

CTEG

中滔環保

CT Environmental Group Limited 中滔環保集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1363



2013
INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors

TSUI Cham To

LU Yili

XU Ju Wen

XU Shu Biao

XU Zi Tao

Independent non-executive Directors

LAM Ka Wai, Graham

LIU Yung Chau

XU Zhen Cheng

BOARD COMMITTEES

Audit Committee

LAM Ka Wai, Graham (*Chairman*)

LIU Yung Chau

XU Zhen Cheng

Nomination Committee

LIU Yung Chau (*Chairman*)

LAM Ka Wai, Graham

TSUI Cham To

Remuneration Committee

XU Zhen Cheng (*Chairman*)

LIU Yung Chau

TSUI Cham To

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS IN THE PRC

17/F, Best Centre Tower

321 Gangkou Road

Xintang Town

Zengcheng, Guangzhou

the PRC

PLACE OF BUSINESS IN HONG KONG

Room 1202B, 12/F

Empire Centre

68 Mody Road

Tsim Sha Tsui

Kowloon

Hong Kong

AUTHORIZED REPRESENTATIVES

TSUI Cham To

LU Yili

COMPANY SECRETARY

SIT Hon Wing FCPA, FCCA

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, PO Box 1586

Grand Cayman KY1-1110

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong



Corporate Information

PLACE OF LISTING

The main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

STOCK CODE

1363
(listed on the Stock Exchange on 25 September 2013)
(the "Listing Date")

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Ltd.
Bank of China Limited

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISORS

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Compliance Advisor

Somerley Limited

WEBSITE

www.chongto.com



Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

We are a provider of one-stop centralized and customized wastewater treatment and industrial water supply services in China, focusing on industrial wastewater treatment. Our services cover the whole value chain of the wastewater treatment and industrial water supply services industry, from design planning, procurement and construction, to operations and maintenance of the wastewater treatment and water supply facilities.

We focus on developing centralized and cost-efficient wastewater treatment facilities for industrial parks or clusters. Many local governments in China are increasingly promoting the large-scale development of selected industries in the form of specialized industrial parks or clusters. We expect this trend to continue and intend to capitalize on the anticipated industrial growth by actively seeking business opportunities in, and further expanding our operations to other parts of China. We believe our strong track record in providing centralized wastewater treatment and industrial water supply services positions us well to capitalize on the continued industrial growth in China.

Our Company is the first provider of centralized wastewater treatment services for textile and dyeing industries in Guangdong province. In 2003, we commenced construction of our flagship project, Guangzhou Xinzhou Industrial Park. In view of its strong wastewater treatment capacity and advanced technology, the Industrial Park was named “Key National Model Project for Practical Technology in Environmental Protection” (國家重點環保實用技術示範工程) by the China Environmental Protection Industry Association (中國環境保護產業協會) in 2007 and 2012, respectively, and was recognized by the Guangdong Province Environmental Protection Industry Association in 2011 as a leading industrial park with the largest centralized wastewater treatment facilities in terms of treatment capacity for the textile industry in the province.

Currently, our Company operates four wastewater treatment plants, one industrial water supply plant and one sludge treatment plant in Guangdong province, and operates one wastewater treatment plant in Hunan province. These facilities have an aggregate capacity of 365,000 m³ per day for wastewater treatment, 150,000 m³ per day for industrial water supply and 200 tonnes per day for sludge treatment. By the end of 2013, our Yonghe Haitao Wastewater Treatment Facility (Phase III) and Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility (Phase I) will add another 100,000 m³ per day to our wastewater treatment capacity and another 50,000 m³ per day to its industrial water supply capacity.

We intend to continue to focus on providing centralized industrial wastewater treatment and industrial water supply services and seek to expand our operations organically to increase our recurring earnings stream. We will continue to focus on areas that have the potential of requiring centralized treatment facilities, such as existing or potential specialized industrial parks or clusters. We believe companies operating in these areas can be well served by our centralized, customized and cost-efficient treatment solutions. We plan to leverage our existing strong track record and technical capabilities to expand our business. As part of our plans for expanding our wastewater treatment services business, we intend to continue our focus on industrial wastewater treatment projects, with BOO (Build-Own-Operate) as our preferred project model.



Management Discussion and Analysis

We attempted to replicate our BOO project model currently used for our flagship project, Guangzhou Xinzhou Industrial Park to Guangyuan city, Sichuan Province and provide a fully integrated and centralized system of facilities for the textile technology industrial park there, the construction of this facility is expected to be completed by end of 2013.

In addition to our core business, provision of wastewater treatment services, we also intend to selectively expand our operations into other areas of the waste treatment industry such as sludge treatment service. Currently, our Yonghe Haitao Sludge Treatment Facility is treating sludge produced by: 1) Yonghe Haitao wastewater treatment process; and 2) third party customers who are not able to properly treat their sludge. We obtained the relevant sludge treatment permit in March 2013 and had commenced sludge treatment service to third party in the second half of 2013 and started to have profit contribution to our Group at the same time. We plan to continue to improve our sludge treatment technology, so as to increase the capacity and efficiency of our sludge treatment process for our planned expansion into the sludge treatment business.

It is estimated that the total output of sludge in China will exceed 46 million tonnes by the end of 2015 from 23 million tonnes in 2010. Untreated sludge can cause severe pollution to the environment. Our Group expects that the imposition of stricter environmental protection requirements on the sludge treatment industry will bring about business opportunities.

In recent years, the PRC Government has implemented various preferential policies to encourage industries to move into developing regions in the form of industrial parks or economic development zones. To seize this opportunity, in addition to expanding its business through organic growth, we will selectively seek mergers and acquisitions opportunities at the same time with an aim to further consolidate its market position and to reward shareholders with outstanding results.

On 25 September 2013, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Offering"), which marked a milestone for our Group. The gross proceeds from the Offering were approximately HKD503.2 million. We believed that the successful listing will not only enhance our shareholders' base but will also enhance the financial position and corporate brand of our Group, these benefits will in turn translate into greater profitability in future.



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

Our turnover increased by 25.4% to HK\$221.1 million for the six months ended 30 June 2013 from HK\$176.3 million for the six months ended 30 June 2012. Such increase primarily due to 1) change in the mix of industrial wastewater being treated, where we treated a larger proportion of wastewater for which we charged a higher fee in line with our pricing policy; 2) the ramping up of our heating services which reflected in the volume of heat sold; and 3) the commencement of the Yonghe Haitao Treatment Facility (Phase II) in April 2012, which in turn only generated a turnover of about two months for the six months ended 30 June 2012. In contrast, such facility contributed to the turnover for the whole of the six months period for the six months ended 30 June 2013.

Cost of sales

Our total cost of sales increased by 39.1% to HK\$84.0 million for the six months ended 30 June 2013 from HK\$60.4 million for the six months ended 30 June 2012, primarily due to the 1) increased volume of heat purchased which in turn due to the increased demand from our customers; and 2) Yonghe Haitao Treatment Facility (Phase II) which commenced its operation in April 2012 and therefore have six months cost contribution for the six months ended 30 June 2013. The above increase was partially offset by the decrease in the purchase cost of sulfuric acid, one of our major raw materials used in wastewater treatment process.

Gross profit and gross profit margin

Our gross profit increased by 18.2% to HK\$137.1 million for the six months ended 30 June 2013 from HK\$115.9 million for the six months ended 30 June 2012, primarily as a result of the factors described above.

Our overall gross profit margin decreased to 62.0% for the six months ended 30 June 2013 from 65.8% for the six months ended 30 June 2012, primarily due to the increase in the turnover attributable to heating services, which has a relatively lower gross profit margin, compared with wastewater treatment segment.

General and Administrative expenses

Our general and administrative expenses increased by 59.8% to HK\$18.3 million in the six months ended 30 June 2013 from HK\$11.5 million for the six months ended 30 June 2012. This was primarily due to the increase in professional fees and expenses incurred in connection with the initial public offerings.

Finance costs

Our finance costs decreased by 16.9% to HK\$15.6 million for the six months ended 30 June 2013 from HK\$18.8 million for the six months ended 30 June 2012, primarily due to the repayment of part of our Group's bank borrowings and since we have capitalised certain finance costs into properties under development for the six months ended 30 June 2013 related to the construction of Yonghe Haitao Treatment Facility (Phase III).



Management Discussion and Analysis

Share of profit of an associate

Our share of profit of an associate increased by 11.1% from HK\$7.8 million for the six months ended 30 June 2012 to HK\$8.8 million for the six months ended 30 June 2013, primarily due to the increased revenue which in turn due to increased volume treated, such increase was partially offset by the banking services charges incurred relating to the drawdown of bank borrowings with a principal amount of HK\$200 million by that associate.

Profit before taxation

Our profit before taxation increased by 23.1% to HK\$112.1 million for the six months ended 30 June 2013 from HK\$91.1 million for the six months ended 30 June 2012, primarily due to the factors described above.

Income tax

Our income tax increased by 42.1% to HK\$22.0 million for the six months ended 30 June 2013 from HK\$15.5 million for the six months ended 30 June 2012, which was primarily due to the increase in the provision as a result of the increase in the enterprise income tax rate for certain subsidiaries.

Profit attributable to equity holders of the Company

Our profit attributable to equity holders of the Company for the six-month period increased by 19.1% to HK\$90.0 million for the six months ended 30 June 2013 from HK\$75.5 million for the six months ended 30 June 2012, primarily as a result of the factors described above.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Our principal liquidity and capital requirements primarily relate to investments in our projects, acquisition of land use rights, construction of our wastewater treatment and industrial water supply facilities, purchases of equipment, costs and expenses related to the operation and maintenance of our facilities, as well as investments in our research and development capabilities.

As at 30 June 2013, the carrying amount of the Group's cash and bank deposits was approximately HK\$16.3 million (30 April 2013: HK\$10.9 million), representing an increase of 49.6% as compared to that as at 30 April 2013.



Management Discussion and Analysis

Loans and Borrowings

As of 30 June 2013, our total amount of utilized bank loans was HK\$596.5 million, and we had no un-utilized banking facilities.

These bank loans were secured and guaranteed by the charging rights of industrial water supply turnover generated from Guangzhou Kaizhou Water Supply Facility and the charging rights of wastewater treatment turnover generated from Guangzhou Xintao Wastewater Treatment Facility and Yonghe Haitao Treatment Facility, together with our land use rights.

Our gearing ratio, as calculated by dividing our total borrowings by our total assets, was 46.4%, as of 30 June 2013. There was no material fluctuation of the gearing ratio between 30 April 2013 (as disclosed in the prospectus dated 12 September 2013) and 30 June 2013.

Capital expenditure

Our major capital expenditures consist primarily of expenditures to acquire land use rights, construct wastewater treatment facilities and purchase property, plant and equipment.

For the six months ended 30 June 2013, our capital expenditures amounted to HK\$101.9 million. These capital expenditures were funded by bank borrowings, funds generated from our operating activities and capital contributions from our shareholders.

Foreign exchange risk

Our functional currency is Renminbi as most of our transactions are settled in Renminbi while our presentation currency is Hong Kong dollars. The Group does not expect significant exposure to foreign exchange fluctuations in this regard.

Contingent liabilities

As at June 30, 2013, the Group together with the other shareholders of Guangzhou Yinglong, an associate in which the Group held 46% equity interest, has issued a guarantee to a bank in respect of a bank loan granted to Guangzhou Yinglong.

The directors do not consider it probable that a claim will be made against the Group under this guarantee arrangement as Guangzhou Yinglong has sufficient working capital to meet its financial obligations as and when they fall due after considering the expected net cashflow from future operating activities. The maximum liability of the Group as at 30 June 2013 under the guarantee arrangement is the amount of the facilities drawn down by Guangzhou Yinglong of HKD251,060,000 (equivalent to RMB200,000,000).

Employee and remuneration policies

As at 30 June 2013, the Group had 348 employees. Our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members.



Management Discussion and Analysis

Material acquisitions and disposal

For the six months ended 30 June 2013, the Group did not have any material acquisitions and disposals of assets.

Use of proceeds from initial public offerings

The Group was officially listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 September 2013 by way of global offering with the net proceeds of approximately HK\$456.8 million being raised.

The Group intend to apply the net proceeds for the following purposes:

Usage	Amount (HK\$ million)	Percentage
Construction and operation of wastewater treatment and industrial water supply facilities	317.0	69.4%
Potential acquisition relating to the wastewater treatment and industrial water supply facilities	45.7	10.0%
Expansion into third party sludge treatment business	33.8	7.4%
Improve research and development capacity, including develop a prototype and carry out market research on the development of dyeing sludge biomass fuel	14.6	3.2%
Working capital and general corporate purposes	45.7	10.0%
	<u>456.8</u>	<u>100.0%</u>



Other Information

SHARE OPTION SCHEME

On 4 September 2013, the Company adopted a share option scheme ("Share Option Scheme") whereby the board (the "Board") of directors of the Company ("Directors") can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "Participants") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 136,000,000 shares, which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company (the "Prospectus") dated 12 September 2013, but without taking into consideration the issue of any Shares that may be issued under the Over-allotment Option (as defined in the Prospectus). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities (the "Listing Rules")), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme was adopted, no options have been granted.



INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at the date of this interim report, the interest or short positions of the Directors or chief executives of the Company in the shares of the Company ("Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code"), are as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. TSUI Cham To ⁽¹⁾	Interest of a controlled corporation	877,200,000 (L)	64.50%
Mr. LU Yili ⁽²⁾	Interest of a controlled corporation	20,400,000 (L)	1.50%

Notes:

- (1) Mr. Tsui Cham To is interested in 98% of the issued share capital of Keen Vast Holdings Limited, which is in turn interested in 64.50% of the issued share capital of the Company.
- (2) Mr. Lu Yili owns the entire issued share capital of Great Nation Finance Ltd., which is in turn interested in 1.5% of the issued share capital of the Company.
- (3) The letter "L" denotes long position in such securities.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of Shares	Percentage of shareholding
Mr. TSUI Cham To	Keen Vast Holdings Limited	98	98%
Mr. Xu Shu Biao	Keen Vast Holdings Limited	1	1%
Mr. LU Yili	Great Nation Finance Ltd.	1	100%



Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at the date of this interim report, to the best of the Director's Knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of shares	Percentage of shareholding (%)
Keen Vast Holdings Limited ⁽¹⁾	Beneficial interest	877,200,000 (L)	64.50%
Mr. Li Sze Lim	Interest in controlled corporation and spouse interest	122,400,000 ⁽²⁾	9.0%
Ms. Cheung Yee Man	Interest in controlled corporation and spouse interest	122,400,000 ⁽³⁾	9.0%

Notes:

- (1) Keen Vast Holdings Limited is 98% owned by Mr. Tsui Cham To.
- (2) Mr. Li Sze Lim owns the entire issued share capital of Green Prosper Investments Limited ("Green Prosper") and is the spouse of Ms. Cheung Yee Man. Green Prosper is interested in 61,200,000 Shares. Accordingly, Mr. Li is deemed to be interested in all the Shares held by Green Prosper and Ms. Cheung Yee Man by virtue of the SFO.
- (3) Ms. Cheung Yee Man owns the entire issued share capital of Yifeng Investments Limited ("Yifeng Investments") and is the spouse of Mr. Li Sze Lim. Yifeng Investments is interested in 61,200,000 Shares. Accordingly, Ms. Cheung is deemed to be interested in all the Shares held by Yifeng Investments and Mr. Li Sze Lim by virtue of the SFO.

CORPORATE GOVERNANCE

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Corporate Governance Code since the date of listing of the Company's shares on the Stock Exchange on 25 September 2013, and there has been no deviation from any of the code provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for the transactions of the Company's securities. The Company has made specific enquiry with all Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code since the listing date of the Company and up to the date of this interim report.

PURCHASE, SALE AND RE-PURCHASE OF SHARES

There was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries since the listing of the Shares on 25 September 2013.



SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float since the listing of the Shares on 25 September 2013.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors, namely Mr. Lam Ka Wai, Graham, Mr. Liu Yung Chau and Mr. Xu Zhen Cheng. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group and reviewed the interim results of the Group for the six months ended 30 June 2013.

PUBLICATION OF INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.chongto.com>). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.



Consolidated Income Statement

For the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Turnover	3	221,064	176,322
Cost of sales		(83,975)	(60,374)
Gross profit		137,089	115,948
Other revenue		100	104
General and administrative expenses		(18,298)	(11,450)
Other operating expenses		(2)	(2,608)
Profit from operations		118,889	101,994
Finance costs	4(a)	(15,599)	(18,780)
Share of profit of an associate	9	8,818	7,838
Profit before taxation	4	112,108	91,052
Income tax	5	(21,996)	(15,474)
Profit for the period		90,112	75,578
Attributable to:			
Equity holders of the Company		89,970	75,511
Non-controlling interests		142	67
Profit for the period		90,112	75,578
Earnings per share			
Basic	6	\$6.6 cents	\$5.6 cents

The notes on pages 20 to 38 form part of this interim financial report.



Consolidated Statements of Comprehensive Income

For the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Profit for the period	90,112	75,578
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using Hong Kong dollar as functional currency, net of nil tax	6,879	(2,185)
Total comprehensive income for the period	96,991	73,393
Attributable to:		
Equity holders of the Company	96,068	73,326
Non-controlling interests	923	67
Total comprehensive income for the period	96,991	73,393

The notes on pages 20 to 38 form part of this interim financial report.



Consolidated Statements of Financial Position

At 30 June 2013

(Expressed in Hong Kong dollars)

	Note	As at 30 June 2013 (unaudited) \$'000	As at 30 April 2013 (audited) \$'000
Non-current assets			
Property, plant and equipment	7	366,061	341,540
Lease prepayments		30,513	30,382
Intangible assets		8,788	8,804
Interest in an associate	9	170,759	164,919
Gross amount due from customers for contract work	10	246,020	245,377
Other receivables	10	123,268	140,706
Deferred tax assets		3,915	3,775
		949,324	935,503
Current assets			
Inventories	8	1,133	842
Trade and other receivables	10	297,155	296,589
Gross amount due from customers for contract work	10	21,846	21,703
Cash and cash equivalents	11	16,316	10,903
		336,450	330,037
Current liabilities			
Trade and other payables	12	152,144	174,151
Loans and borrowings	13	86,013	85,520
Current taxation		10,307	10,048
		248,464	269,719
Net current assets		87,986	60,318
Total assets less current liabilities		1,037,310	995,821

The notes on pages 20 to 38 form part of this interim financial report.



Consolidated Statements of Financial Position

At 30 June 2013

(Expressed in Hong Kong dollars)

	Note	As at 30 June 2013 (unaudited) \$'000	As at 30 April 2013 (audited) \$'000
Non-current liabilities			
Loans and borrowings	13	510,468	510,416
Deferred tax liabilities		23,096	24,603
Deferred income		14,853	14,767
		<u>548,417</u>	<u>549,786</u>
NET ASSETS		<u>488,893</u>	<u>446,035</u>
Equity			
Share capital		100	100
Reserves		486,306	443,557
Total equity attributable to equity holders of the Company		<u>486,406</u>	<u>443,657</u>
Non-controlling interests		<u>2,487</u>	<u>2,378</u>
Total equity		<u>488,893</u>	<u>446,035</u>

The notes on pages 20 to 38 form part of this interim financial report.



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company							Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000			
At 1 January 2012	100	(90)	46,543	28,937	139,068	214,558	9,435	223,993	
Changes in equity for the six months ended 30 June 2012									
Profit for the period	—	—	—	—	75,511	75,511	67	75,578	
Other comprehensive income	—	—	—	(2,185)	—	(2,185)	—	(2,185)	
Total comprehensive income	—	—	—	(2,185)	75,511	73,326	67	73,393	
Acquisition of non-controlling interests without a change of control	—	—	—	—	(2,052)	(2,052)	(8,375)	(10,427)	
At 30 June 2012	100	(90)	46,543	26,752	212,527	285,832	1,127	286,959	
Changes in equity for the six months ended 31 December 2012									
Profit for the period	—	—	—	—	101,718	101,718	54	101,772	
Other comprehensive income	—	—	—	2,788	—	2,788	14	2,802	
Total comprehensive income	—	—	—	2,788	101,718	104,506	68	104,574	
Contributions from non-controlling interests	—	—	—	—	—	—	369	369	
Transfer to statutory reserve	—	—	2,175	—	(2,175)	—	—	—	
At 31 December 2012 and 1 January 2013	100	(90)	48,718	29,540	312,070	390,338	1,564	391,902	
Changes in equity for the four months ended 30 April 2013									
Profit for the period	—	—	—	—	49,327	49,327	45	49,372	
Other comprehensive income	—	—	—	3,992	—	3,992	769	4,761	
Total comprehensive income	—	—	—	3,992	49,327	53,319	814	54,133	
At 30 April 2013 and 1 May 2013	100	(90)	48,718	33,532	361,397	443,657	2,378	446,035	
Changes in equity for the two months ended 30 June 2013									
Profit for the period	—	—	—	—	40,643	40,643	97	40,740	
Other comprehensive income	—	—	—	2,106	—	2,106	12	2,118	
Total comprehensive income	—	—	—	2,106	40,643	42,749	109	42,858	
At 30 June 2013	100	(90)	48,718	35,638	402,040	486,406	2,487	488,893	

The notes on pages 20 to 38 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Cash generated from operations		133,986	80,363
Income tax paid		(24,455)	(10,708)
Net cash generated from operating activities		109,531	69,655
Net cash used in investing activities		(73,264)	(114,926)
Net cash (used)/generated from financing activities		(31,177)	16,373
Net increase/(decrease) in cash and cash equivalents		5,090	(28,898)
Cash and cash equivalents as at 1 January	11	10,463	51,967
Effect of foreign exchange rate changes		763	(199)
Cash and cash equivalents as at 30 June	11	16,316	22,870

The notes on pages 20 to 38 form part of this interim financial report.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 27 September 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 consolidated financial statements and the consolidated financial statements for the four months ended 30 April 2013, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's consolidated financial statements for that financial year but is derived from those financial statements. Consolidated financial statements for the year ended 31 December 2012 are available from the Company's principal place of business in Hong Kong.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities*. It 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 adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the group's interim financial report because the group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The Group is principally engaged in the construction of wastewater treatment plants, wastewater treatment plant operation services, supply of industrial water and provision of heating services.

Turnover represents the revenue for construction services, revenue from wastewater treatment plant operation services and finance income under the Build-Operate-Transfer ("BOT") arrangements, revenue from supply of industrial water, revenue from provision of wastewater treatment plants operation services under the non-BOT arrangements and revenue from provision of heating services. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Provision of wastewater project construction services	—	622
Provision of wastewater treatment plants operation services under the BOT arrangements	26,018	14,016
Supply of industrial water	24,397	24,267
Provision of wastewater treatment plants operation services under the non-BOT arrangements	122,085	112,531
Finance income	8,486	8,242
Provision of heating services	40,078	16,644
	221,064	176,322



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (CONT'D)

(b) Segment results

The group manages its businesses by divisions, which are organised by a mixture of both business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted profit before interest, taxes, depreciation, amortisation and gain on acquisition of a subsidiary". To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate, directors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, finance income and costs from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Segment assets and liabilities are not regularly reported to the Group's most senior executive management and therefore information of reportable segment assets and liabilities are not presented in these consolidated financial statements.

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (CONT'D)

(b) Segment results (cont'd)

	Supply of industrial water		Provision of wastewater treatment plants operation services		Wastewater project construction and operation services		Provision of heating services	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June	2012	30 June	2012	30 June	2012	30 June	2012
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	24,397	24,267	122,085	112,531	34,504	22,880	40,078	16,644
Reportable segment revenue	24,397	24,267	122,085	112,531	34,504	22,880	40,078	16,644
Reportable profit before taxation (adjusted EBITDA)	17,928	16,842	91,470	86,937	21,901	6,948	2,912	862
Share of profit of an associate	—	—	8,818	7,838	—	—	—	—
Interest costs	(10,550)	(12,096)	(1,132)	(1,079)	(3,917)	(5,018)	—	—
Finance income	3	12	16	77	5	14	—	—
Depreciation and amortisation for the period	(1,553)	(1,373)	(6,325)	(5,885)	(234)	(275)	(763)	(751)

(c) Reconciliations of reportable segment profit

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Reportable segment profit before taxation	134,211	111,589
Share of profit of an associate	8,818	7,838
Interest costs	(15,599)	(18,196)
Finance income	24	103
Depreciation and amortisation	(8,875)	(8,284)
Unallocated head office and corporate expenses	(6,471)	(1,998)
Consolidated profit before taxation	112,108	91,052



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (CONT'D)

(d) Geographic information

Analysis of the Group's turnover and results by geographical market has not been presented as substantially all of the Group's revenue and assets are generated and located in the People's Republic of China ("PRC").

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Interest expenses	18,816	18,780
Less: interest expenses capitalised into properties under development	(3,217)	—
	<u>15,599</u>	<u>18,780</u>

(b) Other items

		Six months ended 30 June	
	Note	2013	2012
		\$'000	\$'000
Cost of construction service		—	566
Cost of inventories	8	16,961	18,770
Depreciation and amortisation		8,881	8,290
Operating lease charges		830	475
Research and development expenses		479	225
Auditors' remuneration		1,382	968
Initial Public Offering expenses		<u>6,422</u>	<u>—</u>



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Current tax		
Provision for PRC income tax	16,287	11,539
Provision for PRC dividend withholding tax	4,338	—
Deferred taxation		
Origination and reversal of temporary differences	1,371	3,935
	21,996	15,474

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company is not subject to any income tax in the Cayman Islands and the BVI.

No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the six months ended 30 June 2012 and 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Effective from 1 January 2008, the PRC's statutory income tax rate is 25%.

6 EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity holders of the Company for the period, and on the assumption that 1,360,000,000 (six months ended 30 June 2012: 1,360,000,000) shares, comprising an aggregate of the 1,000,000 ordinary shares in issue, the capitalisation issues (note 18(2)(a)) of 1,019,000,000 ordinary shares and the issuance of 340,000,000 new ordinary shares (note 18(1)), respectively, have been in issue throughout the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2013 and 2012 as the Company had no potentially dilutive ordinary share in issue during those periods.

7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the group acquired items of plant and machinery with a cost of \$438,000 (six months ended 30 June 2012: \$20,075,000). No machineries were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: \$2,614,000), resulting in a loss on disposal of nil (six months ended 30 June 2012: \$2,607,000).



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INVENTORIES

	As at 30 June 2013 \$'000	As at 30 April 2013 \$'000
Raw materials	<u>1,133</u>	<u>842</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Carrying amount of inventories sold	<u>16,961</u>	<u>18,770</u>

9 INTERESTS IN AN ASSOCIATE

	As at 30 June 2013 \$'000	As at 30 April 2013 \$'000
Share of net assets	<u>170,759</u>	<u>164,919</u>

The particulars of the associate are set out below:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Guangzhou Yinglong Wastewater Treatment Company Limited (廣州盈隆污水處理有限公司) (i)	Limited liability company	Guangzhou, the PRC	RMB80,000,000	46%	—	46%	Provision of wastewater processing service

(i) The official name of the entity is in Chinese. The English translation of the name is for reference only.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTERESTS IN AN ASSOCIATE (CONT'D)

Summary of financial information on the associate:

	As at 30 June 2013		As at 30 April 2013	
	100% \$'000	Group's effective interest \$'000	100% \$'000	Group's effective interest \$'000
Assets	696,138	320,223	678,722	312,212
Liabilities	(324,922)	(149,464)	(320,203)	(147,293)
Equity	<u>371,216</u>	<u>170,759</u>	<u>358,519</u>	<u>164,919</u>
	Six months ended 30 June 2013		Six months ended 30 June 2012	
	100% \$'000	Group's effective interest \$'000	100% \$'000	Group's effective interest \$'000
Turnover	66,541	30,609	52,167	23,997
Profit	<u>19,210</u>	<u>8,837</u>	<u>17,040</u>	<u>7,838</u>



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the date of revenue recognition, and net of allowance for doubtful debts, is as follows:

	As at 30 June 2013 \$'000	As at 30 April 2013 \$'000
Within 1 month	57,190	52,542
1 to 3 months	21,504	28,194
Over 3 months but within 1 year	30,113	16,967
Trade debtors and bills receivable	108,807	97,703
Amount due from related party	145,585	157,166
Other debtors	42,763	41,720
Loans and receivables	297,155	296,589
Prepayments for purchase of equipment	123,268	140,706
Gross amount due from customers for contract work	267,866	267,080
	688,289	704,375

All of the prepayments and other receivables (including amounts due from related parties), apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year.

Trade debtors are usually due within 30 days from the date of billing. Past due trade receivables are mainly amounts due from the People's Government of Zengcheng City and Huaihua City and a state-owned enterprise, regarding the wastewater construction and operation service provided by the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these balances are usually settled within one year from due date.

No impairment losses in respect of trade receivables were recorded at each of the end of the reporting period as the Group is satisfied with the recoverability of the amounts.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 CASH AND CASH EQUIVALENTS

	As at 30 June	As at 30 April
	2013	2013
	\$'000	\$'000
Cash in hand	552	422
Cash at banks	15,764	10,481
Cash and cash equivalents	16,316	10,903

12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 30 June	As at 30 April
	2013	2013
	\$'000	\$'000
Within 1 month	30,042	19,013
1 to 3 months	23,528	26,111
Over 3 months but within 1 year	1,382	2,542
Over 1 year	19	—
Total creditors	54,971	47,666
Other payables and accruals	63,028	55,641
Amounts due to related parties	34,145	70,844
	152,144	174,151

- (i) All of the trade payables, other payables and accruals are expected to be settled within 12 months or are repayable on demand.
- (ii) The credit period granted by the suppliers ranges from 30 days to 90 days.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 LOANS AND BORROWINGS

	As at 30 June 2013 \$'000	As at 30 April 2013 \$'000
Bank loans		
Within 1 year or on demand	86,013	85,520
Sub-total	86,013	85,520
After 1 year but within 2 years	53,375	53,069
After 2 years but within 5 years	178,956	177,929
After 5 years	278,137	279,418
Sub-total	510,468	510,416
Total	596,481	595,936

- (i) All bank loans as at 30 April 2013 and 30 June 2013 were floating-rate loans denominated in RMB borrowed from Industrial and Commercial Bank of China.

The loans and borrowings carried floating interest rates of 6.00% to 7.05% for the six months ended 30 June 2013.

- (ii) Bank loans amounted to HKD450,314,000 and HKD452,912,000 as at 30 April 2013 and 30 June 2013 respectively were secured by the charge rights of water supply, the charge rights of wastewater processing, buildings and land-use rights of certain subsidiaries of the Group.

14 DIVIDENDS

No dividend was declared by the Company attributable to the six months ended 30 June 2013 and 2012.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	As at 30 June 2013 \$'000	As at 30 April 2013 \$'000
Contracted for	94,730	99,827
Authorised but not contracted for	205,304	205,313
	300,034	305,140

16 CONTINGENT LIABILITIES

As at 30 June 2013, the Group together with the other shareholders of Guangzhou Yinglong Wastewater Treatment Company Limited ("Guangzhou Yinglong"), an associate in which the Group held 46% equity interest, has issued a guarantee to a bank in respect of a bank loan granted to Guangzhou Yinglong.

The directors do not consider it probable that a claim will be made against the Group under this guarantee arrangement as Guangzhou Yinglong has sufficient working capital to meet its financial obligations as and when they fall due after considering the expected net cashflow from future operating activities. The maximum liability of the Group as at 30 June 2013 under the guarantee arrangement is the amount of the facilities drawn down by Guangzhou Yinglong of HKD251,060,000 (equivalent to RMB200,000,000).

The Group has not recognised any deferred income in respect of this guarantee issued as its fair value was considered immaterial.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the directors are of the view that related parties of the Group include the following individuals/companies:

Name of related party	Relationship with the Group
Mr. Tsui Cham To	Controlling Shareholder
Mr. Xu Shubiao	Director of the Company
Mr. Gong Shuyi	Managing Director of Huaihua Tianyuan Wastewater Treatment Company Limited ("Huaihua Tianyuan"), a subsidiary of the Group
Mr. Xu Zitao	Close family member of the Controlling Shareholder
Guangzhou Yinglong	Associate of the Group
Guangzhou To Kee Enterprises Development Group Limited ("Guangzhou To Kee") (廣州滔記實業發展集團有限公司) (i)	Effectively owned by the Controlling Shareholder
Guangzhou Tian Tian Cleaning and Washing Company Limited ("Tian Tian") (廣州天天快潔洗滌有限公司) (i)	Effectively owned Controlling Shareholder by the
Longmen Yagang Copper Company Limited (“Longmen Copper”) (龍門亞鋼銅業有限公司) (i)	Effectively owned by the Controlling Shareholder
Shenzhen Jialinyuan Water Technology Company Limited (“Shenzhen Jialinyuan”) (深圳佳霖源水務科技有限公司) (i) & (ii)	Effectively owned by the shareholder of non-controlling interests of Huaihua Tianyuan
ANB Limited	Effectively owned by the Controlling Shareholder
To Kee Holdings Limited (“To Kee Holdings”)	Effectively owned by the Controlling Shareholder
Guangzhou Xizhou Dock Company Limited (“Xizhou Dock”) (廣州西洲碼頭有限公司) (i)	Effectively owned by the Controlling Shareholder
Guangyuan Zhongtao Textile Company Limited (“Guangyuan Zhongtao”) (廣元中滔紡織有限公司) (i)	Effectively owned by the Controlling Shareholder



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

- (i) The English translation of the names is for reference only. The official names of these companies are in Chinese.
- (ii) The Group acquired the remaining 25% equity shares of Huaihua Tianyuan on 10 January 2012. Shenzhen Jialinyuan was no longer a related party thereafter. The following disclosure of the related party transactions related to Shenzhen Jialinyuan is for the period up to 9 January 2012.

(a) Key management personnel compensation

Key management personnel compensation comprised:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Salaries and other benefits	674	668
Retirement scheme of defined contribution	23	20
	<u>697</u>	<u>688</u>



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(b) Recurring transactions

Particulars of significant transactions between the Group and the above related parties during the reporting period are as follows:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Provision of wastewater processing service		
– Tian Tian	2,428	2,132

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market price, and in the ordinary course of business.

(c) Non-recurring transactions

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Renting office from		
– To Kee Holdings	—	142
Acquisition of non-controlling interests from		
– Shenzhen Jialinyuan	—	10,427
Current accounts to the Group from		
– Guangzhou To Kee	170,886	20,945
– Longmen Copper	4,235	—
– the Controlling Shareholder	61,300	39,340
– Guangyuan Zhongtao	1,245	—
– Xizhou Dock	—	6,153
	237,666	66,438

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(c) Non-recurring transactions (cont'd)

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Current accounts from the Group to		
– Guangzhou To Kee	115,742	159,853
– Guangzhou Yinglong	53,271	301,646
– Longmen Copper	2,035	1,053
– Xizhou Dock	—	2,466
– the Controlling Shareholder	38,003	500
	209,051	465,518
Expenses paid by the Group on behalf of		
– Guangzhou Yinglong	—	616
	—	616

The Group has issued a guarantee to a bank in respect of a bank loan obtained by Guangzhou Yinglong (note 16).

(d) Balances with related parties

(i) Amounts due from related parties

	As at 30 June	As at 30 April
	2013	2013
	\$'000	\$'000
Trade receivables from		
– Tian Tian	1,116	3,797
Other receivables from		
– Guangzhou To Kee	83,300	90,748
– Longmen Copper	643	2,748
– Guangzhou Yinglong	60,550	59,873
	145,609	157,166

The outstanding balances with related parties are unsecured, interest free and have no fixed repayment terms.



Notes to the Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(d) Balances with related parties (cont'd)

(ii) Amounts due to related parties

	As at 30 June 2013 \$'000	As at 30 April 2013 \$'000
Other payables to		
– Guangzhou To Kee	7,720	9,673
– the Controlling Shareholder	25,169	61,171
	32,889	70,844

The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

Except for the other receivables from Guangzhou Yinglong, all of the non trade amounts due from/to related parties have been fully settled as of the date of this report.

18 SUBSEQUENT EVENTS

- (1) On 25 September 2013, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Offering"). Pursuant to the Offering, the Company issued 340,000,000 new shares at a price of HKD1.48 per share. The gross proceeds from the Offering were approximately HKD503.2 million (without considering any potential issue of shares under over-allotment option).
- (2) The Company's shareholders have passed the following written resolution on 4 September 2013:

(a) Capitalisation issue

Conditional upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the directors had authorised to capitalise the amount of not exceeding HKD101,900,000 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par of a total of 1,019,000,000 ordinary shares for allotment and issue to the persons whose names appear on the register of members of the Company on 4 September 2013 in accordance with their respective shareholding (as nearly as possible without involving fractions) or as each of them may direct. Subsequently, the Company's shares were listed on 25 September 2013 and hence 1,019,000,000 ordinary shares were allotted and issued pursuant to the above written resolution.

(b) Share option scheme

The Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in Section D of Appendix IV to the prospectus of the Company dated 12 September 2013. No share option was granted as at the date of this report.