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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2009

§ 1 IMPORTANT

1.1 The board of directors (the "**Board**") and supervisory committee (the "**Supervisory Committee**") of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") and its directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management confirm that the information in this 2009 interim report (the "**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 Mr. Wang Zhanying and Mr. An Pindong, the executive Directors, have not attended this Board meeting due to business engagement and have entrusted Mr. Gu Qifeng, the Vice-chairman, and Ms. Fu Yana, the executive Director, to vote on their behalf respectively.

1.3 The interim financial statements of the Company for the six months ended 30 June 2009 are unaudited.

1.4 None of the controlling shareholder of the Company or its associates has misappropriated the Company's funds.

1.5 The Company did not provide external guarantees in violation of any specified decision-making procedures.

1.6 The person in charge of the Company, Mr. Gu Qifeng, the person in charge of the accounting function, and Ms. Shi Zhenjuan, the person in charge of the accounting department of the Company (executive in charge for accounting), 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 Data and Financial Indicators

Unit: '000 Currency: RMB

	As at the end of the reporting period	As at the end of last year (After adjustment)	Comparison between the end of the reporting period and the end of last year Increase/ Decrease (%)
Total assets	7,663,110.00	7,560,263.00	1.36
Equity interests (or shareholder's equity)	3,158,626.00	3,107,702.00	1.64
Net assets value per share (Yuan)	2.21	2.18	1.38
	Reporting period (January to June)	**Corresponding period of last year (After adjustment)**	**Comparison between the end of the reporting period and the end of last year Increase/ Decrease (%)**
Operating profit	143,222.00	135,838.00	5.44
Total profit	148,807.00	135,799.00	9.58
Net profit	108,013.00	100,308.00	7.68
Net profit after deduction of extraordinary items	103,825.00	100,337.00	3.48
Basic earnings per share (Yuan)	0.08	0.07	14.29
Basic earnings per share after deduction of extraordinary items (Yuan)	0.07	0.07	—
Diluted earnings per share (Yuan)	0.08	0.07	14.29
Return ratio on net assets (%)	3.42	3.31	Increased by 0.11%
Net cash flow from operating activities	740,710.00	218,804.00	238.53
Net cash flow from operating activities per share	0.52	0.15	246.67

2.2.2 Extraordinary profit and loss items and amounts

√ Applicable ☐ Not Applicable

Unit: '000 Currency: RMB

Extraordinary profit and loss project	Amount
Government grants charged to income statement, except for those closely relating to the Company's normal operations and continuous enjoying based on certain amount or quantity according to the relevant regulation of the State	5,534
Other non-operating income and expenses except for those described as above	51
Impact on income tax	-1,397
Total	4,188

2.2.3 Difference in accounting standards between the PRC and overseas

☐ Applicable √ Not Applicable

§ 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

√ Applicable ☐ Not Applicable

Unit: shares

	Before the changes		Increase/reduction (+, -)					After the changes	
	Quantity	Percentage (%)	New shares issued	Bonus issue	Transfer of surplus to capital	Others	Sub-total	Quantity	Percentage (%)
I. Restricted circulating shares									
1. State-owned shares	664,086,598	46.53	–	–	–	-664,086,598	-664,086,598	0	0
2. State-owned legal person shares									
3. Shares held by other									
domestic entities									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Shares held by foreign entities									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Total restricted circulating shares	664,086,598	46.53	–	–	–	-664,086,598	-664,086,598	0	0
II. Non-restricted circulating shares									
1. RMB ordinary shares	423,141,832	29.65	–	–	–	664,086,598	664,086,598	1,087,228,430	76.18
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	340,000,000	23.82	–	–	–	0	0	340,000,000	23.82
4. Others									
Total non-restricted circulating shares	763,141,832	53.47	–	–	–	664,086,598	664,086,598	1,427,228,430	100
III. Total number of shares	1,427,228,430	100	–	–	–	0	0	1,427,228,430	100

3.2 **Number of shareholders and their shareholdings**

Total number of shareholders as at the end of the reporting period:	104,942 shareholders, including 96 shareholders holding H shares				
Shareholdings of the top ten shareholders					
Shareholders	**Nature of the shareholders**	**Percentage of shareholding** *(%)*	**Total number of shares held** *(Shares)*	**Number of restricted circulating shares held** *(Shares)*	**Number of shares pledged or frozen** *(Shares)*
Tianjin Municipal Investment Company Limited ("**TMICL**")	State-owned	54.24	774,111,445	0	Pledged 387,490,000
HKSCC Nominees Limited	Others	23.65	337,536,900	0	Unknown
Zhou Jun	Others	0.41	5,922,035	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	1,975,166	0	Unknown
Wang Ming Li	Others	0.11	1,510,000	0	Unknown
Huatai Securities- BOC– Huatai Zijinding Bubuweiying Umbrella Asset Management Plan	Others	0.11	1,500,000	0	Unknown
Pan Zhi Hong	Others	0.09	1,228,020	0	Unknown
Accounting Centre of China Aviation	Others	0.07	1,000,000	0	Unknown

Shareholdings of the top ten non-restricted circulating shares shareholders		
Shareholders	**Number of non-restricted circulating shares held** *(Shares)*	**Type of shares**
TMICL	774,111,445	RMB Ordinary Shares
HKSCC Nominees Limited	337,536,900	H Shares
Zhou Jun	5,922,035	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	1,975,166	RMB Ordinary Shares
Wang Ming Li	1,510,000	RMB Ordinary Shares
Huatai Securities- BOC – Huatai Zijinding Bubuweiying Umbrella Asset Management Plan	1,500,000	RMB Ordinary Shares
Pan Zhi Hong	1,228,020	RMB Ordinary Shares
Accounting Centre of China Aviation	1,000,000	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 ten shareholders. It is not certain whether there is any connected relationship between the top ten non- restricted circulating shares shareholders and the top ten shareholders.	

3.3 **Changes in the controlling shareholder and the actual controller 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 2009, the Company and its subsidiaries (the "**Group**") recorded an operating income of RMB587,660,000, representing an increase of 14.38% over the corresponding period of 2008, and an operating profit of RMB143,222,000, representing an increase of 5.44% over the corresponding period of 2008, and a net profit of RMB108,013,000 (excluding minorities' profit or loss), representing an increase of 7.68% over the corresponding period of 2008.

The increase in operating income was mainly attributable to: (i) the increase in the processing volume of the Company's sewage water treatment plants which results in the increase in the income as compared to the same period of 2008; (ii) the income of Xi'an Capital Water Company Limited for the same period of 2008 only being the aggregate sum between 17 May and June 2008, as this company commenced formal commercial operation on 17 May 2008, which made a substantial increase in the income for the first half of 2009 as compared to the same period of 2008. The increase in the income led to the increase in operating profit and net profit.

(I) Operations of the principal businesses of the Group

During the reporting period, the Group processed a total of 365,566,000 cubic metres of sewage water, an increase of 18.45% over the same period last year. During the reporting period, the Group and its subsidiaries proactively carried out operational management of its existing projects as well as actively explored markets. Entrusted operation projects such as Hanshan County Sewage Water Treatment Plant and Huoqiu County Sewage Water Treatment Plant in Anhui province were newly added. During the reporting period, the Group was entrusted to manage operating capacity of 365,000 cubic metres per day, and has processed sewage water of 40,169,100 cubic metres. Income from entrusted operation services was RMB8,914,100.

During the reporting period, the tap water uploading volume of the tap water business was 16,930,200 cubic metres, representing a decrease of 11.09% as compared with the same period last year, which is due to the continuous zero flow of Qujing Tap Water Plant No.3 since the end of 2008 and normal water supply was restored until the early of June 2009, resulting in a slight decrease in tap water output for the first half of 2009 as compared with the same period last year. During the reporting period, recycled water business recorded water sales of 1,272,800 cubic metres, representing a growth of 1.89% over the same period last year. During the reporting period, the Group recorded an income of RMB24,249,000 from the toll collection business, a slight increase from the income of RMB23,157,000 for the same period of 2008.

(II) The Company's investments

1. Utilisation of the proceeds

During the reporting period, the Company did not raise any funds, or no balance of funds raised in previous years was brought forward to the reporting period.

2. Projects made out of funds other than proceeds raised

During the reporting period, the Group won the bid of Fuyang Yingdong Sewage Water Treatment Plant project, and on 10 August 2009, Fuyang Capital Water Company Limited, the Group's subsidiary, officially entered into the "licensed operation agreement" and the "sewage water treatment service agreement" with the government of Yingdong District, Fuyang.

The Fuyang Yingdong Sewage Water Treatment Plant adopts a BOT licensed operation mode, with a licensed operation period of 30 years. The project is designed with a size of 150,000 cubic metres per day, of which the first stage work is 30,000 cubic metres per day, the second stage work reaches 90,000 cubic metres per day and its long term capacity reaches 150,000 cubic metres per day. The water outflow quality is designed to be grade A.

During the reporting period, the environmental evaluation report and feasibility research report in relation to the upgrading and reconstruction of the Company's four sewage water treatment plants in Jizhuangzi, Dongjiao, Xianyanglu and Beicang of Tianjin have been approved by the relevant departments of Tianjin. The total investment amount for the upgrading and reconstruction is approximately RMB1.04 billion. The upgrading and reconstruction of the Xianyanglu and Beicang sewage water treatment plants commenced during the reporting period. As at the end of the reporting period, an aggregate sum of RMB2.37 million has been invested. The main upgrading and reconstruction of the four sewage water treatment plants are expected to be completed in 2010.

(III) Industry analysis and operation plans of the Company for the second half of the year

In the first half of 2009, in order to realize the goal of "growth maintenance", the central government executed proactive fiscal policies and loosened monetary policies, and thoroughly implemented a series of plans in response to the international financial crisis. Positive changes were found in the operation of macroeconomics, and the general trend turned out to be stable and good, which set favorable external conditions for industrial development. With the gradual weakening of impact of the economic crisis, all the industrial participants looked out for breakthroughs and accelerated their development, through frequent occurrence of capital operation manners such as merger loans, acquisition of equity interests, replacement of assets and strategic cooperation. Meanwhile, foreign capital was invested into the water market in the PRC in increasingly diversified manners, which further increased the industrial competition. The environmental protection standards were raised, which promoted the upgrade and renovations of the water plants in various regions, and the capacities in technology, workmanship, design and building imposed an increasingly important impact on the competitive edges of enterprises. In addition, the State Council ascertained 12 key directions for deepening the reform of economic system in 2009, of which the items relating to the water industry included the acceleration of reform in municipal public facilities, promotion of social investment, enlarging the scope of licensed operation, adjustment of water price as well as the discharge right trading pilot. The long term development of water industry would no doubt benefit from the effectively settlement of these problems.

The Group's overall operation strategies and operation plans of 2009 have been described and explained in the 2008 annual report. In the second half of the year, the Company will go through with its established operation plans, operate its water plants well, and increase efforts on engineering construction and market development.

(IV) Analysis of risk factors

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 Group 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. Currently, the Group is in the deep negotiation over the licensed operation agreement with the Tianjin construction administrative authority.

The main requirements in respect of licensed operations under the Administrative Measures are as follow:

a. licensed operators for new projects are generally determined by way of public tender;

b. the municipal construction administrative authority is authorised to organise and implement the licensed operations of municipal public utility services;

c. licensed operators shall follow the price and service charge standards for municipal public utility services of the PRC and Tianjin;

d. the term of licensed operations shall not exceed 30 years ;

e. 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 **Principal business by industry**

Unit: '000 Currecny: RMB

By industry	Operating income	Operating cost	Profit margin from operations	Increase/ decrease in operating income as compared with the same period last year	Increase/ decrease in operating cost as compared with the same period last year	Increase/ decrease in profit margin from operations as compared with the same period last year
Income from sewage water treatment	515,916.58	228,468.65	55.72%	17.07%	19.56%	-0.92%
Toll fee income	24,249.17	3,560.05	85.32%	4.72%	0.00%	0.69%
Income from water recycling pipe connection and water supply	21,072.00	16,969.90	19.47%	-6.07%	-4.50%	-1.32%
Income from provision of tap water and others	18,845.75	18,460.62	2.04%	-0.37%	47.63%	-31.84%

Notes: The cost of the Company's tap water supply business comparatively increased significantly as a result of the uplift of water resources fee.

5.2 Principal business by geographical locations

Unit: '000 Currecny: RMB

	Operating income	Operating income for the same period last year	This year minus last year	Increase/ decrease in operating income as compared with the same period last year	Remarks
Tianjin	404,479	367,643	36,836	10.02%	—
Guizhou	18,167	16,174	1,993	12.32%	—
Qujing	25,510	26,864	(1,354)	-5.04%	—
Fuyang	15,814	14,399	1,415	9.83%	—
Baoying	5,068	5,096	(28)	-0.55%	—
Hangzhou	57,891	56,480	1,411	2.50%	—
Honghu	4,463	3,105	1,358	43.74%	—
Wendeng	11,739	7,328	4,411	60.19%	—
Xi'an	34,466	8,106	26,360	325.19%	Commenced commercial operation in May 2008
Chibi	1,287	—	1,287	—	Commenced commercial operation in May 2009
Anguo	1,200	—	1,200	—	Commenced commercial operation in April 2009
Total	580,084	—	—	—	—

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

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

6.1.2 Disposal of assets

☐ Applicable √ Not Applicable

6.1.3 Progress and impact on the operating results and financial performance during the reporting period 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: '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	0
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period (B)	744,800
Total amount of guarantee granted by the Company (including guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee (A+B)	744,800
Percentage of the total amount of guarantee to the net assets of the Company (%)	23.58
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 Holding of equity interests of other listed companies

☐ Applicable √ Not Applicable

6.5.3 Holding of equity interests of non-listed financial corporation

☐ Applicable √ Not Applicable

6.5.4 Explanation for analysis of other significant events and their impacts and solutions

☐ 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**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

(All amounts in Rmb thousand unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	**2009**	**2008**
Revenue	3(a)	580,084	509,144
Business tax		(21,168)	(20,159)
Cost of sales		(267,459)	(221,573)
Gross profit		291,457	267,412
Other income - net	3(a)	10,434	3,400
Administrative costs		(42,103)	(48,104)
Operating profit	4	259,788	222,708
Finance costs - net	5	(110,054)	(88,428)
Share of (loss)/profits of an associate		(927)	1,519
Profit before income tax		148,807	135,799
Income tax expense	6	(38,975)	(33,810)
Profit for the period		109,832	101,989
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		109,832	101,989
Attributable to:			
Equity holders of the Company		108,013	100,308
Minority interests		1,819	1,681
		109,832	101,989
Earnings per share for profit attributable to the equity holders of the Company during the period (in Rmb per share)	7		
- basic		Rmb0.08	Rmb0.07
- diluted		Rmb0.08	Rmb0.07
Interim dividends	8	—	—

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2009
(All amounts in Rmb thousand unless otherwise stated)

	Note	As at 30 June 2009 Unaudited	As at 31 December 2008 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		2,192,655	2,192,537
Investment property		117,221	118,692
Intangible assets		1,938,626	1,884,264
Land use rights		372,472	393,135
Investment in an associate		38,951	39,878
Available-for-sale financial assets		4,000	4,000
Trade receivables due after one year	9	697,763	697,763
Long-term receivables		322,040	331,254
Other non-current assets		49,841	47,252
		5,733,569	5,708,775
Current assets			
Inventories		8,929	9,448
Trade receivables	9	418,925	798,869
Other receivables		67,824	52,137
Prepayments		115,399	81,987
Cash and bank balances		1,318,464	909,047
		1,929,541	1,851,488
Total assets		7,663,110	7,560,263

	Note	As at 30 June 2009 Unaudited	As at 31 December 2008 Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		636,431	636,431
Retained earnings		1,094,967	1,044,043
- Proposed final dividend		—	57,089
- Undistributed		1,094,967	986,954
		3,158,626	3,107,702
Minority interests		120,315	118,496
Total equity		3,278,941	3,226,198
LIABILITIES			
Non-current liabilities			
Borrowings		2,954,949	2,449,069
Deferred income tax liabilities		24,492	23,640
		2,979,441	2,472,709
Current liabilities			
Trade payables	10	57,986	17,841
Advances from customers		245,560	228,716
Wages payables		2,972	5,054
Income tax payable		34,060	18,783
Other taxes payable		7,188	4,895
Dividend payable		59,130	2,048
Other payables		129,433	99,848
Borrowings		868,399	1,484,171
		1,404,728	1,861,356
Total liabilities		4,384,169	4,334,065
Total equity and liabilities		7,663,110	7,560,263
Net current assests/(liabilities)		524,813	(9,868)
Total assets less current liabilities		6,258,382	5,698,907

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 2009 has been prepared in accordance with HKAS 34, Interim financial reporting. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

HKAS 1 (revised), Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

HKFRS 8, Operating segments

HKFRS 8, Operating segments, replaces HKAS 14, Segment reporting. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in reportable segments presented, as the previously reported sewage water processing services segment has been split into Tianjin plants, Hangzhou plant and other plants segments, in addition, previous reported tap water supply segment has been combined into sewage water processing – other plants segment. There has been no impact on the Group's financial position or operating results except for disclosure. Comparatives for 2008 have been reclassified.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as managers operating meeting that makes strategic decisions.

Amendment to HKFRS 7, Financial instruments: disclosures

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

HKAS 23 (amendment)	Borrowing costs
HKAS 32 (amendment)	Financial instruments: presentation
HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HKFRS 2 (amendment)	Share-based payment
HK(IFRIC) 9 & HKAS 39 (amendment)	Reassessment of embedded derivatives & Financial instruments: Recognition and measurement
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

HKAS 1 (amendment)	Presentation of financial statements (effective from 1 January 2010)
HKAS 7 (amendment)	Statement of cash flows (effective from 1 January 2010)
HKAS 17 (amendment)	Leases (effective from 1 January 2010)
HKAS 36 (amendment)	Impairment of assets (effective from 1 January 2010)
HKAS 38 (amendment)	Intangible assets (effective from 1 July 2009)
HKAS 39 (amendment)	Financial instruments: Recognition and measurement on eligible hedged items (effective from 1 July 2009)
HKAS 39 (amendment)	Financial instruments: recognition and measurement (effective from 1 January 2010)
HKFRS 2 (amendment)	Share-based payments (effective from 1 July 2009)
HKFRS 3 (revised) & HKAS 27, HKAS 28 and HKAS 31 (amendment)	Business combination & Consolidated and separate financial statements, investments in associates and interests in joint ventures (effective from 1 July 2009)
HKFRS 5 (amendment)	Non-current assets held for sale and discontinued operations (effective from 1 January 2010)

HKFRS 8 (amendment)	Operating segments (effective from 1 January 2010)
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives (effective from 1 January 2010)
HK(IFRIC) 16 (amendment)	Hedges of a net investment in a foreign operation (effective from 1 July 2009)
HK(IFRIC) 17	Distributions of non-cash assets to owners (effective from 1 July 2009)
HK(IFRIC) 18	Transfers of assets from customers (effective from 1 July 2009)

The Group is in the process of assessing the impact of these standards, amendments and interpretations on the financial statements of the Group in the initial application.

3. Revenue and segment information

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

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

	Unaudited For the six months ended	
	30 June 2009	**30 June 2008**
Revenue from principal operations (Note 3(b))	580,084	509,144
Other income - net	10,434	3,400
	590,518	512,544

(b) Operating segment analysis

The chief operating decision-maker has been identified as the managers operating meeting. This meeting reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The meeting considers the business from both an entity and service perspective. From a service perspective, management assesses the performance of sewage water processing, tolls, water recycling and pipeline connection and other operations. Sewage water processing is further evaluated on an entity basis (Tianjin plants, Hangzhou plant and other plants). Tianjin plants represent sewage water processing plants of downtown Tianjin located at Dong Jiao, Ji Zhuang Zi, Xian Yang Lu and Bei Cang respectively.

The managers operating meeting assesses the performance of the operating segments based on a measure of net profit after tax, which is measured in a manner consistent with that in the financial statements.

The revenue from external parties reported to the managers operating meeting is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

	Unaudited For the six months ended 30 June 2009	30 June 2008
Segment revenue		
Sewage water processing		
- Tianjin plants	358,922	322,052
- Hangzhou plant	57,891	56,480
- Other plants	117,713	85,021
Tolls	24,249	23,157
Water recycling and pipeline connection	21,072	22,434
Other principal operations	237	—
Sub-total of principal operations	580,084	509,144
Others	13,321	5,466
	593,405	514,610
Segment expenses		
Sewage water processing		
- Tianjin plants	(238,704)	(220,639)
- Hangzhou plant	(54,944)	(54,741)
- Other plants	(125,480)	(84,569)
Tolls	121	153
Water recycling and pipeline connection	(20,901)	(18,080)
Other principal operations	(876)	(388)
Sub-total of principal operations	(440,784)	(378,264)
Others	(2,887)	(2,066)
	(443,671)	(380,330)
Segment results		
Sewage water processing		
- Tianjin plants	120,218	101,413
- Hangzhou plant	2,947	1,739
- Other plants	(7,767)	452
Tolls	24,370	23,310
Water recycling and pipeline connection	171	4,354
Other principal operations	(639)	(388)
Sub-total of principal operations	139,300	130,880
Others	10,434	3,400
	149,734	134,280
Share of (loss)/profits of an associate	(927)	1,519
Profit before income tax	148,807	135,799
Income tax	(38,975)	(33,810)
Profit for the period	109,832	101,989

	Unaudited For the six months ended 30 June 2009	30 June 2008
Depreciation		
Sewage water processing		
- Tianjin plants	46,163	42,433
- Hangzhou plant	—	—
- Other plants	—	—
Water recycling and pipeline connection	5,332	4,114
Other principal operations	40	592
	51,535	47,139
Others	1,350	1,350
	52,885	48,489
Amortisation		
Sewage water processing		
- Tianjin plants	4,760	4,330
- Hangzhou plant	10,329	10,329
- Other plants	26,997	26,969
Water recycling and pipeline connection	18	9
Other principal operations	—	20
	42,104	41,657
Others	—	141
	42,104	41,798
Capital expenditures		
Sewage water processing		
- Tianjin plants	1,548	242
- Hangzhou plant	92	280
- Other plants	98,266	762,661
Water recycling and pipeline connection	58,558	222
Other principal operations	—	—
	158,464	763,405
Others	—	2,822
	158,464	766,227

	Unaudited 30 June 2009	Audited 31 December 2008
Segment assets		
Sewage water processing		
- Tianjin plants	3,991,364	3,996,686
- Hangzhou plant	798,355	819,383
- Other plants	1,748,571	1,678,800
Tolls	412,635	350,295
Water recycling and pipeline connection	518,655	493,689
Other principal operations	23,678	22,309
	7,493,258	7,361,162
Investment in an associate	38,951	39,878
Unallocated	130,901	159,223
	7,663,110	7,560,263

4. Operating profit

Operating profit is stated after (crediting)/ charging the following:

	Unaudited For the six months ended 30 June 2009	30 June 2008
Crediting:		
Rental	(6,040)	(4,642)
Interest income on bank deposits	(7,043)	(2,829)
Interest income on financial assets	(5,636)	(5,559)
Charging:		
Depreciation and amortisation expenses	94,989	90,287
Staff costs	43,123	35,330
Raw materials and consumables used	15,287	15,275
Repair and maintenance expenses	13,304	10,834

5. Finance costs - net

	Unaudited For the six months ended 30 June 2009	30 June 2008
Interest expenses of borrowings	124,036	99,792
Less: Capitalised interest	(1,303)	(2,976)
	122,733	96,816
Less: Interest income		
- long-term receivables	(5,636)	(5,559)
- bank deposits	(7,043)	(2,829)
	110,054	88,428

6. Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2009 (2008: Nil). PRC income tax ranges from the concessionary rate of 7.5% to the statutory rate of 25% for the period (2008: 7.5% to 25%).

	Unaudited For the six months ended 30 June 2009	30 June 2008
Tax charge comprises:		
Current PRC income tax	38,123	31,892
Deferred income tax	852	1,918
	38,975	33,810

7. Earnings per share

Basic earnings per share is calculated based on the profit attributable to equity holders of the Company of Rmb108 million (2008: Rmb100 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the period (2008: 1,427 million shares).

Diluted earnings per share is calculated using the same bases as described above for calculating basic earnings per share as no transaction affecting the Company's ordinary shares in issue is existed.

	Unaudited For the six months ended 30 June 2009	30 June 2008
Profit attributable to equity holders of the Company	108,013	100,308
Weighted average number of ordinary shares in issue (million)	1,427	1,427
Basic earnings per share (Rmb per share)	0.08	0.07

8. Interim dividends

	Unaudited For the six months ended 30 June 2009	30 June 2008
2008 final, declared of Rmb0.04 (gross tax) (2007 final, paid of Rmb0.04 (gross tax)) per share	57,089	57,089

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2009 (2008: nil).

9. Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2009	Audited 31 December 2008
Due from TSC for:		
- Construction of plants	466,185	466,185
- Water processing services	534,912	955,992
	1,001,097	1,422,177
Less: Portion deemed non-current	(697,763)	(697,763)
Items with significant individual amount	303,334	724,414
Other items with insignificant individual amount	115,591	74,455
	418,925	798,869

(a) Pursuant to an agreement ("Construction Agreement") between the Company and TSC dated 24 September 2001, the Company is to provide construction services to TSC in respect of the three plants of Xian Yang Lu, Ji Zhuang Zi and Bei Cang. The principal terms of the Construction Agreement are summarised below:

- a fee will be paid by TSC during the period of construction as a reward to remunerate the Company for accepting the responsibility to construct the sewage water processing plants;
- a fee is payable by TSC in advance on a monthly basis according to the percentage of completion of the respective construction projects estimated by the Company. The percentage of completion of each project will be adjusted on a quarterly basis according to the certifications issued by qualified independent surveyors or engineers;
- the Company is responsible for the funding of the construction cost of these plants; and
- upon commencement of operations of the these sewage water processing plants, the rights and obligations between the Company and TSC will follow the terms as specified in the Sewage Water Processing Agreement as applicable to the Tianjin plants.

(b) On 25 August 2003, the Company entered into an agreement with TSC ("Co-operative Agreement"). The principal terms of which are:

- the Company would be responsible for the overall execution of the construction of the three plants;
- TSC would be responsible for making use of the original loans from two foreign banks (the "Foreign Loans") to fund certain property, plant and equipment used in these plants;
- TSC will sell to the Company these Foreign Loans funded property, plant and equipment after their installation and the receipt of the relevant verification reports, at their carrying value. On 17 April 2004, TSC confirm its intention to settle its debt due to the Company with these mentioned assets.

As mentioned, the construction of these assets was completed in late 2005, and based on the third party completion verification reports dated 27 December 2007 which Tianjin Finance Bureau approved, the verified value of these completed assets amounted to about Rmb698 million.

(c) Settlement plan:

- on 17 April 2007, Tianjin Construction Administration Committee, ("TJCAC"), 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 (b) above. In addition, the remaining debt outstanding after such assets settlement will be settled by way of cash.
- on 8 April 2008, TJCAC confirmed that there will be no legal obstacle to the above mentioned assets settlement.
- in December 2008, Tianjin Finance Bureau approved TSC to sell the assets above to the Company.
- on the basis that the above assets settlement will eventually be finalized, about Rmb698 million due from TSC as at 30 June 2009 , representing the verified cost of the assets has been reclassified to non- current trade receivables (31 December 2008: Rmb698 million).
- during from January to June 2009, TSC settled about Rmb780 million of its debts relating to sewage water processing services to the Company.

(d) Aging of trade receivables prior to the reclassification is mention in (c) as follows:

	Unaudited 30 June 2009	**Audited 31 December 2008**
Within one year	418,925	771,614
One to two years	—	27,255
Over two years	697,763	697,763
	1,116,688	1,496,632

10. Trade payables

As at 30 June 2009, the majority of trade payables are aged within one year. The carrying value of trade payables approximates their fair value due to their short-term maturities.

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

Consolidated balance sheet

30 June 2009

Unit: '000 Currency: RMB

	Group		Company	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Items	**30 June 2009**	**31 December 2008**	**30 June 2009**	**31 December 2008**
Current Assets:				
Monetary Funds	1,318,464	909,047	579,478	275,440
Trade receivables	418,925	798,869	342,434	742,879
Advances to suppliers	115,399	81,987	64,449	33,813
Other receivables	67,824	52,137	271,554	300,769
Inventories	8,929	9,448	4,015	3,360
Total current assets	1,929,541	1,851,488	1,261,930	1,356,261
Non-current assets:				
Long-term receivables	1,019,803	1,029,017	1,019,803	1,029,017
Long-term equity investments	42,951	43,878	1,099,981	1,094,981
Investment property	117,221	118,692	91,661	92,876
Fixed assets	1,939,011	1,985,415	1,793,154	1,837,744
Construction in progress	253,644	207,122	122,608	111,767
Intangible assets	2,311,098	2,277,399	368,898	389,561
Other non-current assets	49,841	47,252	47,200	43,700
Total non-current assets	5,733,569	5,708,775	4,543,305	4,599,646
Total assets	7,663,110	7,560,263	5,805,235	5,955,907
Current liabilities:				
Short-term borrowings	477,000	821,890	477,000	776,890
Accounts payable	57,986	17,841	6,035	7,277
Advances from customers	245,560	228,716	67,086	61,130
Wages payables	2,972	5,054	2,065	3,587
Taxes payable	41,248	23,678	37,659	21,188
Dividend payables	59,130	2,048	57,851	766
Other payables	129,433	99,848	158,499	132,928
Current portion of Long-term borrowings	192,050	494,790	134,000	434,000
Other current liablities	199,349	167,491	84,464	64,364
Total current liabilities	1,404,728	1,861,356	1,024,659	1,502,130

Items	Group		Company	
	(Unaudited) 30 June 2009	(Audited) 31 December 2008	(Unaudited) 30 June 2009	(Audited) 31 December 2008
Non-current liabilities:				
Long-term borrowings	2,824,040	2,318,160	1,542,000	1,259,000
Deferred income tax liabilities	24,492	23,640	10,858	12,258
Other non-current liabilities	130,909	130,909	130,909	130,909
Total non-current liabilities	2,979,441	2,472,709	1,683,767	1,402,167
Total liabilities	4,384,169	4,334,065	2,708,426	2,904,297
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	253,093	253,093	253,093	253,093
Undistributed profits	1,094,967	1,044,043	1,035,700	990,501
Total equity attributable to the Company's equity holders	3,158,626	3,107,702	3,096,809	3,051,610
Minority interests	120,315	118,496	—	—
Total owners' equity (or shareholders' equity)	3,278,941	3,226,198	3,096,809	3,051,610
Total liabilities and owners' equity (or shareholders' equity)	7,663,110	7,560,263	5,805,235	5,955,907

Consolidated Income Statements

For the six months ended 30 June 2009

Unit: '000 Currency: RMB

Items	Group (Unaudited) Six months Ended 30 June 2009	Group (Unaudited) Six months Ended 30 June 2008	Company (Unaudited) Six months Ended 30 June 2009	Company (Unaudited) Six months Ended 30 June 2008
1.Total operating revenue	587,660	513,786	389,910	352,705
Including: Operating revenue	587,660	513,786	389,910	352,705
2. Total operating cost	444,438	377,948	253,494	239,360
Including: Operating cost	270,037	222,815	137,541	124,721
Business tax and surcharges	21,168	20,159	19,924	19,744
General & Adminstrative expenses	40,036	46,046	25,232	30,485
Finance expenses	112,122	90,979	70,997	64,410
Add: Investment income(loss marked as "-")	-1,075	2,051	200	—
Including: investment income from associates and joint venture	-927	2,051	200	—
3. Operating profit (loss marked as "-")	143,222	135,838	136,416	113,345
Add: Non-operating income	5,745	292	—	4
Less: Non-operating expenses	160	331	97	200
4. Total profit (total loss marked as "-")	148,807	135,799	136,319	113,149
Less: Income tax	38,975	33,810	34,031	28,287
5. Net profit (net loss marked as "-")	109,832	101,989	102,288	84,862
Net profit attributable to the Company's equity holders	108,013	100,308		
Minority interests	1,819	1,681		
6. Earnings per share:				
(1) Basic earnings per share(in Rmb yuan)	0.08	0.07		
(2) Diluted earnings per share(in Rmb yuan)	0.08	0.07		

Consolidated Cash Flows Statements

For the six months ended 30 June 2009

Unit: '000 Currency: RMB

Items	Group (Unaudited) Six months Ended 30 June 2009	Group (Unaudited) Six months Ended 30 June 2008	Company (Unaudited) Six months Ended 30 June 2009	Company (Unaudited) Six months Ended 30 June 2008
1. Cash flows from operating activities:				
Cash received from rendering of goods and services	994,349	413,448	802,249	258,206
Tax and levies refund received	5,559	—	—	—
Other cash received from operating activities	82,798	111,344	91,485	159,573
Sub-total of cash inflows from operating activities	1,082,706	524,792	893,734	417,779
Cash paid for goods and services	153,628	116,629	73,243	53,584
Cash paid to and on behalf of employees	48,435	34,036	26,691	17,843
Taxes paid	47,713	129,795	41,186	118,892
Other cash paid relating to operating activities	92,220	25,528	42,943	13,257
Sub-total of cash outflows from operating activities	341,996	305,988	184,063	203,576
Net cash flows from operating activities	740,710	218,804	709,671	214,203
2. Cash flows from investing activities:				
Cash received from disposal of investments	100	2,885	200	400
Cash received from returns on investments	279	800	—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20	87	—	4
Cash received relating to other investing activities	33,100	64,707	20,100	62,186
Sub-total of cash inflows from investing activities	33,499	68,479	20,300	62,590
Cash paid to acquire fixed assets, intangible assets and other long-term assets	89,221	854,920	18,572	518,023
Cash paid relating to other investing activities	—	688	11,590	282,000
Sub-total of cash outflows from investing activities	89,221	855,608	30,162	800,023
Net cash flows from investing activities	-55,722	-787,129	-9,862	-737,433
3. Cash flows from financing activities:				
Cash received from borrowings	750,000	1,367,890	500,000	1,007,890
Other cash received relating to financing activities	11,100	37,020	3,000	25,576
Sub-total of cash inflows from financing activities	761,100	1,404,910	503,000	1,033,466
Cash repayments of amounts borrowed	898,340	382,388	816,890	322,000
Cash payments for interest expenses and distribution of dividends or profits	125,231	143,084	78,881	111,391
Other cash paid relating to financing activities	2,000	39,065	—	30,003
Sub-total of cash outflows from financing activities	1,025,571	564,537	895,771	463,394
Net cash flows from financing activities	-264,471	840,373	-392,771	570,072
4. Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	—
5. Net increase in cash and cash equivalents	420,517	272,048	307,038	46,842
Add: cash and cash equivalents at beginning of period	887,047	324,971	262,440	80,633
6. Cash and cash equivalents at end of period	1,307,564	597,019	569,478	127,475

Consolidated statements of changes in equity - Unaudited

For the six months ended 30 June 2009

Unit: '000 Currency: RMB

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 fo the Company's equity owners								
I Balances at end of last year	1,427,228	383,338		253,093		1,044,043		118,496	3,226,198
II. Balances at beginning of current period amount	1,427,228	383,338		253,093		1,044,043		118,496	3,226,198
III. Increase or decrease amount (decrease marked as "-")						50,924		1,819	52,743
(1) Net profit						108,013		1,819	109,832
(2) Income and loss directly recognized in owners'equity									
Sub-total of (1) and (2) described as above						108,013		1,819	109,832
(3) Capital contribution and reduction									
(4) Profit Appropriation						-57,089			-57,089
Appropriation to shareholders (owners)						-57,089			-57,089
(5) Reclassification with owners'equity									
IV. Balances at end of the period	1,427,228	383,338		253,093		1,094,967		120,315	3,278,941

Unit: ’000 Currency: RMB

	Comparative amount of last period								
	Attributable to the Company’s equity holders								
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	1,427,228	383,338		232,336		890,824		117,358	3,051,084
II. Balances at beginning of current period	1,427,228	383,338		232,336		890,824		117,358	3,051,084
III. Increase or decrease amount (decrease marked as “-”)						43,219		1,681	44,900
(1) Net profit						100,308		1,681	101,989
(2) Income and loss directly recognized in owners’equity									
Sub-total of (1) and (2) described as above						100,308		1,681	101,989
(3) Capital contribution and reduction									
(4) Profit Appropriation						-57,089			-57,089
Appropriation to shareholders (owners)						-57,089			-57,089
(5) Reclassification with owners’equity									
IV. Balances at end of the period	1,427,228	383,338		232,336		934,043		119,039	3,095,984

Statements of Changes in Equity of the Company - Unaudited

For the six months ended 30 June 2009

Unit: '000 Currency: RMB

	Current year period					
Items	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		253,093	990,501	3,051,610
II. Balances at beginning of current period	1,427,228	380,788		253,093	990,501	3,051,610
III. Increase or decrease amount (decrease marked as "-")					45,199	45,199
(1) Net profit					102,288	102,288
(2) Income and loss directly recognized in owners' equity						
Sub-total of (1) and (2) described as above					102,288	102,288
(3) Capital contribution and reduction						
(4) Profit Appropriation					-57,089	-57,089
Appropriation to shareholders (owners)					-57,089	-57,089
(5) Reclassification with owners' equity						
IV. Balances at end of the period	1,427,228	380,788		253,093	1,035,700	3,096,809

Unit: ’000 Currency: RMB

	Comparative amount of last period					
Items	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		232,336	860,776	2,901,128
II. Balances at beginning of current period	1,427,228	380,788		232,336	860,776	2,901,128
III. Increase or decrease amount (decrease marked as “-”)					27,773	27,773
(1) Net profit					84,862	84,862
(2) Income and loss directly recognized in owners’equity						
Sub-total of (1) and (2) described as above					84,862	84,862
(3) Capital contribution and reduction						
(4) Profit Appropriation					-57,089	-57,089
Appropriation to shareholders (owners)					-57,089	-57,089
(5) Reclassification with owners’equity						
IV. Balances at end of the period	1,427,228	380,788		232,336	888,549	2,928,901

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 **During the reporting period, there were no material changes in the combined aspects in the Company’s 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 COMMITTEE

On 31 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 with the management of the Group 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, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2009.

By order of the Board
Gu Qifeng
Executive Director

Tianjin, the PRC
21 August 2009

As at the date of this announcement, the Board comprises executive Directors: 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.