



Ma Baiyu
Chairman



From left:
Zhang Wenhui
Zhumin
An Pindong
Gu Qifeng
Wang Yueqing

Chairman's Statement

On behalf of the Board of Directors of Tianjin Capital Environmental Protection Company Limited, it is my pleasure to submit the annual report of the Company and its former subsidiaries (the "Group") for 2000 to the shareholders. The net profit of the Group for 2000, as prepared in accordance with PRC GAAP, was approximately Rmb 168,604,000. The net loss in 1999 was about Rmb 374,179,000. The turnaround was achieved mainly by recovery of certain assets of the chemical business at gross value and the operating results of the city road, toll stations and sewage treatment businesses after the asset exchange.

In 2000, despite the improvement in the chemical business, it was still impossible for the Group to return to profitability with its substantial debts and accumulated losses. The Company therefore implemented a series of measures in 2000, and achieved a turnaround during the year.

Prior to the asset exchange, the controlling shareholder of the Company had been changed from Bohai Corporation to TMICL. The Company subsequently completed a restructuring of its assets and liabilities with the new controlling shareholder. Its business was then changed from chemical business to environmental protection and urban infrastructure construction.

In 2001, it is very likely that PRC will probably join the World Trade Organisation ("WTO"). This would in turn be the impetus of the industrial development of the PRC. As a city undergoing economic reform, the Tianjin Municipal Government will increase its expenditures on environmental protection and urban infrastructure construction so as to improve the facilities of Tianjin and meet the challenges and opportunities ahead arising from the WTO membership.

At the beginning of the millennium, Tianjin citizens are increasingly concerned about the improvement of environment and the standard of urban infrastructure facilities. Therefore, the Tianjin Municipal Government has put environmental protection and the building of a better environment as one of the agendas to enhance the livelihood of the citizens.

The Company will continue to devote its efforts to the existing environmental protection and urban infrastructure construction businesses in 2001. Meanwhile, it will increase its investment and participation in new projects, such as the acquisition of Tianjin Zhongshui Construction Company and Haihe Bridge. It is expected that these investment projects will contribute positively to the Company.

Finally, on behalf of the Board, I take this opportunity to sincerely thank all of our former and present employees for their hard work and dedication to the Company, and to our shareholders for their support to the Company in its development and during the course of asset exchange. I believe that environmental protection creates a better future and urban infrastructure construction constitutes the cornerstone of the city. The Company will assume the responsibility to enhance the living environment of the Tianjin citizens and to improve the quality of the urban infrastructure construction facilities. To this end, the Company will dedicate its efforts, as in the past, to the environmental protection business of Tianjin and the business of urban infrastructure facilities. With such belief, I am confident that environmental protection and urban infrastructure construction in Tianjin will have a bright future, and accordingly, the living environment of the citizens in Tianjin will certainly be enhanced.

Ma Baiyu
Chairman

HKSAR, the PRC
16th March 2001