

Supplementary Information Provided by the Management for Year 2003

(1) SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTS PREPARED UNDER PRC GAAP AND HK GAAP

Differences between the accounts prepared under PRC GAAP and HK GAAP for the year ended 31st December 2003 are as follows:

	Profit distributable to shareholders		Net asset value	
	Group <i>Rmb'000</i>	Company <i>Rmb'000</i>	Group <i>Rmb'000</i>	Company <i>Rmb'000</i>
As reported under PRC GAAP	276,892	276,892	2,018,966	2,018,966
Reversal of equity accounting of the loss of the subsidiary	—	2,996	—	5,557
As reported under HK GAAP	<u>276,892</u>	<u>279,888</u>	<u>2,018,966</u>	<u>2,024,523</u>

(2) RETURN ON NET ASSETS AND EARNINGS PER SHARE CALCULATED ON A FULLY DILUTED BASIS AND ON A WEIGHTED AVERAGE BASIS

Items	Profit for the reporting period <i>Rmb'000</i>	Return on net assets (%)		Earnings per share (Rmb/Share)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	466,037	23.08	24.06	0.35	0.35
Operating profit	414,051	20.51	21.38	0.31	0.31
Net profit	276,892	13.71	14.29	0.21	0.21
Net profit, net of extraordinary gains or loss	278,005	13.77	14.35	0.21	0.21

Formula of the above financial indicators:

Formula of return on net assets and earnings per share on a fully diluted basis is as follows:

Return on net assets on a fully diluted basis = Profit during the reporting period ÷ Net assets at the end of period

Earnings per share on a fully diluted basis = Profit for the reporting period ÷ Total number of shares at the end of period

Formula of return on net assets on a weighted average basis (ROE) is as follows:

$$\text{ROE} = \frac{P}{E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0}$$

of which: P represents profit for the reporting period; NP represents the net profit for the reporting period; E₀ represents the net assets at the beginning of the period; E_i represents increase in net assets from issue of new shares or convertible bonds for the reporting period; E_j represents decrease of net assets as a result of repurchase or declaration of cash dividends for the reporting period; M₀ represents the number of months during the reporting period; M_i represents the number of months between the period after occurrence of an increase in net assets and the end of reporting period; M_j represents the number of months between the period after occurrence of a reduction in net assets and the end of reporting period.

Formula of earnings per share (EPS) on a weighted average basis is as follows:

$$\text{EPS} = \frac{P}{S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0}$$

of which: P represents profit for the reporting period; S₀ represents total number of shares at the beginning of period; S₁ represents the increase of shares due to transfer from common reserve to share capital or appropriation of dividends during the reporting period; S_i represents the increase of shares due to issue of new shares or convertible bonds during the reporting period; S_j represents reduced shares due to repurchase or share reduction during the reporting period; M₀ represents the number of months during the reporting period; M_i represents the number of months between the period after occurrence of an increase in shares and the end of reporting period; M_j represents the number of months between the period after occurrence of a reduction in shares and the end of reporting period.

(3) THE ANALYSIS ON THE ITEMS IN THE ACCOUNTS WITH CHANGES ABOVE AND INCLUDING 30%, AND ACCOUNTING FOR AND INCLUDING 5% OF TOTAL ASSETS AT THE BALANCE SHEET DATE OR ABOVE AND INCLUDING 10% OF TOTAL PROFIT DURING THE REPORTING PERIOD

	31st December	31st December	Difference and change		Notes
	2003	2002	in amounts and range		
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Amounts</i>	<i>%</i>	
Accounts receivable	107,737	28,704	79,033	275	1
Construction-in-progress	1,220,625	915,949	304,676	33	2
Prepayments to suppliers	84,295	1,871	82,424	4,405	3
Long-term loan	690,000	500,000	190,000	38	4
Including: Portion of long-term liabilities due within one year	50,000	—	50,000		

Notes:

- The increase in accounts receivable was mainly attributable to: (a) Receivables from water treatment plants in respect of sewage water processing fee and construction fee for sewage water treatment plants increased Rmb 60,770,000 from the previous year, and the age of these receivables are all within 1 year at the balance sheet date. (b) The accrued toll receivable of Rmb 19,766,000 (2002: nil), and the age of this receivable is within 1 year at the balance sheet date.
- The increase in construction-in-progress was mainly attributable to the implementation of construction projects for three sewage water treatment plants.
- The increase in prepayment was mainly attributable to the payment of deposit and advancement payment totaling Rmb 82 million according to a purchase agreement to Tianjin Ningfa Group Company Limited in respect of the proposed acquisition of Ningfa Building, a 20-storey office and investment building located at Nankai District of Tianjin.
- Long-term loan for this year increased Rmb 190 million, which was mainly attributable to the increase in loan of Rmb 80 million from The State Development Bank of China, and a new loan of Rmb 110 million from the China Everbright Bank. These loans were for the construction of three sewage water treatment plants of the Company, and for the construction of the sewage water re-utilisation project of the Company's subsidiary, Tianjin Water Recycling Company Limited.

The increase in portion of long-term liabilities due within one year was mainly attributable to the fact that the repayment period for long-term loan received from The State Development Bank of China has commenced since 2004, and the loan repayable in 2004 was Rmb 50 million.