

V. MAJOR EVENTS

1. The Company will not distribute any interim dividend and there will be no transfer of reserves to increase share capital. The transfers from profit and loss account to the statutory common reserve of Rmb9,479,000 and to the statutory provident fund of Rmb4,740,000 during the six months ended 30th June 2001 represented 10% and 5% of the net profit of the Company for the six months ended 30th June 2001 as recorded in the PRC audited accounts, respectively.

2. The profit distribution plan in previous year was as follows:

The distributable reserve available to the Company for year 2000 amounted to Rmb6,261,000. As the Company completed the asset exchange on 20th December 2000, the new sewage water processing and road and toll stations businesses only had 11 days of operations in year 2000. As a result, the Company did not distribute any final dividend for the year 2000.

In the previous year, the Company did not have any transfer of reserves to increase share capital. During the period, the Company had not allotted any new shares.

3. During the period, there is no litigation or arbitration that is material to the Company.

4. During the period, the directors' meeting held on 16th March 2001 and the Company's annual general meeting held on 8th May 2001 considered the Company's plan in respect of the acquisitions of the Haihe Bridge Construction Project and the controlling interest in Tianjin Zhongshui Construction Company. It is expected that these two projects will be acquired before the end of the year 2001.

5. Significant connected transactions during the period

(1) Pursuant to the Sewage Water Processing Agreement entered into between TMICL and Tianjin Sewage Company on 10th October 2000 and approved by the extraordinary general meeting held on 20th December 2000, Tianjin Sewage Company agreed to appoint TMICL to process sewage water for a term of 30 years. The price for processing sewage water is calculated according to a pricing formula using "cost-plus-profit" basis. Tianjin Sewage Company is a state-owned enterprise established in the PRC and is under the supervision of the Tianjin Municipal Engineering Bureau. The agreement was initially entered into between TMICL and Tianjin Sewage Company. Upon the completion of the asset exchange, the rights and obligations of TMICL were automatically assigned to the Company. During the period, the Company derived a revenue of Rmb177,864,437 in accordance with the Sewage Processing Agreement, representing 81% of the total revenue of the Company.

(2) Pursuant to the Road Repair and Maintenance Agreement on 1st October 2000 and the supplementary agreement on 24th November 2000 entered into by TMICL and Tianjin Urban Road & Bridge Construction Company ("TURBCC") and approved by the special general meeting held on 20th December 2000, TURBCC will provide maintenance and repair for the Southeastern half ring road in Tianjin. Upon the completion of the asset exchange, the rights and obligations of TMICL were automatically assigned to the Company. During the six months ended 30th June 2001, no road repair and maintenance services were provided by TURBCC, consequently no accrual has been made by the Company for such expenses.

(3) Pursuant to the Lease Agreement entered into on 10th October 2000 between the Company and TMICL and approved by the extraordinary general meeting held on 20th December 2000, the Company leased from TMICL the premises located at No. 18 Jinlong Apartment, Shuishang Park North Road, Nankai District, Tianjin, the PRC as its office premises. During the period, operating lease rental expenses in respect of the office premises amounted to Rmb225,000.

The independent directors of the Company have confirmed that the above transactions were entered into on normal commercial terms.

6. The staff of the Company are independent from the controlling shareholder, TMICL, and did not work for the controlling shareholder except for the Company's chairman and general manager, Ms Ma Baiyu, who holds a concurrent post in the controlling shareholder. Ms Ma Baiyu will resign from the post in the controlling shareholder in the second half of the year in order to devote more time in the operation and future development of the Company. The Company has its own independent operating facilities and office premises. The assets of the Company are separate from the controlling shareholder. The Company maintains separate bank accounts and has established its own financial system. The Company is financially separated from the controlling shareholder.

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7. During the period, 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 of the Company.
8. The Company continues to appoint PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers in Hong Kong as the domestic and international auditors of the Company.
9. During the period, the Company did not enter into any significant guarantees.
10. Changes in name of the Company and short form of the Company's shares during the period

Pursuant to the resolution passed in the extraordinary general meeting held on 20th December 2000, the Company changed its name from Tianjin Bohai Chemical Industry (Group) Company Limited to Tianjin Capital Environmental Protection Company Limited. The amendment of the business licence was completed on 8th January 2001. The short form of the Company's A shares listed on the Shanghai Securities Exchange was changed from "ST Bohai Chemical" to "ST Capital" with effect from 15th January 2001. The short form of the Company's H Shares listed on The Stock Exchange of Hong Kong Limited was changed from "Tianjin Bohai" to "Tianjin Capital". The Company's annual report for the year 2000 published on 19th March 2001 showed that the Company turned around from incurring losses to earning profits. As a result, the short form of the Company's A shares listed on the Shanghai Securities Exchange was changed from "ST Capital" to "Tianjin Capital" on 26th March 2001.

11. During the period, the Company did not enter into any trust arrangement with any third party for financial management matters.