

Sale and Purchase or Repurchase of Shares of the Company

During the year under review, the Company and its subsidiaries did not purchase, sell or repurchase any shares of the Company.

Code of Best Practice

The Company's Board of Directors has not established an audit committee (the "Audit Committee") to review and supervise the Company's financial reporting process and internal controls pursuant to paragraph 14 of the Code of Best Practice set out in Appendix 14 to the Listing Rules (the "Code of Best Practice"). However, the Company's organizational structure has, in lieu of, a Supervisory Committee which carries out the functions similar to that of an Audit Committee, the differences being that the Company's Supervisory Committee comprises 6 representatives (at least one-third of which will be employees of the Company) who are elected and removed at the general meeting and are responsible to the shareholders instead of the Board of Directors, whereas members of an Audit Committee are appointed amongst the non-executive Directors of a company. Apart from this, the Board of Directors is of the opinion that the Company is, or was for any part of the year, in compliance with the Code of Best Practice.

Major Litigation

The Company did not engage in any litigation or arbitration of material importance during the year.

Auditors

The accounts have been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd., Certified Public Accountants, PRC and PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers shall retire and offer themselves for re-appointment as the Company's PRC and international auditors respectively.

Review of Board Activities

1 The Board of Directors' meetings and resolutions during the year 2000

Four meetings were called during the year under review and the major resolutions were as follows:

The 11th meeting of the second Board of Directors was held on 20th April 2000, with the following resolutions: Resolution on the resignation of Mr Wang Baodi as the General Manager of the Company, Resolution on hiring Gong Suzhu as General Manager of the Company, Resolution on Report on production and operation results 1999 and production target and measures in 2000, Board of Directors Report 1999, Resolution on Profit Appropriation Budget 1999, Audit Report 1999 by local and foreign accounting firms, Explanation on "Disclaimer opinion" about Auditors' Report 1999 by local and foreign accounting firms, Resolution on Profit and Loss Account for the Year 1999 and Budget 2000, Resolution on local and overseas announcement on Annual Report 1999, Resolution on hiring accounting firms on auditing services, Resolution on election of next Board of Directors, Resolution on calling the 8th shareholders' meeting and Resolution on closing two banking accounts with Hongkong and Shanghai Banking Corporation. The above resolutions were published in Shanghai Securities News, Hong Kong's Wen Wei Po and Hong Kong iMail on 25th April 2000.

The 12th meeting of the second Board of Directors was held on 28th August 2000, with the following resolutions: Resolution on the approval of making local and overseas announcement of the 2000 Interim Report and Summary of the Company and decision for no distribution of profit and increase in share capital by transfer from Capital Reserve Fund. The above resolutions were published in Shanghai Securities News, Hong Kong's Wen Wei Po and Hong Kong iMail on 29th August 2000.

Review of Board Activities (Cont'd)

The 13th meeting of the second Board of Directors was held on 10th October 2000, with the following resolutions:

- (1) Acknowledged and agreed the transfer of Bohai Corporation's equity interest in the Company's State-owned shares (total 839,020,000 shares, representing 63.09% of the Company's entire issue capital) to TMICL at nil consideration.
- (2) Passed the proposal of making up of the accumulated loss by reserve funds and to be reviewed at the extraordinary shareholders' meeting.
- (3) Passed the "AR Agreement" between the Company and Tianjin Huaze and to be reviewed at the extraordinary shareholders' meeting.
- (4) Passed the proposal on the asset exchange and to be reviewed at the extraordinary shareholders' meeting, that is, to transfer all the Company's business, related assets and liabilities to TMICL. In return, TMICL transferred the following business, related assets and liabilities to the Company, including 16 toll stations at the outskirts of Tianjin and the Southeastern Half Ring Road in the middle ring road from Changjiang Road Flyover to Dongting Road, excluding the Changjiang Road Flyover and the Wangdingdi Flyover, and sewage water processing plants (Dongjiao Plant and Jizhuangzi Plant).
- (5) Authorized the Chairman Wang Baodi or the Director/General Manager Gong Suozhu to represent the Company to handle all the procedures, sign or amend any documents about the asset exchange, as required by the government departments-in-charge and third party in the PRC and Hong Kong.
- (6) Passed the "Asset Exchange Agreement" agreed by the Company, TMICL and Bohai Corporation and to be reviewed at the extraordinary shareholders' meeting.
- (7) Passed the proposal to sign the Lease Agreement, Memorandum of Understanding on Haihe Bridge, the Memorandum of Understanding on the recycle water project at Jizhuangzi Plant, the Memorandum of Understanding on the recycle water project at Dongjiao Plant, Memorandum of Understanding on the expansion of Jizhuangzi Plant, and review on the "Lease Agreement" at the extraordinary shareholders' meeting.
- (8) Passed the resolution to submit the amendment of the Company's Articles of Association for review at the extraordinary shareholders' meeting.

Review of Board Activities (Cont'd)

- (9) Agreed to change the Company's name to Tianjin Capital Environmental Protection Company Limited after the asset exchange and to submit the proposal for the change in name for review at the extraordinary shareholders' meeting.
- (10) Agreed with the resignation of the Directors Wang Baodi, Li Guoping, Gong Suozhu, Zhang Peiyu, Li Hongxiang, Cao Bailin, Ning Peihai, Dong Yuhua, Wang Shizhong, Zhang Dongmin, Lai Zhenguo, Wang Xin, Wang Xiaotong, Guo Jun, Liu Hantao, Ji Chongwei and Feng Shupeí and the appointment of the Directors Ma Baiyu, Zhang Wenhui, Wang Yueqing, An Pindong, Gu Qifeng, Zhu Min, Li Weibin, Chan Boon Teong and Guan Weili. These changes are to be reviewed at the extraordinary shareholders' meeting and to be effective upon completion of the asset exchange.
- (11) Agreed to the announcement with disclosure of information of the asset exchange in the English and Chinese newspapers in the PRC and Hong Kong, and to publish announcement on 11th October 2000, or a later date specified by the regulatory authorities in the PRC and Hong Kong, with the details of the asset exchange in the English and Chinese newspapers in the PRC and Hong Kong for the A-share and H-share shareholders. Authorised the Chairman Wang Baodi or the Director/General Manager Gong Suozhu to approve and amend the announcement.
- (12) Confirmed and declared by each Director about the joint and several liabilities for the accuracy of the above mentioned announcement, and after reasonable inquiries, to ensure that there is nothing missing from the announcement that would result in misstatement.
- (13) Agreed, confirmed and rectified the appointment of Paribas Peregrine Capital Limited as the financial adviser of the Company, Tai Fook Capital Limited as the independent financial advisor to the Independent Board Committee, China Securities Co., Ltd. as the financial adviser of the Company in the PRC, PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. as auditors of the Company in the PRC, PricewaterhouseCoopers as auditors of the Company outside the PRC, Beijing Jun He Law Offices as legal advisers for the Company in the PRC, Livasiri & Co. as legal advisers for the Company in Hong Kong, China Enterprise Appraisal as valuer in the PRC, Sallmannsas (Far East) Limited as valuer outside the PRC and China Enterprise Consultants as advisory consultant in the PRC. Authorized the Chairman Wang Baodi or the Director/General Manager Gong Suozhu to sign the appointment letter.
- (14) Agreed to act in accordance with the Company's Article of Association and the Listing Rules of The Stock Exchange of Hong Kong Limited to allow the Independent Directors' Committee, formed by the Independent Non-executive Directors, Guan Weili, Ji Chongwei and Feng Shupeí, to review the fairness of the asset exchange and the related arrangement. Proposed the way of voting by independent shareholders at the extraordinary shareholders' meeting.

Review of Board Activities (Cont'd)

- (15) Agreed with the transfer in the rights and obligations of TMICL in Sewage Water Processing Agreement, Road Repair and Maintenance Agreement, Road Repair and Maintenance Supplementary Agreement and Land Leasing Agreement signed by TMICL upon completion of asset exchange and submitted the proposed transfer for review at the extraordinary shareholders' general meeting.
- (16) Decided to call an extraordinary shareholders' meeting in Tianjin to pass resolutions in respect of the asset exchange on 20th December 2000. The above resolutions were published in Shanghai Securities News, Hong Kong's Wen Wei Po and Hong Kong iMail on 11th October 2000.

The 14th meeting of the second Board of Directors was held on 20th December 2000, with the following resolutions: Resolution on the appointment of Ma Baiyu as the Chairman, Resolution on accepting the resignation of Gong Suozhu as the General Manager and the appointment of Ma Baiyu as the General Manager, Resolution on appointment of Lin Wenbo, Luo Lianfang and Liu



Review of Board Activities (Cont'd)

Wenya as the Deputy General Manager, Resolution on appointment of Gu Qifeng as the Chief Engineer, Resolution on the appointment of An Pindong as the Chief Accountant, Resolution on accepting the resignation of Chen Yuanzhen as the Company Secretary and the appointment of Fu Yana as the Company Secretary, Resolution to dissolve all functional departments and establish General Office, Engineering Department, Finance Department, Administration Department, Project Development Department, Operations Management Department, Human Resource Department, Toll Road Management Department and Shareholders' Office, and appoint the General Manager to implement the operation of the organization, Resolution on the appointment of PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. as the PRC auditors for the Company, Resolution on Remuneration Review Committee formed by Independent Directors, Li Weibin, Guan Weili and Chan Boonteong, to audit the amount, date of payment and method of remuneration to Directors and Supervisors, Resolution on approval of the Company's Directors to sign the service agreement (together with the appendix) with the Company, and approve the Company to sign the above documents, Resolution to authorize any of the Directors or the Company Secretary to take all necessary and reasonable means to implement the resolutions passed in the extraordinary shareholders' meeting and the Board of Directors' meeting, including, but not limited to, applying for approval, recording change, filing and transfer with all regulatory authorities in the PRC and Hong Kong, stock exchanges, Urban Construction Bureau, company registrars, share registrars and banks in the PRC and Hong Kong. The above resolutions were published in Shanghai Securities News, Hong Kong's Wen Wei Po and Hong Kong iMail on 21st December 2000.

2 The Board of Directors' Implementation of Resolutions of the shareholders' meeting

There was no profit appropriation in accordance with the resolutions passed in the annual general meeting held during the year under review. As authorized at the shareholders' meeting, the Company's Chairman has signed the service contracts with the PRC and international auditors and agreed the amount of remuneration. As of 15th March 2001, the Company has implemented all resolutions passed at the extraordinary shareholders' meeting.

By order of the Board

Ma Baiyu

Chairman

HKSAR, the PRC

16th March 2001