

## **XII. SUPPLEMENTARY COMPARATIVE FINANCIAL INFORMATION PROVIDED BY MANAGEMENT**

As described in note 1 of the Company's year 2001 interim accounts, the profit and loss account for the six months ended 30th June 2001 reflects only the operating results of the Company's New Business while the profit and loss account for the six months ended 30th June 2000 reflects the consolidated operating results of the Chemical Business conducted by the Company and its former subsidiaries. Although they all represent the actual historical data of the Company, it is not meaningful to make a period-by-period comparison of them for analysis and assessment purposes as the business had changed completely.

To facilitate the users of accounts for an analysis and assessment of the Company's year 2001 interim results, the Directors have prepared the accompanying pro forma profit and loss account for the six months ended 30th June 2000, using the actual profit and loss account for the six months ended 30th June 2001 as comparative figures. The pro forma profit and loss account has been prepared using the accounting policies currently adopted by the Company (which are set out in note 2 of the Company's year 2001 interim accounts), and after incorporating the pro forma adjustments below to reflect the following matters and assumptions:

- (a) The notional revenue from sewage water processing services, and the notional business tax charged at 5% of revenue and notional government surcharges levied at 9% of business tax. During the six months ended 30th June 2000, the sewage water processing business was operated by the Company's current shareholder Tianjin Municipal Investment Company Limited ("TMICL") as a cost centre for financial reporting purposes with its operating expenses substantially reimbursed by the Tianjin Municipal Government. Pursuant to the Sewage Water Processing Agreement, effective on 1st October 2000, the sewage water processing services will be rendered by TMICL, and afterwards by the Company upon the Business and Assets Exchange which became effective on 20th December 2000, to Tianjin Sewage Company at prices to be determined in accordance with a pricing formula stipulated in the Sewage Water Processing Agreement. Notional revenue from the sewage processing business for the six months ended 30th June 2000 has been calculated based on the pricing formula as if the Sewage Water Processing Agreement had been effective since 1st January 2000. In calculating the notional revenue, the reimbursement of operating expenses received by TMICL for operating the sewage water processing business during the six months ended 30th June 2000 has been reclassified as a part of the notional revenue.
- (b) The notional depreciation and amortisation on the appraised value of fixed assets of the sewage water processing business based on a revaluation of fixed assets performed by China Enterprise Appraisal, a firm of independent valuers registered in the PRC, as if the valuation had occurred on 1st January 2000. The revaluation adopted a depreciated replacement cost basis which has enabled adjustments to be made to depreciation and amortisation for the six months ended 30th June 2000.
- (c) The notional rental expenses payable to TMICL in respect of the office premises of the road and toll stations business pursuant to a lease agreement entered between TMICL and the Company on 10th October 2000, as if the agreement had been effective since 1st January 2000.
- (d) The notional income tax charged at 33% of the adjusted profit before taxation as a result of the pro forma adjustments in (a) to (c) above.

The objective of presenting the pro forma profit and loss account is to show the effect of making appropriate pro forma adjustments on the historical profit and loss account of the New Business for the six months ended 30th June 2000 for period-by-period comparison purposes. The pro forma profit and loss account does not purport to represent what the operating results of the New Business would actually have been if the matters leading to the pro forma adjustments had been effective earlier as described above. Accordingly the pro forma profit and loss account can only be used for reference purposes.

The Directors are responsible for providing historical financial information which gives a true and fair view. They are also responsible for the pro forma profit and loss account and the reasonableness and fairness of the pro forma adjustments described above. In preparing such financial information, the Directors confirm that appropriate accounting policies are selected and applied consistently.

Board of Directors  
**Tianjin Capital Environmental Protection Company Limited**  
31st July 2001

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### PRO FORMA PROFIT AND LOSS ACCOUNT OF THE NEW BUSINESS FOR THE SIX MONTHS ENDED 30TH JUNE 2000 (PREPARED IN ACCORDANCE WITH PRC GAAP)

	<i>Note</i>	<b>Pro forma Six months ended 30th June 2000</b> <i>Rmb '000</i>	<b>Actual Six months ended 30th June 2001</b> <i>Rmb '000</i>
Income from principal operations	1	215,824	220,480
Less: Costs for principal operations		(52,825)	(54,961)
Business tax and surcharges	1	<u>(11,773)</u>	<u>(12,126)</u>
Profit from principal operations		151,226	153,393
Less: Administrative expenses	2	(9,070)	(12,449)
Add: Financial income		<u>263</u>	<u>242</u>
Operating profit		142,419	141,186
Add: Non-operating income		208	321
Less: Non-operating expenses		<u>(49)</u>	<u>(29)</u>
Total profit	1	142,578	141,478
Less: Income tax	3	<u>(47,051)</u>	<u>(46,688)</u>
Net profit		<u><u>95,527</u></u>	<u><u>94,790</u></u>

### NOTES TO THE PRO FORMA PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE 2000

#### 1 Income from principal operations and segmental information

	<b>Pro forma Six months ended 30th June 2000</b> <i>Rmb '000</i>	<b>Actual Six months ended 30th June 2001</b> <i>Rmb '000</i>
Income from principal operations		
- Revenue from sewage water processing services	162,612	177,864
- Toll fee income	<u>53,212</u>	<u>42,616</u>
	<u><u>215,824</u></u>	<u><u>220,480</u></u>
Profit before tax		
- Sewage water processing business	110,604	123,562
- Road and toll stations business	<u>31,974</u>	<u>17,916</u>
	<u><u>142,578</u></u>	<u><u>141,478</u></u>

Pursuant to the PRC tax rules, the New Business is subject to PRC business tax calculated at 5% of operating revenue and government surcharges calculated at 9% of business tax. The notional business tax and government surcharges of the New Business for the six months ended 30th June 2000 is Rmb11,773,000 (The actual for the six months ended 30th June 2001: Rmb12,126,000).

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### 2 Administrative Expenses

The increase in administrative expenses is primarily due to the inclusion of central administrative and management expenses of the Company which are now required to be borne by the New Business after it was injected into the Company on 20th December 2000. As the New Business was conducted by independent operating units of the Urban Construction Bureau or TMICL during the six months ended 30th June 2000, there were no such expenses in the pro forma profit and loss account.

### 3 Income Tax

	<b>Pro forma</b> <b>Six months ended 30th June</b> <b>2000</b> <i>Rmb '000</i>	<b>Actual</b> <b>Six months ended 30th June</b> <b>2001</b> <i>Rmb '000</i>
Income tax of sewage water processing business	36,425	40,776
Income tax of road and toll stations business	10,626	5,912
Total income tax	<u>47,051</u>	<u>46,688</u>

### 4 Operating profit

Operating profit is stated after charging the following items:

	<b>Pro forma</b> <b>Six months ended 30th June</b> <b>2000</b> <i>Rmb '000</i>	<b>Actual</b> <b>Six months ended 30th June</b> <b>2001</b> <i>Rmb '000</i>
Power cost	9,122	11,813
Depreciation and amortization	26,009	23,948
Staff costs	9,847	15,238
Repair and maintenance expenses	<u>7,967</u>	<u>3,610</u>