Tianjin Capital Environmental Protection Company Limited

天津創業環保股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

1 IMPORTANT

1.1 The board (the "Board") of directors (the "Directors") of Tianjin Capital Environmental Protection Company Limited (the "Company") confirmed that the information in this announcement does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the content in this announcement.

1.2 The interim results announcement has been extracted from the text of the interim report of the Company for the A Shares of the Company which has been published on the website of Shanghai Securities Exchange ("SSE") (*www.sse.com.cn*) and the website of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (*www.hkex.com.hk*). Investors should carefully read the whole text of the interim report for details of the contents.

1.3 The interim financial statements of the Company are unaudited and have been reviewed by the audit committee.

1.4 Ms. Ma Baiyu, the chairman, Mr. Gu Qifeng, the general manager, Mr. An Pindong, the financial controller, and Ms. Shi Zhenjuan, the manager of finance department, have declared that they are responsible for the truthfulness and completeness of the financial statements in the interim report.

1.5 The interim financial statements of the Company were prepared on the basis of Hong Kong accounting standards and have been reviewed by PricewaterhouseCoopers.

2 COMPANY INFORMATION

2.1 Basic information

Short form of the Company's listed shares	Tianjin Capital (SSE)	Tianjin Capital (Hong Kong Stock Exchange)
Stock code	600874 (SSE)	1065 (Hong Kong Stock Exchange)
Place for listing of the Shares	A Shares — the SSE	H Shares — Hong Kong Stock Exchange
Short form of convertible bonds	Capital Convertible Bonds	
Convertible Bonds code	110874	
Place for listing of the Convertible Bonds	SSE	

	Secretary to the Company's Board of Directors (the People's Republic of China (the "PRC"))	**Company Secretary in Hong Kong**
Name	Fu Yana	Ip Pui Sum
E-mail address	fu-yn@tjcep.com	ip_ps@tjcep.com
	Securities Affairs Representative (PRC)	
Name	Gu Wenhui	
E-mail address	gu_wh@tjcep.com	
Correspondence address	No. 45 Guizhou Road Heping District Tianjin the PRC	Flat A, E, F, 16/F Yardley Commercial Building 3 Connaught Road West Sheung Wan Hong Kong
Postal Code	300051	
Telephone number	86-22-2352 3036	852-2803 2373
Facsimile number	86-22-2352 3100	852-2540 6365

2.2 Principal accounting data and financial highlights (As prepared in accordance with the Accounting Standards and the Accounting System for Business Enterprises of the PRC (collectively the "PRC GAAP"))

2.2.1 Principal accounting data and financial highlights

	As at 30th June 2004 (Unaudited) *Rmb'000*	As at 31st December 2003 (Audited) *Rmb'000*	Percentage (%) Increase (+) Decrease (-)
Current assets	674,987	647,083	+4.31
Current liabilities	563,129	444,945	+26.56
Total assets	3,336,652	3,186,946	+4.70
Shareholders' equity (before minority interests)	2,056,704	2,018,966	+1.87
Net asset value per share	Rmb1.55	Rmb1.52	+1.97
Adjusted net asset value per share	Rmb1.55	Rmb1.52	+1.97

	Six months ended 30th June		Percentage (%) Increase (+) Decrease (-)
	2004 (Unaudited) *Rmb'000*	2003 (Unaudited) *Rmb'000*	
Net profit	144,138	116,409	+23.82
Net profit after extraordinary items *(Note 1)*	147,358	116,519	+26.47
Earnings per share *(Note 2)*	Rmb0.11	Rmb0.09	+22.22
Return on net assets	7%	6%	+1.00
Net cash flows from operating activities	87,009	139,273	-37.53
Remarks	*Notes:* 1. Extraordinary gains and loss items and amount deducted: the loss for the net non-operating incomes and expenses of RMB3,220,000. 2. During the reporting period, the share capital of the Company has no change. Accordingly, the weighted average earnings per share is equivalent to the earnings per share on the fully diluted basis.		

2.2.2 Extraordinary item

√ applicable ☐ Not applicable

(Unaudited)

Extraordinary item	Rmb'000
Non-operating incomes	80
Non-operating expenses	(3,300)
Total	(3,220)

2.2.3 Significant differences between accounts prepared under PRC GAAP and Accounting Principles Generally Accepted in Hong Kong ("HK GAAP")

☐ applicable √ Not applicable

3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS OF THE COMPANY

3.1 Table of changes in share capital of the Company

☐ applicable √ Not applicable

3.2 Table of the top ten shareholders of the Company

The total number of shareholders of the Company as at 30th June 2004						26,358
The top ten shareholders of the Company were as follows:						
Name of shareholders	**Increase(+)/ Decrease (-) during the period**	**Number of shares held as at 30th June 2004**	**Percentage to total share capital (%)**	**Class (circulating/ non-circulating)**	**Number of Shares pledged or frozen**	**Type of shareholders (State shares or foreign shares)**
Tianjin Municipal Investment Company Limited	0	839,020,000	63.084	Non-circulating	0	State shares
HKSCC Nominees Limited	+1,111,900	336,546,900	25,304	Circulating	Unknown	Foreign shares
Bohai Securities	Individual shares -2,592,441	7,714,564 (including 7,614,564 individual shares and 100,000 legal person shares)	0.580	7,614,564 shares circulating/ 100,000 shares- non-circulating	Unknown	Individual shares and legal person shares
Shen Tie Jing Fa	0	3,500,000	0.263	Non-circulating	Unknown	Legal person shares
ICBC Guolian-an Desheng Focus Security Fund	Unknown	3,480,160	0.262	Circulating	Unknown	Individual shares
China Southern Securities Co., Ltd.	0	2,725,000	0.205	Non-circulating	2,725,000 shares frozen	Legal person shares
Shanghai Baoshan Iron & Steel Plant Equipment Inspection Co.	+1,011,530	2,076,762	0.156	Circulating	Unknown	Individual shares
Galaxy Securities	0	1,500,000	0.113	Non-circulating	Unknown	Legal person shares
Shanghai Enterprise Pension Development Center China Capital Balance Fund	Unknown	1,217,866	0.092	Circulating	Unknown	Individual shares
Liaoning Shennong	0	1,000,000	0.075	Non-circulating	Unknown	Legal person shares

The top ten shareholders of the Company holding circulating shares were as follows:		
Name of Shareholders	**Number of Circulating Shares held as at 30th June 2004**	**Type of Shares (A, B, H shares or others)**
HKSCC Nominees Limited	336,546,900	H Shares
Bohai Securities	7,614,564	A Shares
ICBC Guolian-an Desheng Focus Security Fund	3,480,160	A Shares
Shanghai Baoshan Iron & Steel Plant Equipment Inspection Co.	2,076,762	A Shares
Shanghai Enterprise Pension Development Center China Capital Balance Fund	1,217,866	A Shares
Shanghai Capital Investment Co., Ltd.	881,955	A Shares
AVSC	770,229	A Shares
Zeng Binhuang	695,000	A Shares
Wang Duanting	674,200	A Shares
HSBC Nominees (HK) Limited	656,000	H Shares

Description on the relationship between the above shareholders who are connected or concerted parties.	(1) Pursuant to the register of the shareholders of the Company as provided by the HKSCC Nominees Limited, H Shares were held on behalf of various clients' accounts. There was no client who was interested in 5% or more than 5% of the total issued share capital of the Company. (2) The top ten shareholders were not strategic investors of the Company. (3) The relationship of top ten shareholders: there is no relationship and no parties acting in concert between the largest shareholder and the 2nd to 10th largest shareholders and top ten shareholders holding circuling shares. However, it is not certain whether there are any such relationships among the 2nd to 10th largest shareholders and top ten shareholders holding circuling shares. (4) The securities of China Southern Securities Co., Ltd. have been held as collateral by China Securities Depository and Clearing Corporation Limited because of insufficient funds due for settlement.

3.3 Information on the controlling shareholder and ultimate shareholder of the Company

☐ applicable √ not applicable

4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in shareholdings of Directors, Supervisors and Senior Management of the Company

☐ applicable √ Not applicable

5 MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Businesses or products of the principal business

During the reporting period, there were no material changes on financial position of the business and no significant events affecting the Company save as described below.

(Unaudited)

Business	**Principal operating income** *Rmb'000*	**Principal operating costs** *Rmb'000*	**Gross profit margin** %	**Percentage Increment(+) reduction(-) of principal operating income as compared with the previous year** %	**Percentage Increment(+) reduction(-) of principal operating costs as compared with the previous year** %	**Percentage Increment(+) reduction(-) of gross profit margin as compared with the previous year** %
Sewage water processing and construction of sewage water treatment plants	301,693	57,001	81.11	+23.57	+6.06	+4.00
Road and toll stations	32,144	7,393	77.00	+4.74	-37.79	+25.65
Of which: Connected Transactions	290,808	51,115	82.42	+19.11	-4.89	+5.68
Basis for determination of pricing for connected transactions	Pricing was determined in accordance with normal commercial terms					

Of which: During the reporting period, total amount for connected transactions with respect to the sales of products by the Company to the controlling shareholders and its subsidiaries was RMB nil.

5.2 Analysis of the geographical segments for the principal operations

☐ applicable √ not applicable

5.3 Other operating activities which incurred significant impact on net profit

☐ applicable √ not applicable

5.4 Operations of the investee companies (applicable to those which investment gains accounted for more than 10% of the net profit)

☐ applicable √ not applicable

5.5 Reasons for material changes incurred on the principal operations and its structure

☐ applicable √ not applicable

5.6 **Reasons for material changes incurred on the profitability (gross profit margin) of the principal operations compared with that of last year**

☐ applicable √ not applicable

5.7 **Analysis of the reasons for material changes incurred in the operating results and contribution to profit compared with that of last year**

☐ applicable √ not applicable

5.8 **Proceeds from subscription**

5.8.1 Use of proceeds from subscription

☐ applicable √ not applicable

5.8.2 Changes in projects

☐ applicable √ not applicable

5.9 **Changes in the operation plan for the forthcoming half year prepared by the Board**

☐ applicable √ not applicable

5.10 **Prediction of possible loss incurred for the accumulated net profit from the beginning of the year and the end of the next reporting period, and statement of the reason and warning for material changes incurred compared with that of last corresponding period**

☐ applicable √ not applicable

5.11 **The statement from the Board concerning the qualified opinion issued by the auditors**

☐ applicable √ not applicable

5.12 **The statement from the Board concerning changes and resolution of matters in relation to the qualified opinion issued by the auditors in last year**

☐ applicable √ not applicable

6 SIGNIFICANT EVENTS

6.1 **Acquisition, disposal and asset exchange**

6.1.1 Acquisition of assets

☐ applicable √ not applicable

6.1.2 Disposal of assets

☐ applicable √ not applicable

6.1.3 Since the announcement of asset reorganization report or acquisition of disposed assets has been published, the progress of that matter and impact on operating results and financial position of the operating period.

☐ applicable √ not applicable

6.2 **Material guarantees**

☐ applicable √ not applicable

6.3 **Related party debts and liabilities**

☐ applicable √ not applicable

6.4 **Material litigation and arbitration**

☐ applicable √ not applicable

6.5 **The statement of other major events and their impact and solutions analysis**

√ applicable ☐ not applicable

1. During the reporting period, there were no new assets entrusted, whilst balance of assets entrusted was RMB nil with principal and gain not yet received was RMB nil in aggregate.

2. During the reporting period, the application for the issue of A Share Convertible Bonds of the Company of RMB 1.2 billion was considered and approved by the Department of Public Offering Supervision of CSRC in the 17th work meeting, and was publicly offered on 1st July 2004. "Capital Convertible Bonds" (Convertible Bonds Code: 110874) was listed on the Shanghai Stock Exchange on 19th July 2004.

3. During the reporting period, the Company applied to the Hong Kong Stock Exchange for renewal of waiver of the ongoing connected transactions. The new cap amount of the waiver was approved in the Second Extraordinary General Meeting on 15th June 2004. The waiver will expire on 31st December 2006.

4. During the reporting period, the Company entered into a cooperative framework agreement with Chibi Municipal Construction Bureau on 18th May 2004 and intended to finance, construct and operate Chibi Sewage Treatment Plant by way of BOT (Build-Operate-Transfer) model, and acquire and operate No. 1 Water Plant, No. 2 Water Plant and Pufang Water Plant from Chibi Water Supply Corporation by way of TOT (Transfer-Operate-Transfer) model. The parties thereto shall commence further studies on the substance of such agreement and the Company will issue further announcement in compliance with the relevant requirements.

7 FINANCIAL INFORMATION

7.1 Audit opinion

Financial report	√ unaudited ☐ audited
Audit opinion	☐ unqualified audit opinion ☐ qualified opinion
Full text of the audit opinion	

7.2 Prepared in accordance with HK GAAP

Consolidated Profit and Loss Account
For the six months ended 30th June 2004

		Unaudited	**Unaudited**
		Six months ended 30th June	
		2004	**2003**
	Notes	*Rmb'000*	*Rmb'000*
TURNOVER	2	316,052	259,290
Cost of sales		(64,394)	(65,628)
Gross profit		251,658	193,662
Other revenues		1,868	6,468
Administrative expenses		(27,310)	(16,607)
Other operating expenses		(3,272)	(245)
Operating profit	3	222,944	183,278
Finance costs	4	(8,258)	(9,651)
Profit before taxation		214,686	173,627
Taxation	5	(69,518)	(57,336)
Profit after taxation		145,168	116,291
Minority interests		(1,030)	118
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		144,138	116,409
		Rmb	*Rmb*
EARNINGS PER SHARE	7	0.11	0.09

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2 TURNOVER AND SEGMENT INFORMATION

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

	Sewage water processing and sewage water processing plant construction	Road and toll stations	Group
	Six months ended 30th June 2004		
	Rmb'000	*Rmb'000*	*Rmb'000*
Turnover	285,699	30,353	316,052
Segment results	195,733	18,953	214,686
Taxation	(63,264)	(6,254)	(69,518)
Profit after taxation	132,469	12,699	145,168
Minority interests	(1,030)	—	(1,030)
Profit attributable to shareholders	131,439	12,699	144,138

	Sewage water processing and sewage water processing plant construction	Road and toll stations	Group
	Six months ended 30th June 2003		
	Rmb'000	*Rmb'000*	*Rmb'000*
Turnover	230,728	28,562	259,290
Segment results	154,901	18,726	173,627
Taxation	(51,156)	(6,180)	(57,336)
Profit after taxation	103,745	12,546	116,291
Minority interests	118	—	118
Profit attributable to shareholders	103,863	12,546	116,409

Pursuant to the PRC tax rules, the Group is subject to PRC business tax levied at 5% of operating revenue and government surcharges levied at 10% of the amount of business tax. The business tax and government surcharges related to revenues derived from the Group during the six months ended 30th June 2004 amounted to Rmb17,785,000 (2003: Rmb15,556,000) and has been deducted from the operating revenue to arrive at the turnover of the Group.

No geographical segment analysis is presented since all of the Group's operations are in the PRC.

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2004	**2003**
	Rmb'000	*Rmb'000*
Crediting:		
Compensation for road and toll stations operations, net of expenses	—	5,538
Charging:		
Depreciation and amortisation	28,938	28,441
Staff costs	18,064	17,932
Repair and maintenance costs	3,032	4,573
Loss on disposal of fixed assets	3,300	91

4 FINANCE COSTS

	Six months ended 30th June	
	2004	**2003**
	Rmb'000	*Rmb'000*
Interest on bank loans and overdrafts	21,162	15,717
Less: Interest capitalized in construction in progress	(12,904)	(6,066)
Total	8,258	9,651

5 TAXATION

No Hong Kong profits tax has been provided as the Group has no assessable profits in Hong Kong (2003: Nil). PRC income tax has been charged at 33% (2003: 33%) on the assessable profits of the Group.

6 DIVIDEND

No dividend was proposed by the Company for the six months ended 30th June 2004 (2003: Nil).

7 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of Rmb144,138,000 (2003: Rmb116,409,000) and 1,330,000,000 shares (2003: 1,330,000,000 shares) in issue during the period.

7.3 **Prepared in accordance with PRC GAAP**

Profit and Loss Accounts
For the six months ended 30th June 2004

	Group Six months ended 30th June		Company Six months ended 30th June	
	2004 (Unaudited)	**2003 (Unaudited)**	**2004 (Unaudited)**	**2003 (Unaudited)**
	Rmb	*Rmb*	*Rmb*	*Rmb*
Income from principal operations	333,837,778	274,846,251	322,953,097	274,846,251
Less: Costs for principal operations	(64,394,225)	(65,627,612)	(58,507,999)	(65,627,612)
Business tax and surcharges	(17,785,292)	(16,556,545)	(17,785,292)	(15,556,545)
Profit from principal operations	251,658,261	193,662,094	246,659,806	193,662,094
Add: Profit from other operations	1,402,034	5,811,305	118,064	5,601,850
Less: Administrative expenses	(27,309,473)	(16,607,294)	(24,172,921)	(15,203,294)
Financial expenses — net	(7,844,335)	(9,128,999)	(7,898,997)	(9,147,005)
Operating profit	217,906,487	173,737,106	214,705,952	174,913,645
Less: Investment profit/(loss)	—	—	2,170,705	(1,058,885)
Add: Non-operating income	80,000	—	80,000	—
Less: Non-operating expenses	(3,300,175)	(109,710)	(3,300,175)	(109,710)
Total profit	214,686,312	173,627,396	213,656,482	173,745,050
Less: Income tax	(69,518,482)	(57,335,867)	(69,518,482)	(57,335,867)
Minority interests	(1,029,830)	117,654	—	—
Net profit	144,138,000	116,409,183	144,138,000	116,409,183
Add: Undistributed profits at beginning of the year	493,807,918	371,500,118	493,807,918	371,500,118
Profits available for appropriation	637,945,918	487,909,301	637,945,918	487,909,301
Profits attributable to shareholders	637,945,918	487,909,301	637,945,918	487,909,301
Less: Dividend payable	106,400,000	113,050,000	106,400,000	113,050,000
Undistributed profits	531,545,918	374,859,301	531,545,918	374,859,301

7.4 **Notes to the Report**

7.4.1 **If there are any changes in accounting policies, accounting estimates or correction of accounting errors, please state the nature, reasons and the amount involved.**

☐ applicable √ not applicable

7.4.2 **If there is any change in the scope for consolidation of financial statements, please illustrate the reasons and the factors affecting thereof.**

☐ applicable √ not applicable

7.4.3 **If there is any non-standard qualified opinion issued on the financial statements, please indicate the relevant notes as to the issue involved.**

☐ applicable ✓ not applicable

8 SALE AND PURCHASE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

9 CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the reporting period, in compliance with the Code of Best Practice as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

10 PUBLICATION OF FINANCIAL INFORMATION

The Company's 2004 interim report which sets out all the information required by paragraphs 37 to 44 of Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of The Stock Exchange of Hong Kong Limited *(http://www.hkex.com.hk)* as soon as possible.

As at the date of this announcement, the Board comprises executive Directors: Ms. Ma Baiyu, Mr. An Pindong, Mr. Gu Qifeng, Mr. Wang Zhanying, Mr. Tan Zhaofu and Ms. Fu Yana and independent non-executive Directors: Mr. Wang Xiangfei, Mr. Gao Zongze and Mr. Ko Po Ming.

By Order of the Board
Ma Baiyu
Chairman

Tianjin, the PRC
19th August 2004

Please also refer to the published version of this announcement in The Standard.