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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

§1 IMPORTANT

1.1 The board of directors (the "**Board**"), supervisory committee (the "**Supervisory Committee**"), directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management of Tianjin Capital Envirnomental Protection Group Company Limited (the "**Company**") confirm that the information in this 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 content.

This results announcement is the summary of the 2009 annual report of the Company. For detailed information, please read the 2009 annual report of the Company carefully.

1.2 All the Directors of the Company have attended the Board meeting.

1.3 PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers have issued standard unqualified audit reports of the Company.

1.4 Did the controlling shareholder of the Company and its related parties misappropriate the Company's funds?

No.

1.5 Did the Company provide external guarantees in violation of any specified decision-making procedures?

No.

1.6 Mr. Zhang Wenhui, the Company's chairman, Ms. Shi Zhenjuan, the officer in charge of the accounting work and the officer in charge of the accounting department (the chief accountant), have declared that they are responsible for the truthfulness and completeness of the financial reports contained in the 2009 annual report.

§2 COMPANY INFORMATION

2.1 Basic information

Short form of the A shares	Tianjin Capital
Stock code of the A shares	600874
Stock exchange for listing of the A shares	Shanghai Stock Exchange (the "**SSE**")
Short form of the H shares	Tianjin Capital
Stock code of the H shares	1065
Stock exchange for listing of the H shares	The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")
Registered address of the Company	No. 45 Guizhou Road, Heping District, Tianjin, the People's Republic of China (the "**PRC**")
Principal office address of the Company	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Postal Code	300381
Internet website of the Company	http://www.tjcep.com
E-mail address	tjcep@tjcep.com

2.2 Contact person and method

	Company 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 PRC	22/F, Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Telephone number	86-22-2393 0128	852-2218 0920	86-22-2393 0128
Facsimile number	86-22-2393 0126	852-2501 0028	86-22-2393 0126
E-mail address	fu_yn@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

§3 ACCOUNTING DATA AND BUSINESS STATISTICS HIGHLIGHTS

(For each of the three years ended 31 December 2009 as prepared in accordance with the PRC Corporate Accounting Standards.)

3.1 Principal accounting information

Unit: '000
Currency: RMB

	2009	**2008**	**Increase/ Decrease from last year (%)**	**2007**
Operating income	1,256,793.00	1,159,307.00	8.40	1,002,042.00
Total profit	337,721.00	310,238.00	8.85	309,592.00
Net profit attributable to shareholders of the Company	242,978.00	231,065.00	5.15	209,328.00
Net profit after deduction of extraordinary items attributable to shareholders of the Company	246,770.00	229,756.00	7.40	210,306.00
Net cash flow from operating activities	1,390,313.00	304,600.00	356.43	255,914.00
	31 December 2009	**31 December 2008**	**Increase/ Decrease from the end of last year (%)**	**31 December 2007**
Total assets	7,195,648.00	7,560,263.00	-4.82	5,944,066.00
Owners' equity (or shareholders' equity)	3,293,591.00	3,107,702.00	5.98	2,933,726.00

3.2 **Principal financial ratio**

Unit: '000
Currency: RMB

	2009	2008	Increase/ Decrease from last year (%)	2007
Basic earnings per share (Yuan/share)	0.17	0.16	6.25	0.15
Diluter earnings per share (Yuan/share)	0.17	0.16	6.25	0.15
Basic earnings per share after deduction of extraordinary items (Yuan/share)	0.17	0.16	6.25	0.15
Weighted average return ratio on equity (%)	7.38	7.44	Decreased by 0.06 percentage points	7.56
Weighted average return ratio on equity after deduction of extraordinary items (%)	7.49	7.39	Increased by 0.1 percentage points	7.60
Net cash flow from operating activities per share (Yuan/share)	0.97	0.21	361.90	0.18
	31 December 2009	**31 December 2008**	**Increase/ Decrease from the end of last year (%)**	**31 December 2007**
Net asset value per share attributable to shareholders of the Company (Yuan/share)	2.31	2.18	5.96	2.06

Extraordinary profit and loss items and amounts

√ applicable ☐ not applicable

Unit: '000
Currency : RMB

Extraordinary profit and loss project	**Amount**
Gain and loss from disposal of non-current assets	-12,834
Income and expenses from other operations other than the above	7,778
Impact of income tax	1,264
Total	-3,792

§4 CHANGES IN THE SHARE CAPITAL AND SHAREHOLDERS OF THE COMPANY

4.1 **Table of changes in shares in the Company**

√ applicable ☐ not applicable

Unit: shares

	Before the changes in share capital		Increase/decrease during this period (+,-)					After the changes in share capital	
	Quantity	Percentage (%)	New shares issued	Bonus issue	Transfer of surplus to capital	Others	Sub-total	Quantity	Percentage (%)
A. Restricted shares	664,086,598	46.53	—	—	—	-664,086,598	-664,086,598	0	0
1. State-owned shares	664,086,598	46.53	—	—	—	-664,086,598	-664,086,598	0	0
2. State-owned legal persons shares	—	—	—	—	—	—	—	—	—
3. Shares held by other domestic entities	—	—	—	—	—	—	—	—	—
Including:									
Shares held by domestic 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	—	—	—	—	—	—	—	—	—
B. Non-restricted circulating shares	763,141,832	53.47	—	—	—	664,086,598	664,086,598	1,427,228,430	100
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	—	—	—	—	—	—	—	—	—
C. Total number of shares	1,427,228,430	100	—	—	—	0	0	1,427,228,430	100

Table of changes in restricted shares

√ applicable ☐ not applicable

Unit: shares

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reasons for restriction	Release date
Tianjin Municipal Investment Company Limited ("**TMICL**")	664,086,598	664,086,598	0	0	Share segregation reforms undertakings	20 April 2009
Total	664,086,598	664,086,598	0	0	—	—

4.2 Number of shareholders and their shareholdings

Unit: shares

Total number of shareholders as at the end of the reporting period	113,391, among which 93 are shareholders of H shares				
Shareholdings of the top ten shareholders					
Shareholders	**Nature of the Shareholders**	**Percentage of shareholding (%)**	**Total number of shares held**	**Number of restricted shares held**	**Number of shares pledged or frozen**
TMICL	State-owned Shareholder	53.06	757,332,766	0	Pledged 251,940,000
HKSCC Nominees Limited	Unknown	23.66	337,614,900	0	Unknown
Zhou Jun	Unknown	0.42	5,942,835	0	Unknown
Shenyang Railway Coal Group Co., Ltd.	Unknown	0.21	3,000,000	0	Unknown
BOC — Shanghai Shenzhen '300 Index Securities Investment Fund	Unknown	0.15	2,122,566	0	Unknown
Industrial and Commercial Bank of China Limited — China AMC CSI 300 Index Fund	Unknown	0.11	1,500,000	0	Unknown
China Southern Securities Limited	Unknown	0.09	1,300,000	0	Unknown
Wang Ming Li	Unknown	0.09	1,290,167	0	Unknown
Pan Zhi Hong	Unknown	0.09	1,235,320	0	Unknown
Huatai Securities — BOC — Huatai Zijinding Bubuweiying Umbrella Asset Management Plan	Unknown	0.08	1,100,000	0	Unknown

Shareholdings of the top ten shareholders of non-restricted circulating shares		
Name of shareholder	**Number of the non-restricted circulating shares held**	**Type of shares**
TMICL	757,332,766	Ordinary RMB Shares
HKSCC Nominees Limited	337,614,900	H Shares
Zhou Jun	5,942,835	Ordinary RMB Shares
Shenyang Railway Coal Group Co., Ltd.	3,000,000	Ordinary RMB Shares
BOC — Shanghai Shenzhen '300 Index Securities Investment Fund	2,122,566	Ordinary RMB Shares
Industrial and Commercial Bank of China Limited — China AMC CSI 300 Index Fund	1,500,000	Ordinary RMB Shares
China Southern Securities Limited	1,300,000	Ordinary RMB Shares
Wang Ming Li	1,290,167	Ordinary RMB Shares
Pan Zhi Hong	1,235,320	Ordinary RMB Shares
Huatai Securities — BOC — Huatai Zijinding Bubuweiying Umbrella Asset Management Plan	1,100,000	Ordinary RMB 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 shareholders of non-restricted circulating shares and the top 10 shareholders.	

4.3 Information of the controlling shareholder and the ultimate controller of the Company

4.3.1 Change in the controlling shareholder and ultimate controller

☐ applicable √ not applicable

4.3.2 Details of the controlling shareholder and the ultimate controller

4.3.2.1 Description of the legal person controlling shareholder

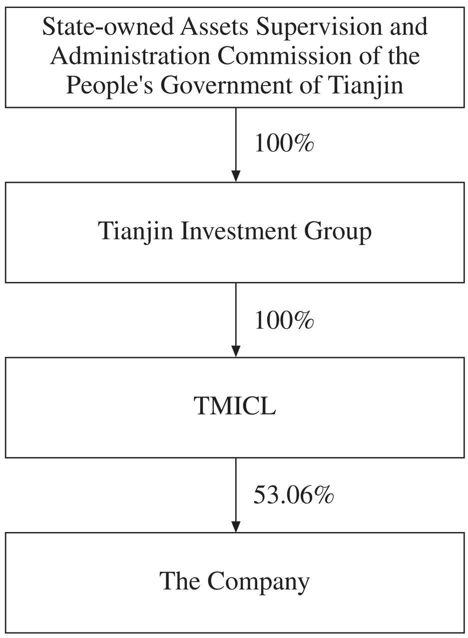
Name	TMICL
Legal representative	Xiong Guangyu
Date of incorporation	20 January 1998
Registered capital	RMB1,820,000,000
Principal operations	The investment, construction, operation and management of city infrastructure, road construction and auxiliary facilities with internal funds; development, operation and leasing of real estates; property management; investment and management in Yin He Park with internal funds; leasing of facilities (except motor vehicles); import and export business of self-manufacturing and distribution of various commodities and technologies (except commodities and technologies restricted or prohibited by the State for trading) (in accordance with the State regulations for specific projects and operations).

4.3.2.2 Description of the utlimate controller

Name	Tianjin City Infrastructure Construction and Investment Group Company Limited ("**Tianjin Investment Group**")
Legal representative	Wang Zhouxi
Date of incorporation	23 July 2004
Registered capital	RMB67,700,000,000

Principal operations	It uses its own funds to invest in the development and reconstruction of seas and rivers, railways, city roads and bridges, underground tube network, urban environmental infrastructure facilities; investment and planning; corporate management and consultation; market establishment and development services; leasing of self-owned housing; leasing of infrastructural facilities and the development and operation of public facilities projects; operating infrastructure franchise under the authorisation of the government and franchise transfer; production, development and operation of construction materials, decoration materials, mechanical and electrical products (excluding motor vehicles); construction investment consultation (in accordance with the State regulations for specific projects and operations).

4.3.3 Flowchart on the shareholding interests and relationship of control between the Company and its ultimate controller



4.3.4 The ultimate controller controls the Company by way of trust or other assets management arrangements.

☐ applicable √ not applicable

§5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in shareholdings and the remuneration of Directors, Supervisors and Senior Management

Name	Position held	Sex	Age	Appointment date	Termination date	No. of shares held at the beginning of the year	No.of shares held at the end of the year	Reason for the change	Total remuneration received from the Company during the reporting period (RMB) (Before Tax)	Receive any remuneration or allowance from companies of shareholders or other related companies ?
Zhang Wenhui	Executive Director, Chairman	M	55	18 December 2009	17 December 2012	0	0	—	764,745.92	No
Lin Wenbo	Executive Director, general manager	M	53	18 December 2009	17 December 2012	0	0	—	560,402.60	No
Fu Yana	Executive Director, deputy general manager and secretary to the Board	F	39	18 December 2009	17 December 2012	0	0	—	506,032.64	No
Zhong Huifang	Executive Director, deputy general manager	F	42	18 December 2009	17 December 2012	0	0	—	430,113.32	No
An Pindong	Non-executive Director	M	41	18 December 2009	17 December 2012	0	0	—	100,000.00	Yes
Chen Yinxing	Former chief accountant non-executive Director	F	36	19 December 2006 18 December 2009	5 March 2009 17 December 2012	0	0	—	183,360.00 0	No Yes
Xie Rong	Independent non-executive Director	M	58	18 December 2009	17 December 2012	0	0	—	HK$200,000	No
Di Xiaofeng	Independent non-executive Director	M	49	18 December 2009	17 December 2012	0	0	—	HK$200,000	No
Lee Kit Ying, Karen	Independent non-executive Director	F	62	18 December 2009	17 December 2012	0	0	—	0	No
Zhang Mingqi	Chairman of Supervisory Committee	M	53	18 December 2009	17 December 2012	0	0	—	352,050.00	No
Nie Youzhuang	Supervisor	M	41	18 December 2009	17 December 2012	959 domestic shares	959 domestic shares	—	292,939.60	No
Xu Zhiyong	Supervisor	M	39	18 December 2009	17 December 2012	0	0	—	274,899.01	No
Wang Yanmin	Supervisor Assistant to manager of the audit department of Tianjin Investment Group	F	44	18 December 2009 July 2009	17 December 2012	0	0	—	128,080.00	No Yes
Li Yang	Supervisor	M	41	18 December 2009	17 December 2012	0	0	—	248,026.16	No
Qi Lipin	Supervisor	F	32	18 December 2009	17 December 2012	0	0	—	294,250.00	No
Deng Biao	Deputy general manager	M	44	18 December 2009	17 December 2012	0	0	—	453,180.00	No
Yang Guang	Deputy general manager	M	40	18 December 2009	17 December 2012	0	0	—	338,820.00	No
Zhang Qiang	Deputy general manager	M	47	18 December 2009	17 December 2012	0	0	—	275,032.00	No
Li Yuqing	Chief engineer	M	45	18 December 2009	17 December 2012	0	0	—	371,566.64	No
Gu Wenhui	Chief economist	M	33	5 March 2009	25 March 2010	0	0	—	348,900.00	No
Shi Zhenjuan	Chief accountant	F	40	18 December 2009	17 December 2012	0	0	—	407,533.32	No
Lo Wai Keung, Eric	Company secretary (Hong Kong)	M	34	18 December 2009	17 December 2012	0	0	—	US$20,000	No
Tang Fusheng	Deputy general manager	M	37	25 March 2010	17 December 2012	0	0	—	—	No
Wang Hong	Deputy general manager	M	35	25 March 2010	17 December 2012	0	0	—	—	No
Ma Baiyu	Former Chairman, former executive Director	F	48	19 December 2006	21 July 2009	0	0	—	112,500	Yes

Name	Position held	Sex	Age	Appointment date	Termination date	No. of shares held at the beginning of the year	No.of shares held at the end of the year	Reason for the change	Total remuneration received from the Company during the reporting period (RMB) (Before Tax)	Receive any remuneration or allowance from companies of shareholders or other related companies ?
Gu Qifeng	Former deputy chairman, former executive Director, former general manager	M	44	19 December 2006 19 December 2006	18 December 2009 10 November 2009	0	0	—	821,543.92	No
Wang Zhanying	Former executive Director	M	55	19 December 2006	18 December 2009	6,850 domestic shares	6,850 domestic shares	0	100,000.00	No
Tan Zhaofu	Former executive Director	M	55	19 December 2006	18 December 2009	0	0	—	100,000.00	No
Ko Poming	Former independent non-executive Director	M	52	19 December 2006	18 December 2009	0	0	—	HK$20,000	No
Liu Wenya	Former deputy general manager	M	52	19 December 2006	5 March 2009	0	0	—	318,309.92	No
Chang Xiaolan	Former chief economist	F	42	19 December 2006	5 March 2009	0	0	—	180,360.00	No
Jia Liang	Former deputy general manager	M	45	19 December 2006	5 March 2009	0	0	—	246,360.00	No
Total	/	/	/	/	/	7,809 domestic shares	7,809 domestic shares	/	8,875,405.05	/

§6 DIRECTORS' REPORT

6.1 MANAGEMENT DISCUSSION AND ANALYSIS

(I) Review of Operations of the Company during the Reporting Period

1. An overview of the overall operations of the Company during the reporting period

In 2009, under the leadership of the Board, the strategic guidelines of "rapid growth on the basis of capability enhancement and value creation", the ongoing effects of the international financial crisis and improving domestic economic development, and higher requirements for energy saving and emission reduction indicators, the Company and its subsidiaries (the "**Group**") proactively devoted more efforts on the Group's internal management and established maturity models for significant businesses such as technology, construction, finance, human resources and information technology in order to search and resolve the "short-circuit" problems in the business development process. More efforts and investments were dedicated to research and development of science and technology and training in order to enhance corporate technical capability as well as the skills and quality of staff to improve the overall corporate core competitiveness.

In 2009, the Group recorded income from principal operations of RMB1,256.79 million, representing an increase of 8.4% as compared to 2008, and recorded net profit of RMB242.98 million (excluding profit and loss attributable to minority shareholders), representing an increase of 5.16% as compared to 2008. With stable development in its businesses, the Group continued to be listed as one of the Top 10 Influential Water Business Enterprises in 2009.

2. **Analysis of the Company's principal businesses and its operating conditions**

The principal businesses of the Company during the reporting period were the construction, design, management, operation, technology consultation and auxiliary services of sewage water treatment, tap water and recycled water plants and their facilities; licensed operation of the Southeastern Half Ring Urban Road of the Middle Ring of Tianjin City.

(1) **Operating conditions of the Company's principal businesses**

a. *Sewage water processing business*

During the reporting period, the processing capacity of both the invested operated and entrusted operated sewage water treatment plants of the Group were 3.635 million cubic metres per day, and the plants processed a total of 763.54 million cubic metres of sewage water during the reporting period. An income of RMB1,066.34 million was recorded, representing an increase of 9.26% as compared to the same period last year. The increase was mainly due to an increase in the growth of sewage water processing service fees of the Group's subsidiaries as well as a small growth in income from sewage water processing service in the Tianjin region.

During the reporting period, pursuant to the "Sewage Water Processing Agreement" and the "Sewage Water Processing Interim Service Agreement", the Company had treated a total of 373.74 million cubic metres of sewage water for the whole year in the Tianjin region, and realized an income of RMB721.32 million from sewage water processing service, representing an increase of 2.57% as compared to the same period last year.

During the reporting period, the Company's subsidiaries provided sewage water processing services pursuant to the sewage water processing licensed operation agreements and sewage water processing service agreements entered into between the local governments and the

Company. In 2009, the new sewage water processing projects in Anguo and Chibi commenced commercial operations, and the Xian sewage water processing project completed its full year of commercial operation. As at the end of the reporting period, there were 11 projects under commercial operations by the subsidiaries of the Group which processed 389.80 million cubic metres of sewage water in aggregate, representing an increase of 20% as compared to the same period last year. Income from sewage water processing services of RMB345.02 million was realized, representing an increase of 27% as compared to the same period last year.

During the reporting period, the Group proactively carried out operational management of its existing projects as well as expanded markets actively. New additional sewage water processing capacity from entrusted operations amounted to 245,000 cubic metres per day, and the sewage water processing capacity of entrusted operations increased to 525,000 cubic metres per day.

During the reporting period, the Group added a new licensed operation project of Yingdong Sewage Water Treatment Plant in Fuyang city with a capacity of 30,000 cubic metres per day, and was granted a licensed operation project of Balitai Town Sewage Water Treatment Plant in Jinnan district of Tianjin, with a capacity of 40,000 cubic metres per day.

b. *Recycled water business*

During the reporting period, recycled water business recorded water sales of 3.46 million cubic metres, which was in line with the same period of last year, and recorded income from sales of recycled water of RMB8.64 million, representing a growth of 96% as compared to the same period last year, which was mainly due to the effects of the approval of an increase in recycled water prices by the Tianjin Price Bureau with effect from April 2009 and the policy of value-added tax exemption from 2009 to 2013.

During the reporting period, Jizhuangzi Recycled Water Plant secured a new customer of Chentangzhuang thermal power plant at the end of November 2009 with a daily average water consumption of approximately 8,000 cubic metres. The Xianyanglu and Dongjiao Recycled Water Plants had also started water sales on a small scale.

c. *Tap water business*

During the reporting period, the tap water project of the Group's subsidiary Anguo Capital Water Company Limited commenced commercial operation in November 2009 on a relatively small scale with daily average on-grid water volume of approximately 7,000 cubic metres. The Group's subsidiary, Qujing Capital Water Company Limited, had negotiated successfully with the local government authority to eliminate water resources management and fees for its water plant and the tap water price was adjusted accordingly.

During the reporting period, tap water business recorded on-grid water volume of 34.97 million cubic metres and realized RMB36.60 million in income, representing a decrease of 16% as compared to the same period last year, which was mainly due to the above business adjustment and the effect of the dry weather. Qujing's Tap Water Plant No.3 experienced flow intermissions during the reporting period, which resulted in the decrease in the on-grid tap water volume by approximately 5% as comapred to the same period last year.

d. *Operations of toll collection business*

During the reporting period, the Group recorded an income of RMB67.04 million from the toll collection business, which was basically in line with the same period of the previous year, and realized an operating profit of RMB56.15 million, basically in line with the previous year. Pursuant to the "Subcontracting Toll Collection Agreement" entered into between the Group and Tianjin City Indebted Road Construction for Vehicle-passage Toll Collection Office, the toll collection office would provide toll collection service to the Group. Starting from 1 January 2010, Tianjin City Indebted Road Construction for Vehicle-passage Toll Collection Office ceased toll collection, while the Group's mode of toll collection and the measures for the licensed toll collection were still uncertain. An announcement will be made by the Group once the government has made a decision.

(2) **Principal businesses by industry**

Unit: '0,000
Currency: RMB

Industry	Income from operations	Cost of operations	Profit margin from operations (%)	Increase/ decrease in income from operations as compared to last year (%)	Increase/ decrease in cost of operations as compared to last year (%)	Increase/decrease in profit margin from operations as compared to last year (%)
Sewage water treatment	106,634	48,816	54.22	9.26	16.45	Decreased by 2.82 percentage points
Recycled water	5,649	3,904	30.89	16.69	9.94	Increased by 4.24 percentage points
Tap water	3,660	2,766	24.43	-16.21	-13.59	Decreased by 2.28 percentage points
Toll collection business	6,704	1,089	83.76	0.03	0.55	Decreased by 0.09 percentage points

(3) **Principal businesses by region**

Unit: '0,000
Currency: RMB

Region	Income from operations	Increase/decrease in income from operations as compared to last year (%)
Tianjin	84,485	0.69
Guiyang	3,820	14.82
Qujing	5,075	-14.95
Fuyang	3,379	17.16
Baoying	1,022	-2.85
Hangzhou	12,868	7.59
Honghu	966	27.44
Wendeng	2,358	51.35
Xian	7,171	69.61
Chibi	1,084	Commenced commercial operation in 2009
Anguo	419	Commenced commercial operation in 2009

Reasons for a relatively great increase in income from operations of Wendeng and Xian as compared to last year:

There was a great increase in sewage water processing volume in 2009 for Wendeng Capital Water Company Limited. Xian Capital Water Company Limited commenced commercial operation in the second half of 2008.

3. **Material changes in major financial data during the reporting period as compared with the corresponding period of last year**

As at 31 December 2009, the total assets of the Group amounted to RMB7,195.65 million, representing a decrease of RMB364.62 million or fell by 4.82% as compared to the year end of 2008; the total liabilities amounted to RMB3,780.14 million, representing a decrease of RMB553.93 million or fell by 12.78% as compared to the beginning of 2009. Equity interest attributable to the shareholders of the Company amounted to RMB3,293.59 million, representing an increase of RMB185.89 million or grew by 6% as compared to the beginning of the year. Realized net profit attributable to the Company for the year 2009 amounted to RMB242.98 million. The following is an analysis of items with more significant changes:

Unit: '0,000
Currency: RMB

Items	Amount at the end of the period	Amount at the beginning of the period	Increase/ Decrease	Percentage change (%)	Details of changes
Accounts receivables	50,347	79,887	-29,540	-36.98	During the reporting period, recovery of accounts receivables by the Company improved, a total amount of RMB1.524 billion due from Tianjin Sewage Water Company was received. In addition to the settlement of sewage water treatment charges outstanding for previous years, part of the new sewage water processing charges for this year and part of the long-term receivables were collected, hence the overall balance of accounts receivables of the Group had decreased.

Items	Amount at the end of the period	Amount at the beginning of the period	Increase/ Decrease	Percentage change (%)	Details of changes
Prepayments	19,416	8,199	11,217	136.80	Balance of prepayments at the end of the period increased rather significantly as compared to the beginning of the period, which was mainly due to the upgrading and renovation projects of four sewage water plants of the Company and the increase in the prepayments for preparation materials and project amounts paid by Hangu and Beichen water recycling plants, and the increase in project prepayments made by the subsidiary, Tianjin Water Recycling Company Limited.
Construction in progress	37,480	20,712	16,768	80.95	Construction in progress at the end of the period increased by 80.95% as compared to the beginning of the period, which was mainly due to investments in upgrading and renovation projects of four water sewage plants of the Company that resulted in a significant increase in construction in progress.
Long-term receivables	57,315	102,902	-45,587	-44.30	Amount due from Tianjin Sewage Water Company was received during the year, resulting in a decrease in the long-term receivables due from Tianjin Sewage Water Company from RMB698 million to RMB242 million.

Items	Amount at the end of the period	Amount at the beginning of the period	Increase/ Decrease	Percentage change (%)	Details of changes
Short-term borrowings	10,000	82,189	-72,189	-87.83	Short-term borrowings at the end of the period was significantly decreased as compared to the beginning of the period due to satisfactory recovery of receivables during the period which resulted in the repayment of a significant loan amount.
Short-term debenture payable	50,000	—	50,000	—	In July 2009, the Company made a public offer of short-term debenture with total principal amount of RMB500 million for a term of one year issued at the nominal value of RMB100 each and at the interest rate of 2.8%.
Advances	30,509	22,872	7,637	33.39	Balance of advances received increased at the end of the period was mainly due to new additions of advances received from the Company's Hangu project and the advances received in respect of a new water recycling piping connection service project from the subsidiary Tianjin Water Recycling Company Limited.
Other payables	23,143	9,985	13,158	131.77	Balance at the end of the period was relatively higher than the balance at the beginning of the period , which was mainly due to new additions to project amounts payable in respect of the renovation works for Dongjiao Water Recycling Plant and four sewage water treatment plants of the Company.
Non-current liabilities due within 1 year	9,853	49,479	-39,626	-80.08	Due to the same reason as "Short-term borrowings"

Items	2009	2008	Increase/ Decrease	Percentage change (%)	Details of changes
Asset impairment loss	600	—	600	—	During the reporting period, the subsidiary, Tianjin Capital New Materials Company Limited, made a fixed asset impairment provision of RMB6 million.
Investment gains	46	613	-567	-92.49	Investment gains were mainly recognized investment gains from the associate Tianjin International Machinery Company Limited this year.
Non-operating expenses	1,299	118	1,181	1,000.84	Non-operating expenses for the reporting period increased at a higher rate than the previous year, which was mainly caused by the elimination of part of the assets during the renovation and upgrading process for four sewage water plants of the Company.
Net cash flow from operating activities	139,031	30,460	108,571	356.43	Please see “accounts receivables” for reasons of the changes.
Net cash flow from financing activities	-98,395	109,870	-208,265	-189.55	During the reporting period, recovery of accounts receivables improved, therefore loan repayment amounts were more than amounts of borrowings, resulting in a net outflow of cash from financing activities.
Net increase in cash and cash equivalents	-29,479	56,208	-85,687	-152.44	Although substantial amounts of receivables were received during the period, substantial amounts of bank loans were repaid at the same time, it resulted in a decrease in the net increase amount as compared to the same period of last year.

4. **Operations and results of the major companies in which the Company has controlling interests and has invested**

(1) **Operations and results of the major companies in which the Company has controlling interests**

Unit: '0,000
Currency: RMB

Company	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net assets	Net profit
Tianjin Water Recycling Company Limited	Tianjin	Production and sales of recycled water, development and construction of facilities for recycled water; manufacture, installation, commissioning and operation of equipment for recycled water	10,000	Limited company	98%	53,603	9,231	341
Guizhou Capital Water Company Limited	Guiyang, Guizhou	Development, construction, operation and management of urban sewage water treatment plants, tap water plants and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; consultancy services for water processing facilities and environmental projects	10,000	Limited company	95%	18,270	13,322	831
Tianjin Capital New Materials Company Limited	Tianjin	Manufacture and sales of construction materials, new compound material products and polymer material products; technical consultation on new piping materials.	3,750	Limited company	70.67%	1,353	-260	-878

Company	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net assets	Net profit
Baoying Capital Water Company Limited	Yangzhou, Jiangsu	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	3,800	Limited company	70%	8,943	4,163	5
Qujing Capital Water Company Limited	Qujing, Yunnan	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	12,000	Limited company	90.07%	34,595	11,461	-23
Fuyang Capital Water Company Limited	Fuyang, Anhui	Development, construction, operation and management of urban sewage processing plant, tap water plant and their ancillary facilities and solid waste processing facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	6,300	Limited company	98.57%	16,284	7,767	532

Company	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net assets	Net profit
Hangzhou Tianchuang Water Company Limited	Hangzhou, Zhejiang	Operation and maintenance and technical services for sewage water processing and recycled water utilization facilities, and ancillary services such as technology training.	25,745	Limited company	70%	83,782	28,069	1,575
Tianjin Capital Environmental Protection (Hong Kong) Company Limited	Hong Kong	Treatment and recycling and utilization of sewage water.	US$7,840,000	Limited company	100%	6,652	6,651	-277
Wendeng Capital Water Company Limited	Wendeng, Shandong	Development, construction, operation and management of sewage water treatment and its ancillary facilities, solid waste treatment facilities and water recycling facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects.	4,800	Limited company	100%	12,766	5,612	387
Tianjin Jing Hai Capital Water Company Limited	Jinghai, Tianjin	Development, construction, operation and management of ancillary services for sewage water treatment plant, urban sewage water treatment plant and tap water plants, and solid waste treatment facilities; research, development and promotion of environmental protection technology; project consultation services for water processing facilities and environmental projects.	1,200	Limited company	100%	3,524	1,180	-20

Company	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net assets	Net profit
Xian Capital Water Company Limited	Xian, Shaanxi	Development, construction, operation and management of sewage water treatment and its ancillary facilities, solid waste treatment facilities, water recycling facilities; research, development and promotion of environmental protection technology; application of renewable energy and related equipment; installation services for sewage water treatment plant equipment; project consultation services for water processing facilities, environmental projects, municipal projects, highway projects and transportation projects (in accordance with the State regulations for specific projects and operations).	27,000	Limited company	100%	63,840	25,445	-1,794
Tianjin Kaiying Environmental Engineering Technology Consulting Limited	Tianjin	Environmental governance projects, civil engineering works, urban planning and related project technology consultation services; surveying design, tender agency, engineering projects management and technical services (in accordance with the State regulations for specific projects and operations).	200	Limited company	100%	192	184	-15
Anguo Capital Water Company Limited	Anguo, Hebei	Urban water supply, drainage and sewage water treatment (water-drawing permit valid until September 2, 2013 and hygiene permit valid until July 17, 2012. Operations are forbidden for projects which require special approval until such approval is obtained, and operations are forbidden for projects which require approval as stipulated by administrative laws and regulations or the State Council until such approval is obtained).	4,100	Limited company	100%	9,427	3,850	-250

Company	Principal place of business	Major products or services	Registered capital	Type of legal entity	Percentage of interest	Scale of assets	Net assets	Net profit
Wuhan Tianchuang Environmental Protection Company Limited	Wuhan, Hubei	Investment and development, construction, operation, management and consultancy services of municipal sewage water treatment plant, tap water plant and their ancillary facilities, solid waste treatment facilities and water recycling facilities; production, supply and sales of equipment and materials relating to water and environmental protection; research, development and promotion of environmental protection technology.	10,324	Limited company	100%	28,370	11,410	682

(2) **Operations and results of the major companies which the Company has invested**

Tianjin Beifang Rencaigang Company Limited

As at the end of the reporting period, the Company invested a total of RMB2,000,000 in Tianjin Beifang Rencaigang Company Limited, representing 6.1% of its registered capital. Its principal activities comprise senior executive insurance services, senior executive personnel services (employment agent service, financial guarantee consultation service, personal creditworthiness assessment), enterprise talent assistance project; development and operation of technological project achievements and real estate development and operation. During the reporting period, this company recorded a net profit of RMB5.519 million. During the reporting period, the Group received bonus distribution of RMB200,000 for the year 2008 from this company.

Tianjin Baotong Light Mass Materials Company Limited

As at the end of the reporting period, the Company invested RMB2,000,000 in Tianjin Baotong Light Mass Materials Company Limited ("**Baotong**"), representing 4.9% of its registered capital. The principal activities of this company include production and sales of high resistance and light mass materials and its products. Since applications of the company's products in the domestic market was not mature and was lack of design experience, costs of raw materials, fuel, wages, water and electricity increased significantly, together with factors such as disruption in the purchases of raw materials by the company, cancellation of sales market and more stringent requirement for smoke and dust emissions by the environmental protection authority, serious damages of the operations of production, supply and sales, the company recorded losses for consecutive years. On May 13, 2009, Underground Railway Group, the major shareholder of the company, convened a shareholders' general meeting and decided to wind up and closed the company. Currently, Baotong has the book value of total assets of RMB 26.76 million, with liabilities amounted to RMB1.56 million and accumulated losses amounted to RMB15.62 million. In December 2009, pursuant to the requirements of the relevant authority of Tianjin city and its superior administration authority, the winding up team commenced the application for Baotong's assets to be listed for sale on the Tianjin Property Rights Exchange. As at the end of the reporting period, the application was still under processing.

5. **The Company's Technology**

During the reporting period, the Group initiated 25 technological programs and 7 technological reform projects to meet the technological innovation demand for "Upgrading and reconstruction work of the sewage water treatment plants" and "Energy saving and emission reduction by enterprises". The programs and projects were implemented successfully and met its expected requirements. The Group invested a total of RMB7 million in technology, representing 0.56% of the Company's income from operations.

The R&D project participated by the Group on the program "Study and applications of integrated technology for Dagu sewage discharge river bed sludge and urban sludge treatment" had successfully obtained support from the Tianjin Mayor Technology Innovation Fund. The Group, being the leader unit for the first sub-program of the above programs, is mainly responsible for the study of sludge treatment for urban sewage plants. This would be helpful in providing technological support for the Group's sludge treatment in urban sewage water treatment plant, and would be advantageous for the Group's research and development to resolve quickly such general problems faced by Tianjin city and the domestic sewage industry. As at the end of 2009, portions of the program completed included major study on the technological aspects of acute dehydration of sludge, biodehydration, combustion, etc. and progress was achieved in stages. In future, more indepth study will be conducted on technological operation standards. In addition, the Group had applied for and successfully obtain one technology project from the Ministry of Housing and Urban-Rural Development, two technology projects from the Tianjin Municipal

Commission of Housing and Urban-Rural Development and two technology projects from Tianjin Investment Group. The commitments to these projects led to rapid development of technology in the industry by the Group and promoted improvements in technology.

Moreover, the Group was also successful in applying for the city, sea and river program entitled "Study on technology for deep dephosphorization and denitrification of sewage water and sludge reduction in northern cities" under the "Major special project for water body pollution control and improvement technology", one of the sixteen major special programs included in the national medium and long term scientific and technological development plan. Such program was developed in connection with the current demand for the core technology for upgrading and reconstruction of sewage water treatment plants. As at the end of 2009, a number of interim tests and production test studies were commenced and completed, and the results of the studies were partly applied to the upgrading and reform projects of several sewage water treatment plants in Tianjin and practical benefits were gained accordingly.

The reporting of these programs further enhanced the Group's technological position in the industry. While actively participating in the construction of national or Tianjin city's major scientific and technological projects, the Group made proactive efforts to provide technological support for "upgrading and reforms of sewage water treatment plants" and "energy saving and emission reduction", which ensured a more efficient scientific and technological advancement of the Group, and in turn contributed to the overall development of the Group.

(II) **Outlook of the Company's future development**

1. **Changes of external environment and future development opportunities of the Company**

Under the impact of the global financial crisis in 2009, the economy of China showed the first signs of recovery under the pulling force of the stimulation package. However, the basis for an overall recovery of the economy was not solid, positive changes and unfavourable effects appeared at the same time. In particular, inflationary pressures may lead to a tightened monetary policy. Meanwhile, efforts to change in the approach of economic growth and adjust the economic structure in China will be increased. Progress in energy saving and emission reduction and robustness of the environmental protection industry will be favourable for further development of the water industry. In 2009, the overall performance of the water industry diplayed the following three trends: Firstly, the market share of operational service continued to expand, DBO projects and bundled entrusted operation projects appeared one after the other. Secondly, strategic integration of enterprises became a dominant trend. Integration of enterprises in the aspects of investment, operation, technology integration and water works project, integration of upstream and downstream enterprises of the equipment manufacturing industry as well as the integration between investors of different scales resulted in an appropriate concentration of the water industry in general, whereas the establishment of environmental industry funds assisted to promote mergers, acquisitions and restructuring of the industry. Finally, the establishment of an environmental protection alliance and the actualization stage of regional governance may call forth the emergence of large environmental conglomerate enterprises. The above series of external environmental changes demand higher requirements for corporate capabilities, indicating the coexistence of opportunities and challenges in the water industry in 2010.

2. **Overall strategy of the Group in 2010**

Development strategy

In 2010, facing the opportunities and challenges of development in the industry, the Group will continue to purify the water environment for the daily living of the human race, uphold its organizational mission of raising water quality, and apply great efforts in achieving fast growth on the basis of capability enhancement and value creation. The organizational mission will expand both in its content and external reach, focusing on water treatment with target on the industry chain of the water industry. The organization will also be led by technology enhancement, striving to realize the state of a concentric and diversified development, for creating the maximum value for shareholders.

Operating strategy for the coming year

With regard to business structure, the Group will continue the stable development of water investment and operation business and use it as a focus to expand construction management services for municipal projects and the market share of water plant entrustment operation services. The Group will also expand the design and consultancy services of the water service industry as well as the equipment and pharmaceutical supply services. Business investments in earth crust thermal enengy and other renewable energy and the production and supply services of construction materials for underground railway will be made according to the needs of urban construction development in Tianjin.

With regard to the choice of geographical locations, the Group will continue to base itself at Tianjin and strengthen the market shares in Tianjin area and the surrounding regions and counties to support the construction of an ecological city. The Group will coordinate the development and expansion plans for the markets in the eastern and western regions nationwide through the business divisional system, expand coverage to the surrounding regions by leveraging on the branding advantage of services, and strive to expand the service area in order to realize a positive cycle of self sufficiency.

With regard to technological operations, the Group will strengthen the collection, collating and analysis of the Group's internal and external basic technology information and intelligence; develop reviews on water business operation and engineering construction technology proposals; improve the operating mechanism of the Group's technology system, quality and standards system and the security system; organize and prepare internal quota and standards for production; summarize the experience of upgrading and reforming water plants to establish patented technology proposals; further implement and improve the information technology system.

With regard to internal management, the Group will adjust its organization and structure and strengthen operation management through the business divisional system; improve the budget plan, tracking and analysis mechanism of the Group's production operations and supplemented with relevant incentive schemes and target appraisal methods; optimize the Group's financial management mechanism and funds allocation mechanism by strengthening asset management, reviewing operation contracts, coordinating funds arrangement, carrying out audit, internal control and legal work in order to avoid and control overall risks; further optimize the remuneration system for companies of the Group by strengthening the incentive mechanism and the carrot-and-stick system, optimizing the recruitment and training of specific staff in demand to create a learning organization; develop investor relationship management proactively and maintain good governmental relationship for licensed operations.

Operation plan for the coming year

1. **Operation plan**

    (1) operate the existing sewage water treatment plant, tap water plant and recycled water plant businesses well to ensure the quality of water will satisfy the requirements of customers;

    (2) complete the key projects of upgrading, reconstruction or expansion works of the subsidiaries' water processing plants in Jizhuangzhi, Xianyanglu, Dongjiao, Beichen and Qujing in Tianjin;

(3) complete the construction projects of Yingdong sewage water treatment plant in Fuyang and Balitai sewage water treatment plant in Tianjin;

(4) realize commercial operation of Xianning sewage water treatment plant in Wuhan and Jinghai Development Zone sewage water treatment plant in Tianjin;

(5) expand the market development of water plant investment operations and entrusted operations actively, strive to achieve at least the same rate of growth as in 2009 and facilitate the development of design and consultancy businesses;

(6) relying on the construction of the Tianjin environmental industrial park, to achieve more breakthrough in the construction management service and construction contracting service for municipal projects. Relying on the construction of the Tianjin cultural centre, investment is intended to be made in the projects of earth crust thermal energy and other renewable energy, and by making use of the plants of Tianjin Capital New Materials Company Limited, investment is intended to be made in the production and supply of construction materials for underground railway;

(7) research on the supply services of equipments and pharmaceuticals relating to the water industry.

2. **Planning for income, expenses and costs:**

In 2010, subject to no material changes in the prevailing national direction policies, operating environment and sewage water processing service agreements being complied by the Group, it is expected that the change in the target income from the sewage water processing service fees as compared to the amount in 2009 will not exceed 10%.

3. **Cost control targets:**

In the circumstances of rising charges for various types of resources, there is a higher pressure on the increase in the business costs of various operations run by the Group's companies. Subject to no material changes in the prevailing national direction policies being complied by the Group and in the operating environment, it is expected that the increase in the costs of principal businesses of the Group in 2010 as compared to that in 2009 will be approximately 20%. Relying on the many years of operation experience in sewage water treatment, the Group will adopt scientific and effective energy saving and consumption reduction measures to improve cost management as well as control operating costs through administrative and technological means and incentive measures, in order to keep the cost at a reasonably low range, subject to the satisfaction of the requirements for quality and various regulatory conditions, while at the same time, it is expected that the increase in costs will not have material effect on the overall operation of the Company.

4. **R&D plans:**

In 2010, the Group will further increase the investments and supporting management efforts in scientific research work. The Company plans to inject at least RMB7 million of funds as scientific research fees for the R&D of technology related to the principal businesses of the Group and technology reserve related to the development strategy of the Group. The Company will conduct indepth studies on the major projects including the program of "Study and engineering demonstration on the technology for dephosphorization, denitrification and sludge output quantification for large-scale sewage water treatment plants in northern cities" and its "twelfth five-year research study plan" under the national "special water projects", and the Tianjin Mayor Technology Innovation Fund programs of "Study and engineering demonstration on the key technology for deep dephosphorization and denitrification of urban sewage water" and "Study and applications of integrated technology for Dagu sewage discharge river bed sludge and urban sludge treatment". At the same time, research studies will be commenced on the projects of "Study on integrated deodorization technology for urban sewage water treatment plants and its standardization and transfer of results" and "Study on the reduction in quality and quantity of sludge from township sewage water treatment plants and its comprehensive applications".

All subsidiaries of the Group will also increase technological investments, commence R&D on various technologies and technological reform activities, which will have positive effects on enhancing the production efficiency and reasonable control of operation costs.

Demand for funds and application plans for the coming year

The Group's current financing sources can basically satisfy the needs of the Group's annual operation plans. As competition in the water service market becomes severe, there exists certain opportunities for merger and acquisition in the industry. Coupled with the Group's market development goals, the Group is seeking suitable merger and acquisition opportunities at appropriate time to lay down a good foundation for the future growth of the Group in accordance with the Group's future development plan. The Group will obtain the funds that the relevant projects may require from its current financing sources.

Analysis of risk factors

(1) In response to the economic crisis, the Group will further enhance its risk control capability. The Group will, on one hand, intensify the monitoring, analysis and judgment of risks at an earlier stage, and, on the other hand, will increase the speed of response to any risks that may have crystallized and control its effect. For this purpose, the Group is increasing and will continue to increase relevant investment to establish an efficient risk warning system and a speedy reaction mechanism. In addition, the Group will continuously intensify operational management and scientific and technological development in order to maintain its competitive advantages, and will enhance project quality and operation service level through continuous self-improvement, and in turn to become a major force of energy-saving and emission-reduction and to continuously improve quality of water environment.

(2) In July 2005, the Tianjin Municipal Government issued the "Administrative Measures on Licensed Operations of Public Utilities of Tianjin Municipality" ("**Administrative Measures**"). Under Rule 22, license(s) for operating current urban public utilities projects within the scope of requirements may be granted directly to the original operator after a review by the department in charge of municipal construction and administrative management and obtaining approval from the Municipal People's Government, and a licensed operation agreement will be signed between the department in charge of municipal construction and administrative management and the operator. The major provisions of the "Administrative Measures" in respect of such licensed operation are as follows:

a. Licensed operators of new projects shall be ascertained by public tenders;

b. The municipal construction and administrative management authority shall be authorized to take charge of organizing and implementing licensed operations of municipal public utilities;

c. The licensed operators shall implement the municipal public utility product prices and service charge standards set by the State and the city.

d. The term of the licensed operation shall not exceed 30 years.

e. Having been reviewed by the municipal construction and administrative management authority and approved by the Municipal People's Government, the existing municipal public utility projects can be directly granted to the existing operators of licensed operations, and licensed operation agreements shall be signed between the municipal construction and administrative management authority and the operators.

The Group has submitted an application for operating licences for four sewage water treatment plants at the central region of Tianjin city to the municipal construction and administrative management department of Tianjin City after the implementation of Administrative Measures in November 2005. Currently, no approval reply has been received so far, and the Group will publish timely announcements in accordance with the progress of the matter and the relevant rules.

(3) Starting from 1 January 2010, Tianjin City Indebted Road Construction for Vehicle-passage Toll Collection Office ceased toll collection, while the Group's mode of toll collection and the measures for the licensed toll collection were still uncertain. An announcement will be made by the Group once the government has made a decision.

6.2 Principal businesses analysed by industry and by product

Please see above section 6.1.

6.3 Principal businesses analysed by region

Please see above section 6.1.

6.4 Use of proceeds from raised funds

☐ applicable ✓ not applicable

Changes in projects

☐ applicable ✓ not applicable

6.5 Project made out of funds other than proceeds raised

✓ applicable ☐ not applicable

(1) On 21 July 2009, the Group injected capital of RMB18 million into Fuyang Capital Water Company Limited ("**Fuyang Limited**") for investing in the Yingdong Sewage Water Treatment Plant BOT project in Fuyang city. RMB13.2777million was invested for the project in 2009. After the capital injection, the registered capital of Fuyang Limited increased to RMB63 million and the capital contribution of the Company reached 98.57%.

(2) On 7 August 2009, the Group, based on valuation, transferred the equity interest of its shareholdings in Honghu Capital Water Company Limited and Chibi Capital Water Company Limited to Wuhan Tianchuang Environmental Protection Company Limited ("**Wuhan Ltd.**"), a wholly-owned subsidiary of the Group, and Guizhou Capital Water Company Limited, the other shareholder of Chibi Capital Water Company Limited, also transferred its entire shareholding in Chibi Capital Water Company Limited to Wuhan Ltd. Upon completion of the transaction, Honghu Capital Water Company Limited and Chibi Capital Water Company Limited became the subsidiaries of Wuhan Ltd., where Chibi Capital Water Company Limited was a wholly-owned subsidiary of Wuhan Ltd.

(3) On 18 December 2009, the Board agreed to contribute capital in the amount of RMB5 million to establish a wholly-owned subsidiary, Tianjin Capital Environmental Water Company Limited. Upon incorporation, this project company will invest in and undertake the construction of Balitai Town Sewage Water Treatment Plant in Jinnan district of Tianjin by adopting the mode of licensed operation and will enjoy the exclusive rights of occupation, use, operation and maintenance of the project facilities as well as the asset operation right to receive sewage water processing service charges during the licence period. Tianjin Capital Environmental Water Company Limited has been incorporated on 7 January 2010.

(4) In 2010, the Group will invest in the upgrading and reform projects of four sewage water treatment plants in Tianjin, namely, Xianyanglu, Beicang, Jizhuangzi and Dongjiao. Total investment in the project is estimated to be approximately RMB1.04 billion. RMB194 million was invested in 2009. The overall project is scheduled to be completed by the end of 2010.

(5) The Group's subsidiary, Qujing Capital Water Company Limited, invested in the reconstruction project of Lianjiangkou Sewage Water Treatment Plant with total investment amount of approximately RMB100 million, investment contribution of approximately RMB17 million was completed in 2009.

(6) For the Xianning Sewage Water Treatment Plant project of the Group's subsidiary, Wuhan Tianchuang Environmental Protection Company Limited,

contribution of investment amount of RMB55.6461 million was completed in 2009. All the construction work for Phase 1 series with capacity of 30,000 tonnes per day was completed and is currently under adjustment and trial operation.

(7) The Group's subsidiary, Anguo Capital Water Company Limited, invested RMB33 million in the expansion and reconstruction of a tap water plant. As at the end of 2009, the construction work of a total investment amount of RMB10.64 million was completed for the project.

(8) For the reconstruction and expansion project of the Jizhuangzi Recycled Water Plant, the Group's subsidiary, Tianjin Water Recycling Company Limited, had invested a total amount of approximately RMB87.5732 million, and an accumulated investment amount of RMB18.56 million was completed in 2009.

6.6 Explanation of Accountants' "Non-standard audit report" by the Board of Directors

☐ applicable ✓ not applicable

6.7 The Board's proposal on the profit appropriation or transfer of capital reserve fund

As audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers, the net profit attributable to the Company in 2009 was RMB242.98 million. After deduction of a Statutory Common Reserve in the amount of RMB23.03 million pursuant to the relevant requirements of the Company Law of the PRC and the Article of Association of the Company, adding the undistributed profit of RMB1,044.04 million at the beginning of the year, and less 2008 cash dividends of RMB57.09 million distributed in 2009, the actual distributable profits attributable to shareholders for this year was RMB1,206.90 million. According to the profit appropriation proposal 2009, a cash dividend of RMB0.80 (tax inclusive) per 10 shares will be distributed to all shareholders. Such proposal will be submitted to the annual general meeting 2009 for consideration and approval before implementation.

Subject to the approval by shareholders, holders of H shares whose names appear on the H share register of members of the Company on 13 April 2010 will be entitled to receive the above dividend. However, pursuant to the Law on Corporate Income Tax of the PRC and its implementing regulations and other relevant rules which came into force on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the Law of Corporate Income Tax of the PRC) shareholders whose names appear on the H share register of members of the Company on 13 April 2010. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The 10% corporate income tax will not be withheld from the dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company on 13 April 2010.

Any natural person investor whose H shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and duly lodge all transfer documents with the relevant H share certificates with the Company's H share registrar for registration. In order to determine the list of holders of H shares who are entitled to receive the dividend, the H share register of members of the Company will be closed from 13 April 2010 to 13 May 2010, both days inclusive, during which period no transfer of the Company's H shares will be effected. In order for holders of H shares to be qualified for the dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited, Rooms 1712—1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4: 00 p.m. on 12 April 2010.

All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations to withhold for payment the 10% corporate income tax; and the dividend will only be payable to the shareholders whose names appear on the H share register of members of the Company on 13 April 2010. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.

No transfer from the capital reserve fund to share capital was made for 2009.

The Company had earnings for the reporting period but had not made any proposal for profit-sharing in cash

☐ applicable √ not applicable

§7 SIGNIFICANT EVENTS

7.1 Acquisition of assets

☐ applicable √not applicable

7.2 Disposal of assets

☐ applicable √ not applicable

7.3 Material guarantees

√ applicable ☐ not applicable

Unit: RMB'000
Currency: RMB

Guarantee provided to external parties by the Company (not including guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee provided during the reporting period	0
Total amount of outstanding guarantee provided as at the end of the reporting period	0
Guarantee provided to the subsidiaries of the Company	
Total amount of guarantee provided to the subsidiaries during the reporting period	190,000
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period	915,460
Total amount of guarantee granted by the Company (including guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee	915,460
Percentage of the total amount of guarantee to the net assets of the Company (%)	27.80
Of which:	
Amount of guarantee provided to the shareholders, ultimate controller and other related parties	0
Amount of guarantee provided directly or indirectly for the borrowers with gearing ratio of over 70%	0
Total amount of guarantee exceeding 50% of net assets	0
Total amount of the above three guarantees	0

7.4 **Connected transactions**

7.4.1Connected transaction related to daily operation

√ applicable ☐ not applicable

In order to obtain steady return of rental income in respect of its owned premises, on 24 September 2009, the Company entered into tenancy agreements with Tianjin Investment Group, Tianjin City Investment and Construction Engineering Management and Consultation Company Limited ("**Tianjin Construction Engineering**") and Tianjin City Investment and Resources Operating Company Limited ("**Tianjin City Resources**") respectively. Tianjin Investment Group is the ultimate controlling shareholder of the Company. Both Tianjin Construction Engineering and Tianjin City Resources are wholly-owned subsidiaries of Tianjin Investment Group. As such, the above 3 parties are all connected persons of the Company. The transactions contemplated under the tenancy agreements constitute continuing connected transactions of the Company. A summary of the principal terms of the tenancy agreements is as follows:

The tenancy agreement between the Company and Tianjin Investment Group

Date:	24 September 2009
Parties:	the Company as landlord and Tianjin Investment Group as tenant
Premises:	Certain area from 3rd floor to 12th floor of TCEP Building
Car parking spaces:	28
Lettable area:	Floor area — 6,845.91 square meters Public area — 814.86 square meter (building) 866.39 square meter (courtyard)
Term:	9 months commencing from 1 October 2009 to 30 June 2010 (both days inclusive)
Total rent:	RMB4,537,994.36

The tenancy agreement between the Company and Tianjin Construction Engineering

Date:	24 September 2009
Parties:	the Company as landlord and Tianjin Construction Engineering as tenant
Premises:	Certain area of 3rd floor and 4th floor of TCEP Building
Car parking spaces:	10
Lettable area:	Floor area — 1,175.93 square meters Public area — 139.81 square meters (building) 133.61 square meters (courtyard)
Term:	9 months commencing from 1 October 2009 to 30 June 2010 (both days inclusive)
Total rent:	RMB775,325.16

The tenancy agreement between the Company and Tianjin City Resources

Date:	24 September 2009
Parties:	the Company as landlord and Tianjin City Resources as tenant
Premises:	Certain area of 6th floor of TCEP Building
Car parking spaces:	10
Lettable area:	Floor area — 726.08 square meters Public area — 100.75 square meters (building) 125.00 square meters (courtyard)
Term:	9 months commencing from 1 October 2009 to 30 June 2010 (both days inclusive)
Total rent:	RMB496,043.19

7.4.2Connected debts and liabilities

☐ applicable √ not applicable

7.4.3 Misappropriation and repayment plan of funds during the reporting period

☐ applicable ✓ not applicable

7.4.4 Proposal for claiming damages proposed by the Board in case that the listing company has not completed the repayment work for misappropriation of fund as at the end of 2009

☐ applicable ✓ not applicable

7.5 Financial management on trust

☐ applicable ✓ not applicable

7.6 Implementation of undertakings

7.6.1 Undertakings made by the Company or shareholders with 5% or more shareholding during the reporting period or through the reporting period

✓ applicable ☐ not applicable

Undertakings	**Contents of Undertakings**	**Implementations**
Share segregation reform undertakings	(1) Pursuant to the requirements under Article 27 in the "Administration method in respect of Share Segregation Reform of Listed Companies", all the original non-circulating shares shall not be traded or transferred within 12 months commencing from the date of implementation of the Share Segregation Reform. (2) TMICL undertakes that upon expiry of the aforesaid commitment period, the number of shares sold through the SSE shall not exceed 5% of the total number of shares of the Company within 12 months and shall not exceed 10% within 24 months. (3) In the event if the amount of shares sold through the SSE attained 1% of the total number of issued shares of the Company, an announcement shall be made within two working days of the occurrence of such event.	During the reporting period, TMICL was in strict compliance with the undertakings and there were no breach of undertakings.

7.6.2 The Company has made profit forecast to its assets or projects, and the profit forecast period is within the reporting period, and the Company will give explanation on whether its assets or projects reach its profit forecast.

□ applicable √ not applicable

7.7 **Material litigation and arbitration**

□ applicable √ not applicable

7.8 **Analysis and explanation of other major events and their effect and solutions**

7.8.1 Securities investment

□ applicable √ not applicable

7.8.2 Shareholding of other listed companies held

□ applicable √ not applicable

7.8.3 Shareholding of non-listed financial enterprises held

□ applicable √ not applicable

7.8.4 Trading of shares of other listed companies

□ applicable √ not applicable

7.9 **Has the Company disclosed the self-assessment report on internal control or the social responsibility report: Yes**

§8 REPORT OF THE SUPERVISORY COMMITTEE

8.1 Independent opinion of the Supervisory Committee on the legality of the Company's operation

The Supervisory Committee considers that in conducting various production operation activities during the reporting period, the Board was in strict compliance with the requirements under the various laws and regulations of the PRC and the Company's Articles of Association, and its decision-making procedures were legal. There have been no violation of the laws, regulations and the Articles of Association of the Company nor any damages to the Company's interests or the interests of the investors during the discharge of duties by the Directors and senior management of the Company.

8.2 **Independent opinion of the Supervisory Committee on reviewing the financial situation of the Company**

The Supervisory Committee considers that the Company's financial management and internal control systems were strict and have been seriously implemented during the reporting period. The 2009 financial report of the Company was able to truly reflect the financial situation and operating results of the Company, and the audit opinion provided by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers was objective and fair.

8.3 **Independent opinion of the Supervisory Committee on the actual application of funds from the most recent fund raising exercise**

During the reporting period, no new funds had been raised by the Company, and no funds from previous fund raising exercises were used till this reporting period.

8.4 **Independent opinion of the Supervisory Committee on the acquisition and disposal of assets by the Company**

During the reporting period, there was no acquisition or disposal of assets by the Company.

8.5 **Independent opinion of the Supervisory Committee on the connected transactions of the Company**

During the reporting period, the Company did not have any material connected transactions pursuant to the Listing Rules of the Shanghai Stock Exchange. For details of other connected transactions, please refer to the above Item 7.4 and Note (9) to the financial statements of the annual report of the Company. The Supervisory Committee considers that the connected transactions of the Company were conducted conforming to the market principles of fairness, equality, voluntary basis and friendly negotiation and sufficient information disclosure was made in compliance with the rules, and the interests of the non-related shareholders were protected.

§9 FINANCIAL INFORMATION

9.1 Audit Opinion

Financial Report	☐ unaudited	√ audited
Audit opinion	√ Standard unqualified opinion	☐ non-standard opinion

9.2 **Financial information extracted from the consolidated financial statements of the Group prepared in accordance with Hong Kong Financial Reporting Standards**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in Rmb thousand unless otherwise stated)

	Note	**For the year ended 31 December 2009**	2008
Revenue	2(a)	**1,226,466**	1,135,101
Business tax		**(42,973)**	(42,097)
Cost of sales	3	**(561,983)**	(497,541)
Gross profit		**621,510**	595,463
Other income	2(a)	**21,517**	18,767
Administrative expenses	3	**(118,820)**	(90,283)
Operating profit		**524,207**	523,947
Finance costs - net	4	**(186,743)**	(214,489)
Share of profits of an associate		**257**	780
Profit before income tax		**337,721**	310,238
Income tax expense	5	**(91,319)**	(76,753)
Profit for the year		**246,402**	233,485
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**246,402**	233,485
Attributable to:			
Equity holders of the Company		**242,978**	231,065
Minority interests		**3,424**	2,420
		246,402	233,485
Earnings per share for profit attributable to the equity holders of the Company (in Rmb Yuan)	6		
- basic		**0.17**	0.16
- diluted		**0.17**	0.16
Proposed final dividends	7	**114,178**	57,089

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009
(All amounts in Rmb thousand unless otherwise stated)

	Note	**As at 31 December 2009**	2008
ASSETS			
Non-current assets			
Property, plant and equipment		**2,335,198**	2,192,537
Intangible assets		**2,367,696**	1,884,264
Land use rights		**383,203**	393,135
Investment properties		**123,301**	118,692
Investment in an associate		**40,135**	39,878
Available-for-sale financial assets		**4,000**	4,000
Long-term receivables		**331,354**	331,254
Trade receivables due after one year	8	**241,792**	697,763
Other non-current assets		**3,230**	47,252
		5,829,909	5,708,775
Current assets			
Inventories		**9,653**	9,448
Trade receivables	8	**503,466**	798,869
Prepayments		**194,160**	81,987
Other receivables		**55,299**	52,137
Cash and bank balances		**603,161**	909,047
		1,365,739	1,851,488
Total assets		**7,195,648**	7,560,263

	Note	As at 31 December **2009**	2008
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,427,228**	1,427,228
Other reserves		**659,462**	636,431
Retained earnings		**1,206,901**	1,044,043
- Proposed final dividends		**114,178**	57,089
- Undistributed		**1,092,723**	986,954
		3,293,591	3,107,702
Minority interests		**121,920**	118,496
Total equity		**3,415,511**	3,226,198
LIABILITIES			
Non-current liabilities			
Borrowings		**2,455,824**	2,596,500
Deferred income tax liabilities		**30,198**	23,640
		2,486,022	2,620,140
Current liabilities			
Trade payables	9	**22,952**	17,841
Advances from customers		**305,085**	228,716
Wages payables		**3,848**	5,054
Income tax payable		**6,082**	18,783
Other taxes payable		**3,918**	4,895
Dividend payable		**2,014**	2,048
Other payables		**231,426**	99,848
Borrowings		**718,790**	1,336,740
		1,294,115	1,713,925
Total liabilities		**3,780,137**	4,334,065
Total equity and liabilities		**7,195,648**	7,560,263
Net current assets		**71,624**	137,563
Total assets less current liabilities		**5,901,533**	5,846,338

Notes to the condensed consolidated financial statements
(All amounts in thousand unless otheswise stated)

1 **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(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. These consolidated financial statements have been prepared under the revised disclosure requirements.

HKFRS 8, Operating segments

HKFRS 8 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, toll road collection segment has been combined into other segments. There has been no impact on the Group's financial position or operating results except for disclosure. Comparatives for 2008 have been reclassified accordingly.

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 the managers operating meeting that makes strategic decisions.

HKAS 23 (revised), Borrowing costs

The revised standard requires borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, there has been no significant impact on the Group's consolidated financial statements, as the Group consistently capitalised borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset in prior years.

(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 32 and HKAS 1 (amendment)	Puttable financial instruments and obligations arising on liquidation
HKFRS1 and HKAS 27 (amendment)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (amendment)	Share-based payment - Vesting conditions and cancellations
HKFRS 7 (amendment)	Improving disclosures about financial instruments — Fair value measurements and liquidity risk of financial instruments.
HK(IFRIC) - Int 15	Agreements for the construction of real estate

(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:

HKFRS 1 (revised)	First-time Adoption of HKFRSs (effective from 1 July 2009)
HKFRS 3 (revised)	Business combinations (effective from 1 July 2009)
HKAS 27(revised)	Consolidated and separate financial statements (effective from 1 July 2009)
HKAS 39 (amendment)	Eligible hedge items (effective from 1 July 2009)
HK(IFRIC) - Int 17	Distribution of non-cash assets to owners (effective from 1 July 2009)
HKFRS 1 (amendment)	Additional exemptions for first-time adopters (effective from 1 January 2010)
HKFRS 2 (amendment)	Group cash-settled share-based payment transaction (effective from 1 January 2010)
HKAS 32 (amendment)	Classification of rights issue (effective from 1 January 2010)
HKAS 24 (revised)	Related party disclosures (effective from 1 January 2011)
HKFRS 9	Financial Instruments (effective from 1 January 2013)

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.

2 Revenue and segment information

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

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

	For the year end 31 December	
	2009	2008
Sales turnover	**1,226,466**	1,135,101
Other income — net	**21,517**	18,767
Total revenues	**1,247,983**	1,153,868

(b) Operating segment analysis

Management has determined the operating segments based on the reports reviewed by the managers operating meeting that are used to make strategic decisions.

The meeting considers the business from both service and geographical perspective. From a service perspective, management assesses the performance of processing of sewage water, recycled water and pipeline connection and tap water operation. Processing of sewage water is further evaluated on a geographical 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.

Other services include tolls collection, lease of office building or apartments and other services. These are not included within the reportable operating segments, as they are not individually included in the reports provided to the managers operating meeting. The results of these operations are included in the 'all other segments' column.

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 segment information provided to the managers operating meeting for the reportable segments for the year ended 31 December 2009 and 2008 respectively is as follows:

(i) *For the year ended 31 December 2009*

	Sewage processing services			Recycled water and pipeline connection	Tap water operations	All other segments	Group
	Tianjin plants	**Hangzhou plant**	**Other plants**				
Segment revenue	721,319	128,678	216,340	56,494	36,598	88,554	1,247,983
Segment expenses	(474,179)	(110,629)	(195,624)	(49,558)	(41,106)	(39,423)	(910,519)
Results before share of profits of an associate	247,140	18,049	20,716	6,936	(4,508)	49,131	337,464
Share of profits of an associate							257
Profit before tax							337,721
Income tax expense							(91,319)
Profit for the year							246,402
Segment assets	3,282,014	837,823	1,593,393	540,010	290,527	611,746	7,155,513
Investment in an associate	—	—	—	—	—	40,135	40,135
Total assets	3,282,014	837,823	1,593,393	540,010	290,527	651,881	7,195,648
Total liabilities	1,941,867	545,119	627,910	487,266	149,691	28,284	3,780,137
Other information							
- Interest income	7,381	5,787	1,311	2,140	—	11,397	28,016
- Interest expenses	121,447	31,487	51,464	5,229	—	—	209,627
- Depreciation	94,618	—	1,351	9,858	—	5,912	111,739
- Amortisation	9,795	21,957	48,756	25	8,683	253	89,469
- Capital expenditures	199,777	341,926	205,257	73,347	22,114	407	842,828

(ii) *For the year ended 31 December 2008*

	Sewage processing services			Recycled water and pipeline connection	Tap water operations	All other segments	Group
	Tianjin plants	**Hangzhou plant**	**Other plants**				
Segment revenue	703,268	119,595	153,133	48,414	43,675	85,783	1,153,868
Segment expenses	(494,714)	(110,407)	(134,194)	(43,920)	(46,805)	(14,370)	(844,410)
Results before share of profits of an associate	208,554	9,188	18,939	4,494	(3,130)	71,413	309,458
Share of profits of an associate							780
Profit before tax							310,238
Income tax expense							(76,753)
Profit for the year							233,485
Segment assets	3,994,517	835,239	1,381,302	493,689	283,811	531,827	7,520,385
Investment in an associate	—	—	—	—	—	39,878	39,878
Total assets	3,994,517	835,239	1,381,302	493,689	283,811	571,705	7,560,263
Total liabilities	2,658,044	558,279	513,256	404,792	148,593	51,101	4,334,065
Other information							
- Interest income	1,223	2,573	1,096	1,581	—	11,262	17,735
- Interest expenses	157,972	34,880	29,712	4,488	—	—	227,052
- Depreciation	98,033	—	520	8,348	77	3,918	110,896
- Amortisation	10,360	20,658	34,770	—	8,053	—	73,841
- Capital expenditures	10,461	—	778,966	83,406	44	658	873,535

3 **Expense by nature**

Expenses included in cost of sales and administrative expenses are analysed as follows:

	For the year end 31 December	
	2009	2008
Depreciation of property, plant and equipment and investment properties	**111,739**	110,896
Amortisation of intangible assets and land use rights	**89,469**	73,841
Utilities	**157,127**	133,244
Employee benefits	**103,440**	86,013
Repair and maintenance expenses	**45,262**	46,364
Raw materials and consumables used	**30,851**	30,506
Construction for water recycling facilities	**17,396**	19,426
Management fee to Toll Fee Collection Office	**7,122**	7,120
Auditors' remuneration	**3,500**	3,500
Other taxes	**8,433**	4,757
Outgoings in relation to investment properties	**1,222**	1,612
Operating lease rentals for land and buildings	**564**	1,180
Impairment of assets	**6,000**	—
Loss on sale of property, plant and equipment	**12,834**	934
Others	**85,844**	68,431
	680,803	587,824

4 **Finance costs - net**

	For the year end 31 December	
	2009	2008
Interest expenses of borrowings	**213,812**	233,751
Less: Capitalised interest	**(4,185)**	(6,699)
Net interest expenses	**209,627**	227,052
Less: Interest income	**(28,016)**	(17,734)
- long-term receivables	**(11,263)**	(11,118)
- bank deposits	**(16,753)**	(6,616)
Others	**5,132**	5,171
	186,743	214,489

5 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong (2008: Nil). PRC income tax is calculated at the statutory rate of 25% (2008: 7.5% to 25%).

	For the year end 31 December	
	2009	2008
Tax charge comprises:		
Current PRC income tax	**84,761**	67,461
Deferred income tax	**6,558**	9,292
	91,319	76,753

6 Earnings per share

Basic earnings per share is calculated based on the profit attributable to equity holders of the Company of Rmb243 million (2008: Rmb231 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2008: 1,427 million shares).

Diluted earnings per share is calculated using the same bases as described above for calculating basic earnings per share.

	For the year end 31 December	
	2009	2008
Profit attributable to equity holders of the Company	**242,978**	231,065
Weighted average number of ordinary shares in issue (million shares)	**1,427**	1,427
Basic earnings per share (Rmb Yuan)	**0.17**	0.16

7 Dividends

Dividends proposed:

On 25 March 2010, the Directors proposed a dividend of Rmb0.8 for every 10 shares held. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

8 **Trade receivables**

	As at 31 December	
	2009	2008
Due from TSC for (note (a)):		
- Sewage processing service	**350,863**	955,992
- Construction of sewage processing plants	**241,792**	466,185
	592,655	1,422,177
Toll road fee receivable (note (b) and Note 10)	**78,200**	18,465
Less: Non-current portion	**(241,792)**	(697,763)
	429,063	742,879
Due from others — current	**74,403**	55,990
	503,466	798,869

(a) Total settlement of receivables (including long-term receivables) in cash of approximately Rmb1,524 million was received from TSC during 2009. As at 31 December 2009, the non-current portion of receivables from TSC was reduced to about Rmb242 million and TSC plans to settle the amount by cash.

The acquisition of sewage processing assets of TSC as funded by foreign loans is estimated to be completed in 2010.

(b) Pursuant to an agreement ("Toll collection Agreement") with Tianjin Toll Collection Office ("the Office") on 24 July 2003, the Office is to collect the tolls on behalf of the Company for the six toll stations of which collection right were granted to the Company. The collected tolls will be paid to the Company periodically. The receivable balance at 31 December 2009 represents the tolls for 2009.

(c) Aging of trade receivables prior to the classification to non-current described in (a) above is as follows:

	As at 31 December	
	2009	2008
Within one year	**497,119**	771,614
One to two years	**1,361**	27,255
Over two years	**246,778**	697,763
	745,258	1,496,632

9 **Trade payables**

As at 31 December 2009, the majority of trade payables are aged within one year.

10 **Event after the reporting period**

Pursuant to related regulations, toll fee collection in Tianjin city was terminated with effect from 1 January 2010. Accordingly toll fee collection for the six toll stations owned by the Company was terminated. At the date of approval of the consolidated financial statements, the new toll fee collection model and the new concession arrangement has not been announced yet. Once the government announces the new arrangement, the Company will make announcement timely.

9.3 Significant differences between financial information reported under HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC

There is no difference between the consolidated net profit and consolidated net assets prepared under HKFRSs and PRC Accounting Standards for Business Enterprises.

§10 SALE AND PURCHASE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

§11 CODE OF 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 year, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

§12 MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of practice in respect of securities transactions conducted by the directors ("**Model Code**") with standards not lower than those prescribed in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. During the reporting period, all Directors have complied with the Model Code in relation to securities transactions conducted by the Directors.

§13 PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

§14 PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights under the laws of the PRC.

§15 AUDIT COMMITTEE

On 31st July 2001, the Board approved the establishment of an audit committee (the "**Audit Committee**") to review and supervise the financial reporting process and internal controls of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited accounts for the year ended 31 December 2009 with the Directors.

By Order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
25 March 2010

As at the date of this announcement, the Board of Directors comprises four executive Directors: Mr. Zhang Wenhui, Mr. Lin Wenbo, Ms. Fu Yana and Ms. Zhong Huifang; two non-executive Directors: Mr. An Pindong and Ms. Chen Yinxing; and three independent non-executive Directors: Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen.