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

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

(Stock Code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2010

§ 1 IMPORTANT

1.1 The board of directors (the "**Board**") and supervisory committee (the "**Supervisory Committee**") of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") and its directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management confirm that the information in this 2010 interim report (the "**Interim Report**") does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this report.

1.2 The interim financial statements of the Company for the six months ended 30 June 2010 are unaudited.

1.3 None of the controlling shareholder of the Company or its connected persons has misappropriated the Company's funds.

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

1.5 The person in charge of the Company, Mr. Zhang Wenhui, the person in charge of the accounting function and the accounting department of the Company (executive in charge for accounting), Ms. Shi Zhenjuan, have warranted the truthfulness and completeness of the financial statements in this Interim Report.

§ 2 COMPANY PROFILE

2.1 Basic Information of the Company

Short form of the A shares	創業環保
Stock code of the A shares	600874
Place for listing of the A shares	Shanghai Stock Exchange (“**SSE**”)
Short form of the H shares	Tianjin Capital
Stock code of the H shares	1065
Place for listing of the H shares	The Stock Exchange of Hong Kong Limited (the “**HKSE**”)

	Secretary to the Board	**Company Secretary in Hong Kong**	**Securities Affairs Representative**
Name	Ms. Fu Yana	Mr. Lo Wai Keung, Eric	Ms. Guo Fengxian
Correspondence address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin The People’s Republic of China (the “**PRC**”)	22/F., Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The PRC
Telephone number	86-22-23930128	852-2218-0920	86-22-23930128
Facsimile number	86-22-23930126	852-2501-0028	86-22-23930126
E-mail	fu_yn@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

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

2.2.1 Major accounting data and financial indicators

Unit: ’000 Currency: RMB

	As at the end of the reporting period	As at the end of the period last year	Comparison between the end of the reporting period and the end of the period last year Increase/Decrease (%)
Total assets	7,593,984.00	7,195,648.00	5.54
Equity interest attributable to the owners of the Company (or shareholder’s equity)	3,309,114.00	3,293,591.00	0.47
Net assets value per share attributable to shareholders of the Company (RMB/share)	2.32	2.31	0.43
	Reporting period (January to June)	**Corresponding period of last year**	**Comparison between the reporting period and the corresponding period last year Increase/Decrease (%)**
Operating profit	188,528.00	143,222.00	31.63
Total profit	177,434.00	148,807.00	19.24
Net profit attributable to shareholders of the Company	129,701.00	108,013.00	20.08
Net profit after deduction of extraordinary items attributable to shareholders of the Company	138,021.00	103,825.00	32.94
Basic earnings per share (RMB)	0.09	0.08	12.50
Basic earnings per share after deduction of extraordinary profit and loss (RMB)	0.10	0.07	42.86
Diluted earnings per share (RMB)	0.09	0.08	12.50
Return on net assets ratio (%)	3.92	3.42	Increased by 0.50%
Net cash flow from operating activities	56,723.00	740,710.00	-92.34
Net cash flow from operating activities per share	0.04	0.52	-92.31

2.2.2 Extraordinary profit and loss items and amounts

√ Applicable ☐ Not Applicable

Unit: ’000 Currency: RMB

Extraordinary profit and loss items	Amount
Profit and loss on disposal of non-current assets	-13,117
Other non-operating income and expenses except for those described above	2,023
Amount of income tax effect	2,774
Total	-8,320

2.2.3 Difference in accounting standards between the PRC and overseas

No differences exist in net profit and net assets.

§ 3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

□ Applicable √ Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of shareholders as at the end of the reporting period:	110,176 shareholders, including 95 shareholders holding H shares				
Shareholdings of the top ten shareholders					
Shareholders	**Nature of the shareholders**	**Percentage of shareholding** *(%)*	**Total number of shares held** *(Shares)*	**Number of restricted circulating shares held** *(Shares)*	**Number of shares pledged or frozen** *(Shares)*
Tianjin Municipal Investment Company Limited ("**TMICL**")	State-owned	53.06	757,265,766	0	Pledged 251,940,000
HKSCC Nominees Limited	Others	23.44	334,504,900	0	Unknown
Zhou Jun	Others	0.42	5,975,407	0	Unknown
Shenyang Railway Coal Dealing Co., Ltd.	Others	0.21	3,000,000	0	Unknown
Ho Man Ping	Others	0.14	2,014,000	0	Unknown
Wang Ming Li	Others	0.13	1,853,816	0	Unknown
Pan Zhi Hong	Others	0.09	1,235,820	0	Unknown
Industrial and Commercial Bank of China Limited – China AMC CSI 300 Index Fund	Others	0.08	1,200,000	0	Unknown
Fung Chun Kit	Others	0.08	1,130,000	0	Unknown
Agricultural Bank of China - China Southern CSI 500 Index Fund (LOF)	Others	0.07	1,034,900	0	Unknown

Shareholdings of the top ten non-restricted circulating shares shareholders		
Shareholders	**Number of non-restricted circulating shares held** *(Shares)*	**Type of shares**
TMICL	757,265,766	RMB Ordinary Shares
HKSCC Nominees Limited	334,504,900	H Shares
Zhou Jun	5,975,407	RMB Ordinary Shares
Shenyang Railway Coal Dealing Co., Ltd.	3,000,000	RMB Ordinary Shares
Ho Man Ping	2,014,000	H Shares
Wang Ming Li	1,853,816	RMB Ordinary Shares
Pan Zhi Hong	1,235,820	RMB Ordinary Shares
Industrial and Commercial Bank of China Limited – China AMC CSI 300 Index Fund	1,200,000	RMB Ordinary Shares
Fung Chun Kit	1,130,000	H Shares
Agricultural Bank of China - China Southern CSI 500 Index Fund (LOF)	1,034,900	RMB Ordinary Shares
Notes on the connected relationship or parties acting in concert among the above shareholders	It is not certain whether there is any connected relationship among the top ten shareholders. It is not certain whether there is any connected relationship between the top ten non-restricted circulating shares shareholders and the top ten shareholders.	

3.3 **Changes in the controlling shareholder and the actual controller of the Company**

☐ Applicable √ Not Applicable

§ 4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

4.1 **Changes in the shareholding of the Directors, Supervisors and senior management**

☐ Applicable √ Not Applicable

§ 5 REPORT OF THE BOARD

(I) The Group's overall operation during the reporting period

During the reporting period, the Company and its subsidiaries (the "**Group**") firmly established the corporate philosophy of "focusing on operations, leading by technology" on the basis of corporate structural adjustment as well as unifying thoughts and knowledge. Encircling the annual working plan and target, the strategic plan was fully implemented, and expanded and secured the core business operations, explored and developed potential business, cultivated and created future business opportunities, and strived to build a concentric and diversified strategy. More efforts were made to technology introduction and staff training. Research and development on application technologies and specific technologies were practically started to build up core competitiveness and promote the stable development of various businesses of the Group.

As at the end of the reporting period, the Group's total assets amounted to RMB7.594 billion and the net assets amounted to RMB3.309 billion (excluding minority interests) with the gearing ratio of 54.80%. During the reporting period, the Group recorded an operating revenue of RMB675.52 million, representing an increase of 14.95% as compared to the corresponding period in 2009, an operating profit of RMB188.53 million, representing an increase of 31.63% as compared to the corresponding period in 2009, and a net profit of RMB129.70 million (excluding minority interests), representing an increase of 20.08% as compared to the corresponding period in 2009. The Group's operating profit increased significantly as compared to the corresponding period last year mainly due to a significant decrease in the Group's financial expenses as compared to the corresponding period last year.

(II) Operation of the Group's principal business

During the reporting period, the Group's sewage water treatment plant upgrading and reconstruction projects implemented smoothly as scheduled with the sewage water treatment plants meeting their operation targets. During the reporting period, the Group processed a total of 385 million cubic metres of sewage water, an increase of 5.45% as compared to the corresponding period last year, which was mainly due to the fact that Chibi and Anguo sewage water treatment plants commenced commercial operations in May and April last year respectively, while the sewage water treatment volume of some existing plants increased slightly. Revenue from sewage water treatment services amounted to RMB521.23 million, increased by 1.03% as compared to the corresponding period last year, with an increase of RMB60 million in the revenue and costs from sewage water treatment DBO business as compared to the corresponding period last year, and with higher rate of increase in operating costs and slightly decrease in operating profit margins. Operation services and technical services of the sewage water treatment plants increased steadily and realized revenue of RMB10.86 million, representing an increase of 21.90% as compared to the operating revenue of the sewage water treatment and construction business in the corresponding period last year. Breakthroughs were achieved in the business of sewage water treatment plants and municipal construction and management services. During the reporting period, the Group had won the bid for Tianjin's Ninghe Modern Industrial Park sewage water treatment plant BOT project. The project scale is almost 20,000 cubic metres/day, and it is currently carrying out the follow-up work of registering the project company.

During the reporting period, the water sales volume of the tap water business of the Group was 17.83 million cubic metres, representing an increase of 5.32% as compared to the corresponding period last year, which was mainly due to an increase in water volume of 1.3 million cubic metres as a result of the commercial operations of the new Anguo Tap Water Plant, despite a slight decline in the tap water volume from Qujing Capital Water Co., Ltd. due to the continuous dry spell in the southwestern region. Operating revenue from the tap water business decreased by 6% as compared to the corresponding period last year. However, the operating cost of the tap water business decreased by 28.77% as compared to the corresponding period last year due to adjustment in tap water business model of Qujing Capital Water Co., Ltd., thus the operating profit margin of the tap water business increased at a higher rate.

During the reporting period, the water sales volume of the Group's recycled water production and sales business increased by 322.25% to 5.3744 million cubic metres as compared to the corresponding period last year due to the addition of a new power plant user. However, as this business still accounted for a low weight in the recycled water pipeline connection and water supply business, the operating revenue and the operating profit margin of the recycled water pipeline connection and water supply business increased slightly with little change as compared to the corresponding period last year.

During the reporting period, the Group recorded revenue of RMB33.51 million from the toll collection business, substantially the same as the figures of the corresponding period last year. According to the relevant rules of the State, the passage toll of the Tianjin City Indebted Road ceased to be collected with effect from 1 January 2010, and the 6 toll stations in which the Group owned passage toll collection rights also ceased collecting passage toll at the same time. According to the spirit of the "Opinions on the Implementation of Oil Prices and Tax Expenses Reforms and the Cancellation of Toll Collection on Government Indebted Tier 2 Roads" (Jin Zheng Ban [2010] No. 51 Document) dated 19 May 2010, the Company can still recognize revenue from road toll operations during the reporting period according to the amount specified in the "Subcontracting Toll Collection Agreement".

(III) Analysis of risk factors

In July 2005, the Municipal Government of Tianjin issued the "Administrative Measures on the Licensed Operation of Municipal Public Utilities of Tianjin" ("**Administrative Measures**"). Rule 22 of the Administrative Measures stipulates that: existing municipal public utilities projects within the required scope can be directly granted to the original operators for licensed operations after a review by the municipal construction administrative authority and the approval by the Municipal People's Government. The municipal construction administrative authority will sign a licensed operation agreement with the operator. The Group has submitted an application to the Tianjin construction administrative authority to apply for the licensed operation of four sewage water treatment plants in the central area of Tianjin after the implementation of the Administrative Measures in November 2005. Currently, the Group is conducting in-depth negotiations over the licensed operation agreement with the Tianjin construction administrative authority.

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

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

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

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

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

e. existing municipal public utilities projects can be directly granted to the original operators for licensed operations after a review by the municipal construction administrative authority and the approval by the Municipal People's Government and the municipal construction administrative authority will sign a licensed operation agreement with the operator.

5.1 Principal business by industry

Unit: ’000 Currency: RMB

By industry	Operating revenue	Operating cost	Profit margin from operations (%)	Increase/ decrease in operating revenue as compared to the corresponding period last year	Increase/ decrease in operating cost as compared to the corresponding period last year	Increase/ decrease in profit margin from operations as compared to the corresponding period last year
Sewage water treatment and sewage water treatment plant construction business	585,425	316,374	46	13	38	Decreased by 9.76 percentage points
Recycled water pipeline connection and water supply business	21,545	17,334	20	2	2	Increased by 0.08 percentage points
Tap water supply business	17,546	12,811	27	-6	-29	Increased by 23.64 percentage points
Road business	33,513	3,560	89	0	0	0

5.2 Principal business by geographical locations

Unit: ’000 Currency: RMB

Region	Operating revenue	Increase / decrease in operating revenue as compared to the corresponding period last year (%)
Tianjin	468,352	16
Guizhou	12,312	-1
Qujing	22,303	-13
Fuyang	17,218	9
Baoying	5,068	0
Hangzhou	66,197	14
Wuhan	12,187	112
Wendeng	11,501	-2
Xi’an	36,780	7
Anguo	6,111	409

Notes:

1. The reason for a greater change in the operating revenue of the Wuhan subsidiary as compared to the corresponding period last year was due to the fact that its Chibi subsidiary commenced commercial operation in May 2009.

2. The reason for a greater change in the operating revenue of the Anguo subsidiary as compared to the corresponding period last year was due to the fact that the Anguo subsidiary commenced commercial operation in April 2009.

5.3 Reasons for the material changes in the principal operation and its structure

□ Applicable √ Not Applicable

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

□ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

5.6 Use of proceeds from fund-raising

5.6.1 Use of proceeds from fund-raising

☐ Applicable √ Not Applicable

5.6.2 Changes in projects

☐ Applicable √ Not Applicable

5.7 Projects funded by proceeds other than from fund-raising

(1) The upgrading and reconstruction projects of four sewage water treatment plants in Tianjin, namely, Xianyanglu, Beicang, Jizhuangzi and Dongjiao, with an estimated total investment amount of RMB1.178 billion, would be invested by the Company. During the reporting period, an investment amount of RMB250 million was completed. As at the end of the reporting period, an accumulated investment amount of RMB470 million was completed. The project was scheduled to be fully completed by the end of 2010.

(2) The reconstruction and expansion project of the Tianjin Jizhuangzi water recycling plant, with an estimated investment amount of RMB87.5732 million, would be invested by Tianjin Water Recycling Company Limited, a subsidiary of the Group. During the reporting period, an investment amount of RMB14.88 million was completed. As at the end of the reporting period, an accumulated investment amount of RMB65.54 million was completed. The project was scheduled to be fully completed by the end of 2010.

(3) The Fuyang Yingdong sewage water treatment plant project, with an estimated investment amount of RMB53.4864 million, would be invested by Fuyang Capital Water Company Limited, a subsidiary of the Group. During the reporting period, an investment amount of RMB29.45 million was completed. As at the end of the reporting period, an accumulated investment amount of RMB42.728 million was completed. The project is currently under operation adjustment and testing.

(4) The Qujing Liangjiangkou sewage water treatment plant reconstruction project, with an estimated investment amount of RMB100 million, would be invested by Qujing Capital Water Company Limited, a subsidiary of the Group. During the reporting period, an investment amount of RMB16.01 million was completed. As at the end of the reporting period, an accumulated investment amount of RMB62.77 million was completed. The project is currently under operation adjustment and testing.

(5) The Xianning sewage water treatment plant project, with an estimated investment amount of RMB120 million, would be invested by Wuhan Tianchuang Environmental Protection Company Limited, a subsidiary of the Group. During the reporting period, an investment amount of RMB23.27 million was completed. As at the end of the reporting period, an accumulated investment amount of RMB77.85 million was completed. The project is currently under operation adjustment and testing.

(6) The Anguo municipal water supply system reconstruction and expansion project, with an estimated investment amount of RMB33 million, would be invested by Anguo Capital Water Company Limited, a subsidiary of the Group. During the reporting period, an investment amount of RMB3.92 million was completed. As at the end of the reporting period, an accumulated investment amount of RMB14.44 million was completed. Construction work of urban area water distribution pipelines is currently in progress.

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

□ Applicable √ Not Applicable

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

□ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

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

☐ Applicable √ Not Applicable

§ 6 MAJOR EVENTS

6.1 **Acquisition of assets**

☐ Applicable √ Not Applicable

6.2 **Disposal of assets**

☐ Applicable √ Not Applicable

6.3 **Guarantee**

√ Applicable ☐ Not Applicable

Unit: '000 Currency: RMB

External guarantee granted by the Company (excluding guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee granted during the reporting period	0
Total amount of outstanding guarantee as at the end of the reporting period (A)	0
Guarantee provided to the subsidiaries of the Company	
Total amount of guarantee provided to the subsidiaries of the Company during the reporting period	24,000
Total amount of outstanding guarantee provided to the subsidiaries as at the end of the reporting period (B)	836,210
Total amount of guarantee granted by the Company (including guarantee provided to the subsidiaries of the Company)	
Total amount of guarantee (A+B)	836,210
Percentage of the total amount of guarantee to the net assets of the Company (%)	25.27
Of which:	
Amount of guarantee provided to the shareholders, actual controller and other related parties (C)	0
Amount of guarantee provided directly or indirectly to the borrowers with gearing ratio of over 70% (D)	0
Total amount of guarantee exceeds 50% of net assets (E)	0
Total amount of the above three guarantees (C+D+E)	0

6.4 **Non-recurrent connected debts and liabilities**

☐ Applicable √ Not Applicable

6.5 **Significant litigation and arbitration**

☐ Applicable √ Not Applicable

6.6 Other major issues and analysis on its impacts and solutions

6.6.1 Securities investments

□ Applicable √ Not Applicable

6.6.2 Holding of equity interest in other listed companies

□ Applicable √ Not Applicable

6.6.3 Holding of equity interest in non-listed financial corporation

□ Applicable √ Not Applicable

§ 7 FINANCIAL REPORTS

7.1 Audit opinion

Financial Report √ unaudited □ audited

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

(All amounts in Rmb thousand unless otherwise stated)

	Note	**Unaudited Six months ended 30 June 2010**	**2009**
Revenue	3(a)	658,029	580,084
Business tax		(20,010)	(21,168)
Cost of sales		(350,079)	(267,459)
Gross profit		287,940	291,457
Other income - net	3(a)	12,465	10,434
Administrative costs		(59,610)	(42,103)
Operating profit	4	240,795	259,788
Finance costs - net	5	(63,444)	(110,054)
Share of (loss)/profits of an associate		83	(927)
Profit before income tax		177,434	148,807
Income tax expense	6	(47,160)	(38,975)
Profit for the period		130,274	109,832
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		130,274	109,832
Profit attributable to:			
– equity holders of the Company		129,701	108,013
– non-controlling interests		573	1,819
		130,274	109,832
Earnings per share for profit attributable to the equity holders of the Company during the period (in Rmb per share)	7		
– basic		0.09	0.08
– diluted		0.09	0.08
Interim dividends	8	—	—

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2010
(All amounts in Rmb thousand unless otherwise stated)

		As at	
	Note	**30 June 2010 Unaudited**	**31 December 2009 Audited**
ASSETS			
Non-current assets			
Property, plant and equipment		2,486,012	2,335,198
Investment property		121,734	123,301
Intangible assets		2,411,638	2,367,696
Land use rights		379,106	383,203
Investment in an associate		40,218	40,135
Available-for-sale financial assets		4,000	4,000
Trade receivables due after one year	9	241,792	241,792
Long-term receivables		333,820	331,354
Other non-current assets		7,555	3,230
		6,025,875	5,829,909
Current assets			
Inventories		10,606	9,653
Trade receivables	9	804,752	503,466
Other receivables		58,414	55,299
Prepayments		150,687	194,160
Cash and bank balances		543,650	603,161
		1,568,109	1,365,739
Total assets		7,593,984	7,195,648

	Note	As at 30 June 2010 Unaudited	As at 31 December 2009 Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,427,228	1,427,228
Other reserves		659,462	659,462
Retained earnings		1,222,424	1,206,901
– Proposed final dividend		–	114,178
– Undistributed		1,222,424	1,092,723
		3,309,114	3,293,591
Non-controlling interests		122,493	121,920
Total equity		3,431,607	3,415,511
LIABILITIES			
Non-current liabilities			
Borrowings		2,380,574	2,455,824
Deferred income tax liabilities		34,666	30,198
		2,415,240	2,486,022
Current liabilities			
Trade payables	10	52,414	22,952
Advances from customers		303,338	305,085
Wages payables		3,972	3,848
Income tax payable		20,692	6,082
Other taxes payable		7,231	3,918
Dividend payable		112,235	2,014
Other payables		209,872	231,426
Borrowings		1,037,383	718,790
		1,747,137	1,294,115
Total liabilities		4,162,377	3,780,137
Total equity and liabilities		7,593,984	7,195,648
Net current assests/(liabilities)		(179,028)	71,624
Total assets less current liabilities		5,846,847	5,901,533

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Rmb thousand unless otherwise stated)

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HK Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with HK Financial Reporting Standards.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group.

HKFRS 3 (revised)	Business combinations
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HKFRS 1(Amendment)	Additional exemptions for first-time adopters
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HKFRS 5 (Improvement)	Non-current assets held for sale and discontinued operations

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRS 9	Financial instruments(effective from 1 January 2013)
HKAS 24 (Revised)	Related party disclosures (effective from 1 January 2011)
HKAS 32 (amendment)	Classification of rights issues (effective from 1 February 2010)
HK(IFRIC) Int –14 (amendment)	Prepayments of a minimum funding requirement (effective from 1 January 2011)
HK(IFRIC)–Int 19	Extinguishing financial liabilities with equity instruments (effective from 1 July 2010)
HKFRS 1(amendment)	Limited exemption from comparative IFRS/HKFRS 7 disclosures for first-time adopters (effective from 1 July 2010)

3. Revenue and segment information

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

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

	Unaudited For the six months ended 30 June 2010	30 June 2009
Revenue from principal operation (Note 3(b))	658,029	580,084
Other income - net	12,465	10,434
	670,494	590,518

(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.

(i) For the period ended 30 June 2010

	Sewage water processing services			Recycle water and pipeline connection			
	Tianjin plants	**Hangzhou plant**	**Other plants**		**Tap water**	**All other segments**	**Group**
Segment revenue	349,158	66,197	105,875	21,545	17,546	110,173	670,494
Segment expense	(217,719)	(62,058)	(94,371)	(21,894)	(19,144)	(77,957)	(493,143)
Results before share of profits of an associate	131,439	4,139	11,504	(349)	(1,598)	32,216	177,351
Share of profits of an associate							83
Profit before income tax							177,434
Income tax expense							(47,160)
Profit for the period							130,274
Segment assets	3,786,845	814,686	1,595,378	578,079	299,365	479,413	7,553,766
Investment in an associate	–	–	–	–	–	40,218	40,218
Total assets	3,786,845	814,686	1,595,378	578,079	299,365	519,631	7,593,984
Total liabilities	2,366,922	520,751	513,020	509,365	197,063	55,256	4,162,377
Other information							
– Interest income	925	164	439	1,374	–	5,696	8,598
– Interest expenses	31,396	12,544	20,343	3,083	4,612	–	71,978
– Depreciation	47,064	–	2,654	5,698	–	2,384	57,800
– Amortisation	4,554	18,124	24,612	12	4,342	40	51,684
– Capital expenditures	198,069	–	73,146	34,596	6,139	958	312,908

(ii) For the period ended 30 June 2009

	Sewage water processing services			Recycle water and pipeline connection	Tap water	All other segments	Group
	Tianjin plants	**Hangzhou plant**	**Other plants**				
Segment revenue	358,921	57,891	99,105	21,072	18,609	34,920	590,518
Segment expense	(247,455)	(50,528)	(91,705)	(20,901)	(24,576)	(5,619)	(440,784)
Results before share of profits of an associate	111,466	7,363	7,400	171	(5,967)	29,301	149,734
Share of profits of an associate							(927)
Profit before income tax							148,807
Income tax expense							(38,975)
Profit for the period							109,832
Segment assets	3,867,984	818,438	1,548,498	518,655	303,370	567,214	7,624,159
Investment in an associate	–	–	–	–	–	38,951	38,951
Total assets	3,867,984	818,438	1,548,498	518,655	303,370	606,165	7,663,110
Total liabilities	2,435,998	534,990	813,001	414,775	140,585	44,820	4,384,169
Other information							
– Interest income	2,280	3,753	578	394	14	5,660	12,679
– Interest expenses	77,570	16,121	21,430	2,125	5,487	–	122,733
– Depreciation	46,163	–	–	5,332	–	1,390	52,885
– Amortisation	4,760	10,329	22,970	18	4,027	–	42,104
– Capital expenditures	1,548	92	98,261	58,558	5	–	158,464

4. Operating profit

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

	Unaudited For the six months ended 30 June 2010	30 June 2009
Crediting:		
Rental	(4,608)	(6,040)
Charging:		
Depreciation and amortisation expenses	109,484	94,989
Staff costs	56,588	43,123
Raw materials and consumables used	17,041	15,287
Repair and maintenance expenses	19,032	13,304
Loss of disposal of property, plant and equipment	13,117	—

5. Finance costs-net

	Unaudited For the six months ended 30 June 2010	30 June 2009
Interest expenses of borrowings	78,544	124,036
Less: Capitalised interest	(6,566)	(1,303)
	71,978	122,733
Less: Interest income	(8,598)	(12,679)
– long-term receivables	(5,633)	(5,636)
– bank deposits	(2,965)	(7,043)
Others	64	—
	63,444	110,054

6. Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2010 (2009: Nil). PRC income tax is calculated at the statutory rate of 25% (2009: 25%).

	Unaudited For the six months ended 30 June 2010	**30 June 2009**
Tax charge comprises:		
Current income tax	42,692	38,123
Deferred income tax	4,468	852
	47,160	38,975

7. Earnings per share

Basic earnings per share is calculated based on the profit attributable to equity holders of the Company of Rmb130million (2009: Rmb108 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the period (2009: 1,427 million shares).

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

	Unaudited For the six months ended 30 June 2010	**30 June 2009**
Profit attributable to equity holders of the Company	129,701	108,013
Weighted average number of ordinary shares in issue (million)	1,427	1,427
Basic earnings per share (Rmb per share)	0.09	0.08

8. Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the six months ended 30 June 2010 (2009: Nil).

9. Trade receivables and trade receivables due after one year

Details of the trade receivables are as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Due from TSC for:		
– Construction of plants	629,480	350,863
– Water processing services	241,792	241,792
	871,272	592,655
Toll road fee (Note(a))	71,320	78,200
Due from others - current	103,952	74,403
	1,046,544	745,258
Less: Non-current portion	(241,792)	(241,792)
	804,752	503,466

(a) 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.

In accordance with "JinZhengBanFa" [2010] No.51 "The application guidance about oil price, tax reform and termination of government toll road " as promulgated by Tianjin Government on 19 May 2010, the Company recognized toll road fee revenue during the reporting period pursuant to the Toll Collection Agreement.

(b) Aging of trade receivables prior to the reclassification is as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Within one year	510,025	497,119
One to two years	289,741	1,361
Over two years	246,778	246,778
	1,046,544	745,258

10. Trade payables

As at 30 June 2010, the majority of trade payables are aged within one year. The carrying value of trade payables approximates their fair value due to their short-term maturities.

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

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

§9 CODE ON CORPORATE GOVERNANCE PRACTICES

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

§10 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Xie Rong, Mr. Di Xiaofeng and Ms. Lee Kit Ying, Karen. The Audit Committee, together with the management of the Group, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2010.

By order of the Board
Zhang Wenhui
Chairman

Tianjin, the PRC
19 August 2010

As at the date of this announcement, the Board 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.