

SECOND QUARTER AND SIX MONTHS FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010

PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 AND Q3), HALF-YEAR AND FULL YEAR RESULTS.

1(a) An Income Statement (For The Group), Together With A Comparative Statement For The Corresponding Period Of The Immediately Preceding Financial Year.

1(a)(i) Unaudited Consolidated Statement of Comprehensive Income For The Second Quarter And Six Months Ended 30 June:

	Group	Group		Group	Group	
	3 months	3 months	%	6 months	6 months	%
	ended	ended	Increase/	ended	ended	Increase/
	30/06/2010	30/06/2009	(Decrease)	30/06/2010	30/06/2009	(Decrease)
	RMB'000	RMB'000		RMB'000	RMB'000	
		(re-stated)			(re-stated)	
Revenue	410,952	302,284	35.9	644,989	437,658	47.4
Cost of sales	(285,932)	(213,985)	33.6	(449,986)	(304,317)	47.9
Gross profit	<u>125,020</u>	<u>88,299</u>	41.6	<u>195,003</u>	<u>133,341</u>	46.2
Other operating income	5,754	15,612	(63.1)	11,724	6,851	71.1
Other expenses	(18,000)	(8,076)	122.9	(25,075)	(13,748)	82.4
Distribution expenses	(2,913)	(3,162)	(7.9)	(4,913)	(4,667)	5.3
Research and development expenses	(714)	(1,192)	(40.1)	(1,827)	(2,412)	(24.3)
Administrative expenses	(12,489)	(9,125)	36.9	(21,370)	(15,643)	36.6
Finance costs	(3,699)	(2,874)	28.7	(7,197)	(8,106)	(11.2)
Share of (loss) profit of associate	(14)	(6)	133.3	(56)	23	n.m.
Profit before income tax	<u>92,945</u>	<u>79,476</u>	16.9	<u>146,289</u>	<u>95,639</u>	53.0
Income tax expense	(18,470)	(2,222)	731.2	(26,192)	0	n.m.
Profit after income tax	<u>74,475</u>	<u>77,254</u>	(3.6)	<u>120,097</u>	<u>95,639</u>	25.6
Exchange difference on translating foreign operations	52	0	n.m.	52	0	n.m.
Total comprehensive income	<u><u>74,527</u></u>	<u><u>77,254</u></u>	(3.5)	<u><u>120,149</u></u>	<u><u>95,639</u></u>	25.6
Profit for the period and total comprehensive income attributable to:						
Owners of the Company	74,527	77,033	(3.3)	120,063	95,197	26.1
Non-controlling interest	0	221	(100.0)	86	442	(80.5)
	<u><u>74,527</u></u>	<u><u>77,254</u></u>	(3.5)	<u><u>120,149</u></u>	<u><u>95,639</u></u>	25.6

n.m. : not meaningful

1 (a)(ii)

	Group 3 months ended 30/06/2010 RMB'000	Group 3 months ended 30/06/2009 RMB'000 (re-stated)	% Increase / (Decrease)	Group 6 months ended 30/06/2010 RMB'000	Group 6 months ended 30/06/2009 RMB'000 (re-stated)	% Increase / (Decrease)
Other operating income:						
- Interest income	1,195	892	34.0	2,515	2,015	24.8
- Deemed interest income on service concession receivables	4,493	2,411	86.4	8,986	4,824	86.3
- Net foreign exchange gain	66	12,297	(99.5)	159	0	n.m.
- Others	0	12	(100.0)	64	12	433.3
	<u>5,754</u>	<u>15,612</u>	(63.1)	<u>11,724</u>	<u>6,851</u>	71.1
Other expenses:						
- Expenses related to listing on Hong Kong Stock Exchange	18,000	0	n.m.	25,075	0	n.m.
- Net foreign exchange loss	0	0	n.m.	0	4,088	(100.0)
- Allowance for doubtful debts	0	8,076	(100.0)	0	9,660	(100.0)
	<u>18,000</u>	<u>8,076</u>	122.9	<u>25,075</u>	<u>13,748</u>	82.4
Finance costs						
- Bank borrowings	<u>3,699</u>	<u>2,874</u>	28.7	<u>7,197</u>	<u>8,106</u>	(11.2)
Amortisation of land use rights	<u>290</u>	<u>289</u>	0.3	<u>579</u>	<u>541</u>	7.0
Amortisation of intangible assets	<u>2,500</u>	<u>2,500</u>	0.0	<u>5,000</u>	<u>5,000</u>	0.0
Depreciation expense	<u>732</u>	<u>733</u>	(0.1)	<u>1,418</u>	<u>1,525</u>	(7.0)

n.m. : not meaningful

1(b)(i) A Balance Sheet (For The Issuer And Group), Together With A Comparative Statement As At The End Of The Immediately Preceding Financial Year.

Consolidated Statement of Financial Position:

	(Unaudited) Group 30/06/2010 RMB'000	(Unaudited) Group 31/12/2009 (re-stated) RMB'000	(Unaudited) Company 30/06/2010 RMB'000	(Audited) Company 31/12/2009 RMB'000
Assets				
Current assets				
Cash and bank balances	1,356,978	1,237,698	8,133	2,236
Restricted bank balances	26,215	72,208	0	35,923
Trade and other receivables	472,390	421,783	136,505	86,791
Amount due from contract customers	200,728	227,089	0	0
Inventories	10,602	11,543	0	0
Land use rights	1,158	1,158	0	0
Total current assets	2,068,071	1,971,479	144,638	124,950
Non-current assets				
Intangible assets	45,000	50,000	0	0
Goodwill	41,395	41,395	0	0
Land use rights	46,033	46,612	0	0
Property, plant and equipment	46,632	47,617	36	38
Subsidiaries	0	0	724,503	724,503
Associate	2,505	2,561	0	0
Service concession receivables	503,354	415,747	0	0
Deferred tax assets	7,372	7,372	0	0
Total non-current assets	692,291	611,304	724,539	724,541
Total assets	2,760,362	2,582,783	869,177	849,491
Liabilities and equity				
Current liabilities				
Bank loans	188,700	178,700	0	0
Trade and other payables	806,337	705,468	51,476	2,398
Amount due to contract customers	2,353	24,264	0	0
Income tax payable	23,804	14,598	107	107
Total current liabilities	1,021,194	923,030	51,583	2,505
Non-current liabilities				
Bank loans	49,000	48,300	0	0
Deferred tax liabilities	23,075	19,509	0	0
Total non-current liabilities	72,075	67,809	0	0
Total liabilities	1,093,269	990,839	51,583	2,505
Capital and reserves				
Share capital	833,368	833,368	833,368	833,368
Reserves	833,725	739,678	(15,774)	13,618
Equity attributable to owners of the Company	1,667,093	1,573,046	817,594	846,986
Non-controlling interest	0	18,898	0	0
Total equity	1,667,093	1,591,944	817,594	846,986
Total liabilities and equity	2,760,362	2,582,783	869,177	849,491

1(b)(ii) Aggregate Amount Of Group's Borrowings And Debt Securities:**Amount repayable in one year or less, or on demand:**

As at 30/06/2010		As at 31/12/2009	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
159,500	29,200	149,500	29,200

Amount repayable after one year:

As at 30/06/2010		As at 31/12/2009	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
49,000	Nil	48,300	Nil

Details of any collateral:

As at 30 June 2010, the bank loans are secured by charges over the Company's assets and corporate guarantee.

As at 31 December 2009, the bank loans are secured by charges over the Company's pledged deposits and corporate guarantee.

1(c) A Cash Flow Statement (For The Group), Together With A Comparative Statement For The Corresponding Period Of The Immediately Preceding Financial Year.

Unaudited Consolidated Statements of Cash Flow:

	Group	Group	Group	Group
	3 months	3 months	6 months	6 months
	ended	ended	ended	ended
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RMB'000	RMB'000	RMB'000	RMB'000
		(re-stated)		(re-stated)
Cash flow from operating activities:				
Profit before income tax	92,945	79,476	146,289	95,639
Adjustments for:				
Depreciation expense	732	733	1,418	1,525
Finance costs	3,699	2,874	7,197	8,106
Interest income	(5,688)	(3,303)	(11,501)	(6,839)
Share of loss (profit) of associate	14	6	56	(23)
Amortisation of land use rights	290	289	579	541
Amortisation of intangible assets	2,500	2,500	5,000	5,000
Allowance for doubtful debts	0	8,076	0	9,660
Loss on disposal of property, plant and equipment	0	0	8	0
Unrealised foreign currency adjustments	24	(14,819)	(71)	1,974
Operating profit before working capital changes	94,516	75,832	148,975	115,583
Inventories	5,993	9,183	941	(3,420)
Amount due from contract customers	(10,438)	37,062	26,361	43,070
Trade and other receivables	(51,601)	(81,904)	(53,307)	(123,267)
Amount due to contract customers	(13,117)	34,552	(21,911)	28,870
Trade and other payables	139,611	46,855	100,869	128,039
Service concession receivables	(60,677)	(38,328)	(78,621)	(59,140)
Cash generated from operations	104,287	83,252	123,307	129,735
Income tax paid	(12,776)	(5,665)	(13,420)	(6,101)
Net cash from operating activities	91,511	77,587	109,887	123,634
Cash flow from investing activities:				
Purchase of property, plant and equipment	(214)	(182)	(441)	(205)
Interest received	1,195	892	2,515	2,015
Disposal/ (Acquisition) of available-for-sale investment	0	(2,700)	2,700	(2,700)
Decrease in pledged deposits	9,834	43,465	45,993	142,937
Net cash from investing activities	10,815	41,475	50,767	142,047
Cash flow from financing activities:				
Dividend paid	0	(47,369)	0	(47,369)
Repayment of borrowings	(87,500)	(82,500)	(119,000)	(444,368)
New borrowings raised	79,500	59,230	129,700	294,200
Payment for combination of a subsidiary	0	0	(45,000)	0
Finance costs paid	(3,699)	(2,874)	(7,197)	(8,106)
Net cash used in financing activities	(11,699)	(73,513)	(41,497)	(205,643)
Net increase in cash and cash equivalents	90,627	45,549	119,157	60,038
Effects on translation of foreign exchange rate changes	28	14,819	123	(1,974)
Cash and cash equivalents at beginning of financial period	1,266,323	770,684	1,237,698	772,988
Cash and cash equivalents at end of financial period	1,356,978	831,052	1,356,978	831,052

1(d)(i) A Statement (For The Issuer And Group), Showing Either (I) All Changes In Equity Or (II) Changes In Equity Other Than Those Arising From Capitalisation Issues And Distributions To Shareholders, Together With A Comparative Statement For The Corresponding Period Of The Immediately Preceding Financial Year.

Unaudited Statements Of Changes In Equity:

	Share capital	Merger reserve	Capital reserve	Statutory reserve fund	Translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling Interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group									
At 1 January 2010 as originally stated	833,368	(88,296)	7,010	60,529	0	732,089	1,544,700	0	1,544,700
Effect of business combination under common control	0	0	27,000	0	0	1,346	28,346	18,898	47,244
Balance of 1 January 2010 (re-stated)	833,368	(88,296)	34,010	60,529	0	733,435	1,573,046	18,898	1,591,944
Acquisition of additional interest in a subsidiary	0	0	984	0	0	0	984	(18,984)	(18,000)
Deemed distribution to the ultimate holding company	0	0	0	0	0	(27,000)	(27,000)	0	(27,000)
Profit for the period and total comprehensive income	0	0	0	0	0	45,536	45,536	86	45,622
Balance at 31 March 2010	833,368	(88,296)	34,994	60,529	0	751,971	1,592,566	0	1,592,566
Profit for the period and total comprehensive income	0	0	0	0	52	74,475	74,527	0	74,527
Balance at 30 June 2010	833,368	(88,296)	34,994	60,529	52	826,446	1,667,093	0	1,667,093
At 1 January 2009 as originally stated	833,368	(88,296)	7,010	33,006	0	526,437	1,311,525	0	1,311,525
Effect of business combination under common control	0	0	27,000	0	0	21	27,021	18,014	45,035
Balance of 1 January 2009 (re-stated)	833,368	(88,296)	34,010	33,006	0	526,458	1,338,546	18,014	1,356,560
Profit for the period and total comprehensive income	0	0	0	0	0	18,164	18,164	221	18,385
Balance as at 31 March 2009	833,368	(88,296)	34,010	33,006	0	544,622	1,356,710	18,235	1,374,945
Profit for the period and total comprehensive income	0	0	0	0	0	77,033	77,033	221	77,254
Dividend paid	0	0	0	0	0	(47,369)	(47,369)	0	(47,369)
Balance at 30 June 2009	833,368	(88,296)	34,010	33,006	0	574,286	1,386,374	18,456	1,404,830

	Share capital	Capital reserve	Retained earnings	Attributable to owners of the Company
Company	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2010	833,368	7,010	6,608	846,986
Loss for the period and total comprehensive expense	0	0	(9,151)	(9,151)
Balance as at 31 March 2010	833,368	7,010	(2,543)	837,835
Loss for the period and total comprehensive expense	0	0	(20,241)	(20,241)
Balance as at 30 June 2010	833,368	7,010	(22,784)	817,594
Balance as at 1 January 2009	833,368	7,010	27,301	867,679
Loss for the period and total comprehensive expense	0	0	(21,829)	(21,829)
Balance as at 31 March 2009	833,368	7,010	5,472	845,850
Profit for the period and total comprehensive income	0	0	20,130	20,130
Dividend paid	0	0	(47,369)	(47,369)
Balance as at 30 June 2009	833,368	7,010	(21,767)	818,611

1(d)(ii) Details Of Any Changes In The Company's Share Capital Arising From Rights Issue, Bonus Issue, Share Buy-Backs, Exercise Of Share Options Or Warrants, Conversion Of Other Issues Of Equity Securities, Issue Of Shares For Cash Or As Consideration For Acquisition Or For Any Other Purpose Since The End Of The Previous Period Reported On. State Also The Number Of Shares That May Be Issued On Conversion Of All The Outstanding Convertibles As At The End Of The Current Financial Period Reported On And As At The End Of The Corresponding Period Of The Immediately Preceding Financial Year.

As at 30 June 2009, 31 December 2009 and 30 June 2010, the total number of shares in issue was 1,290,000,000.

There were no treasury shares and no outstanding share options in issue as at 30 June 2009, 31 December 2009 and 30 June 2010.

1(d)(iii) To Show The Total Number Of Issued Shares Excluding Treasury Shares As At The End Of The Current Financial Period And As At The End Of The Immediately Preceding Year.

As at 31 December 2009 and 30 June 2010, the total number of shares in issue was 1,290,000,000.

There were no treasury shares as at 31 December 2009 and 30 June 2010.

1(d)(iv) A Statement Showing All Sales, Transfers, Disposal, Cancellation And/Or Use Of Treasury Shares As At The End Of The Current Financial Period Reported On.

Not applicable.

(2) Whether The Figures Have Been Audited Or Reviewed And In Accordance With Which Auditing Standard Or Practice.

The figures have not been audited or reviewed.

(3) Where The Figures Have Been Audited Or Reviewed, The Auditors' Report (Including Any Qualifications Or Emphasis Of A Matter).

Not applicable.

(4) Whether The Same Accounting Policies And Methods Of Computation As In The Issuer's Most Recently Audited Annual Financial Statements Have Been Applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the most recently audited combined financial statements for the financial year ended 31 December 2009, except for the adjustments discussed below.

In January 2010, the Group completed its acquisition of Anyang Mingbo Water Co., Ltd. ("Anyang Mingbo"), with a 60% interest acquired from Beijing Sound Environment Group Co., Ltd. ("Beijing Sound Enviro", a fellow subsidiary) and the remaining 40% interest acquired from a third party for considerations of RMB27,000,000 and RMB18,000,000 respectively. As a result, Anyang Mingbo then became a wholly owned subsidiary of the Group.

The acquisition of Anyang Mingbo is regarded as a business combination under common control. The principles of merger accounting have therefore been applied, under which the financial information has been prepared as if Anyang Mingbo had been a subsidiary of the Group since 1 January 2009.

The effects of the combination of Anyang Mingbo on the results of the Group for the period ended 30 June 2009 and the financial position of the Group as at 31 December 2009 are summarized below:

	6 months ended 30/06/2009 (as announced)	Prior year's adjustments and reclassifications	Combination of Anyang Mingbo	6 months ended 30/06/2009 (re-stated)
	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	439,484	(1,826)	-	437,658
Cost of sales	(299,317)	(5,000)	-	(304,317)
Gross profit	140,167	(6,826)	-	133,341
Other operating income	2,012	3,366	1,473	6,851
Other expenses	-	(13,748)	-	(13,748)
Distribution expenses	(4,667)	-	-	(4,667)
Research and development expenses	-	(2,412)	-	(2,412)
Administrative expenses	(22,849)	7,206	-	(15,643)
Finance costs	(8,751)	645	-	(8,106)
Share of profit of associate	17	6	-	23
Profit before income tax	105,929	(11,763)	1,473	95,639
Income tax expense	1,471	(1,103)	(368)	-
Profit for the period and total comprehensive income	107,400	(12,866)	1,105	95,639

**Profit for the period and total
comprehensive income attributable to:**

Owners of the Company	107,400	(12,866)	663	95,197
Non-controlling interest	0	0	442	442
	107,400	(12,866)	1,105	95,639

	3 months ended 30/06/2009 (as announced)	Prior year's adjustments and reclassifications	Combination of Anyang Mingbo	3 months ended 30/06/2009 (re-stated)
	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	303,435	(1,151)	-	302,284
Cost of sales	(211,485)	(2,500)	-	(213,985)
Gross profit	91,950	(3,651)	-	88,299
Other operating income	889	13,986	737	15,612
Other expenses	-	(8,076)	-	(8,076)
Distribution expenses	(3,291)	129	-	(3,162)
Research and development expenses	-	(1,192)	-	(1,192)
Administrative expenses	(18,246)	9,121	-	(9,125)
Finance costs	(3,518)	644	-	(2,874)
Share of loss of associate	(13)	7	-	(6)
Profit before income tax	67,771	10,968	737	79,476
Income tax credit	(1,115)	(923)	(184)	(2,222)
Profit for the period and total comprehensive income	66,656	10,045	553	77,254

**Profit for the period and total
comprehensive income attributable to:**

Owners of the Company	66,656	10,045	332	77,033
Non-controlling interest	0	0	221	221
	66,656	10,045	553	77,254

	At <u>31/12/2009</u> RMB'000	Combination of Anyang Minbo with consolidated <u>adjustments</u> RMB'000	At <u>31/12/2009</u> RMB'000 (re-stated)
Assets			
Current assets			
Cash and bank balances	1,237,196	502	1,237,698
Restricted bank balances	72,208	0	72,208
Trade and other receivables	461,852	(40,069)	421,783
Amount due from contract customers	233,791	(6,702)	227,089
Inventories	11,543	0	11,543
Land use rights	1,158	0	1,158
Total current assets	2,017,748	(46,269)	1,971,479
Non-current assets			
Intangible assets	50,000	0	50,000
Goodwill	41,395	0	41,395
Land use rights	46,612	0	46,612
Property, plant and equipment	47,550	67	47,617
Subsidiaries	0	0	0
Associate	2,561	0	2,561
Service concession receivables	295,132	120,615	415,747
Deferred tax assets	7,372	0	7,372
Total non-current assets	490,622	120,682	611,304
Total assets	2,508,370	74,413	2,582,783
Liabilities and equity			
Current liabilities			
Bank loans	176,700	2,000	178,700
Trade and other payables	681,056	24,412	705,468
Amount due to contract customers	24,264	0	24,264
Income tax payable	14,598	0	14,598
Total current liabilities	896,618	26,412	923,030
Non-current liabilities			
Bank loans	48,300	0	48,300
Deferred tax liabilities	18,752	757	19,509
Total non-current liabilities	67,052	757	67,809
Total liabilities	963,670	27,169	990,839
Capital and reserves			
Share capital	833,368	0	833,368
Reserves	711,332	28,346	739,678
Equity attributable to owners	1,544,700	28,346	1,573,046
Non-controlling interest	0	18,898	18,898
Total equity	1,544,700	47,244	1,591,944
Total liabilities and equity	2,508,370	74,413	2,582,783

(5) If There Are Any Changes In The Accounting Policies And Methods Of Computation, Including Any Required By An Accounting Standard, What Has Changed, As Well As The Reasons For, And The Effect Of, The Change.

There were no changes in accounting policies and methods of computation, except for the adjustments summarised under point (4).

(6) Earnings Per Ordinary Share Of The Group For The Current Financial Period Reported On And The Corresponding Period Of The Immediately Preceding Financial Year, After Deducting Any Provision For Preference Dividends.

Earnings Per Share:

	Group		Group	
	3 months ended		6 months ended	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Earnings per ordinary share:				
- basic (RMB)	5.8 cents	6.0 cents	9.3 cents	7.4 cents
- fully diluted basis (RMB)	5.8 cents	6.0 cents	9.3 cents	7.4 cents

The earnings per ordinary share for the second quarter and six months ended 30 June 2010 and 30 June 2009 were calculated based on the profit attributable to owners of the Company, divided by the weighted average number of shares of 1,290,000,000.

There were no potential dilutive ordinary shares.

(7) Net Asset Value (For The Issuer And Group) Per Ordinary Share Based On Issued Share Capital Of The Issuer At The End Of The (A) Current Financial Period Reported On; And (B) Immediately Preceding Financial Year.

Net Asset Value:

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Net asset value per ordinary share based on issued share capital as at the end of the financial period (RMB)	129.2 cents	121.9 cents	63.4 cents	65.7 cents

The net asset values per ordinary share for 30 June 2010 and 31 December 2009 were calculated based on the equity attributable to owners of the Company, divided by the number of issued shares of 1,290,000,000.

(8) A Review Of The Performance Of The Group, To The Extent Necessary For A Reasonable Understanding Of The Group's Business. It Must Include A Discussion Of The Following:

(a) Any Significant Factors That Affected The Turnover, Costs, And Earnings Of The Group For The Current Financial Period Reported On, Including (Where Applicable) Seasonal Or Cyclical Factors; And

Review Of Group's Financial Performance:

Revenue

The Group's revenue increased by approximately RMB108.7 million or 35.9% from approximately RMB302.3 million in 2Q2009 to approximately RMB411.0 million in 2Q2010 and increased by approximately RMB207.3 million or 47.4% from approximately RMB437.7 million in 6M2009 to approximately RMB645.0 million in 6M2010.

The increase was attributed to (1) the contribution by Hi-Standard of approximately RMB73.6 million, which arose from the sale of customised environmental equipment, (2) the contribution from the operation and maintenance segment of approximately RMB5.9 million, and (3) more contribution from the turnkey services amounting to approximately RMB565.5 million in 6M2010.

Gross Profit And Gross Profit Margin

Gross profit increased by approximately RMB36.7 million or 41.6% from approximately RMB88.3 million in 2Q2009 to approximately RMB125.0 million in 2Q2010 and increased by approximately RMB61.7 million or 46.2% from approximately RMB133.3 million in 6M2009 to approximately RMB195.0 million in 6M2010. This increase is in line with the higher revenue and the stable gross profit margin.

The gross profit margin increased by approximately 1.2 percentage points from approximately 29.2% for 2Q2009 to approximately 30.4% for 2Q2010 and decreased by approximately 0.3 percentage points from approximately 30.5% for 6M2009 to approximately 30.2% for 6M2010. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate from quarter to quarter depending on the amount of revenue recognised for the relevant projects during the relevant quarters. On a year-to-year basis, the gross profit margin remains relatively stable at around 30%.

Other Operating Income

Other operating income decreased by approximately RMB9.8 million or 63.1% from approximately RMB15.6 million in 2Q2009 to approximately RMB5.8 million in 2Q2010. This decrease was due mainly to lower foreign exchange gain recorded in 2Q2010.

Other operating income increased by approximately RMB4.8 million or 71.1% from approximately RMB6.9 million in 6M2009 to approximately RMB11.7 million in 6M2010. This increase was due mainly to the deemed interest income arising from service concession receivables as a result of the increased investment in BOT projects.

Other Expenses

Other expenses increased by approximately RMB9.9 million or 122.9% from approximately RMB8.1 million in 2Q2009, representing net foreign exchange loss, to approximately RMB18.0 million in 2Q2010, representing expenses related to listing on Hong Kong Stock Exchange.

Other expenses increased by approximately RMB11.3 million or 82.4% from approximately RMB13.8 million, representing net foreign exchange loss of approximately RMB4.1 million and allowance for doubtful debts of approximately RMB9.7 million in 6M2009, to approximately RMB25.1 million, representing expenses related to listing on Hong Kong Stock Exchange in 6M2010.

Distribution Expenses

Distribution expenses decreased by approximately RMB0.3 million or 7.9% from approximately RMB3.2 million in 2Q2009 to approximately RMB2.9 million in 2Q2010, due mainly to cost savings in advertising expenses. Distribution expenses remained relatively consistent at approximately RMB4.7 million in 6M2009 compared to approximately RMB4.9 million in 6M2010.

Research and Development Expenses

Research and development expenses remained relatively consistent and minimal at approximately RMB1.2 million in 2Q2009 compared to approximately RMB0.7 million in 2Q2010 and approximately RMB2.4 million in 6M2009 compared to approximately RMB1.8 million in 6M2010.

Administrative Expenses

Administrative expenses increased by approximately RMB3.4 million or 36.9% from approximately RMB9.1 million in 2Q2009 to approximately RMB12.5 million in 2Q2010 and increased by approximately RMB5.8 million or 36.6% from approximately RMB15.6 million in 6M2009 to approximately RMB21.4 million in 6M2010. The increase was due mainly to the initial costs incurred for the Saudi Arabia project. Administrative expenses incurred for the project is approximately RMB3.5 million for 2Q2010 and approximately RMB4.1 million for 6M2010.

Finance Costs

Finance costs increased by approximately RMB0.8 million or 28.7% from approximately RMB2.9 million in 2Q2009 to approximately RMB3.7 million in 2Q2010. Finance costs decreased by approximately RMB0.9 million or 11.2% from approximately RMB8.1 million in 6M2009 to approximately RMB7.2 million in 6M2010. The overall decrease in 6M2010 was due mainly to lower borrowing costs and lower effective interest rate.

Bank loans as at 30 June 2010 and 30 June 2009 were RMB237.7 million and RMB241.5 million respectively. Interest rates ranged from 4.6% to 7.1% per annum for 6M2010 and 4.6% to 8.2% per annum for 6M2009.

Share of (Loss)/ Profit of Associate

This pertains to the 20% owned Shanghai Chenghuan Water Operation Co., Ltd, of which the Group's share of loss was approximately RMB14,000 for 2Q2010 and approximately RMB56,000 for 6M2010.

Income Tax Expense

Income tax expenses increased by approximately RMB16.3 million or 731.2% from approximately RMB2.2 million in 2Q2009 to approximately RMB18.5 million in 2Q2010.

Income tax expense was approximately RMB26.2 million in 6M2010 and nil in 6M2009.

The lower income tax expense in 2Q2009 and nil tax expense in 6M2009 arose from the reversal of income tax expenses provided for in year 2008 following the confirmation of tax incentive for a subsidiary.

Profit Attributable To Owners Of The Company

Profit attributable to owners of the Company decreased by approximately RMB2.5 million or 3.3% from approximately RMB77.0 million in 2Q2009 to approximately RMB74.5 million in 2Q2010 and increased by approximately RMB24.8 million or 26.1% from approximately RMB95.2 million in 6M2009 to approximately RMB120.0 million in 6M2010.

(b) Any Material Factors That Affected The Cash Flow, Working Capital, Assets Or Liabilities Of The Group During The Current Financial Period Reported On.

Review Of Group's Financial Position:

Current Assets

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

Trade receivables, stated at net of allowance for doubtful debts, amounted to approximately RMB393.2 million. The cumulative allowance for doubtful debts was approximately RMB48.0 million and remained adequate as at 30 June 2010.

Other receivables were made up mainly of performance and tender deposits placed when we bid for projects and bills receivables of approximately RMB34.9 million, advance payments to suppliers and subcontractors of approximately RMB34.5 million as well as other receivables of approximately RMB9.8 million.

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

Inventories refer to equipment components and parts mainly from manufacturing sector. Inventories from turnkey business are not expected to be material as most of the civil engineering works are subcontracted to third parties.

The increase in current assets arose mainly from trade receivables that resulted from the increase in revenue and business operations.

Non-Current Assets

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

Property, plant and equipment comprised mainly building, plant and machinery, transportation vehicles, and fixtures and equipments. We depreciate our property, plant and equipment using the straight-line method over their estimated useful lives, at rates ranging between 3% and 18% per annum. The decrease in property, plant and equipment was due mainly to depreciation.

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

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

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

Service concession receivables arose from BOT projects carried out by subsidiaries, including Anyang Mingbo which was acquired in 1Q2010.

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

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

Current Liabilities

The Group's current liabilities were made up mainly of bank loans, trade and other payables, amounts due to contract customers and income tax payable.

Bank loans were obtained to fund our working capital.

Trade and other payables were made up of amounts outstanding for trade purchases of approximately RMB578.0 million, other taxes payable (including value added tax and sales tax) of approximately RMB139.1 million, performance and tender deposits received from sub-contractors and bills payables of approximately RMB19.2 million as well as accruals and other payables of approximately RMB70.0 million.

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

Income tax payable increased as business operation increased.

The increase in current liabilities was due mainly to the increase in trade payables as business operations increases.

Non-Current Liabilities

Long term bank loans were obtained to fund our BOT projects.

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

Capital And Reserves

Equity attributable to owners of the Company increased by approximately RMB94.1 million from approximately RMB1,573.0 million as at 31 December 2009 to approximately RMB1,667.1 million as at 30 June 2010. This increase was due mainly to retained profits of approximately RMB120.0 million, and offset by a deemed distribution to the ultimate holding company of RMB27.0 million on the acquisition of Anyang Mingbo.

The non-controlling interest of approximately RMB18.9 million at 31 December 2009 relates to a 40% minority interest in Anyang Mingbo. Anyang Mingbo became a wholly owned subsidiary in 1Q2010.

Cash Flow Statement

The Group generated positive net cash from operating activities of approximately RMB109.9 million in 6M2010 and approximately RMB91.5 million in 2Q2010. Both the cash outflow in trade and other receivables and the cash inflow in trade and other payables were driven by the increased business operations. Cash outflow in service concession receivables was due to Group's increased investment in BOT projects.

Net cash generated from investing activities amounted to approximately RMB50.8 million in 6M2010 and approximately RMB10.8 million in 2Q2010. These amounts were due mainly to a decrease in pledged deposits.

Net cash used in financing activities amounted to approximately RMB41.5 million in 6M2010 resulting largely from the consideration paid on the combination of Anyang Mingbo. Net cash used in financing activities amounted to approximately RMB11.7 million in 2Q2010 were due mainly from the repayment of bank loans.

As at 30 June 2010, the Group's cash position remained strong and stood at approximately RMB1,357.0 million.

(9) Where A Forecast, Or A Prospect Statement, Has Been Previously Disclosed To Shareholders, Any Variance Between It And The Actual Results.

No forecast or prospect statement was previously disclosed to shareholders pertaining to the second quarter and six months ended 30 June 2010.

(10) A Commentary At The Date Of The Announcement Of The Significant Trends And Competitive Conditions Of The Industry In Which The Group Operates And Any Known Factors Or Events That May Affect The Group In The Next Reporting Period And The Next 12 Months.

On 25 June 2010, the Company determined that the Global Offering cannot be concluded on acceptable terms and has therefore decided to postpone the Global Offering until a later date.

The Company will update Shareholders as and when there are material developments regarding its plans to seek a listing of its shares on the Stock Exchange of Hong Kong.

Generally, with the strong demand for water and wastewater treatment facilities in China, the Group expects the outlook for the Chinese water sector to remain positive.

Turnkey – Engineering, Procurement and Construction (“EPC”)

With more players entering the water treatment industry, the Group expects competition to remain keen. With its established track record, proprietary technologies and extensive sales and marketing network, the Group shall continue to remain competitive and expand its operations in China as well as overseas.

Operations Management

The Group has secured a contract to operate eight municipal wastewater treatment plants in Hainan province. Under the five-year contract, the Group will manage and operate eight wastewater treatment plants with a total maximum treatment capacity of up to 142,000 tonnes a day.

Build, Operate and Transfer Projects (“BOT”)

Currently, the Group has eleven BOT projects. The Group intends to participate in investments in BOT projects whenever opportunities arise, in order to build up its recurrent income stream. The BOT investments could also help the Group to secure EPC projects. The Group will continue to seek expansion opportunities both within and outside China.

(11) Dividend

**(a) Current Financial Period Reported On
Any Dividend Declared For The Current Financial Period Reported On?**

No.

**(b) Corresponding Period Of The Immediately Preceding Financial Year
Any Dividend Declared For The Corresponding Period Of The Immediately Preceding Financial Year?**

No.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

(12) If No Dividend Has Been Declared/Recommended, A Statement To That Effect.

No dividend for the second quarter and six months ended 30 June 2010 is declared or recommended.

(13) Use Of Proceeds

(A) IPO Proceeds

The net IPO proceeds of approximately S\$58.0 million have been deployed in the following manner:

(A) Use of IPO Proceeds (S\$'000)	Amount Allocated
To undertake new large-scale and complex turnkey projects	20,000
To expand our sales and marketing network	4,000
For R&D	4,000
To repay certain short-term bank loans	18,000
As general working capital – injected into subsidiaries as capital for acquisition and working capital purposes	11,994
Total	57,994

The amount allocated has been fully deployed as at 30 June 2010.

(B) Placement Proceeds

Approximately RMB208.0 million (approximately S\$43.9 million) of the net placement proceeds of approximately S\$63.6 million was utilised for acquisition.

Periodic announcements about the utilisation of the balance of the placement proceeds (approximately S\$19.7 million) will be made as and when such proceeds are materially deployed.

(14) Interested Person Transactions

On 15 August 2007, shareholders approved a general mandate for the Group to provide EPC and management services to the Beijing Sound Environment Group Co., Ltd (“BJ Sound”), its subsidiaries and associated companies. This general mandate was renewed at the annual general meeting held on 30 April 2010.

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders’ Mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under Shareholders’ Mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB’000	RMB’000
Total	NIL	NIL

By Order Of The Board

Choo Beng Lor
Company Secretary

Singapore
10 August 2010

Statement Pursuant To SGX Listing Rule 705(5) Of The Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter and six months financial results of the Company and of the Group for the financial period ended 30 June 2010 to be materially false or misleading.

On behalf of the board of directors

Wen Yibo
Director / Chairman

Li Li
Director / CEO