. Boulder Group Pte Ltd Cosmo Aviation (S) Pte Ltd D&W Corporate & Consultancy Services Pte Ltd GMT Alpha Pte Ltd Intellectual Product Protection Pte Ltd Oceanexplor Logistics Pte Ltd Offshoreworks (Singapore) Pte Ltd Oils Overseas (Asia Pacific) Pte Ltd Sanwa F&B Pte Ltd Sanwa Group Pte Ltd Self Energy Pte Ltd Superiorcoat Pte Ltd Armenian Holdings Pte Ltd Anzeco Perdana Pte Ltd	Fastube Limited Petchem International Pte Ltd Petchem International Trading & Shipping Pte Ltd Sigma-Two Pte Ltd Atlantic Navigation Holdings (Singapore) Limited

GENERAL INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on SEHK (the "Listing Rules"), to be notified to the Company and SEHK were as follows:

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

(A) The Company

Name	Number of shares/underlying Shares held, capacity and nature of interest			Total	Percentage to the issued share capital of the Company (%)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Wen Yibo	11,733,000	-	701,784,000 ^{#1}	713,517,000	55.31
Wang Kai	3,075,000 ^{#2}	-	-	3,075,000	0.24
Luo Liyang	3,057,400 ^{#2}	-	-	3,057,400	0.24
Jiang Anping	1,140,000 ^{#2}	-	-	1,140,000	0.09

Notes:

#1 These shares were held by Sound Water (BVI) Limited, a company which was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively.

#2 Share options granted under the Epure Share Option Scheme of the Company.

(B) Associated Corporation — Sound Water (BVI) Limited ^{#3}

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

Notes:

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

Save as disclosed above, as at June 30, 2013, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and SEHK.

SHARE OPTION

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

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

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

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

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

- (i) the average closing price of the Shares as stated in the SEHK’s daily quotation sheets and the average closing prices of the shares on the SGX-ST for the five market days immediately preceding the date of grant of the option; and
- (ii) the closing price of the Shares as stated on the SEHK’s daily quotations sheet or the closing price of the Shares on the SGX-ST, whichever is higher, on the date of grant of the option.

The consideration for the grant of an option is S\$1.00 which should be paid within 30 days from the date of offer. Options granted with the exercise price shall only be exercised after the first anniversary but before the fifth anniversary of the date of grant of that option.

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

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

GENERAL INFORMATION

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

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

No options to take up unissued shares of the Company or any subsidiary were granted under the Scheme since the date of adoption up to June 30, 2013. As at the date of this Interim Report, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme is 129,000,000 shares, representing 10% of the issued share capital of the Company. The remaining life of the scheme is approximately 7 years.

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

The Group adopted the Epure Scheme on August 15, 2007 and the Epure Scheme was terminated upon listing on SEHK. No further options are available for issue under the Epure Scheme as at the date of this Interim Report.

As at June 30, 2013, the number of shares in respect of which options had been granted under the Epure Scheme was 64,500,000 (2012: 64,500,000), representing 5% (2012: 5%) of the shares of the Company in issue at that date.

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

Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at January 1, 2013	Forfeited	Outstanding at June 30, 2013
July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S\$0.745	33,150,400	(380,000)	32,770,400

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

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

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

Name	Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at January 1, 2013	Forfeited	Outstanding at June 30, 2013
Wang Kai	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S\$0.745	3,075,000	-	3,075,000
Luo Liyang	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S\$0.745	3,057,400	-	3,057,400
Jiang Anping	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S\$0.745	1,140,000	-	1,140,000
Other employees	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S\$0.745	25,878,000	(380,000)	25,498,000

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

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

- i) the options will be exercisable in four equal tranches, commencing one year from the date of grant and on each anniversary of the date of grant up to the fifth anniversary;
- ii) the increase in profit after tax for each of the financial years ended/ending December 31, 2010, 2011, 2012 and 2013 must be at least 15%, 15%, 10% and 10% respectively, excluding all exceptional items; and
- iii) the compounded growth rate for profit after tax, based on profit after tax for the financial year ended December 31, 2009, for each of the financial years ended/ending December 31, 2010, 2011, 2012 and 2013 must be at least 25%, 25%, 15% and 15% respectively, excluding all exceptional items.

GENERAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at June 30, 2013, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO or as the Company is aware:

Name	Number of shares	Percentage to the issued share capital of the Company (%)
Zhang Huiming	713,517,000 (L) [#]	55.31 (L)
Sound Water (BVI) Limited	701,784,000 (L)	54.40 (L)
Central Huijin Investment Ltd	297,069,767 (L)	23.02 (L)
China Construction Bank Corporation	297,069,767 (L)	23.02 (L)
International Finance Corporation	132,104,545 (L)	10.24 (L)
Norges Bank	76,152,000 (L)	5.90 (L)
JP Morgan Chase & Co.	101,793,128 (L)	7.89 (L)
	3,000,000 (S)	0.23 (S)
	96,109,675 (P)	7.45 (P)
Prudence Investment Management (Hong Kong) Limited	65,362,636 (L)	5.07 (L)
Deutsche Bank Aktiengesellschaft	65,032,929 (L)	5.04 (L)
	17,673,753 (S)	1.37 (S)

(L) — Long position (S) — Short position (P) — Lending Pool

Note:

These shares were held by her husband, Mr. Wen Yibo (11,733,000 shares) and Sound Water (BVI) Limited (701,784,000 shares), a company which was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively. Hence, Ms. Zhang Huiming was deemed to be interested in the 713,517,000 shares of the Company held by Mr. Wen Yibo and Sound Water (BVI) Limited.

Save as disclosed above, as at June 30, 2013, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The unaudited interim results for the six months ended June 30, 2013 have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Corporate Governance Code (the “HK CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended June 30, 2013 except for the deviation from the following Code Provisions:

- a) Code Provision A.4.1 of the HK CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. Although the independent non-executive directors are not appointed for a specific term, all directors shall submit themselves for re-election at least once every three years pursuant to the Company’s Articles of Association. Under the Company’s Articles of Association, any new director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be then eligible for re-election at the meeting.
- b) Code Provision A.6.7 of the HK CG Code stipulates that the independent non-executive directors and other non-executive directors should attend general meetings and Code Provision E.1.2 stipulates that the chairman should attend the annual general meeting. However, one of the independent non-executive directors and chairman did not attend the 2013 annual general meeting due to other work commitment. They will use their best endeavours to attend all future shareholders’ meetings of the Company.

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

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the directors. The Board confirms that, having made specific enquiries with all directors of the Company, during the six months ended June 30, 2013, all directors of the Company have complied with the required standards of the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the six months ended June 30, 2013, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2013, there were 1,575 (2012: 1,180) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save for those disclosed in this report, there were no significant investments held as at June 30, 2013, nor other material acquisitions and disposals of subsidiaries during the period.

STATEMENT OF THE DIRECTORS

In the opinion of the directors, the condensed consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 33 to 53 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company for the period from January 1, 2013 to June 30, 2013, and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Wen Yibo

Wang Kai

August 23, 2013



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SOUND GLOBAL LTD.

Introduction

We have reviewed the accompanying interim financial information of which comprise the condensed statement of financial position of Sound Global Ltd (the “Company”) and condensed consolidated statement of financial position of the Company and its subsidiaries (collectively known as the “Group”) as of June 30, 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group and the condensed statement of changes in equity of the Company for period from January 1, 2013 to June 30, 2013, and selected explanatory notes as set out on pages 33 to 53. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Singapore Financial Reporting Standard No. 34, “Interim Financial Reporting” (FRS 34). Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements is not prepared, in all material respects, in accordance with FRS 34.

Other Matters

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2012 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Singapore Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

August 23, 2013

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SOUND GLOBAL LTD.

Introduction

We have reviewed the condensed consolidated financial statements of Sound Global Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 33 to 53, which comprise the condensed consolidated statement of financial position as of June 30, 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2012 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

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Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 23, 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Notes	The Group Six months ended	
		June 30, 2013 RMB'000 (unaudited)	June 30, 2012 RMB'000 (unaudited)
Revenue	4	1,474,638	1,184,034
Cost of sales		(1,030,439)	(832,947)
Gross profit		444,199	351,087
Other income	5	44,247	27,889
Other gains and losses	6	(28,344)	-
Distribution and selling expenses		(12,928)	(18,680)
Research and development expenses		(11,450)	(15,631)
Administrative expenses		(62,827)	(55,670)
Finance costs	7	(143,129)	(63,233)
Profit before income tax		229,768	225,762
Income tax expenses	8	(55,166)	(32,311)
Profit for the period	9	174,602	193,451
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		550	106
Total comprehensive income for the period (net of tax)		175,152	193,557
Profit for the period attributable to:			
Owners of the Company		173,413	193,451
Non-controlling interests		1,189	-
		174,602	193,451
Total comprehensive income attributable to:			
Owners of the Company		173,963	193,557
Non-controlling interests		1,189	-
		175,152	193,557
Earnings per share			
Basic (RMB cents)	11	13.44	15.00
Diluted (RMB cents)	11	13.44	14.80

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2013

	Notes	The Group	
		June 30, 2013 RMB'000 (unaudited)	December 31, 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	48,486	47,524
Intangible assets		15,000	20,000
Land use rights		42,552	43,136
Goodwill		41,395	41,395
Service concession receivables	13	1,774,296	1,643,483
Deferred tax assets		7,822	7,822
Restricted bank balances		-	27,571
		1,929,551	1,830,931
CURRENT ASSETS			
Inventories		30,075	24,371
Trade and other receivables	14	1,621,551	1,433,015
Land use rights		1,158	1,158
Amounts due from customers for contract work	15	1,082,228	584,436
Restricted bank balances		59,770	53,137
Bank balances and cash		2,584,536	2,912,077
		5,379,318	5,008,194
CURRENT LIABILITIES			
Trade and other payables	16	1,402,632	1,170,609
Tax payable		56,345	64,117
Borrowings - due within one year	17	548,746	465,496
Amounts due to customers for contract work	15	47,969	63,059
		2,055,692	1,763,281
NET CURRENT ASSETS			
		3,323,626	3,244,913
TOTAL ASSETS LESS CURRENT LIABILITIES			
		5,253,177	5,075,844
NON-CURRENT LIABILITIES			
Deferred tax liabilities		55,279	48,877
Borrowings - due after one year	17	843,552	888,662
Convertible loan notes		565,143	557,618
Warrants		3,531	3,531
Derivative financial instruments	18	45,319	-
Senior notes		909,190	922,644
		2,422,014	2,421,332
TOTAL ASSETS LESS TOTAL LIABILITIES			
		2,831,163	2,654,512
CAPITAL AND RESERVES			
Issued capital		833,368	833,368
Reserves		1,986,006	1,810,544
Equity attributable to owners of the Company		2,819,374	2,643,912
Non-controlling interests		11,789	10,600
		2,831,163	2,654,512

CONDENSED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2013

	Notes	The Company	
		June 30, 2013 RMB'000 (unaudited)	December 31, 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Equipment	12	15	15
Investment in subsidiaries		2,041,153	2,093,770
		2,041,168	2,093,785
CURRENT ASSETS			
Trade and other receivables	14	593,838	593,847
Bank balances and cash		58,009	186,332
		651,847	780,179
CURRENT LIABILITIES			
Trade and other payables	16	69,946	62,910
Borrowings - due within one year	17	53,496	54,146
		123,442	117,056
NET CURRENT ASSETS			
		528,405	663,123
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,569,573	2,756,908
NON-CURRENT LIABILITIES			
Borrowings - due after one year	17	306,452	339,062
Convertible loan notes		565,143	557,618
Warrants		3,531	3,531
Derivative financial instruments	18	44,431	-
Senior notes		909,190	922,644
		1,828,747	1,822,855
TOTAL ASSETS LESS TOTAL LIABILITIES			
		740,826	934,053
CAPITAL AND RESERVES			
Issued capital		833,368	833,368
Reserves		(92,542)	100,685
		740,826	934,053

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Share capital RMB'000	Merger reserve RMB'000 (Note i)	Capital reserve RMB'000 (Note ii)	Translation reserve RMB'000	Share option reserve RMB'000	Convertible loan notes reserve RMB'000	Statutory surplus fund RMB'000 (Note iii)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2012	833,368	(88,296)	7,994	1,007	30,361	79,676	139,495	1,290,464	2,294,069	10,600	2,304,669
Profit for the period	-	-	-	106	-	-	-	193,451	193,451	-	193,451
Other comprehensive income for the period	-	-	-	106	-	-	-	193,451	193,557	-	193,557
Total comprehensive income for the period	-	-	-	212	-	-	-	386,902	386,902	-	386,902
Recognition of equity-settled share based payments	-	-	-	-	4,468	-	-	(65,120)	4,468	-	4,468
Dividends paid (Note 10)	-	-	-	-	-	-	-	(65,120)	(65,120)	-	(65,120)
Balance at June 30, 2012 (unaudited)	833,368	(88,296)	7,994	1,113	34,829	79,676	139,495	1,418,795	2,426,974	10,600	2,437,574
Balance at January 1, 2013	833,368	(88,296)	7,994	1,108	31,493	58,026	142,600	1,657,619	2,643,912	10,600	2,654,512
Profit for the period	-	-	-	-	-	-	-	173,413	173,413	1,189	174,602
Other comprehensive income for the period	-	-	-	550	-	-	-	-	550	-	550
Total comprehensive income for the period	-	-	-	550	-	-	-	173,413	173,963	1,189	175,152
Recognition of equity-settled share based payments	-	-	-	-	1,499	-	-	-	1,499	-	1,499
Balance at June 30, 2013 (unaudited)	833,368	(88,296)	7,994	1,658	32,992	58,026	142,600	1,831,032	2,819,374	11,789	2,831,163

Notes:

- (i) The merger reserve arose, pursuant to the reorganization in 2006, from the use of the whole proceeds of the interest free loan granted by the Company's immediate holding company, Sound Water (BVI) Limited ("Sound Water"), a company incorporated in the British Virgin Islands (the "BVI"), to finance the acquisition of a subsidiary, Beijing Sound Environmental Engineering Co., Ltd. ("Beijing Sound"). The amount was calculated as the difference between the loan amount of US\$18.8 million (equivalent to RMB150,896,000) and the issued capital of the subsidiary acquired of RMB62,600,000.
- (ii) This balance reflects (a) the fair value of the 2,157,000 shares of the Company transferred to an initial public offering consultant at a nominal value of S\$1.00 during the listing on Singapore Exchange Securities Trading Limited (the "SGX") in 2006; (b) the difference between the consideration of RMB18,000,000 in relation to the acquisition of 40% interest in Anyang Mingbo Water Co., Ltd. ("Anyang Mingbo"), a subsidiary, by the Group and the carrying amount on the non-controlling interest and (c) the deemed distribution to the ultimate holding company arose upon the acquisition of Anyang Mingbo in January 2010, with 60% interest acquired from Sound Group Limited ("Sound Group", formerly known as Beijing Sound Environment Group Co., Ltd.), a fellow subsidiary of the Company, for consideration of RMB27,000,000 by the Group.
- (iii) In accordance with the Articles of Association of certain subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Share capital RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Convertible loan notes reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2012	833,368	7,010	30,361	79,676	66,648	1,017,063
Loss and total comprehensive expense for the period	-	-	-	-	(55,527)	(55,527)
Dividends paid (Note 10)	-	-	-	-	(65,120)	(65,120)
Recognition of equity-settled share based payments	-	-	4,468	-	-	4,468
Balance at June 30, 2012 (unaudited)	833,368	7,010	34,829	79,676	(53,999)	900,884
Balance at January 1, 2013	833,368	7,010	31,493	58,026	4,156	934,053
Loss and total comprehensive expense for the period	-	-	-	-	(194,726)	(194,726)
Recognition of equity-settled share based payments	-	-	1,499	-	-	1,499
Balance at June 30, 2013 (unaudited)	833,368	7,010	32,992	58,026	(190,570)	740,826

The Company

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

	The Group	
	Six months ended	
	June 30, 2013	June 30, 2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before income tax	229,768	225,762
Adjustments for:		
Depreciation of property, plant and equipment	2,163	1,898
Amortization of land use rights	584	573
Amortization of intangible assets	5,000	5,000
Interest income	(43,414)	(26,000)
Finance costs	143,129	63,233
Foreign exchange gain and loss	(15,314)	(147)
Loss on disposal of property, plant and equipment	54	256
Share-based payment expenses	1,499	4,468
Fair value change of warrant	-	(1,511)
Fair value change of derivative financial instruments	45,319	-
Operating cash flows before movements in working capital	368,788	273,532
Increase in inventories	(5,704)	(13,397)
Increase in trade and other receivables	(188,536)	(330,086)
Increase in service concession receivables	(93,110)	(57,790)
Increase in amounts due from customers for contract work	(497,792)	(138,513)
Increase in trade and other payables	225,244	238,040
(Decrease) increase in amounts due to customers for contract work	(15,090)	41,233
Cash (used in) from operations	(206,200)	13,019
Income taxes paid	(56,536)	(46,959)
NET CASH USED IN OPERATING ACTIVITIES	(262,736)	(33,940)
INVESTING ACTIVITIES		
Interest received	5,711	4,828
Purchases of property, plant and equipment	(3,209)	(2,152)
Proceeds from disposal of property, plant and equipment	6	59
Increase in restricted bank balance	(15,695)	(14,962)
Decrease in restricted bank balance	35,170	18,974
NET CASH FROM INVESTING ACTIVITIES	21,983	6,747
FINANCING ACTIVITIES		
Interest paid	(126,492)	(52,869)
Payment of dividends	-	(65,120)
Borrowings raised	195,000	136,473
Repayment of borrowings	(152,406)	(75,372)
NET CASH USED IN FINANCING ACTIVITIES	(83,898)	(56,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(324,651)	(84,081)
CASH AND CASH EQUIVALENTS AT JANUARY 1	2,912,077	2,074,426
Effect of foreign exchange rate changes	(2,890)	(330)
CASH AND CASH EQUIVALENTS AT JUNE 30, represented by		
Bank balances and cash	2,584,536	1,990,015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2013 are the same as those followed in the preparation of the Group’s annual audited consolidated financial statements for the year ended December 31, 2012.

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

Except as described below, the application of the new or revised IFRSs in the current interim period has had no material impact on the Group’s financial performance and positions and/or on the disclosures set out in these condensed consolidated financial statements.

IFRS 13 - Fair Value Measurement

The Group has applied IFRS 13, Fair Value Measurement, for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the condensed consolidated financial statements. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 19.

IFRS 10 - Consolidated Financial Statements

IFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The Group re-assessed its involvement with its subsidiaries and concluded it has power to direct relevant activities of its subsidiaries to affect the amount of returns. The adoption of IFRS10 does not have any material impact on the financial position and financial results of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

2. PRINCIPAL ACCOUNTING POLICIES - continued

Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

3. SEGMENT INFORMATION

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

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

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

The accounting policies of the operating segments are the same as the Group’s accounting policies describe in the Group’s annual consolidated financial statements for the year ended December 31, 2012. Segment results represent the profits earned by each segment without allocation of central administration costs, directors’ remuneration, other income and finance costs at corporate level.

3. SEGMENT INFORMATION - continued

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

The Group	Turnkey projects and services RMB'000	Equipment fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
<u>Six months ended</u>						
<u>June 30, 2013</u>						
Revenue						
External sales	1,364,080	38,330	72,228	1,474,638	-	1,474,638
Inter-segment sales	-	57,443	-	57,443	(57,443)	-
Total revenue	1,364,080	95,773	72,228	1,532,081	(57,443)	1,474,638
Segment results	331,168	3,188	47,014	381,370	-	381,370
Unallocated income and other gains						12,199
Finance costs						(108,418)
Unallocated expenses and other losses						(55,383)
Profit before income tax						229,768
The Group	Turnkey projects and services RMB'000	Equipment fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
<u>Six months ended</u>						
<u>June 30, 2012</u>						
Revenue						
External sales	1,087,759	58,424	37,851	1,184,034	-	1,184,034
Inter-segment sales	-	28,667	-	28,667	(28,667)	-
Total revenue	1,087,759	87,091	37,851	1,212,701	(28,667)	1,184,034
Segment results	257,890	6,289	13,802	277,981	-	277,981
Unallocated income						7,227
Finance costs						(47,243)
Unallocated expenses						(12,203)
Profit before income tax						225,762

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

4. REVENUE

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Revenue from construction contracts		
- Turnkey services	1,236,396	989,006
- Sales of equipment	98,081	92,242
Revenue from sale of goods	38,330	58,424
Operating and maintenance income	72,228	37,851
Design service	29,603	6,511
	1,474,638	1,184,034

5. OTHER INCOME

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Interest income	5,711	4,828
Imputed interest income on service concession receivables	37,703	21,172
Sundry income	58	1,889
Government grant	775	-
	44,247	27,889

6. OTHER GAINS AND LOSSES

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Loss from changes in fair value of an interest rate swap contract	(44,431)	-
Loss from changes in fair value of a foreign currency forward contract	(888)	-
Loss on disposal of equipment	(54)	-
Net foreign exchange gains	17,029	-
	(28,344)	-

7. FINANCE COSTS

	The Group	
	Six months ended	
	June 30, 2013	June 30, 2012
	RMB'000	RMB'000
Interest expenses on borrowings		
- wholly repayable within five years	18,176	13,526
- not wholly repayable within five years	23,822	13,607
Interest expenses on convertible loan notes	25,526	36,100
Interest expenses on senior notes	75,605	-
	143,129	63,233

8. INCOME TAX EXPENSES

	The Group	
	Six months ended	
	June 30, 2013	June 30, 2012
	RMB'000	RMB'000
The charge comprises:		
Current tax		
PRC income tax	51,421	27,816
Over provision in prior year:		
PRC income tax	(2,657)	-
Deferred tax	6,402	4,495
	55,166	32,311

The Singapore income tax represents income tax in Singapore which is calculated at the prevailing tax rate on the taxable income of companies established in Singapore. For current interim period the tax rate was 17% (2012: 17%).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25%. For the six months ended June 30, 2013, certain PRC subsidiaries enjoy preferential income tax rates at 12.5% or 15%, or tax exempted (2012: 7.5% or 15%, or tax exempted).

The EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a withholding tax under the tax treaty or the domestic law.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Amortization of intangible assets (included in cost of sales)	5,000	5,000
Amortization of land use rights	584	573
Depreciation for property, plant and equipment	2,163	1,898
Loss on disposal of property, plant and equipment	54	256

10. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no interim dividend will be proposed in respect of the six months ended June 30, 2013 (2012: nil).

During the prior interim period, a final dividend of S\$0.01 per share in respect of the year ended December 31, 2011 was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the period ended June 30, 2012 amounted to RMB 65,120,000.

11. EARNINGS PER SHARE

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

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Earnings for the purpose of basic earnings per share	173,413	193,451
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	-	36,100
Earnings for the purpose of diluted earnings per share	173,413	229,551

11. EARNINGS PER SHARE - continued

	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	1,290,000	1,290,000
Effect of dilutive potential ordinary shares from:		
Convertible loan notes	-	261,513
Weighted average number of shares	1,290,000	1,551,513
	RMB cents	RMB cents
Earnings per share		
Basic	13.44	15.00
Diluted	13.44	14.80

In the current interim period, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible loan notes since their exercise would result in an increase in earnings per share. It also does not assume the exercise of the Company's options or warrants because the exercise price of those options or warrants was higher than the average market price of shares during this period.

The computation of diluted earnings per share for the six months ended June 30, 2012 does not assume the exercise of the Company's options or warrants because the exercise price of those options or warrants was higher than the average market price of shares from January 1, 2012 to June 30, 2012.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

In the current interim period, the Group spent approximately RMB3,209,000 (2012:RMB 2,152,000) on additions to fixtures and equipment in the PRC.

As at June 30, 2013, certain of the Group's buildings with an aggregate carrying amount of RMB29,578,000 (2012: RMB30,825,000) were pledged to secure general banking facilities granted to the Group.

There was no movement of the Company's equipment for the six months ended June 30, 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

13. SERVICE CONCESSION RECEIVABLES

	The Group Six months ended	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Service concession receivables	1,863,275	1,722,065
Less: Amounts due within one year shown in trade and other receivables	(88,979)	(78,582)
	1,774,296	1,643,483

Service concession receivables arose from the service concession contracts to build and operate wastewater treatment and recycling water plants. The Group is the operator under certain build-operate-transfer arrangements. Those arrangements entitle the Group concession rights for periods ranging from 20 to 30 years with minimum guaranteed tonnage and tariff per ton defined in the agreements. With respect to the contracts, the Group has evaluated and assessed that such contracts fall into the scope of IFRIC 12 Service Concession Arrangements. Service concession receivables were recognized to the extent that the Group has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services.

14. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented, based on the billing date of construction service or delivery of goods, as appropriate.

	The Group	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables:		
Within 90 days	405,874	243,561
91 - 180 days	73,653	347,257
181 days - 1 year	329,525	341,725
1 to 2 years	373,588	242,574
2 to 3 years	81,839	28,709
More than 3 years	13,112	-
	1,277,591	1,203,826
Bills receivables:		
Within 180 days	27,230	45,378

14. **TRADE AND OTHER RECEIVABLES - continued**

	The Company	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables:		
Within 90 days	93	101
1 to 2 years	5,300	5,300
	5,393	5,401

15. **AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK**

	The Group	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Contracts in progress at reporting date:		
Amounts due from customers for contract work	1,082,228	584,436
Amounts due to customers for contract work	(47,969)	(63,059)
	1,034,259	521,377
Contract costs incurred plus recognized profits less recognized losses	3,626,561	3,111,499
Less: Progress billings	(2,592,302)	(2,590,122)
	1,034,259	521,377

The amounts due from/to customers for contract work are all related to construction contracts in turnkey projects.

16. **TRADE AND OTHER PAYABLES**

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is an aged analysis of trade payables based on invoice issuance date at the end of each reporting period:

	The Group	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables:		
Within 90 days	427,665	334,294
91 days to 180 days	219,829	162,540
181 days to 1 year	184,102	100,454
1 to 2 years	87,858	128,829
2 to 3 years	67,568	40,890
More than 3 years	17,554	17,742
	1,004,576	784,749
The table below is an analysis of bills payables		
Within 180 days	-	35,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

16. TRADE AND OTHER PAYABLES - continued

	The Company	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables:		
Within 90 days	1,716	557
181 days to 1 year	557	-
1 to 2 years	4,220	4,220
	6,493	4,777

17. BORROWINGS

During the current interim period, the Group obtained new bank borrowing amounting to RMB195,000,000 (2012: RMB136,473,000) and repaid bank borrowing of RMB152,406,000 (2012: RMB75,372,000). The Company repaid bank borrowing of RMB28,861,000 (2012: RMB14,352,000).

18. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Fair value of interest rate swap contracts (note)	44,431	-
Fair value of foreign currency forward contracts	888	-
	45,319	-

	The Company	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Fair value of interest rate swap contracts (note)	44,431	-

Note: During current interim period, the Group has signed one interest rate swap contract with the Hong Kong and Shanghai Banking Corporation Limited (“HSBC”) and the contract will be mature in 2017. Under the contract, the Group will receive interest at fixed rates and pay interest at floating rates (except for the first year which is fixed at 10.875%) on a semi-annual basis. In respect of the interest rate swap contract, the Group entered into International Swaps and Derivatives Association Master Agreements with HSBC which is subject to an enforceable master netting arrangement.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

The Group's derivatives are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities	Fair value as at (RMB '000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	June 30, 2013	December 31, 2012				
1) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	888	N/A	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	44,431	N/A	Level 2	(i) Discounted cash flow is used to determine the first year's payoff which is fixed. (ii) Black-Scholes pricing model and discounted cash flows are used to determine the fair value of the remaining term of the interest rate swap which can be seen as 7 separated index call options minus fixed cash flow payments. The key inputs are HSBC Macroeconomic Treasury Yield Spread Volatility Budgeted Index as mentioned in the interest rate swap contract, the expected volatility of the index, risk free rate and discount rate.	N/A	N/A
3) warrants in the condensed consolidated statement of financial position	3,531	3,531	Level 3	The Binomial model was used. Stock price of the company and volatility of the stock price is considered as the key input in determining the fair value of the warrant.	Volatility of the stock price.	The higher of the volatility the higher the fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values:

	June 30, 2013		December 31, 2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<u>The Group and the Company</u>				
Financial liabilities				
Convertible loan notes (Liability component)	575,643	601,392	568,118	615,330
Senior notes	951,820	991,327	966,517	1,006,010

20. (A) RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of Sound Water, the ultimate holding company's group of companies.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation.

At the end of the reporting period, the Company had the following balances with related parties:

	The Group	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables		
<i>Subsidiary:</i>		
Xi'an Qinqing Water Co., Ltd	5,300	5,300
Trade payables		
<i>Subsidiaries:</i>		
Beijing Sound	400	400
Beijing Epure International Water Co., Ltd ("Beijing Epure")	3,820	3,820
Beijing Hi-Standard Water Treatment Equipment Co., Ltd.	2,273	557
	6,493	4,777
Dividend receivables		
<i>Subsidiaries:</i>		
Beijing Sound	294,750	294,750
Beijing Epure	293,000	293,000
	587,750	587,750
Other payables		
<i>Subsidiary:</i>		
Sound Global (Hong Kong) Limited	926	-

20. (B) RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements of the Group are with related parties. The balances are unsecured, interest-free and repayable on demand.

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

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Revenue from construction contracts		
<i>Fellow subsidiaries:</i>		
Laohekou Qingyuan Water Co., Ltd. (“Laohekou Qingyuan”)	16,062	-
Mingguang City Kangqing Environment Co., Ltd. (“Mingguang Kangqing”)	4,900	-
Ezhou Qinghe Environmental Engineering Co., Ltd. (“Ezhou Qinghe”)	583	-
Beijing Guozhong Biology Technology Co., Ltd. (“Beijing Guozhong”)	553	166
Linqu Yiqing Environment Energy Co., Ltd. (“Linqu Yiqing”)	-	2,590
	22,098	2,756
Revenue from sales of goods		
<i>Fellow Subsidiaries:</i>		
Laohekou Qingyuan	8,282	-
Ezhou Qinghe	3,247	-
Mingguang Kangqing	2,051	-
Sound Group Co., Ltd. (“Sound Group”)	831	-
	14,411	-
Revenue from design service		
<i>Fellow Subsidiaries:</i>		
Beijing Xiaojiahe Wastewater Treatment Engineering Co., Ltd. (“Beijing Xiaojiahe”)	9,387	-
Mingguang Kangqing	660	-
Anda Anhua Environmental Co., Ltd. (“Anda Anhua”)	660	-
Linqu Yiqing	613	-
	11,320	-

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

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20. (B) RELATED PARTY TRANSACTIONS - continued

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

	The Group	
	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Trade receivables		
<i>Fellow subsidiaries:</i>		
Beijing Xiaojiahe	9,950	-
Mingguang Kangqing	6,515	-
Jiayu Jiaqing Water Co., Ltd.	4,899	5,399
Laohekou Qingyuan	3,414	-
Ezhou Qinghe	3,287	-
Baotou Lucheng Water Co., Ltd.	2,653	2,653
Beijing Guozhong	2,220	-
Jingzhou Jingqing Water Co., Ltd.	1,098	1,098
Linqu Yiqing	480	284
Jingmen Xiajiawan Water Co., Ltd.	408	408
Anda Anhua	399	665
Xianning Ganyuan Water Co., Ltd.	81	81
Nanchang Xianghu Water Co., Ltd.	69	69
Yichang Sanxia Water Co., Ltd.	59	59
Huzhou Zheqing Water Co., Ltd.	-	333
Tongliao Bibo Water Co., Ltd (“Tongliao Bibo”)	-	134
	35,532	11,183
Amounts due from customers for contract work		
<i>Fellow subsidiaries:</i>		
Laohekou Qingyuan	6,438	-
Mingguang Kangqing	1,485	-
Ezhou Qinghe	1,096	-
Anda Anhua	376	376
Linqu Yiqing	131	131
Beijing Guozhong	-	1,667
	9,526	2,174
Other receivables		
<i>Director</i>		
Luo Liyang	7	85
	7	85
Other payables		
<i>Fellow subsidiary</i>		
Tongliao Bibo	-	3,076
	-	3,076
Advance from customers		
<i>Fellow subsidiary</i>		
Sound Group	-	408
	-	408

The maximum balance outstanding for amounts due from Luo Liyang, a director of the Company during current period was RMB87,000 (2012: RMB130,000).

20. (B) RELATED PARTY TRANSACTIONS - continued

(c) Compensation of key management personnel

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

	The Group Six months ended	
	June 30, 2013 RMB'000	June 30, 2012 RMB'000
Wages and salaries	1,361	1,063
Performance related incentive payments	768	55
Contributions to defined contribution plan	80	76
Share-based payments	591	1,559
	2,800	2,753

(d) Guarantees

At the end of the reporting period, the borrowings RMB471,600,000 (2012: RMB451,600,000) of the Group was guaranteed by Sound Group.

(e) Others

Licensing of trademarks

Since 2002, the Group (previously being registered owner of certain trademarks) uses its trademarks for its water and wastewater treatment business. These trademarks are also used by Beijing Sound for its investments in environmental protection and its subsidiary, by Beijing Sound Water Technology Co., Ltd. for the processing of purified drinking water at nil consideration before March 2006.

In March 2006, the Group agreed to transfer the trademarks for free to Beijing Sound pursuant to a Trademarks Transfer Agreement dated March 23, 2006. Beijing Sound will in return grant the Group the right to use the trademarks for a period of up to 50 years at nil consideration.

21. RECONCILIATION BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS AND SINGAPORE FINANCIAL REPORTING STANDARDS

These condensed consolidated financial statements are also in compliance with the Singapore Financial Reporting Standards No. 34, "Interim Financial Reporting" (FRS 34).