

## Major Events

1. During the period under review, there is no litigation or arbitration that is material to the Company.
2. The Company together with the Directors and Senior Management of the Company was not subject to any disciplinary actions by the supervisory department.
3. During the year, there was a change in the controlling shareholder of Company. After the approval from the respective regulatory departments, the controlling shareholder changed from Bohai Corporation to TMICL. The Company did not have re-election for the entire Board of Directors. As a result of the implementation of Asset Exchange by the Company, it was approved in the extraordinary general meeting Company held on 20th December 2000 that Wang Baodi, Li Guoping, Gong Suozhu, Zhang Peiyu, Li Hongzhang, Cao Bailin, Ning Peihai, Dong Yuhua, Wang Shizhong, Zhang Dongmin, Lai Zhenguo, Wang Xin, Ji Chongwei, Feng Shupe, Guo Jun, Wang Xiaotong, and Liu Hantao resigned from the Board of Directors. It was approved that Ma Baiyu, Zhumin, An Pindong, Gu Qifeng, Wang Yueqing, Zhang Weuhui, Li Weibin, Chan Boon Teong and Guan Wei Li be appointed as the Board of Directors. It was also approved in the 14th meeting of the second Board of Directors held on 20th December 2000 that Mr Gang Shuozhu resigned from the post as General Manager; and Ms Ma Baiyu was appointed as the General Manager; Chen Yuanzhen resigned from the post as the Company Secretary of the Company, and Ms Fu Yana was appointed as the Company Secretary of the Company.
4. During the year, the asset exchange was conducted between the Company and TMICL, of which a city road and toll stations and sewage water treatment facilities were exchanged. The asset exchange was effective upon the passing of the relevant resolutions by the extraordinary general meeting of the Company held on 20th December 2000. The procedures for the change of name and registered address was duly completed on 8th January 2001 and was announced on 10th January 2001.
5. During the year, prior to the Asset Restructuring of the Company, the Company conducted significant connected transactions with Bohai Corporation in accordance with the resolutions passed in the extraordinary general meeting on 26th December 1997 on connected transactions of Tianjin Bohai Chemical Industry (Group) Company Limited after assets restructuring with Bohai Corporation.

During the period under review, the Company had significant connected transactions with its controlling shareholder. All of the assets and liabilities of the Company were applied to exchange for a city road and toll stations and sewage water treatment facilities, which resulted in a complete change in the principal operation of the Company.

The significant connected transactions arising from the asset restructuring of the Company were conducted in accordance with the Sewage Water Processing Agreement, Road Repair and Maintenance Agreement, Road Repair and Maintenance Supplementary Agreement and Lease Agreement passed in the extraordinary general meeting on 20th December 2000.

## Major Events (Cont'd)

6. Certain staff of the Company also worked for TMICL. However, all assets related to the production and operation were owned by the Company. In respect of financial management, the Company has established its own finance department, an independent accounting and audit system, a set of rules for financial management, and maintained separate accounts in the banks.
7. During the period under review, the Company did not hold in custody, hire or lease any assets, and there is no company that hold in custody, hire or lease any assets for the Company.
8. The Company continues to appoint PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd and PricewaterhouseCoopers as the domestic and overseas auditors of the Company, respectively.
9. During the period under review, the Company entered into several significant contracts. According to the Sewage Water Processing Agreement entered into between the Company and Tianjin Sewage Company, the Company would be entitled to 75 per cent of the total income. According to the Road Repair and Maintenance Agreement and Road Repair and Maintenance Supplementary Agreement entered into between the Company and Tianjin Urban Road and Bridge Construction Company, the latter was appointed to conduct repair and maintenance for the Southeastern Half Ring Road of the middle ring of Tianjin. According to the Lease Agreement entered into between the Company and TMICL, the Company will lease from TMICL a building situated at No. 18 Jinlong Apartment, Shuishang Park North Road, Nankai District, Tianjin, the PRC as its office premises.
10. During the period under review, the Company changed its name from Tianjin Bohai Chemical Industry (Group) Company Limited to Tianjin Capital Environmental Protection Company Limited. The short form for the A Shares of the Company was changed from "ST Bohai Chemical" to "ST Capital". The short form for the H Shares of the Company was changed from "Tianjin Bohai" to "Tianjin Capital".
11. The 1999 Annual General Meeting of the Company was held on 28th June 2000. Resolution on the profit appropriation plan of the Company, that is, no final dividend would be declared for 1999, was passed.
12. Recent Economic Development

2001 will provide a better future for Tianjin. During 2000, the GNP and GDP of Tianjin increased by 10.8% and 10%, respectively. The economic growth achieved by Tianjin laid a good foundation for the development of the Company. In 2001, Tianjin Municipal Government intends to enhance the living standard for its people. This, in turn, will improve the operating results of the Company.

## Major Events (Cont'd)

### 13. Income Tax Issue

Pursuant to Guo Shui Han Fa (1994) No. 068 Document issued by the State Tax Bureau on 30th April 1994, the income tax of the Company and its subsidiary companies has been computed based on the rate of 15% with effect from 1st November 1993. There has been no change in the policy until 20th December 2000. Following the implementation of the asset restructuring by the Company, there was a change in the principal operation of the Company. The Company is no longer entitled to the income tax concession. In addition, the Company did not have any arrangement for payment of tax and refund afterwards as granted by the local authorities. Accordingly, the document of "Notice for Rectification of the Arrangement for Payment of Tax and Refund Afterwards as granted by the Local Authorities" issued by the State Council did not have any significant impact on the Company.

### 14. Issue on the sale of staff quarters

Prior to the asset restructuring of the Company, in accordance with the provisions of an assets reorganization agreement and a miscellaneous services agreement signed between the Company and Bohai Corporation pursuant to a group reorganization for the listing of the Company's H shares in Hong Kong in 1994, the ownership of the relevant assets of staff quarters and the departments responsible for management of the staff quarters were transferred to Bohai Corporation. Subsequent to the reorganization, the expenses relating to the removal, reconstruction, construction, maintenance, leasing and sale of the staff quarters will be borne by Bohai Corporation. Any gain or deficit arising in these cases will not be taken up by the Company. When the whole or part of the staff quarters are sold to the existing occupants in accordance with the government housing reform, the considerations will be payable by the respective staff and any discount on sale arising will be borne by Bohai Corporation. Accordingly, the future sales of staff quarters will not have any impact on the operating results of the Company.

Following the asset restructuring, staff quarters are to be purchased by the staff by way of loans made from staff provident fund or other means of self financing. The disposal of staff quarters is no longer an issue for the Company.

## Major Events (Cont'd)

### 15. Overdue bank deposits

Since August 1994, the Company deposited a total of Rmb 75,000,000 in various financial institutions in the PRC as fixed deposits. As at 20th December 2000, the Company recovered Rmb 32,450,000. The amount of Rmb 23,000,000 is in the course of recovery by the enforcement of court orders which were given in favour of the Company.

Overdue deposits did not have significant impact on the financial conditions and the net cash flow of the Company as a whole.

Following the asset restructuring, the aforesaid issue was resolved in the disposal of assets and liabilities. Accordingly, there is now no such issue in the Company.

### 16. Year 2000 compliance

The Company's computer systems are Year 2000 compliant.