Tianjin Capital Environmental Protection Group Company Limited
天津創業環保集團股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 1065)

2009 First Quarterly Report

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

§1 Important

1.1 The board (the "**Board**") of directors (the "**Directors**"), supervisory committee and the Directors, supervisors and senior management of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") hereby warrant that there is no false information, misleading statements or material omission in this report, and severally and jointly assume responsibilities for the truthfulness, accuracy and completeness of the contents in this report.

1.2 The first quarterly financial report of the Company is unaudited.

1.3 Ms. Ma Baiyu, the Company's Chairman, Mr. Gu Qifeng, the officer in charge of the accounting work, and Ms. Shi Zhenjuan, the officer in charge of the accounting department (the chief accountant) have declared and warranted the truthfulness and completeness of the financial report contained in this quarterly report.

§2 Basic information of the Company

2.1 Major accounting data and financial indicators

Currency: RMB

	As at the end of this reporting period	**As at the end of the previous year**	**Comparison of the end of this reporting period with the end of the previous year Increase/decrease (%)**
Total Assets (RMB'000)	7,833,189.00	7,560,263.00	3.61
Equity Holders' Equity (or Shareholder's Equity) (RMB'000)	3,145,535.00	3,107,702.00	1.22
Net assets per share attributed to shareholders of the Company (RMB)	2.20	2.18	0.92

	From the beginning of the year till the end of the reporting period	**Compared with the same period of the previous year Increase/decrease (%)**
Net cash-flow from operating activities (RMB'000)	-39,311.00	-168.70
Net cash-flow from operating activities per share (RMB)	-0.03	-175

	Reporting period	From the beginning of the year till the end of the reporting period	Comparison of this reporting period with the same period of the previous year Increase/decrease (%)
Net profits attributed to shareholders of the Company (RMB'000)	37,834.00	37,834.00	-32.05
Basic earning per share (RMB)	0.03	0.03	-25
Basic earning per share after deduction of extraordinary items (RMB)	0.03	0.03	-25
Diluted earnings per share (RMB)	0.03	0.03	-25
Fully diluted return ratio on net assets (%)	1.20	1.20	decreased by 0.69 percentage point
Fully diluted return ratio on net assets after deduction of extraordinary items (%)	1.14	1.14	decreased by 0.75 percentage point

Deduction of extraordinary items and amounts:

Extraordinary items	Amount from the beginning of the year till the end of the reporting period *(RMB'000)*
Government subsidies for profit and loss for the current period, except for the government subsidies with a standard amount and volume continuously entitled by the Company closely relating to its normal operation of business and in accordance with the State policies	2,534
Income and expenses from other operations other than the above	-54
Impact of income tax	-620
Total	1,860

2.2 Total number of shareholders at the end of the reporting period and the shareholdings of the top ten shareholders of non-restricted circulating shares

Total number of shareholders at the end of the reporting period: 108,389, of which 98 were shareholders of circulating H shares.

Unit: Shares

Shareholdings of the top ten shareholders of non-restricted circulating shares

Name of shareholders (full names)	**Number of non-restricted circulating shares held at the end of the period**	**Type of Shares**
HKSCC Nominees Limited	337,480,900	H Shares
Tianjin Municipal Investment Company Limited (“**TMICL**”)	110,897,847	RMB ordinary shares
Zhou Jun	5,929,441	RMB ordinary shares
Agricultural Bank of China — Huaxia Steady Growth Mixed Securities Investment Fund	5,280,321	RMB ordinary shares
Shenyang Railway Coal Dealing Company Limited	3,000,000	RMB ordinary shares
China Southern Securities Co. Ltd.	2,725,000	RMB ordinary shares
Bank of China — Jiashi Shanghai-Shenzhen 300 Index Securities Investment Fund	2,099,166	RMB ordinary shares
Wang Mingli	1,533,000	RMB ordinary shares
Pan Zhihong	1,228,020	RMB ordinary shares
Xie Zhiyan	1,125,285	RMB ordinary shares

§3 Significant events

3.1 Description and reasons of substantial changes in principal financial statement items of the Company and financial indicators

√applicable ☐ not applicable

Unit: ’000
Currency: RMB

Item	January - March 2009	January - March 2008	Amount of increase/ decrease	Percentage of increase/ decrease (%)	Details of changes
Operating costs	135,317	103,488	31,829	31	A significant increase occurred as compared to the corresponding period of last year because no cost was incurred by the Xian and Haiying subsidiaries during the corresponding period of last year as well as new additional tap water charges for the current period costs were incurred by Qujing Capital Water Company Limited.
Finance costs	47,029	28,396	18,633	66	A significant increase occurred as compared to the corresponding period of last year, which was due to part of the interest charges arising from the new additional loans of the Company in the second half of 2008. In addition, no cost was incurred by the Xian subsidiary for the corresponding period of last year, and the new additional loan for the purchase of phase 2 assets by the Hangzhou subsidiary for the current period also created part of the interest charges.
Non-operating income	2,539	285	2,254	790	This was mainly attributable to the recognition of subsidy income for the current period by the Chibi subsidiary.

Item	January - March 2009	January - March 2008	Amount of increase/ decrease	Percentage of increase/ decrease (%)	Details of changes
Net profit	38,086	55,940	-17,854	-32	As a result of the above changes in the operating costs and finance costs, and the increase in net profit for the corresponding period in 2008 due to retroactive adjustment in accordance with the PRC Corporate Accounting Standards Interpretation No.2, both have contributed to the decrease in net profit for the current period as compared to the corresponding period of last year.

Description of the substantial changes in cash flow of the Company and its subsidiaries during the reporting period as compared to the corresponding period of last year:

Unit: ’000
Currency: RMB

Item	January - March 2009	January - March 2008	Amount of increase/ decrease	Percentage of increase/ decrease (%)	Details of changes
Net cash flow from operating activities	-39,311	57,225	-96,536	-169	A significant decrease occurred in the net cash flow from operating activities as compared to the corresponding period of last year, which was mainly due to less amounts were recovered by the Company for the current period.
Net cash flow from investment activities	-86,488	-85,381	-1,107	1.3	Net cash flow from investment activities has no substantial change.
Net cash flow from financing activities	138,247	455,783	-317,536	-70	A decrease in borrowings for the reporting period as compared to the corresponding period of last year

Item	January - March 2009	January - March 2008	Amount of increase/ decrease	Percentage of increase/ decrease (%)	Details of changes
Net increase in cash and cash equivalents	12,448	427,711	-415,263	-97	The above three sources of cash flow, in particular the decreases in cash inflows from operating activities and financing activities for the current period, resulted in a significant decline in the net increase in cash for the current period as compared to the corresponding period of last year.

3.2 Progress of significant events and analysis of its impacts and solutions

☐ applicable √ not applicable

3.3 Implementation of the undertakings made by the Company, shareholders and ultimate controller

√ applicable ☐ not applicable

(1) Pursuant to Article 27 of the "Administrative Measures of the Share Segregation Reforms on Listed Companies", all original non-circulating shares shall not be listed for dealing or transfer within 12 months commencing from the implementation date of the Share Segregation Reforms.

(2) TMICL has undertaken that upon the expiry of the undertaking period as mentioned in the previous paragraph, the number of shares to be sold through listing the shares on the Shanghai Stock Exchange ("**SSE**") shall not exceed 5% of the total shares of the Company within 12 months, and shall not exceed 10% within 24 months.

(3) Where the number of shares sold through SSE amount to 1% of the total shares of the Company, an announcement shall be made within two working days from the date of the occurrence of such fact.

As at the date of this report, TMICL has fully implemented the above undertakings.

3.4 Warnings and reasons that the forecast of the aggregate net profit from the beginning of the year to the end of the next reporting period may turn to a loss or significant change compared with the same period of the previous year

☐ applicable √ not applicable

3.5 Implementation of the cash dividend distribution policy during the reporting period

The resolution in relation to the amendment to the articles of association of the Company was considered and approved in the 28th meeting of the Company's Fourth Board held on 28 April 2009. The cash dividend distribution policy of the Company has been amended. For details, please refer to the Company's announcement published on 28 April 2009.

By order of the Board
Ma Baiyu
Chairman

Tianjin, the PRC
28 April 2009

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.

§4 Appendix

4.1 Consolidated Balance Sheet

as at 31 March 2009

Unit: '000 Currency: RMB
Type of Audit: Unaudited

Item	Balance at the end of the period	Balance at the beginning of the period
Current Assets:		
Cash balances	921,495	909,047
Trade receivables	950,974	789,869
Prepayments	55,467	81,987
Other receivables	164,020	52,137
Inventories	46,846	9,448
Total current assets	2,138,802	1,851,488
Non-Current Assets:		
Long-term receivables	1,033,729	1,029,017
Long-term equity investments	42,545	43,878
Investment properties	118,469	118,692
Fixed assets	2,004,546	1,985,415
Construction in progress	216,889	207,122
Intangible assets	2,275,537	2,277,399
Long-term charges for amortisation	2,667	—
Deferred income tax assets	5	—
Other non-current assets	—	47,252
Total non-current assets	5,694,387	5,708,775
Total assets	7,833,189	7,560,263
Current Liabilities:		
Short-term borrowings	776,890	821,890
Accounts payable	55,636	17,841
Advances from customers	202,943	228,716
Wages payable	2,977	5,054
Taxes payable	30,409	23,678
Dividend payable	2,045	2,048
Other payables	119,370	99,848
Non-current liabilities due in one year	599,400	662,281
Total current liabilities	1,789,670	1,861,356

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current Liabilities:		
Long-term loans	2,573,950	2,318,160
Deferred income tax liabilities	26,377	23,640
Other non-current liabilities	178,909	130,909
Total non-current liabilities	2,779,236	2,472,709
Total liabilities	4,568,906	4,334,065
Shareholders' Equity:		
Share capital	1,427,228	1,427,228
Capital reserve fund	383,338	383,338
General reserves	253,093	253,093
Undistributed profits	1,081,876	1,044,043
Total equity holders' equity attributable to the Company	3,145,535	3,107,702
Minority interests	118,748	118,496
Total equity holders' equity	3,264,283	3,226,198
Total Liabilities and Equity Holders' Equity	7,833,189	7,560,263

Balance Sheet of the Company
as at 31 March 2009

Unit: '000 Currency: RMB
Type of Audit: Unaudited

Item	Balance at the end of the period	Balance at the beginning of the period
Current Assets:		
Cash balances	213,316	275,440
Trade receivables	871,498	742,879
Prepayments	6,384	33,813
Dividends receivables	5,513	—
Other receivables	329,497	300,769
Inventories	41,139	3,360
Total current assets	1,467,347	1,356,261
Non-Current Assets:		
Long-term receivables	1,033,729	1,029,017
Long-term equity investments	1,094,979	1,094,981
Investment properties	92,269	92,876
Fixed assets	1,815,250	1,837,744
Construction in progress	119,431	111,767
Intangible assets	386,536	389,561
Other non-current assets	—	43,700
Total non-current assets	4,542,194	4,599,646
Total assets	6,009,541	5,955,907
Current Liabilities:		
Short-term borrowings	776,890	776,890
Accounts payable	2,594	7,277
Advances from customers	37,703	61,130
Wages payable	2,214	3,587
Taxes payable	28,470	21,188
Dividends payable	766	766
Other payables	150,875	132,928
Non-current liabilities due in one year	450,364	434,000
Other current liabilities	—	64,364
Total current liabilities	1,449,876	1,502,130

Item	Balance at the end of the period	Balance at the beginning of the period
Non-current Liabilities:		
Long-term loans	1,259,000	1,259,000
Deferred income tax liabilities	13,926	12,258
Other non-current liabilities	195,273	130,909
Total non-current liabilities	1,468,199	1,402,167
Total liabilities	2,918,075	2,904,297
Shareholders' Equity:		
Share capital	1,427,228	1,427,228
Capital reserve fund	380,788	380,788
General reserves	253,093	253,093
Undistributed profits	1,030,357	990,501
Total Shareholders' Equity	3,091,466	3,051,610
Total Liabilities and Shareholders' Equity	6,009,541	5,955,907

4.2 **Consolidated Income Statements**

for the period from January to March 2009

Unit: '000 Currency: RMB

Type of Audit: Unaudited

Item	**Amount for the current period**	**Amount for the previous period**
1. Total income from operations	264,646	236,891
Of which: income from operations	264,646	236,891
2. Total cost for operations	213,034	165,271
Of which: cost for operations	135,317	103,488
Business tax and surcharge	8,863	9,598
Management charges	21,825	23,789
Financial charges	47,029	28,396
Investment gain (loss is denoted by "—")	-916	855
3. Profit from operations (loss is denoted by "—")	50,696	72,475
Add: Non-operating income	2,539	285
Less: Non-operating expenses	59	84
4. Total profit (loss is denoted by "—")	53,176	72,676
Less: income tax charges	15,090	16,736
5. Net profit (loss is denoted by "—")	38,086	55,940
Net profit attributable to equity holders of the Company	37,834	55,678
Minority Interests	252	262
6. Earnings per share:		
(1) Basic earnings per share (RMB)	0.03	0.04
(2) Diluted earnings per share (RMB)	0.03	0.04

Income Statements of the Company

for the period from January to March 2009

Unit: '000 Currency: RMB

Type of Audit: Unaudited

Item		Amount for the current period	Amount for the previous period
1.	**Income from operations**	170,386	169,389
	Less: cost for operations	67,477	65,123
	Business tax and surcharge	8,746	9,539
	Management charges	14,082	16,371
	Financial charges	26,971	17,219
2.	**Profit from operations (loss is denoted by "—")**	53,110	61,137
	Add: Non-operating income	—	3
3.	**Total profit (loss is denoted by "—")**	53,110	61,140
	Less: income tax charges	13,252	14,484
4.	**Net profit (loss is denoted by "—")**	39,858	46,656

4.3 **Consolidated Cash Flow Statements**

for the period from January to March 2009

Unit: '000 Currency: RMB
Type of Audit: Unaudited

Item	Amount for the current period	Amount for the previous period
1. Cash flows from operating activities:		
Cash received from sale of products and rendering of services	91,201	186,505
Refunds of taxes received	2,544	—
Other cash received relating to operating activities	7,049	39,845
Sub-total of cash inflows from operating activities	100,794	226,350
Cash paid for goods and services	82,176	58,049
Cash paid to and on behalf of employees	28,445	22,672
Payment of taxes and levies	16,847	72,854
Other cash payments relating to operating activities	12,637	15,550
Sub-total of cash outflows for operating activities	140,105	169,125
Net cash flow generated from operating activities	-39,311	57,225
2. Cash flows from investing activities:		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20	84
Sub-total of cash inflows from investing activities	20	84
Cash payment for purchase and construction of fixed assets, intangible assets and other long-term assets	86,508	85,381
Sub-total of cash outflows for investing activities	86,508	85,381
Net cash flows generated from investing activities	-86,488	-85,297
3. Cash flows from financing activities:		
Cash received from borrowings	350,000	742,000
Other cash received relating to financing activities	—	18,570
Sub-total of cash inflows from financing activities	350,000	760,570
Cash repayments of amounts borrowed	157,614	263,386
Cash payment for distribution of dividends, profits or interest payments	54,139	41,401
Sub-total of cash outflows for financing activities	211,753	304,787
Net cash flow generated from financing activities	138,247	455,783
4. Effect of cash and cash equivalents by changes in exchange rates	—	—
5. Net increase in cash and cash equivalents	12,448	427,711
Add: Balance of cash and cash equivalents at the beginning of the period	909,047	339,971
6. Balance of cash and cash equivalents at the end of the period	921,495	767,682

Cash Flow Statements of the Company

for the period from January to March 2009

Unit: '000 Currency: RMB

Type of Audit: Unaudited

Item	Amount for the current period	Amount for the previous period
1. Cash flows from operating activities:		
Cash received from sale of products and rendering of services	22,249	108,769
Other cash received relating to operating activities	54,482	106,366
Sub-total of cash inflows from operating activities	76,731	215,135
Cash paid for goods and services	41,575	27,022
Cash paid to and on behalf of employees	16,125	14,044
Payment of taxes and levies	13,743	66,005
Other cash payments relating to operating activities	1,252	108,404
Sub-total of cash outflows for operating activities	72,695	215,475
Net cash flow generated from operating activities	4,036	-340
2. Cash flows from investing activities:		
Cash received from disposal of fixed assets, intangible assets and other long-term assets	—	3
Sub-total of cash inflows from investing activities	—	3
Cash payment for purchase and construction of fixed assets, intangible assets and other long-term assets	23,591	33,160
Cash paid for investments	3,500	272,000
Sub-total of cash outflows for investing activities	27,091	305,160
Net cash flows generated from investing activities	-27,091	-305,157
3. Cash flows from financing activities:		
Cash received from borrowings	100,000	608,000
Other cash received relating to financing activities	—	18,570
Sub-total of cash inflows from financing activities	100,000	626,570
Cash repayments of amounts borrowed	100,000	255,000
Cash payment for distribution of dividends, profits or interest payments	39,069	27,464
Sub-total of cash outflows for financing activities	139,069	282,464
Net cash flow generated from financing activities	-39,069	344,106
4. Effect of cash and cash equivalents by changes in exchange rates	—	—
5. Net increase in cash and cash equivalents	-62,124	38,609
Add: Balance of cash and cash equivalents at the beginning of the period	275,440	86,633
6. Balance of cash and cash equivalents at the end of the period	213,316	125,242