

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

BALANCE SHEET

As At 30th June 2001

	Notes	Company	
		30th June 2001 New Business (Note 1) (Audited) Rmb'000	31st December 2001 New Business (Note 1) (Audited) Rmb'000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	186,008	51,839
Accounts receivable	4	12,073	11,890
Other receivables		461	433
Prepayments to suppliers		1,479	164
Inventories	5	2,657	2,854
Total current assets		202,678	67,180
FIXED ASSETS			
Fixed assets - cost		1,749,983	1,091,591
Less: Accumulated depreciation		(413,755)	(376,481)
Fixed assets - net book value	6	1,336,228	715,110
INTANGIBLE AND OTHER ASSETS			
Intangible assets	7	—	637,244
TOTAL ASSETS			
LIABILITIES AND SHAREHOLDER'S EQUITY		1,538,906	1,419,534
CURRENT LIABILITIES			
Accounts payable		1,210	1,139
Welfare payable		2,000	1,632
Taxes payable	8	16,271	4,350
Other accruals		347	80
Other payables	9	15,334	4,879
Accrued expenses		2,300	800
Total current liabilities		37,462	12,880
SHAREHOLDERS' EQUITY			
Share capital	10	1,330,000	1,330,000
Capital reserve fund	11	69,289	69,289
General reserves		15,323	1,104
Including:			
Statutory common reserve	11	10,215	736
Statutory provident fund	11	5,108	368
Undistributed profits		86,832	6,261
Total shareholders' equity		1,501,444	1,406,654
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,538,906	1,419,534

The accompanying notes form an integral part of these accounts.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

PROFIT AND LOSS ACCOUNT

For The Six Months Ended 30th June 2001

		Company		Group
		Six months ended 30th June 2001	Six months ended 30th June 2000	Six months ended 30th June 2000
		New Business	Chemical Business	Chemical Business
		(Note 1)	(Note 1)	(Note 1)
		(Audited)	(Unaudited)	(Unaudited)
		Rmb'000	Rmb'000	Rmb'000
Income from principal operations	12	220,480	—	1,767,596
Less: Costs for principal operations		(54,961)	—	(1,510,069)
Business tax and surcharges		(12,126)	—	(12,796)
Profit from principal operations		153,393	—	244,731
Add: Profits from other operations		—	3,340	5,055
Less: Selling expenses		—	—	(18,105)
Administrative expenses		(12,449)	(7,300)	(183,442)
Financial income/(expenses)	13	242	(8,329)	(112,118)
Operating profit/(loss)		141,186	(12,289)	(63,879)
Less: Investment loss		—	(65,710)	(1,790)
Add: Subsidy income		—	—	1,410
Non-operating income		321	—	1,366
Less: Non-operating expenses		(29)	(18)	(12,455)
Total profit/(loss)		141,478	(78,017)	(75,348)
Less: Income tax	14	(46,688)	—	(84)
Net profit/(loss)		94,790	(78,017)	(75,432)

The accompanying notes form an integral part of these accounts.

Ma Baiyu
Company Representative

An Pingdong
Chief Accountant

Shi Zhenjuan
Accounts Preparer

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

PROFIT APPROPRIATION STATEMENT

For The Six Months Ended 30th June 2001

	<i>Notes</i>	Company		Group
		Six months ended 30th June		Six months ended
		2001	2000	30th June
		New	New	2000
		Business	Business	Chemical
		<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>
		<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Net profit/(loss)		94,790	(78,017)	(75,432)
Add: Undistributed profit/(accumulated losses) brought forward at beginning of the period		6,261	(814,273)	(891,343)
		<u>101,051</u>	<u>(892,290)</u>	<u>(966,775)</u>
Less: Transfer to statutory common reserve	11	(9,479)	—	—
Transfer to statutory provident fund	11	(4,740)	—	—
Undistributed profits/(accumulated losses) at the end of the period		<u>86,832</u>	<u>(892,290)</u>	<u>(966,775)</u>

The accompanying notes form an integral part of these accounts.

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VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

CASH FLOW STATEMENT

For The Six Months Ended 30th June 2001

Items	Company Six months ended 30 June 2001 New Business (Note 1) (Audited) Rmb'000
Cash flows from operating activities	
Cash received from rendering of services	220,297
Other cash received relating to operating activities	4,271
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Sub-total of cash inflows	224,568
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Cash paid for goods and services	(19,253)
Cash paid to and on behalf of employees	(14,870)
Taxes paid	(47,218)
Other cash paid relating to operating activities	(1,213)
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Sub-total of cash outflows	(82,554)
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Net cash flows from operating activities	142,014
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Cash flows from investing activities	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	(7,845)
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Net increase in cash and cash equivalents	134,169
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The accompanying notes form an integral part of these accounts.

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VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

CASH FLOW STATEMENT (Cont'd)

For The Six Months Ended 30th June 2001

	Company Six months ended 30th June 2001 New Business <i>(Note 1)</i> <i>(Audited)</i> <i>Rmb'000</i>
Supplementary information	
(i) Reconciliation of net profit to cash flows operating activities	
Net profit	94,790
Add/(Less):	
Depreciation of fixed assets	23,948
Loss on disposal of fixed assets, intangible assets and other long-term assets	23
Decrease in inventories	197
Increase in operating receivables	(2,218)
Increase in operating payables	25,274
	<hr/>
Net cash flows from operating activities	142,014
	<hr/> <hr/>
(ii) Net increase in cash and cash equivalents	
Cash at the end of the period	186,008
Less: Cash at the beginning of the period	(51,839)
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Net increase in cash and cash equivalents	134,169
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The accompanying notes form an integral part of these accounts.

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VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

NOTES TO THE ACCOUNTS

For The Six Months Ended 30th June 2001

1. PRINCIPLE ACTIVITIES AND MODE OF OPERATIONS

The Company was established on 8th June 1993 in the People's Republic of China (the "PRC") as a joint stock limited company. Its former name was Tianjin Bohai Chemical Industry (Group) Company Limited which had been re-named as Tianjin Capital Environmental Protection Company Limited. The former controlling shareholder of the Company is Tianjin Bohai Chemical Industry Group Corporation ("TBC") and the current controlling shareholder is Tianjin Municipal Investment Company Limited ("TMICL"). The previous principal activities of the Company and its subsidiaries were the manufacture and sale of marine chemical products (the "Chemical Business") and the current principal activities of the Company are the sewage water processing business and road and toll stations business (the "New Business"). All of the Chemical Business' net assets and former subsidiaries have been disposed of. All of these changes were effected during the fourth quarter of last year through the following steps:

- (a) The 63.08% equity interests held by the former controlling shareholder was transferred to the current controlling shareholder at nil consideration. The share transfer was effective on 2nd November 2000.
- (b) The Chemical Business and related net assets formerly conducted by the Group were transferred to the current controlling shareholder in exchange, on a portfolio basis, for the New Business and related assets formerly conducted by the current controlling shareholder. The transaction was approved by the Company's shareholders at an extraordinary general meeting of the Company held on 20th December 2000 ("EGM") and became effective immediately on that date.
- (c) The former name was changed to the current name which was approved on 20th December 2000 by the Company's shareholders at the EGM. The change of name became effective officially on 8th January 2001.

During six months ended 30th June 2001, the Company only conducted the New Business, particulars of which are set out below:

Operating unit	Location	Principal activities
Dongjiao Sewage Water Treatment Plant	Tianjin, the PRC	Provision of sewage water processing services to Tianjin Sewage Company, details of which are set out below
Jizhuangzi Sewage Water Treatment Plant	Tianjin, the PRC	Provision of sewage water processing services to Tianjin Sewage Company, details of the which are set out below
Southeastern Half Ring Road and toll stations	Tianjin, the PRC	Ownership of the right to set up toll stations at the junctions between the city roads of Tianjin and expressways leading to the city, and to collect toll fees from all motor vehicles entering the city of Tianjin at such toll stations, other than vehicles which are registered in Tianjin or exempted from toll payments under the relevant PRC rules and regulations, for a term expiring on 28th February 2029

The sewage water processing business of the New Business is conducted based on a sewage water processing agreement. According to the agreement, sewage water processing services shall be rendered by the Dongjiao Sewage Water Treatment Plant and Jizhuangzi Sewage Water Treatment Plant to Tianjin Sewage Company ("TSC"), a State-owned enterprise under the supervisory control of the Tianjin Municipal Engineering Bureau ("TMEB"), at prices to be determined in accordance with a pricing formula stipulated in the agreement. The pricing formula effectively allows the sewage water processing business to fully recover the actual operating costs, including depreciation and amortisation of fixed assets but excluding interest expenses and foreign exchange gains or losses, and to earn a return of 15% per annum of the average balance of the monthly net book value of fixed assets (as defined in the agreement) of the sewage water processing operations, and incentives for cost saving and/or when actual processing volume exceeds the minimum processing volume stipulated in the agreement.

Subsequent to the exchange, on a portfolio basis, of businesses and related net assets on 20th December 2000 as described above, the Company conducts the New Business only through its operating units. Consequently, the accounts for the six months ended 30th June 2001 comprise only the Company's accounts and reflect only the financial position, operating results and cash flows of the New Business. As for the comparative figures, the balance sheet as at 31st December 2000 is also the Company's balance sheet and reflects only the financial position of the New Business. However, those reflected in the profit and loss account and profit appropriation statement for the six months ended 30th June 2000 are the consolidated operating results of the Company and its former subsidiaries in respect of the Chemical Business.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

2. PRINCIPAL ACCOUNTING POLICIES

The Company's accounts for year 2000 were prepared in accordance with the Accounting Standards for Business Enterprises and the Accounting Regulations for Joint Stock Limited Companies. Effective from 1st January 2001, the Accounting Regulations for Joint Stock Limited Companies have been replaced by the Accounting Regulations for Business Enterprises newly issued by the Ministry of Finance. The Company has prepared the year 2001 interim accounts based on the Accounting Standards and the newly issued Accounting Regulations for Business Enterprises. Such changes in accounting standards and regulations do not have a material impact on the Company's financial position and operating results as of and for the year ended 31st December 2000. Accordingly, no retrospective adjustment is made.

These interim accounts of year 2001 reflect the New Business conducted by the Company. The principal accounting policies adopted are as follows:

(a) Financial Year

The financial year is from 1st January to 31st December of each calendar year.

(b) Basis of accounting

The Company adopts the accrual concept and, except for explanation in particular, the historical cost convention as its basis of accounting.

(c) Reporting currency

The reporting currency uses the Renminbi (Rmb) as its reporting currency. The accounts are prepared to the nearest thousand of Rmb.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of the road is calculated on a units-of-usage basis whereby the depreciation is provided based on the share of actual traffic volume for a particular period over the projected total traffic volume throughout the period of 30 years for which the right to operate the road is granted. It is the policy of the road and toll stations business to review regularly the projected total traffic volume throughout the operating periods of the road. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriated adjustment will be made should there be a material change in the projected total traffic volume.

Depreciation of buildings and structures is calculated to write off their cost on a straight line basis over the unexpired periods of the leases, the unexpired periods of the rights to operate the road and the toll stations or their expected useful lives, whichever is the shortest. The periods adopted for depreciation range from 10 to 50 years.

Other tangible fixed assets are depreciated at rates sufficient to write off the cost or valuation of the assets, less estimated residual value, over their estimated useful lives on a straight line basis. The estimated useful lives are as follows:

Plant and machinery	10 - 30 years
Other equipment and motor vehicles	5 - 40 years

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amounts.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. The expenses relating to improvements of fixed assets are capitalised and amortised over their expected useful lives to the New Business.

Amortisation of land use rights, other than those in relation to the road and toll stations business, is calculated to write off their cost or valuation on a straight line basis over the period of land use rights of 50 years.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

Amortisation of land rights in relation to the road and toll stations business is calculated to write off their cost or valuation on a units-of-usage basis whereby the depreciation is provided based on the share of actual traffic volume for a particular period over the projected total traffic volume throughout the period of 30 years for which the right to operate the road is granted. It is the policy of the road and toll stations business to review regularly the projected total traffic volume throughout the operating periods of the road. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

(e) Provision of bad debt

In the event that debtors become bankrupt or death which resulted in the accounts receivable not fully collectible even with the realisation of the bankrupt property or inheritance, or debtors cannot fulfill the repayment liability or when the debtors are overdue for more than three years, the corresponding accounts receivable are recognised as bad debts.

The bad debt provision are accrued based on the accounts receivable ageing analysis and after assessing the collection possibility of individual account receivable.

(f) Inventories

Inventories comprise spare parts and consumables, and are stated at cost less provision for obsolescence. Cost is determined on the weighted average basis.

(g) Repair and maintenance expenses

Repair and maintenance expenses are charged to the profit and loss account as incurred.

(h) Research and development expenses

Research and development expenses are charged to the profit and loss account as incurred.

(i) Retirement benefits

The Company participates in the employee pension scheme of the Tianjin Municipal Government whereby the Company is to make an annual contribution equivalent to 20% of its annual payroll costs and the Tianjin Municipal Government undertakes to assume the retirement benefits obligations of existing and future retired employees of the Company. The Company's contributions under the scheme are charged to the profit and loss account as incurred.

(j) Deferred taxation

Deferred taxation is accounted for at the current rate of taxation, using the liability method, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(k) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(l) Foreign currencies

The Company maintains its books and records in Renminbi. Transactions in foreign currencies are translated at exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange quoted by the People's Bank of China at the balance sheet date.

All exchange differences are dealt with in the profit and loss account.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

(m) Revenue recognition

- (1) Revenue from sewage water processing services is recognised when services are rendered.
- (2) Toll fee income is recognised on a receipt basis.
- (3) Rental income is recognised based on the contract terms.
- (4) Interest income is recognised on a time proportion basis after taking into account the principal amounts outstanding and the interest rates applicable.

(n) Taxation

(1) *Income tax*

The Company accounts for corporate income tax using the tax liability method under the effective tax method. The tax rate is 33%.

(2) *Business tax*

The business tax rate is 5% of gross service income.

(3) *Other government surcharges*

Other government surcharges comprises of city construction tax and education surcharge, at the tax rate of 7% and 3% respectively.

(o) Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand. Cash equivalents are short-term, highly liquid investments with an original maturity within three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value less advances from banks and financial institutions payable within three months from the date of advance.

(p) Profit appropriation

In accordance with the Company's Articles of Association, the profit after tax will be distributed in the following order:

- (a) make up losses;
- (b) allocated 10% to the statutory common reserve;
- (c) allocated between 5% and 10% to the statutory provident fund;
- (d) make appropriation to the discretionary common reserve subject to approval at the shareholders' general meeting; and
- (e) distribute dividends to shareholders as declared by the Directors in accordance with the relevant legal requirement and the Company's operating results and approved in the shareholders' general meeting.

(q) Related parties

Related parties refer to state-owned companies or other companies under the supervisory control of UCB.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

3. CASH AND BANK BALANCES

	30th June 2001 <i>(Audited)</i> <i>Rmb'000</i>	31st December 2000 <i>(Audited)</i> <i>Rmb'000</i>
Cash on hand	11	1
Cash in bank	185,997	51,838
Total	<u>186,008</u>	<u>51,839</u>

4. ACCOUNTS RECEIVABLE

	30th June 2001		31st December 2001	
	<i>(Audited)</i> <i>Rmb'000</i>	<i>(Audited)</i> %	<i>(Audited)</i> <i>Rmb'000</i>	<i>(Audited)</i> %
Ageing analysis of accounts receivable is as follows:				
Within one year	12,073	<u>100</u>	11,890	<u>100</u>
Less: Provision for bad debts	<u>—</u>		<u>—</u>	
Net accounts receivable	<u>12,073</u>		<u>11,890</u>	

Accounts receivable represents sewage water processing service income from TSC.

5. INVENTORIES

	30th June 2001		31st December 2000	
	<i>(Audited)</i> Amount <i>Rmb'000</i>	<i>(Audited)</i> Provision <i>Rmb'000</i>	<i>(Audited)</i> Amount <i>Rmb'000</i>	<i>(Audited)</i> Provision <i>Rmb'000</i>
Raw materials	2,231	—	2,689	—
Spare parts and consumables	426	—	165	—
Total	<u>2,657</u>	<u>—</u>	<u>2,854</u>	<u>—</u>

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

6. FIXED ASSETS

	Land use right <i>Rmb'000</i>	Road <i>Rmb'000</i>	Buildings and structures <i>Rmb'000</i>	Plant, machinery and equipment <i>Rmb'000</i>	Motor vehicles and others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Cost						
At 1st January 2001	—	185,418	655,498	206,109	44,566	1,091,591
Transfer from intangible assets	650,598	—	—	—	—	650,598
Additions	487	—	3,664	192	3,502	7,845
Disposals	—	—	—	(24)	(27)	(51)
At 30th June 2001	<u>651,085</u>	<u>185,418</u>	<u>659,162</u>	<u>206,277</u>	<u>48,041</u>	<u>1,749,983</u>
Accumulated depreciation						
At 1st January 2001	—	23,096	223,220	106,043	24,122	376,481
Transfer from intangible assets	13,354	—	—	—	—	13,354
Change for this period	6,838	1,523	9,954	4,983	650	23,948
Disposals	—	—	—	(13)	(15)	(28)
At 30th June 2001	<u>20,192</u>	<u>24,619</u>	<u>233,174</u>	<u>111,013</u>	<u>24,757</u>	<u>413,755</u>
Net book value						
At 30th June 2001	<u><u>630,893</u></u>	<u><u>160,799</u></u>	<u><u>425,988</u></u>	<u><u>95,264</u></u>	<u><u>23,284</u></u>	<u><u>1,336,228</u></u>
At 31st December 2000	<u><u>—</u></u>	<u><u>162,322</u></u>	<u><u>432,278</u></u>	<u><u>100,066</u></u>	<u><u>20,444</u></u>	<u><u>715,110</u></u>

All of the Company's land, road, buildings and structures and plant are located in PRC.

7. INTANGIBLE ASSETS

	30th June 2001 <i>(Audited)</i> <i>Rmb'000</i>	31st December 2000 <i>(Audited)</i> <i>Rmb'000</i>
Land use rights	—	650,598
Less: Accumulated amortisation	—	(13,354)
Net book value	<u><u>—</u></u>	<u><u>637,244</u></u>

All the land use rights relate to land on which the Company's sewage water treatment plants and road and toll stations are located. The Company's directors consider that such land use rights should form part of these plants, road and building structures and, in accordance with the newly issued Accounting Regulations for Business Enterprises, be transferred to fixed assets. Accordingly the Company has transferred the remaining balance of the land use rights as at 1st January 2001 from intangible assets to fixed assets.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

8. TAXES PAYABLE

	30th June 2001	31st December 2000
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>Rmb'000</i>	<i>Rmb'000</i>
Income tax	13,113	3,627
Others	3,158	723
	<u> </u>	<u> </u>
Total	<u>16,271</u>	<u>4,350</u>

9. OTHER PAYABLES

The balances are unsecured, interest free and have no specific repayment terms. Included in other payables is an amount due to the current controlling shareholder of Rmb11,854,000 (31st December 2001: nil).

10. SHARE CAPITAL

	30th June 2001	31st December 2000
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>Rmb'000</i>	<i>Rmb'000</i>
Registered Share Capital		
990,000,000 A shares of Rmb1 each	990,000	990,000
340,000,000 H shares of Rmb1 each	340,000	340,000
	<u> </u>	<u> </u>
Total	<u>1,330,000</u>	<u>1,330,000</u>
Issued and paid up capital		
(1) A shares of Rmb1 each		
Non-circulating shares		
State shares (839,020,000 shares)	839,020	839,020
Legal person shares (38,485,000 shares)	38,485	38,485
Circulating shares		
Social public shares (112,495,000 shares)	112,495	112,495
	<u> </u>	<u> </u>
Sub-total	990,000	990,000
(2) H shares of Rmb1 each (340,000,000 shares)	340,000	340,000
	<u> </u>	<u> </u>
Total	<u>1,330,000</u>	<u>1,330,000</u>

All the A and H shares rank pari passu in all respects.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

11. CAPITAL RESERVE FUND AND GENERAL RESERVES

	Capital reserve fund <i>(note a)</i> <i>(Audited)</i> <i>Rmb'000</i>	General reserves <i>(note b)</i> <i>(Audited)</i> <i>Rmb'000</i>
Balance at 1st January 2001	69,289	1,104
Transfer from profit appropriation		
- Transfer to statutory common reserve <i>(note b)</i>	—	9,479
- Transfer to statutory provident fund <i>(note b)</i>	—	4,740
Balance at 30th June 2001	<u>69,289</u>	<u>15,323</u>

(a) Capital Reserve fund

Capital reserve fund comprises the following item:

	30th June 2001 <i>Rmb'000</i>	31st December 2000 <i>Rmb'000</i>
Share premium	<u>69,289</u>	<u>69,289</u>

(b) General reserves

The general reserves comprise the statutory common reserve and the statutory provident fund. According to the Company's Articles of Association, it is required to transfer 10% and 5% to 10% of the net profit of the Company as shown in the accounts prepared under PRC accounting regulations to the statutory common reserve (until the reserve reaches 50% of the registered capital) and statutory provident fund, respectively.

The transfers to the reserves for the six months ended 30th June 2001 represented 10% and 5% of the net profit of the Company transferred to the statutory common reserve of Rmb 9,479,000 and to the statutory provident fund of Rmb 4,740,000, respectively.

12. PRINCIPAL OPERATING INCOME

	Company		Group
	Six months ended 30th June 2001	2000	Six months ended 30th June 2000
	New Business <i>(Audited)</i> <i>Rmb'000</i>	Chemical Business <i>(Unaudited)</i> <i>Rmb'000</i>	Chemical Business <i>(Unaudited)</i> <i>Rmb'000</i>
<i>The Chemical Business</i>			
Manufacture and sale	—	—	1,766,466
Finance management	—	—	1,130
	<u>—</u>	<u>—</u>	<u>1,767,596</u>
<i>The New Business</i>			
Revenue from sewage water processing service	177,864	—	—
Toll fee income	42,616	—	—
	<u>220,480</u>	<u>—</u>	<u>1,767,596</u>

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

13. Financial income/(expense)

	Company		Group
	Six months ended 30th June 2001	2000	Six months ended 30th June 2000
	New Business	Chemical Business	Chemical Business
	(Audited)	(Unaudited)	(Unaudited)
	Rmb'000	Rmb'000	Rmb'000
Interest income	248	364	1,349
Less: Interest expense	—	(8,652)	(148,032)
Net interest income/(expense)	248	(8,288)	(146,683)
Less: Exchange loss	—	(28)	(81)
Others	(6)	(13)	(36)
Less: Interest capitalised	—	—	34,682
	<u>242</u>	<u>(8,329)</u>	<u>(112,118)</u>

14. Income tax

	Company		Group
	Six months ended 30th June 2001	2000	Six months ended 30th June 2000
	New Business	Chemical Business	Chemical Business
	(Audited)	(Unaudited)	(Unaudited)
	Rmb'000	Rmb'000	Rmb'000
This period	<u>46,688</u>	<u>—</u>	<u>84</u>

The New Business

The income tax of the Company has been provided at the rate of 33% based on the taxable income of the New Business for the year.

The Chemical Business

The income tax of the Company and its subsidiaries was calculated at the rate of 15% (1999: 15%) which is stipulated in the relevant documents issued by the Ministry of Finance and the State Tax Bureau. The associated company is exempt from the PRC income tax of 33% for two years starting from the first profit making year (being 1996) followed by a 50% reduction for the subsequent three years.

15. Dividend

No dividend was proposed by the Company for the 6 months ended 30th June 2000 and 30th June 2001.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

16. Commitments

(a) Capital commitments

	30th June 2001 <i>(Audited)</i> <i>Rmb'000</i>	31st December 2000 <i>(Unaudited)</i> <i>Rmb'000</i>
Contracted but not provided for	658	1,547
Authorised but not contracted for	503,000	503,000
	<u>503,658</u>	<u>504,547</u>

(b) Operating lease commitments

The Company has leased certain office premises from the current controlling shareholder and has signed a non-cancellable operating leases contract. At 30th June 2001, the Company had the following amount of future aggregate minimum lease payments. The total amount of the lease expense is as follows:

	30th June 2001 <i>(Audited)</i> <i>Rmb'000</i>	31st December 2000 <i>(Unaudited)</i> <i>Rmb'000</i>
Payable within one year	450	450
Payable in the second to fifth year inclusive	1,800	1,800
Payable after the fifth year	6,512	6,737
	<u>8,762</u>	<u>8,987</u>

In addition, the Company has leased land and buildings at toll stations of the company from third parties and signed operating lease contracts which do not have specified lease period. According to the contracts, the Company is required to pay the lease expense yearly in aggregate amounts to Rmb380,000.

17. RELATED PARTIES

The New Business

(a) Related parties that have controlling relationship

Company	Relationship with the New Business
Tianjin Municipal Investment Company Limited	The present controlling shareholder
Urban Construction Bureau	Supervisory controller of the New Business

(b) Paid-in capital of related parties that have controlling relationship and their movements:

Company	31st December 2000 <i>Rmb'000</i>	Addition <i>Rmb'000</i>	30th June 2001 <i>Rmb'000</i>
TMICL	1,724,278	—	1,724,278

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

- (c) Share or equity of the Company held by related parties and its movement

Name of enterprise	31st December 2000		Addition		30th June 2001	
	Rmb'000	%	Rmb'000	%	Rmb'000	%
TMICL	839,020	63.08	—	—	839,020	63.08

- (d) Main related parties that have no controlling relationship

Name of Enterprise	Relationship with the New Business
Tianjin Sewage Company	State owned company under the supervisory control of UCB
Tianjin Urban Road & Bridge Construction Company	State owned company under the supervisory control of UCB

Chemical Business

- (a) Related parties the have controlling relationship

The former controlling shareholder: Tianjin Bohai Chemical Industry (Group) Corporation

The former subsidiaries:

- Tianjin Bohai Chemical Industry (Group) Company Limited Tianjin Soda Plant
- Tianjin Bohai Chemical Industry (Group) Company Limited Tianjin Chemical Plant
- Tianjin Bohai Chemical Industry (Group) Company Limited Tianjin Dagu Chemical Plant
- Tianjin Bohai Chemical Industry Supplies and Sales Company
- Tianjin Bohai Group Finance Company

- (b) Related parties that have no controlling relationship

They are mainly Tianjin Yangli Electricity United Development Company previously the Company had significant influence on it and the non-listed entities of the former controlling Shareholder.

18. RELATED PARTY TRANSACTIONS

The New Business

The following is a summary of significant transactions with related companies for the six months ended 30th June 2001, which were carried out in the normal course of operations of the New Business:

Name of enterprise	Nature of transaction	Six months ended 30th June 2001
		Rmb'000
TSC	Revenue from sewage water processing services (note(a))	177,864
TURBCC	Road repair and maintenance expenses (note(b))	—
TMICL	Operating lease rental expenses in respect of office premises (note(c))	225

Notes:

- (a) The sewage water processing services are rendered to TSC based on a sewage water processing agreement, details of which are set out in note 1 to the accounts.

VIII. ACCOUNTS PREPARED IN ACCORDANCE WITH PRC GAAP

- (b) According to a road repair and maintenance agreement, Tianjin Urban Road & Bridge Construction Company ("TURBCC"), being a company established in the PRC and under the supervisory control of the TMEB, shall provide road repair and maintenance services to the Company in relation to the Southeastern Half Ring Road for fees based on the rates prescribed in the Index For Estimation of Repair and Maintenance Costs For National Urban Construction (Jian She Bu Cheng [1993] No. 412) issued by the Ministry of Construction of the PRC, from time to time. Nevertheless, the Company has the right to obtain the services from third parties if such services are offered on better terms. During the six months ended 30th June 2001, no repair and maintenance services were provided by TURBCC to the Company. Consequently, no accrual for such expense has not been made by the Company.
- (c) The operating lease rentals were paid to the current controlling shareholder based on an office premises leasing agreement. According to the agreement, the Company shall lease a building from TMICL as its office premises for an annual rental of Rmb450,000 and such rental will be adjusted every three years based on the then market rentals determined by an independent valuer.
- (d) The road and toll stations business of the New Business has sixteen toll stations as at 30th June 2001. According to a land leasing agreement, the land on which thirteen of the sixteen toll stations are located is granted by TMEB for perpetual use of the road and toll stations business free of charge.

The Chemical Business

	Six months ended 30th June 2000 (Unaudited)
Income	
Sales of finished products	141,589
Sales of raw materials and spare parts	73
Subcontracting fee received	10,508
Management fee income	1,700
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Expense	
Purchases of raw materials and spare parts	121,984
Purchases of fixed assets	13,100
Subcontracting fee paid	10,388
Transportation fee paid	7,610
Operating lease rental expenses for land and facilities	547
Staff welfare expenses	22,228
Fee paid for repair and maintenance services	2,886
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19. DIRECTORS' REMUNERATION

The Company have paid an aggregate remuneration (including salaries, housing allowance and other allowance) of Rmb687,689 to the Company's directors and paid retirement benefits of Rmb9,828 for the Company's directors totalling Rmb693,517 for the six months ended 30th June 2001 (the six months ended 30th June 2000: Rmb175,500). In addition, the director fees paid to non-executive directors were Rmb288,000 for the period (the six months ended 30th June 2000: Rmb6,000).

20. AUTHORISATION FOR THE ISSUE OF THE ACCOUNTS

The accounts were authorised for issue by the Company's board of directors on 31st July 2001.