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 2008

1. IMPORTANT

1.1 The board of directors ("**Board**"), supervisory committee ("**Supervisory Committee**") of Tianjin Capital Environmental Protection Company Limited (the "**Company**") and its Directors ("**Directors**"), supervisors ("**Supervisors**") and senior management confirmed that the information in this 2008 interim report ("**Interim Report**") 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 contents of this report.

1.2 The Chairman, Ms. Ma Baiyu, and the executive Director, Mr. Tan Zhaofu were unable to attend the Board meeting due to business engagement and both have entrusted the Vice Chairman, Mr. Gu Qifeng, to vote on their behalf. The executive Director, Mr. An Pindong, was unable to attend the Board Meeting due to business engagement and has entrusted executive Director, Ms. Fu Yana, to vote on his behalf. Mr. Ko Poming, an independent non-executive Director, was unable to attend this board meeting due to a business trip and he has entrusted Mr. Di Xiaofeng, an independent non-executive Director to vote on his behalf.

1.3 The interim financial statements of the Company for the six months ended 30 June 2008 are unaudited.

1.4 None of the major shareholders of the Company has misappropriated the Company's funds.

1.5 Ms. Ma Baiyu, the Chairman of the Company, Mr. Gu Qifeng, the person in charge of the accounting function, and Ms. Chen Yinxing, the person in charge of the accounting department of the Company, have warranted the truthfulness and completeness of the financial statements in this Interim Report.

2. COMPANY PROFILE

2.1 Basic Information of the Company

Short form of the A Shares	創業環保		
Stock code of the A Shares	600874		
Place for listing of the A Shares	Shanghai Stock Exchange ("**SSE**")		
Short form of the H Shares	Tianjin Capital		
Stock code of the H Shares	1065		
Place for listing of the H Shares	The Stock Exchange of Hong Kong Limited (the "**HKSE**")		
	Secretary to the Board	**Company Secretary in Hong Kong**	**Securities Affairs Representative**
Name	Ms. Fu Yana	Mr. Lo Wai Keung, Eric	Ms. Guo Fengxian
Correspondence address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The People's Republic of China (the "**PRC**")	22/F., Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The PRC
Telephone number	86-22-23930128	852-2218-0920	86-22-23930128
Facsimile number	86-22-23930126	852-2501-0028	86-22-23930126
E-mail	fu_yn@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

2.2 Principal accounting data and financial highlights as prepared in accordance with the PRC Accounting Standards

2.2.1 *Major Accounting Information and Financial Benchmarks*

Unit:'000 Currency: RMB

	At the end of the reporting period	**At the end of last year**	**Comparison between the end of the reporting period and the end of last year Increase/ Decrease(%)**
Total assets	6,959,029.00	5,886,672.00	18.22
Equity interests (or shareholder's equity)	2,931,722.00	2,893,168.00	1.33
Net assets value per share (Yuan)	2.05	2.03	0.99
	Reporting period (January to June)	**Corresponding period of last year**	**Comparison between the reporting period and corresponding period of last year Increase/ Decrease(%)**
Operating profit	128,168.00	156,099.00	-17.89
Total profit	128,129.00	157,115.00	-18.45
Net profit	95,643.00	110,585.00	-13.51
Net profit after deduction of extraordinary items	95,672.00	109,904.00	-12.95
Basic earnings per Share (Yuan)	0.07	0.08	-12.5
Basic earnings per Share after deduction of extraordinary items (Yuan)	0.07	0.08	-12.5
Diluted earnings per Share (Yuan)	0.07	0.08	-12.5
Return ratio on net assets (%)	3.26	4.07	Decreased by 0.81 percentage point
Net cash flow from operating activities	218,804.00	54,528.00	301.27
Net cash flow from operating activities per Share	0.15	0.04	275

2.2.2 *Extraordinary profit and loss items and amounts:*

√ Applicable ☐ Not applicable

Unit:'000 Currency: RMB

Extraordinary profit and loss items	**Amount from the beginning of the year to the end of the reporting period**
Profit and loss incurred from the disposal of non-current assets	-29
Total	-29

2.2.3 *Differences in accounting standards between PRC and overseas*

√ Applicable ☐ Not applicable

Unit: '000 Currency: RMB

	PRC Accounting Standards	**Overseas (international) accounting standards**
Net profit	95,643	104,843
Net asset	2,931,722	3,008,301
Explanation of differences	Pursuant to the requirements of HK(IFRIC) Int. 12, adjustments were made retrospectively to the financial statements of H Shares. The net profit from January to June 2008 was adjusted upward to RMB9,200,000 and retained earnings at the end of the period was adjusted upward to RMB76,579,000.	

3 CHANGES IN THE SHARES CAPITAL AND SHAREHOLDERS

3.1 Changes in the Share

☐ Applicable ✓ Not Applicable

3.2 Number of the Shareholders and their shareholdings

Total number of the Shareholders as at the end of the reporting period	122,126 Shareholders, including 75 Shareholders holding H Shares				
Shareholdings of the top ten Shareholders					
Shareholders	**Nature of the Shareholders**	**Percentage of shareholding**	**Total number of Shares held**	**Number of restricted circulating Shares held**	**Number of Shares pledged or frozen**
		(%)	*(Shares)*	*(Shares)*	*(Shares)*
Tianjin Municipal Investment Company Limited ("**TMICL**")	State-owned Shareholder	54.30	774,984,445	664,086,598	Pledged 279,520,000
HKSCC Nominees Limited	Others	23.68	338,014,900	0	Unknown
Zhou Jun	Others	0.41	5,862,800	0	Unknown
Shenyang Railway Coal Dealing Co., Ltd.	Others	0.21	3,000,000	0	Unknown
China Southern Securities Co., Ltd.	Others	0.19	2,725,000	0	Unknown
BOC - Shanghai Shenzhen '300 Index Securities Investment Fund	Others	0.14	2,022,691	0	Unknown
Wang Ming Li	Others	0.11	1,565,200	0	Unknown
Shuren Timber (Shenzhen) Company Limited	Others	0.09	1,300,085	0	Unknown
Pan Zhi Hong	Others	0.09	1,222,620	0	Unknown
China Construction Bank — Bosera Yuhu Securities Investment Fund	Others	0.08	1,145,809	0	Unknown

Shareholdings of the top ten non-restricted circulating Shares Shareholders		
Shareholders	**Number of non-restricted circulating Shares held** *(shares)*	**Type of Shares**
HKSCC Nominees Limited	338,014,900	H Shares
TMICL	110,897,847	RMB Ordinary Shares
Zhou Jun	5,862,800	RMB Ordinary Shares
Shenyang Railway Coal Dealing Co., Ltd.	3,000,000	RMB Ordinary Shares
China Southern Securities Co., Ltd.	2,725,000	RMB Ordinary Shares
BOC- Shanghai Shenzhen 300 Index Securities Investment Fund	2,022,691	RMB Ordinary Shares
Wang Ming Li	1,565,200	RMB Ordinary Shares
Shuren Timber (Shenzhen) Company Limited	1,300,085	RMB Ordinary Shares
Pan Zhi Hong	1,222,620	RMB Ordinary Shares
China Construction Bank — Bosera Yuhu Securities Investment Fund	1,145,809	RMB Ordinary Shares
Notes on the connected relationship or parties acting in concert among the above Shareholders	It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 non-restricted circulating shares shareholders and the top 10 shareholders.	

3.3 Changes in the controlling Shareholder and the actual controllers of the Company

☐ Applicable √ Not Applicable

4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

4.1 Changes in the shareholding of the Directors, Supervisors and Senior Management

□ Applicable √ Not Applicable

5 REPORT OF THE BOARD

During the first half year of 2008, the Group recorded income from principal operations of RMB518,968,000, representing an increase of 12.38% over the corresponding period of 2007. The increase in income from principal operations was mainly attributable to the increase in the Group's sewage water processing scale as compared to the same period last year, of which, the volume of charged water of the Hangzhou subsidiary increased significantly, and the Wendeng subsidiary and Xi'an subsidiary both commenced commercial operation during the reporting period. During the reporting period, the Group processed a total of 308,629,000 cubic metres of sewage water, an increase of 17.46% over the same period last year. The Group's tap water business supplied 19,042,000 cubic metres of water in the first half of the year, an increase of 15.04% over the same period last year, maintaining its upward momentum. In the first half of 2008, the Group's toll road business recorded a revenue of RMB36,930,000, representing an increase of 5.88% over the same period last year. During the reporting period, the Group recorded a net profit of RMB95,643,000, representing an increase of 13.51% over the corresponding period of 2007.

The decrease in net profit was mainly attributable to the significant increase in financial costs of the Group by 58.64% over the same period last year from RMB60,854,000 to RMB96,538,000 during the reporting period. The increase in financial costs was attributed to: firstly, the re-measurement of convertible interests according to the amortised cost method under the new accounting standards in the first half of last year, resulting in a write down financial costs of approximately RMB17,000,000, which lowered the financial costs for the same period last year; and secondly, an increase in the Group's bank borrowings in the first half of this year compared to last year; in addition, the interest rate for bank loans has increased in the first half of the year.

In July 2005, the Municipal Government of Tianjin issued the "Administrative Measures on the Licensed Operation of Municipal Public Utilities of Tianjin" ("**Administrative Measures**"). Rule 22 of the Administrative Measures stipulates that: existing municipal public utilities projects within the required scope can be directly granted to the original operators for licensed operations after a review by the municipal construction administrative authority and the approval by the Municipal People's Government. The municipal construction administrative authority will sign a licensed operation agreement with the operator.

The Company has submitted an application to the Tianjin construction administrative authority to apply for the licensed operation of four sewage water treatment plants in the central area of Tianjin after the implementation of the Administrative Measures in November 2005. The Company expects that the licensed operation agreement will be signed in 2008 and the Company will make announcement according to the relevant requirements in due course.

The main requirements in respect of licensed operations under the Administrative Measures are as follow: licensed operators for new projects are generally determined by way of public tender; the municipal construction administrative authority is authorised to organise and implement the licensed operations of municipal public utility services; licensed operators shall follow the price and service charge standards for municipal public utility services of the PRC and Tianjin; the term of licensed operations shall not exceed 30 years ; existing municipal public utilities projects can be directly granted to the original operators for licensed operations after a review by the municipal construction administrative authority and the approval by the Municipal People's Government and the municipal construction administrative authority will sign a licensed operation agreement with the operator.

5.1 The principal business by industry and products

Unit: thousand dollar
Currency: RMB

By industry or by products	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease of operating income as compared over the corresponding period of last year (%)	Increase/ decrease of operating cost as compared over the corresponding period of last year (%)	Increase/ decrease of gross profit margin as compared over the corresponding period of last year (%)
By Indsutry						
Income from sewage water treatment	440,689	198,990	54.85	7.28	13.23	Decreased by 2.37 percentage points
Toll fee income	36,930	7,404	79.95	5.88	-3.01	Increased by 1.84 percentage point
Income from provision of tap water	18,915	12,505	33.89	43.63	64.45	Decreased by 8.36 percentage points
Income from water recycling pipe connection and water supply	22,434	17,770	20.79	1,185.62	188.05	Increased by 274.31 percentage points

Note:

(1) During the current period, the total sales revenue of the five largest customers of the Group was RMB458,500,000, representing 88% of the Group's total sales revenue.

(2) During the reporting period, the operating income and operating costs of the tap water business increased by 43.63% and 64.45% respectively compared to the same period last year. This was, on the one hand, due to the supply of 19,042,000 cubic metres of water by the tap water business in the first half of the year, an increase of 15.04% over the same period last year and on the other hand, due to the taking up of the water charge by the Qujing subsidiary from 1 January 2008 which has resulted in an increase of operating cost. The Qujing subsidiary also increased the price of tap water accordingly, resulting in an increase in both revenue and cost but a decrease in gross profit.

(3) During the reporting period, the operating income and operating costs of the water recycling pipe connection and water supply business increased by 1,185.62% and 188.05% respectively over the same period last year. The increase was due to the inclusion of the income from water recycling pipe connection in "income from other operations" in the unaudited data in the interim report of last year and its reclassification into "income from principal business" in the current period in

accordance with the opinion on auditing adjustments made by the auditor last year, which resulted in a higher year-on-year increase. Compared with the adjusted data of the same period last year, the operating income and operating costs of the current period increased by 60.96% and 91.26% respectively over the same period last year, which was mainly attributed to the significant increase in the business volume of the water recycling pipe connection business during the current period.

5.2 Principal businesses by geographical locations

Unit: thousand dollar
Currency: RMB

Region	Operating income	Increase/decrease in operating income compared to the same period last year (%)
Tianjin	381,416	0.45
Guizhou	16,174	3.04
Qujing	26,864	31.11
Honghu	3,105	-17.13
Shandong	7,328	No business operation in the same period last year
Hangzhou	56,480	49.28
Fuyan	14,399	17.86
Xi'an	8,106	No business operation in the same period last year
Baoying	5,096	0.55

Note:

(1) Operating income of the Hangzhou subsidiary increased by 49.28% over the same period last year, which was mainly attributed to the significant increase in volume of its charged water;

(2) The Wendeng subsidiary commenced commercial operation from 1 January 2008; and

(3) The Xi'an subsidiary commenced commercial operation from 17 May 2008.

5.3 **Reasons for the material changes on the principal operation and its structure**

☐ Applicable √ Not Applicable

5.4 **Reasons for the material changes to the profitability (gross profit margin) of the principal business as compared with last year**

☐ Applicable √ Not Applicable

5.5 **Analysis of the reasons for the material changes in the contribution to profit as compared with last year**

☐ Applicable √ Not Applicable

5.6 Utilisation of the proceeds

5.6.1 *Utilisation of the proceeds*

√ Applicable ☐ Not Applicable

The Company raised proceeds amounted to RMB1,165.39 million by issuing A Share Convertible Bonds in 2004 and RMB823.902 million was sold back in 2005. All proceeds raised, totalling RMB341.49 million, was used as at 31 December 2007.

Unit: 0'000
Currency: RMB

Name of project undertaken	**Construction project of Xianyanglu Sewage Water Treatment Plant**	**Jizhuangzhi Sewage Water Treatment Plant (Expansion) work (including the water drainage project near Dong Nan Jiao)**	**Construction project of Beicang Sewage Water Treatment Plant**	**Total**
Proposed investment amount	62,000	32,100	14,900	109,000
Any change in the project	No	No	No	—
Actual investment amount	11,712	13,485	8,952	34,149
Progress of project	As of today, a small part of construction project has not yet completed and at their final stage. At the end of 2007, preliminary estimation were made to that part of uncompleted project and a financial budget was completed. At present, completion examination of this construction-in-progress is still underway.	As of today, a small part of construction project has not yet completed and at their final stage. At the end of 2007, preliminary estimation were made to that part of uncompleted project and a financial budget was completed. At present, completion examination of this construction-in-progress is still underway.	As of today, a small part of construction project has not yet completed and at their final stage. At the end of 2007, preliminary estimation were made to that part of uncompleted project and a financial budget was completed. At present, completion examination of this construction-in-progress is still underway.	—
Conform to project progress?	No	No	Yes	—
Reasons for not conforming to project progress	Due to the outbreak of SARS in 2003 and the complicated purchasing procedures of foreign invested banks, etc, the progress of construction of the two projects under construction above experienced delays relative to the planned progress as set out in the share issuing prospectus. Subsequently, the construction went smoothly without further delays.			—
Earnings from projects	Since three projects under construction have not yet been examined upon completion during the reporting period, they are charging in accordance with the "Sewage Water Processing Interim Service Agreement", therefore cannot be compared to the predicted earnings set on in the prospectus.			—

5.6.2 *Changes in project funding*

☐ Applicable √ Not Applicable

5.7 Change in the Board's operation plan for the second half year

☐ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

5.9 **Statement from the Board of the Company concerning the qualified opinions issued by the auditors during the reporting period**

☐ Applicable √ Not Applicable

5.10 **Statement from the Board concerning changes and resolution of matters in relation to the qualified opinions issued by the auditors of the Company in the previous year**

☐ Applicable √ Not Applicable

6 MAJOR EVENTS

6.1 **Acquisition and disposal of assets and assets reorganisation**

6.1.1 *Acquisition of assets*

√ Applicable ☐ Not Applicable

In accordance with the "Resolution regarding the acquisition and licensed operation of two sewage treatment plants in Xian" considered and passed at the 14th meeting of the Fourth Board of the Company, the Company acquired the Xian Sewage Water Treatment Plant and Xian Beishiqiao Purification Center from Xian Infrastructure Investment and Construction Company during the reporting period. Such assets have a book value of RMB233,497,200 and an assessed value of RMB304,996,800. The actual purchase amount was RMB643,000,000. For details, please refer to the Company's announcement in relation to the Acquisition and Licensed Operation of Two Sewage Water Treatment Plants in Xian dated 20 December 2007 and the Company's announcement in relation to the Discloseable Transaction in respect of the Acquisition and Licensed Operation of Xian Sewage Water Treatment Plants dated 18 March 2008. On 17 May 2008, the acquisition of the above assets was completed. The net profit contributed to the Company by the assets from the date of acquisition to the end of the reporting period was RMB1,820,000.

6.1.2 *Sale or disposal of assets*

☐ Applicable √ Not Applicable

6.1.3 *Progress and impact on the operating results and financial performance since the publication of the assets restructuring report or announcement in relation to the acquisition or disposal of assets*

☐ Applicable √ Not Applicable

6.2 Guarantee

√ Applicable ☐ Not Applicable

Unit: 0'000
Currency: RMB

External guarantee granted by the Company (excluding guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee granted during the reporting period	0
Total amount of outstanding guarantee as at the end of the reporting period (A)	0
Guarantee provided to the subsidiaries of the Company	
Total amount of guarantee provided to the subsidiaries of the Company during the reporting period	7,600
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period (B)	88,591.5
Total amount of guarantee granted by the Company (including guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee (A+B)	88,591.5
Percentage of the total amount of guarantee to the net assets of the Company	30.22%
Of which:	
Amount of guarantee provided to the Shareholders, actual controller and other related parties (C)	0
Amount of guarantee provided directly or indirectly to the borrowers with gear ratio of over 70% (D)	0
Total amount of guarantee exceeds 50% of net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

6.3 Non-recurrent connected debts and liabilities

☐ Applicable √ Not Applicable

6.4 **Significant litigation and arbitration**

☐ Applicable √ Not Applicable

6.5 **Other major issues and analysis on its impacts and solutions**

6.5.1 *securities investments*

☐ Applicable √ Not Applicable

6.5.2 *The holding of equity interests of non-listed financial corporation*

☐ Applicable √ Not Applicable

6.5.3 *Restrictions and undertakings of additional shares held by shareholders holding more than 5% of the shares of the Company in 2008*

☐ Applicable √ Not Applicable

6.5.4 *Notes on the other major events*

☐ Applicable √ Not Applicable

7. FINANCIAL REPORTS

7.1 **Audit opinion**

Financial Report √ unaudited ☐ audited

7.2 **Prepared in accordance with Hong Kong Financial Reporting Standards**

CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008
(All amounts in Rmb thousand unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2008	2007 (Restated)
Revenue	4(a)	497,875	465,386
Business tax		(20,159)	(20,367)
Cost of sales		(225,796)	(189,515)
Gross profit		251,920	255,504
Other income	4(a)	3,400	5,666
Administrative costs		(47,214)	(41,316)
Operating profit		208,106	219,854
Finance costs	5	(66,006)	(33,906)
Share of profits of an associate		1,519	2,499
Profit before income tax		143,619	188,447
Income tax expense	6	(35,764)	(57,990)
Profit for the period		107,855	130,457
Attributable to:			
Equity holders of the Company		104,843	127,847
Minority interests		3,012	2,610
		107,855	130,457
Earnings per share for profit attributable to the equity holders of the Company during the period (in Rmb per share)	7		
- basic		**Rmb0.07**	Rmb0.09
- diluted		**Rmb0.07**	Rmb0.08
Interim dividends	8	—	—

CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2008
(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 30 June 2008 Unaudited	As at 31 December 2007 Restated
ASSETS			
Non-current assets			
Property, plant and equipment		2,185,302	2,197,736
Investment properties		135,902	137,588
Land use rights		393,392	401,134
Investment in an associate		65,498	63,979
Available-for-sale financial assets		4,000	4,000
Trade receivables due after one year	9	697,763	697,763
Gross amounts due from customers for contract work		199,487	172,204
Long-term loans receivables		2,001,038	1,322,382
Other non-current assets		4,455	23,778
		5,686,837	5,020,564
Current assets			
Inventories		9,040	6,634
Trade receivables	9	541,335	442,944
Other receivables and prepayments		162,572	136,733
Current income tax recoverable		9,317	—
Cash and bank balances		636,019	339,971
		1,358,283	926,282
Total assets		7,045,120	5,946,846

	Note	As at 30 June 2008 Unaudited	As at 31 December 2007 Restated
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		613,203	613,203
Retained earnings		967,870	920,116
- Proposed final dividend		—	57,089
- Undistributed		967,870	863,027
		3,008,301	2,960,548
Minority interests		126,253	123,241
Total equity		3,134,554	3,083,788
LIABILITIES			
Non-current liabilities			
Borrowings		2,052,198	1,793,523
Deferred income tax liabilities		25,927	22,054
		2,078,125	1,815,577
Current liabilities			
Trade and other payables	10	382,329	275,070
Current income tax payables		—	62,299
Borrowings		1,450,112	710,112
		1,832,441	1,047,481
Total liabilities		3,910,566	2,863,058
Total equity and liabilities		7,045,120	5,946,846
Net current liabilities		(474,158)	(121,199)
Total assets less current liabilities		5,212,679	4,899,365

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34, "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

(a) ***Going concern***

As at 30 June 2008, the Group's current liabilities exceeded its current assets by approximately Rmb474 million.

Despite the foregoing, these financial statements have been prepared on a going concern basis, because the Directors of the Group believe that the undrawn banking facilities together with the continuing support of the Group's bankers are sufficient to enable the Group to meet its liabilities as and when they fall due.

(b) ***Standard and interpretations effective in 2008 but not relevant to the Group***

HK(IFRIC) - Int 11	HKFRS 2 — Group and treasury share transactions (effective from 1 March 2007)
HK(IFRIC) - Int 14	HKAS 19 — The limit on a defined benefit asset minimum funding requirements and their interaction (effective from 1 January 2008)

(c) Standards, amendment and interpretations effective in 2008 and relevant to the Group:

HK(IFRIC) - Int 12	Service concession arrangements (effective from 1 January 2008)

The adoption of the above resulted in material impact on the financial statements of the Group are separately described in Note 3 of these financial information.

(d) Standard, amendment and interpretations to the existing standards that are not yet effective and have not been early adopted by the Group

HKAS 1(Revised)	Presentation of financial statements (effective from 1 January 2009)
HKAS 23 (Amendment)	Borrowing costs (effective from 1 January 2009)
HKAS 27 (Revised)	Consolidation and separate financial Statements (effective from 1 July 2009)
HKFRS 2 (Amendment)	Share — based payment — Vesting conditions and cancellations (effective from 1 January 2009)
HKFRS 3 (Revised)	Business combination (effective from 1 July 2009)
HKFRS 8	Operating segments (effective from 1 January 2009)
HK(IFRIC) - Int 13	Customer loyalty programmes (effective from 1 July 2008)

The Group is in the process of making an assessment of the impact of these standard, amendment and interpretations on the financial statements of the Group in the initial application whilst the adoption of above may not have a material impact on the financial statements of the Group other than disclosure changes.

3 Changes in accounting policies

The following sets out further information on the changes of accounting policies for the accounting period beginning on 1 January 2008 which has been reflected in this interim financial information.

(a) ***Restatement of prior periods and opening balances***

The following tables disclose the adjustments have been made in accordance with the transitional provision of the respective HKFRSs to each line items of the consolidated income statement for the six months ended 30 June 2007 and consolidated balance sheet at 31 December 2007 as previous reported.

(i) *Consolidated income statement for the six months ended 30 June 2007*

	Six months ended 30 June 2007 (as previous reported)	Effect of HK(IFRIC) 12 (increase /(decrease) in profit for the period)	Six months ended 30 June 2007 (as restated)
Revenue	473,316	(7,930)	465,386
Business tax	(20,367)	—	(20,367)
Cost of sales	(201,346)	11,831	(189,515)
Gross profit	251,603	3,901	255,504
Other income	5,666	—	5,666
Administrative costs	(41,836)	520	(41,316)
Operating profit	215,433	4,421	219,854
Finance costs	(60,817)	26,911	(33,906)
Share of profits of an associate	2,499	—	2,499
Profit before income tax	157,115	31,332	188,447
Income tax expense	(47,741)	(10,249)	(57,990)
Profit for the period	109,374	21,083	130,457
Attributable to:			
Equity holders of the Company	110,585	17,262	127,847
Minority interests	(1,211)	3,821	2,610
	109,374	21,083	130,457
Earnings per share for profit attributable to the equity holders of the Company during the period (in Rmb per share)			
- Basic	Rmb0.08	Rmb0.01	Rmb0.09
- Diluted	Rmb0.08	—	Rmb0.08

(ii) *Consolidated balance sheet at 31 December 2007*

	31 December 2007 (as previous reported)	Effect of HK(IFRIC) 12 (increase /(decrease) in net assets)	31 December 2007 (as restated)
ASSETS			
Non-current assets			
Property, plant and equipment	3,261,450	(1,063,714)	2,197,736
Investment property	137,588	—	137,588
Land use rights	676,912	(275,778)	401,134
Investment in an associate	63,979	—	63,979
Available-for-sale financial assets	4,000	—	4,000
Trade receivables due after one year	697,763	—	697,763
Gross amounts due from customers for contract work	—	172,204	172,204
Long-term loans receivables	—	1,322,382	1,322,382
Other non-current assets	118,698	(94,920)	23,778
	4,960,390	60,174	5,020,564
Current assets			
Inventories	6,634	—	6,634
Trade receivables	442,944	—	442,944
Other receivables and prepayments	136,733	—	136,733
Cash and bank balances	339,971	—	339,971
	926,282	—	926,282
Total assets	5,886,672	60,174	5,946,846
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	1,427,228	—	1,427,228
Other reserves	613,203	—	613,203
Retained earnings	852,737	67,379	920,116
- Proposed final dividend	57,089	—	57,089
- Undistributed	795,648	67,379	863,027
	2,893,168	67,379	2,960,547
Minority interests	114,870	8,371	123,241
Total equity	3,008,038	75,750	3,083,788

	31 December 2007 (as previous reported)	Effect of HK(IFRIC) 12 (increase /(decrease) in net assets)	31 December 2007 (as restated)
LIABILITIES			
Non-current liabilities			
Borrowings	1,793,523	—	1,793,523
Deferred income tax liabilities	—	22,054	22,054
	1,793,523	22,054	1,815,577
Current liabilities			
Trade and other payables	312,700	(37,630)	275,070
Current income tax payables	62,299	—	62,299
Borrowings	710,112	—	710,112
	1,085,111	(37,630)	1,047,481
Total liabilities	2,878,634	(15,576)	2,863,058
Total equity and liabilities	5,886,672	60,174	5,946,846
Net current liabilities	(158,829)	37,630	(121,199)
Total assets less current liabilities	4,801,561	97,804	4,899,365

(b) ***Estimated effect of changes in accounting policies on the current period***

The following tables provide estimates of extent to which each of the line items of the consolidated income statement and balance sheet for the six months then ended 30 June 2008 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable make such estimates

(i) Estimated effect on the consolidated income statement for the six month ended 30 June 2008.

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in profit for the period)
Revenue	(25,042)
Cost of sales	11,661
Gross profit	(13,381)
Administrative costs	890
Operating profit	(12,491)
Finance costs	27,981
Profit before income tax	15,490
Income tax expense	(3,872)
Profit for the period	11,618
Attributable to:	
Equity holders of the Company	9,199
Minority interests	2,419
	11,618
Earnings per share for profit attributable to the equity holders of the Company during the period	
- Basic and diluted	Rmb0.64 cents

(ii) *Estimated effect on the consolidated balance sheet at 30 June 2008*

	Estimated effect of HK(IFRIC) 12 (increase /(decrease) in net assets)
ASSETS	
Property, plant and equipment	(1,756,463)
Land use rights	(274,068)
Gross amounts due from customers for contract work	199,487
Long-term loan receivables	2,001,038
Other non-current assets	(93,220)
Total assets	76,774
EQUITY	
Capital and reserves attributable to the Company's equity holders	
Retained earnings	76,579
Minority interests	10,790
Total equity	87,369
LIABILITIES	
Non-current liabilities	
Deferred income tax liabilities	25,927
Current liabilities	
Trade and other payables	(36,522)
Total liabilities	(10,595)
Total equity and liabilities	76,774
Net current liabilities	36,522
Total assets less current liabilities	113,296

(c) ***Service concession arrangements (HK(IFRIC) 12: Service concession arrangements)***

In prior years, the Group recognised plant property and equipment of certain of its build-operate-transfer ("**BOT**") and transfer-operate-transfer ("**TOT**") arrangements as plant property and equipment or other non-current assets.

Apart from above, the Group recognised toll road exchanged from the controlling shareholder of the Company by the Company's previous controlling shareholder as plant property and equipment. Toll road was depreciated on an units-of-usage basis which was based on actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group was granted the right to operate the road.

With effective from 1 January 2008, in accordance with HK(IFRIC) 12, the BOT and TOT arrangements of the Group, such as sewage water processing projects outside of Tianjin, tap water processing projects and tolls road, are service concession arrangements under HK(IFRIC) 12. Infrastructure within the scope of HK(IFRIC) 12 is not recognised property, plant and equipment or other non-current assets as control of the infrastructure of the projects remain in public hands but the Group is responsible for construction or upgrade activities, as well as for operating and maintaining the public sector infrastructure.

As a result, the Group accounts for revenue and costs relating to construction or upgrade services of infrastructure in accordance with HKAS 11, Construction contracts. In accordance with HKAS 11, when the outcome of a construction contract can be estimated reliably, revenue from construction services is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amounts due from customers for contracts work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Debtors, other receivables, deposits and prepayments".

Considerations received or receivable by the Group for the construction or upgrade services are recognised at their fair values as financial assets (for sewage water processing projects, tap water processing projects and tolls road). For financial assets recognised, they are reduced when payments, being a portion of the sewage water processing revenue, tap water processing revenue, and tolls revenue are received. Finance income on the financial assets is recognised using an estimate of the service concession grantors' incremental borrowing rate of interest.

Borrowing costs incurred for the construction and upgrade services are not capitalised and are expensed in the period in which they are incurred.

The new accounting policy has been applied retrospectively with comparatives restated. The adjustments for each financial statement line affected for accounting periods beginning on 1 January 2007 and 2008 are set out in notes 3(a) and 3(b).

4 Revenue and segment information

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

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

	Unaudited For the six months ended 30 June 2008	
	30 June 2008	**30 June 2007**
		Restated
Turnover		
- Construction revenue	28,383	23,438
- Sewage water processing	402,127	368,329
- Tolls (note(i))	23,157	27,691
- Tap water processing	17,825	11,127
- Water recycling and pipeline connection	22,434	13,224
- Construction materials	—	1,210
- Others	3,949	20,366
	497,875	465,386
Other income		
- Rental income from investment property	3,400	2,546
- Subsidy income	—	1,340
- Others	—	1,780
	3,400	5,666
Total	501,275	471,052

(b) *Business segment analysis*

	Unaudited For the six months ended 30 June 2008	30 June 2007 *Restated*
Revenue		
Sewage water processing projects construction and operation	430,510	391,765
Tolls road operation (note(i))	23,157	27,694
Tap water processing operation	17,825	11,127
Water recycling and pipeline connection	22,434	13,224
Construction materials	—	1,210
Others	3,949	20,366
	497,875	465,386
Segment results		
Sewage water processing projects construction and operation	110,347	146,585
Tolls road operation (note(i))	17,190	25,904
Tap water processing operation	11,236	9,279
Water recycling and pipeline connection	4,354	(8,727)
Construction materials	(388)	(1,187)
Others	(639)	14,094
	142,100	185,948
Share of profits of an associate	1,519	2,499
Profit before income tax	143,619	188,447
Taxation	(35,764)	(57,990)
Profit for the period	107,855	130,457

Note:

(i) The tolls income of Rmb37 million (2007: Rmb33 million) represented the minimum toll fee guaranteed under the Toll Fee Collection Subcontracting Agreement.

(ii) 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 period from 1 January 2008 to 30 June 2008 amounting to Rmb20 million (2007: Rmb20 million).

Other segment items included in the income statements are as follows:

	Unaudited For the six months ended 30 June 2008	30 June 2007 *Restated*
Depreciation		
Sewage water processing projects construction and operation	49,118	37,549
Tap water processing operation	286	632
Water recycling and pipeline connection	4,114	4,113
Sale of construction materials	592	941
Others	1,350	8,180
	55,460	51,415
Amortisation		
Sewage water processing projects construction and operation	4,246	5,606
Water recycling and pipeline connection	9	—
Sale of construction materials	20	—
Others	141	40
	4,416	5,646

The segment assets and liabilities as at 30 June 2008 and capital expenditure for the period then ended are as follows:

	Unaudited 30 June 2008	Audited 31 December 2007 *Restated*
Total assets		
Sewage water processing projects construction and operation	5,564,135	4,572,502
Tolls road operation (note(i))	394,631	342,970
Tap water processing operation	317,148	271,597
Water recycling and pipeline connection	416,339	425,947
Construction materials	35,966	3,149
Associate	65,498	63,979
Unallocated	251,403	266,703
	7,045,120	5,946,847
Total liabilities		
Sewage water processing projects construction and operation	3,355,758	2,345,262
Tolls road operation (note(i))	19,607	19,789
Tap water processing operation	187,163	158,638
Water recycling and pipeline connection	334,087	323,979
Construction materials	2,504	2,136
Unallocated	11,447	13,254
	3,910,566	2,863,058

	Unaudited For the six months ended 30 June 2008	Unaudited For the six months ended 30 June 2007 *Restated*
Capital expenditure		
Sewage water processing construction and operation	39,601	38,653
Tap water processing operation	73	—
Water recycling	222	11,516
Unallocated	2,822	2,233
	42,718	52,402

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

5 Finance costs

	Unaudited For the six months ended 30 June 2008	30 June 2007 *Restated*
Interest expense on:		
- bank borrowings	99,792	64,381
- liability component of convertible bonds	—	999
Less: Capitalized interests	(2,976)	—
	96,816	65,380
Less: Interest income on bank deposits	(2,829)	(1,935)
Interest income on financial assets	(27,981)	(29,539)
	66,006	33,906

6 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong (2007: Nil). PRC income tax has been charged at 25% on the respective assessable profits of the Company and its subsidiaries (2007: 33%).

	Unaudited For the six months ended 30 June 2008	30 June 2007 *Restated*
Tax charge comprises:		
Current PRC income tax	31,892	47,114
Deferred income tax	3,872	10,876
	35,764	57,990

7 Earnings per share

Basic earnings per share is calculated based on the profit attributable to equity holder of the Company of Rmb105 million (2007: Rmb128 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the period (2007:1,367 million shares).

Diluted earnings per share is calculated using the same bade as described above for calculating basic earnings per share after adjusting for the Company's Bonds during the six months ended 30 June 2007 , which were fully converted to ordinary shares or redeemed during 2007 ,as follows:

	Unaudited For the six months ended	
	30 June 2008	**30 June 2007**
		Restated
Profit attributable to equity holders of the Company	104,843	127,847
Finance costs on convertible debt (net of tax)	—	1,484
Profit used to determine diluted earnings per share	104,843	129,331
Weighted average number of ordinary shares in issue (million)	1,427	1,367
Adjustments for — assumed conversion of convertible debt (million)	—	24
Weighted average number of ordinary shares for diluted earnings per share (million)	1,427	1,391
Diluted earnings per share (Rmb per share)	0.07	0.08

8 Interim dividends

	Unaudited For the six months ended	
	30 June 2008	**30 June 2007**
2007 final, declared of Rmb0.04 (2006 final, paid of Rmb0.04) per share	57,089	56,105

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2008 (2007: nil).

9 Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2008	**Audited 31 December 2007**
Due from TSC for:		
- Water processing services	689,609	616,043
- Construction of plants	466,185	466,185
	1,155,794	1,082,228
Less: Portion deemed non-current (note (e))	(697,763)	(697,763)
	458,031	384,465
Due from others	83,304	58,479
Current portion	541,335	442,944

(a) Under the Co-operative Agreement, TSC agrees to sell to the Company certain of its property, plant and equipment upon completion of their construction and receipt of relevant verification reports, at their carrying value. On 17 April 2004, TSC confirmed its intention to settle its debt due to the Company with these mentioned assets.

The construction of these assets was completed in late 2005, and based on the construction verification reports dated 27 December 2007, the Tianjin Finance Bureau approved the verified value of these completed assets which amounted to about Rmb698 million (2006: The estimated carrying value then was Rmb750 million, which included about Rmb50 million exchange loss now absorbed by TSC in 2007).

(b) On 17 April 2007, Tianjin Construction Administration Committee ("**TJCAC**") (天津市建設管理委員會), the government body overseeing the management of construction and operation of infrastructure in Tianjin, reconfirmed that the Tianjin Municipality has agreed to the settlement of the Company's debts in manner as agreed by TSC in (a) above. In addition, the remaining debt outstanding after such assets settlement will be settled by way of cash.

(c) In January 2008, the Company has requested TJCAC to accelerate the settlement of the Company's debts. The final settlement is still pending relevant governmental authorities approvals, the timing of which is not totally within the management's control.

(d) On 8 April 2008, TJCAC confirmed that there will be no legal obstacle to the above mentioned assets settlement.

(e) On the basis that the assets settlement will eventually be finalised, about Rmb 698 million due from TSC as at 30 June 2008 , representing the verified cost of the assets, has been reclassified to non-current trade receivables (2007: Rmb698 million).

Based on the above information and confirmations on hand, the Directors believe that the amount due from TSC is eventually fully recoverable.

The Group in general grants a credit period range from 30 to 90 days. Management considered trade receivables les than one year past due are not impaired as all trade receivables are due from government bodies of the PRC. Aging of trade receivable is as follows:

	Unaudited 30 June 2008	**Audited 31 December 2007**
Within one year	541,335	442,944
Over two years	697,763	697,763
	1,239,098	1,140,707

10 Trade payables

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

7.3 **Prepared in accordance with PRC Accounting Standards**

Consolidated balance sheet

Unit: Rmb'000 Currency: RMB
As at 30 June 2008

	Group		Company	
Items	**30 June 2008 (Unaudited)**	**31 December 2007 (Audited)**	**30 June 2008 (Unaudited)**	**31 December 2007 (Audited)**
Current Assets:				
Monetary Funds	636,019	339,971	157,475	86,633
Trade receivables	541,335	442,944	476,551	401,905
Advances to suppliers	81,757	57,964	50,072	12,984
Other receivables	80,815	78,769	435,614	82,459
Inventories	9,040	6,634	3,221	3,034
Total current assets	1,348,966	926,282	1,122,933	587,015
Non-current assets:				
Long-term receivables	697,763	697,763	697,763	697,763
Long-term equity investments	69,498	67,979	1,006,751	724,751
Investment property	135,902	137,588	94,090	95,305
Fixed assets	3,682,406	3,068,320	2,010,175	2,064,881
Construction in progress	259,359	193,130	66,005	30,257
Intangible assets	669,239	677,667	557,987	564,114
Long-term deferred expenses	95,896	98,173	—	—
Other non-current assets	—	19,770	—	19,770
Total non-current assets	5,610,063	4,960,390	4,432,771	4,196,841
Total assets	6,959,029	5,886,672	5,555,704	4,783,856
Current liabilities:				
Short-term borrowings	844,890	155,000	799,890	155,000
Accounts payable	14,617	12,469	7,382	6,139
Advances from customers	187,566	171,341	31,877	28,099
Wages payables	5,136	6,674	4,539	5,753
Taxes payable	-2,376	69,727	-7,839	61,642
Interest payables	—	660	—	—

Items	Group 30 June 2008 (Unaudited)	Group 31 December 2007 (Audited)	Company 30 June 2008 (Unaudited)	Company 31 December 2007 (Audited)
Dividend payables	57,894	842	57,894	842
Other payables	146,697	113,286	155,160	100,957
Current portion of Long-term borrowings	483,790	416,250	434,000	334,000
Other current liablities	121,432	138,862	16,364	32,727
Total current liabilities	1,859,646	1,085,111	1,499,267	725,159
Non-current liabilities:				
Long-term borrowings	1,876,125	1,646,250	976,000	1,035,000
Long-term payables	147,273	147,273	147,273	147,273
Specific payables	28,800	—	28,800	—
Total non-current liabilities	2,052,198	1,793,523	1,152,073	1,182,273
Total liabilities	3,911,844	2,878,634	2,651,340	1,907,432
Owners' equity (or shareholders'equity:				
Paid-in capital (or share capital)	1,427,228	1,427,228	1,427,228	1,427,228
Capital surplus	383,338	383,338	380,788	380,788
Surplus reserves	229,865	229,865	229,865	229,865
Undistributed profits	891,291	852,737	866,483	838,543
Total equity attributable to the Company's equity holders	2,931,722	2,893,168	—	—
Minority interests	115,463	114,870	—	—
Total owners' equity	3,047,185	3,008,038	2,904,364	2,876,424
Total liabilities and owners' equity	6,959,029	5,886,672	5,555,704	4,783,856

Consolidated Income Statements

Unit: Rmb'000 Currency:RMB
For the six months ended 30 June 2008

Items	Group Unaudited Six months Ended 30 June 2008	Group Unaudited Six months Ended 30 June 2007	Company Unaudited Six months Ended 30 June 2008	Company Unaudited Six months Ended 30 June 2007
1. Total operating revenue	527,559	474,882	366,478	367,700
Including: Operating revenue	527,559	474,882	—	—
2. Total operating cost	401,442	321,282	132,711	123,489
Including：Operating cost	238,699	198,262	—	—
Business tax and surcharges	20,159	20,367	19,744	20,014
General & Adminstrative expenses	46,046	41,799	30,485	30,081
Finance expenses	96,538	60,854	69,969	41,302
Investment income(loss marked as "-")	2,051	2,499	—	—
3. Operating profit (loss marked as "-")	128,168	156,099	113,569	152,814
Add: Non-operating income	292	1,352	4	6
Less: Non-operating expenses	331	336	200	46
Including: Loss on disposal of non-current assets	39	-1,016	196	40
4. Total profit (total loss marked as "-")	128,129	157,115	113,373	152,774
Less: Income tax	31,893	47,741	28,343	45,372

Items	Group Unaudited Six months Ended 30 June 2008	 Unaudited Six months Ended 30 June 2007	Company Unaudited Six months Ended 30 June 2008	 Unaudited Six months Ended 30 June 2007
5. Net profit (net loss marked as "-")	96,236	109,374	85,030	107,402
Net profit attributable to the Company's equity holders	95,643	110,585		
Minority interests	593	-1,211		
6. Earnings per share:				
(1) Basic earnings per share (Rmb/share)	0.07	0.08		
(2) Diluted earnings per share (Rmb/share)	0.07	0.08		

Consolidated Cash Flows Statements

Unit: Rmb'000 Currency:RMB
For the six months ended 30 June 2008

Items	Group Unaudited Six months Ended 30 June 2008	Group Unaudited Six months Ended 30 June 2007	Company Unaudited Six months Ended 30 June 2008	Company Unaudited Six months Ended 30 June 2007
1. Cash flows from operating activities:				
Cash received from rendering of goods and services	413,448	289,961	258,206	153,441
Tax and levies refund received	—	340	—	—
Other cash received from operating activities	111,344	16,304	159,573	6,764
Sub-total of cash inflows from operating activities	524,792	306,605	417,779	160,205
Cash paid for goods and services	116,629	92,077	53,584	52,025
Cash paid to and on behalf of employees	34,036	27,396	17,843	15,242
Taxes paid	129,795	77,701	118,892	70,239
Other cash paid relating to operating activities	25,528	54,903	13,257	41,835
Sub-total of cash outflows from operating activities	305,988	252,077	203,576	179,341
Net cash flows from operating activities	218,804	54,528	214,203	-19,136
2. Cash flows from investing activities:				
Cash received from disposal of investments	2,885	—	400	—
Cash received from returns on investments	800	—	—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	87	121	4	97
Cash received relating to other investing activities	64,707	17,227	62,186	17,135

Items	Group Unaudited Six months Ended 30 June 2008	Group Unaudited Six months Ended 30 June 2007	Company Unaudited Six months Ended 30 June 2008	Company Unaudited Six months Ended 30 June 2007
Sub-total of cash inflows from investing activities	68,479	17,348	62,590	17,232
Cash paid to acquire fixed assets, intangible assets and other long-term assets	854,920	141,701	518,023	98,358
Cash paid to acquire investments	—	—	282,000	48,000
Cash paid relating to other investing activities	688	4,300	—	—
Sub-total of cash outflows from investing activities	855,608	146,001	800,023	146,358
Net cash flows from investing activities	-787,129	-128,653	-737,433	-129,126
3. Cash flows from financing activities:				
Cash received from borrowings	1,367,890	403,000	1,007,890	313,000
Other cash received relating to financing activities	37,020	37,933	25,576	21,933
Sub-total of cash inflows from financing activities	1,404,910	440,933	1,033,466	334,933
Cash repayments of amounts borrowed	382,388	210,125	322,000	197,000
Cash payments for interest expenses and distribution of dividends or profits	143,084	75,201	111,391	55,831
Other cash paid relating to financing activities	39,065	842	30,003	842
Sub-total of cash outflows from financing activities	564,537	286,168	463,394	253,673
Net cash flows from financing activities	840,373	154,765	570,072	81,260
4. Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	—
5. Net increase in cash and cash equivalents	272,048	80,640	46,842	-67,002

Consolidated Statements of Changes in Equity — Unaudited

Unit: Rmb'000 Currency:RMB
For the six months ended 30 June 2008

Items	Paid-in capital (or share capital)	Capital surplus	Less: Treasury shares	Surplus reserves	Provision for general risks	Undistributed profits	Others	Minority interests	Total equity
	Current period amount								
	Attibutable to the Company's equity owners								
I. Balances at end of last year	1,427,228	383,338		229,865		852,737		114,870	3,008,038
Add: Changes in accounting policies									
Restatement of accounting error for prior periods									
II. Balances at beginning of current period amount	1,427,228	383,338		229,865		852,737		114,870	3,008,038
III. Increase or decrease amount (decrease marked as "-")						38,554		593	39,147
(1) Net profit						95,643		593	96,236
(2) Income and loss directly recognized in owners'equity									
1. Changes in fair value of available-for-sale financial assets									
2. Impact on investee's other shareholders'equity under equity account method									
3. Relating to income tax impact on those items recognized in the owners'equity									
4. Others									
Sub-total of (1) and (2) described as above						95,643		593	96,236
(3) Capital contribution and reduction									
1. Capital contributed by the owners									
2. Share base payment recognized in owners' equity									
3. Others									
(4) Profit Appropriation						57,089			57,089
1. Appropriation to statutory common reserve									
2. Provision for general risks									
3. Appropriation to shareholders (owners)						57,089			57,089
4, Others									
(5) Reclassification with owners'equity									
1. Capital surplus increased as paid-in capital (share capital)									
2. Surplus reserve increased as paid-in capital (share capital)									
3. Surplus reserve made up losses									
4. Others									
IV. Balances at end of the period	1,427,228	383,338		229,865		891,291		115,463	3,047,185

Unit: Rmb'000 Currency:RMB
For the six months ended 30 June 2008

Comparative amount of last period

Attributable to the Company's equity owners

Items	Paid-in capital (or share capital)	Capital surplus	Less: Treasury shares	Surplus reserves	Provision for general risks	Undistributed profits	Others	Minority interests	Total equity
I. Balances at end of last year	1,330,666	101,297		220,356		734,539		116,111	2,502,969
Add: Changes in accounting policies									
Restatement of accounting error for prior periods									
II. Balances at beginning of current period	1,330,666	101,297		220,356		734,539		116,111	2,502,969
III. Increase or decrease amount (decrease marked as "-")	71,971	205,840				54,479		-1,211	331,079
(1) Net profit						110,585		-1,211	109,374
(2) Income and loss directly recognized in owners'equity	71,971	205,840							277,811
1. Changes in fair value of available-for-sale financial assets									
2. Impact on investee's other shareholders'equity under equity account method									
3. Relating to income tax impact on those items recognized in the owners'equity									
4. Others	71,971	205,840							277,811
Sub-total of (1) and (2) described as above	71,971	205,840				110,585		-1,211	387,185
(3) Capital contribution and reduction									
1. Capital contributed by the owners									
2. Share base payment recognized in owners' equity									
3. Others									
(4) Profit Appropriation						56,106			56,106
1. Appropriation to statutory common reserve									
2. Provision for general risks									
3. Appropriation to shareholders (owners)						56,106			56,106
4. Others									
(5) Reclassification with owners'equity									
1. Capital surplus increased as paid-in capital (share capital)									
2. Surplus reserve increased as paid-in capital (share capital)									
3. Surplus reserve made up losses									
4. Others									
IV、Balances at end of the period	1,402,637	307,137		220,356		789,018		114,900	2,834,048

Statements of Changes in Equity of the Company — Unaudited

Unit: Rmb'000 Currency:RMB
For the six months ended 30 June 2008

	Current year period					
Itmes	**Paid-in capital (or share capital)**	**Capital surplus**	**Less: Treasury shares**	**Surplus reserves**	**Undistributed profits**	**Total equity**
I. Balances at end of last year	1,427,228	380,788		229,865	838,543	2,876,424
Add: Changes in accounting policies						
Restatement of accounting error for prior periods						
II. Balances at beginning of current period	1,427,228	380,788		229,865	838,543	2,876,424
III. Increase or decrease amount (decrease marked as "-")					27,940	27,940
(1) Net profit					85,029	85,029
(2) Income and loss directly recognized in owners'equity						
1. Changes in fair value of available-for-sale financial assets						
2. Impact on investee's other shareholders'equity under equity account method						
3. Relating to income tax impact on those items recognized in the owners'equity						
4. Others						
Sub-total of (1) and (2) described as above					85,029	85,029
(3) Capital contribution and reduction						
1. Capital contributed by the owners						
2. Share base payment recognized in owners' equity						
3. Others						
(4) Profit Appropriation					57,089	57,089
1. Appropriation to statutory common reserve						
2. Appropriation to shareholders (owners)					57,089	57,089
3. Others						
(5) Reclassification with owners'equity						
1. Capital surplus increased as paid-in capital (share capital)						
2. Surplus reserve increased as paid-in capital (share capital)						
3. Surplus reserve made up losses						
4. Others						
IV. Balances at end of the period	1,427,228	380,788		229,865	866,483	2,904,364

Unit: Rmb'000 Currency:RMB
For the six months ended 30 June 2008

Items	Comparative amount of last period					
	Paid-in capital (or share capital)	**Capital surplus**	**Less: Treasury shares**	**Surplus reserves**	**Undistributed profits**	**Total equity**
I. Balances at end of last year	1,330,666	101,297		217,734	748,458	2,398,155
Add: Changes in accounting policies						
Restatement of accounting error for prior periods						
II. Balances at beginning of current period	1,330,666	101,297		217,734	748,458	2,398,155
III. Increase or decrease amount (decrease marked as "-")	71,971	205,840			51,296	329,107
(1) Net profit					107,402	107,402
(2) Income and loss directly recognized in owners'equity	71,971	205,840				277,811
1. Changes in fair value of available-for-sale financial assets						
2. Impact on investee's other shareholders'equity under equity account method						
3. Relating to income tax impact on those items recognized in the owners'equity						
4. Others	71,971	205,840				277,811
Sub-total of (1) and (2) described as above	71,971	205,840			107,402	385,213
(3) Capital contribution and reduction						
1. Capital contributed by the owners						
2. Share base payment recognized in owners' equity						
3. Others						
(4) Profit Appropriation					56,106	56,106
1. Appropriation to statutory common reserve						
2. Appropriation to shareholders (owners)					56,106	56,106
3. Others						
(5) Reclassification with owners'equity						
1. Capital surplus increased as paid-in capital (share capital)						
2. Surplus reserve increased as paid-in capital (share capital)						
3. Surplus reserve made up losses						
4. Others						
IV. Balances at end of the period	1,402,637	307,137		217,734	799,754	2,727,262

7.4 During the reporting period, there were no changes in accounting policies, accounting estimations and auditing methods.

7.5 During the reporting period, no corrections were made to accounting errors.

7.6 **Specific explanation in respect of changes in the combined aspects as compared to the latest annual report**

During the reporting period, Xi'an Capital Water Company Limited and Tianjin Haiying Environmental Engineering Technology Consulting Limited were added to the combined aspects of the combined financial statements.

8 PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

9 CODE ON CORPORATE GOVERNANCE PRACTICES

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

10 AUDIT COMITTEE

On 31st July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors Messrs. Ko Poming, Xie Rong and Di Xiaofeng. The Audit Committee, together with the management of the Group have reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standard, and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2008.

By order of the Board
Ma Baiyu
Chairman

Tianjin, the PRC
21 August 2008

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. Ko Poming, Mr. Xie Rong and Mr. Di Xiaofeng.