

Supplementary Information Provided by the Management for Year 2004

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 2004 are as follows:

	Profit distributable to			
	Shareholders		Net asset value	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
As reported under PRC GAAP	323,197	323,197	2,235,763	2,235,763
Reversal of equity accounting of the loss of the subsidiary	—	700	—	6,257
As reported under HK GAAP	<u>323,197</u>	<u>323,897</u>	<u>2,235,763</u>	<u>2,242,020</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 RMB'000	Return on net assets (%)		Earnings per Share (RMB/Share)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	565,179	25.28	26.90	0.42	0.42
Operating profit	487,343	21.80	23.20	0.37	0.37
Net profit	323,197	14.46	15.38	0.24	0.24
Net profit, net of extraordinary gains or loss	326,233	14.59	15.53	0.25	0.25

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		Note
	2004	2003	Amounts	%	
	RMB'000	RMB'000	RMB'000		
Monetary funds	1,341,999	450,074	891,925	198	1
Accounts receivable	393,802	107,737	286,065	266	2
Short-term loan	115,000	45,000	70,000	156	3
Loan payable	1,200,000	—	1,200,000		4

Note:

1. The increase in monetary funds was attributable to the net proceeds of RMB1,165,392 from issue of Convertible Bonds in 2004.
2. The increase in accounts receivable was attributable to:
 - (a) The balance of sewage water processing services fees and construction fees of sewage processing plants due from Tianjin Sewage Company increased by RMB284,054,000 compared over last year.
 - (b) The sewage process fee of Guiyang Administrative Bureau receivable but not yet received amounted to RMB1,981,000 (2003: nil). The aging of the balance shall be within one year.

The short-term loan as at 31st December 2004 included: The Company obtained a credit loan of RMB1 billion, which bore interest rate at 5.31% per annum, from the Tianjin Branch of Shanghai Pudong Development Bank. Capital Materials Company, the subsidiary of the Company, obtained a guaranteed loans of RMB10 million and RMB 5 million, which bore interest rate at 5.31% and 6.42% per annum, from the Tianjin Branch of Shanghai Pudong Development Bank and the China Construction Bank, respectively. The loans were guaranteed by the controlling shareholder of the Company. In 2003, the Company obtained a short-term loan from the Tianjin Branch of the China Construction Bank, at an interest rate of 5.31% per annum. The loan was guaranteed by the controlling shareholder of the Company.

4. The bonds payable referred to the 1,200 Convertible Bonds at a denomination of RMB100 each, issued under public subscription from 1st July 2004 to 8th July 2004, respectively by the Company. The total issue amount was RMB 1,200,000. The term of the bonds was five years.