

Notes to the Accounts

(Prepared in accordance with PRC Accounting Regulations)

1 PRINCIPAL 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 previous controlling shareholder of the Company is Tianjin Bohai Chemical Industry Group Corporation and the current controlling shareholder is Tianjin Municipal Investment Company Limited ("TMICL"). The previous principal activities of the Company and its former subsidiaries were the manufacture and sale of marine chemical products (the "Chemical Business") and the current principal activities of the Company, subsequent to the Business and Asset Exchange described in note (b) below, are the sewage water processing business and road and toll stations business (the "New Exchanged Business"). The 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. The share transfer was effective on 2nd November 2000.
- (b) The Chemical Business and related assets formerly conducted by the Company and its former subsidiaries were transferred to the current controlling shareholder in exchange, on a portfolio basis, for the New Exchanged Business and related net assets formerly conducted by the current controlling shareholder (the "Business and Asset Exchange"). The transaction was approved by the Company's shareholders at an extraordinary general meeting ("EGM") of the Company held on 20th December 2000 and became effective immediately on that date.
- (c) The change of the former name of the Company to its current name 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.

Particulars of the New Exchanged Business currently conducted by the Company subsequent to the Business and Asset Exchange are set out below:

| Operating unit | Location | Principal activities |
|---|------------------|---|
| Dongjiao Sewage Water Treatment Plant and Jizhuangzi Sewage Water Treatment Plant | Tianjin, the PRC | Provision of sewage water processing services to Tianjin Sewage Company, details of 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. |

1 PRINCIPAL ACTIVITIES AND MODE OF OPERATIONS *(Cont'd)*

The sewage water processing business included in the New Exchanged Business is conducted according to a Sewage Water Processing Agreement, pursuant to which the sewage water processing services are 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 incentive pricing adjustments for cost saving and/or when actual processing volume exceeds the minimum processing volume stipulated in the agreement.

As described in note 2 below, the Company commenced additional new businesses including the sewage water treatment plants construction and the Haihe Bridge project management on 24th September 2001. The operations of the Additional New Business are independent from that of the New Exchanged Business as described above. In addition, during the year, the Company set up a subsidiary engaging in the business of water recycling. The subsidiary is still at the set up stage.

As mentioned above, the operations of the Company during the year therefore comprise the New Exchanged Business and the Additional New Business. As a result, the accounts of the Company for the year ended 31st December 2001 reflect the state of affairs, operating results and cash flows of these businesses. As to the comparative figures, the balance sheets of the Company and the Group as at 31st December 2000 reflected only the state of affairs of the New Exchanged Business. However, the profit and loss accounts and cash flow statements of the Company and the Group for the year ended 31st December 2000 incorporated the results and cash flows of the Chemical Business for the period from 1st January 2000 to 20th December 2000, and those of the New Exchanged Business for the period from 21st December 2000 to 31st December 2000.

2 DETAILS OF THE ADDITIONAL NEW BUSINESS

On 24th September 2001, the Company commenced the sewage water treatment plants construction business and the Haihe Bridge project management business (the "Additional New Business"), details of these businesses are set out below:

Sewage water treatment plants construction business

On 24th September 2001, the Company and TSC entered into the Xianyanglu Sewage Water Treatment Plant Constructions-in-progress Transfer Agreement, the Jizhuangzi (Expansion) Sewage Water Treatment Plant Constructions-in-progress Transfer Agreement and the Beicang Sewage Water Treatment Plant Constructions-in-progress Transfer Agreement (the "Transfer Agreements"). Upon the execution of the Transfer Agreements, the Company is responsible for the construction and the funding requirements of the above projects.

2 DETAILS OF THE ADDITIONAL NEW BUSINESS *(Cont'd)*

Sewage water treatment plants construction business *(Cont'd)*

Pursuant to the Transfer Agreements, the Company conditionally agreed to acquire from TSC the construction-in-progress of Xianyanglu Sewage Water Treatment Plant, Jizhuangzi (Expansion) Sewage Water Treatment Plant and its related facilities, and Beicang Sewage Water Treatment Plant (the "Sewage Water Treatment Plant Construction Projects"), in Tianjin. The aggregate considerations payable by the Company to TSC for the acquisition of the Sewage Water Treatment Plant Construction Projects amounted to Rmb 1 37,892,000, which will be payable upon completion of the transfers. Rmb 81,473,000 of the considerations payable represented the value of the Sewage Water Treatment Plant Construction Projects as at 31st July 2001, as determined by a valuation performed by a PRC independent valuer based on the replacement cost method and the status of completion of these plants. The remaining balance of Rmb 56,419,000 represented reimbursement of the construction costs incurred by TSC during the period from 1st August 2001 to 24th September 2001, and is determined by an audit performed by the Company's PRC auditors. In addition, pursuant to the Transfer Agreements, the Company will assume the rights and obligations of bank loans facilities, totalling approximately Rmb 1,460 million, for the Sewage Water Treatment Plant Construction Projects upon completion of the transfers.

In addition, the Company and TSC entered into a Sewage Water Treatment Plants Construction Fee Agreement ("Construction Fee Agreement") on 24th September 2001. Pursuant to the agreement, TSC will pay and the Company will charge, a fee during the construction period of the sewage water treatment plants, as a reward to the Company to take responsibility for the construction of the sewage water treatment plants.

The aggregate lump sum construction fees payable to the Company for the above construction projects of the three sewage water treatment plants amount to approximately Rmb 1,170 million, which represents the total of 23.7% of the simple yearly average of the estimated construction costs to be incurred during the construction period from 24th September 2001 to the respective dates of completion and commissioning of operations of each of the sewage water treatment plants. Pursuant to the Construction Fee Agreement, the construction fees will be payable by TSC to the Company in advance on a monthly basis based on amounts calculated according to the percentage of completion of the respective construction projects estimated by management. The percentage of completion of each project will be adjusted on a quarterly basis according to the certifications issued by qualified independent surveyors or engineers.

2 DETAILS OF THE ADDITIONAL NEW BUSINESS (Cont'd)**Sewage water treatment plants construction business** (Cont'd)

The details of the above Sewage Water Treatment Plant Construction Projects are set out below:

| | Xianyanglu Sewage Water Treatment Plant Construction Project | Jizhuangzi Sewage Water Treatment Plant Expansion Project | Beicang Sewage Water Treatment Plant Construction Project |
|---|---|--|--|
| Location | Tianjin, the PRC | Tianjin, the PRC | Tianjin, the PRC |
| Daily capacity (cubic meter) upon completion of construction | 450,000 | 280,000 | 100,000 |
| Estimated date of completion | End of 2004 | End of 2003 | End of 2005 |
| Estimated total construction costs required (Rmb' million) | 1,134 | 978 | 416 |
| % of construction completion | 6.0% | 14.4% | 3.8% |
| Estimated construction fees (Rmb' million) | 589 | 317 | 264 |
| Construction fees recognised by the Company up to 31st December 2001 (Rmb' million) | 35 | 46 | 10 |

The Company is in the process of finalising the remaining transfer procedures in respect of the acquisition of the Sewage Water Treatment Plant Construction Projects. The Company understands that TSC neither has the intention nor has issued a written notice in order to cancel the Transfer Agreements. The construction of the projects has never been discontinued since 24th September 2001. In the event that the transfers could not be completed, according to the Transfer Agreements, the Company would be entitled to receive the construction fees for services performed and to recover the construction costs incurred from TSC. For the purpose of preparation of these accounts, the Company has obtained the confirmation from TSC regarding the construction fees receivable by the Company and the construction costs incurred as at 31st December 2001. However, since the transfers have not been completed, the construction costs incurred by the Company during the period from 24th September 2001 to 31st December 2001 was recorded as prepayments to suppliers for the time being, and the full amount will be transferred to construction-in-progress of the Company's accounts upon completion.

2 DETAILS OF THE ADDITIONAL NEW BUSINESS *(Cont'd)*

Haihe bridge project management business

On 24th September 2001, the Company entered into the Haihe Bridge Project Management Agreement with the current controlling shareholder, the owner of the Haihe Bridge Construction Project. According to the agreement, the Company will provide project management services to TMICL for the construction of Haihe Bridge and will be entitled to a total sum of project management fee amounting to Rmb 10,650,000. The construction of Haihe Bridge is expected to be completed on or before 31st December 2002.

The Company will receive the project management fee on a monthly basis according to the percentage of completion of the construction of Haihe Bridge. The percentage of completion during a year or period is determined based on the certifications issued by qualified independent surveyors or engineers. In the event that upon completion of the construction of the Haihe Bridge, the construction cost incurred is less or more than the budget, as the case may be, the Company will be entitled to certain reward or penalty, respectively.

3 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 accounts for year 2001 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 and the Group's financial position and operating results as of and for the year ended 31st December 2000. Accordingly, no retrospective adjustment is made.

The accounts of year 2001 reflect the New Exchanged Business and the Additional 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) Reporting currency

The reporting currency is Renminbi (Rmb) and amounts in the accounts are stated to the nearest thousand of Rmb.

3 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Basis of accounting

The accrual concept and, except for special explanation, the historical cost convention are adopted as basis of accounting.

(d) 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.

(e) Accounts receivable and bad debt provision

The Group adopts the provision method to account for the loss in bad debts.

Provision for bad debts is made after the evaluation of the recoverability of accounts receivable.

When there are solid evidences that accounts receivable are not recoverable, such as in the events that the entity is deregistered, goes bankrupt, has negative assets and insufficient work capital etc., the corresponding accounts receivable are recognised as bad debts and net off the corresponding amounts of provision for bad debts.

(f) Inventories

Inventories comprise raw materials, spare parts and consumables.

Raw materials are stated at the lower of cost and net realisable value and spare parts and consumables are stated at cost less provision for obsolescence. Cost is determined on the weighted average basis.

(g) Long-term investments

Long-term investments are equity investments holding for more than one year.

Cost of long-term equity investments are accounted for based on the actual amounts paid. The Company adopts the equity method to account for the invested entities in which the Company holds more than 20% or more of the voting share capital, or holds less than 20% of the voting share capital but has significant influence on the entities' operating decisions.

Provision for permanent diminution in value of investment is made in the cases where there is a continuing diminution in the value of long-term investments or there is a deterioration in the operating result of the invested company and such diminution in value is not expected to be reversed in the foreseeable future.

3 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated amortisation/depreciation and accumulated impairment losses, if any.

Amortisation of land use rights, other than those in relation to the road and toll stations business, is calculated to write off their cost less accumulated impairment losses, if any, on a straight-line basis over the period of land use rights of 50 years.

Depreciation of the road and amortisation of land use rights in relation to the road and toll stations business are calculated to write off their cost less accumulated impairment losses, if any, on a units-of-usage basis whereby the depreciation and amortisation are 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 adjustments will be made should there be a material change in the projected total traffic volume.

Depreciation of leasehold buildings and structures is calculated to write off their cost less accumulated impairment losses, if any, 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 less accumulated impairment losses, if any, of the assets and less estimated residual value over their estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

| | |
|-----------------------------------|-------------|
| Plant and machinery and equipment | 10-30 years |
| Motor vehicles and others | 5-40 years |

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 Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

3 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Repair and maintenance expenses

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

(j) Research and development expenses

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

(k) Retirement benefits

The Group participates in the employee pension scheme of the Tianjin Municipal Government whereby the Group 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 Group. The Group's contributions under the scheme are charged to the profit and loss account as incurred.

(l) 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.

(m) 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.

(n) Foreign currencies

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.

3 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) 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) Revenue from sewage water treatment plants construction services is calculated based on the percentage of completion during the construction period of the respective sewage water treatment plants. The percentage of completion is determined with reference to the certifications of qualified independent surveyors or engineers in the PRC.
- (4) Revenue from Haihe Bridge is calculated based on the percentage of completion during the construction period of the Haihe Bridge. The percentage of completion is determined with reference to the certifications of qualified independent surveyors or engineers in the PRC.
- (5) Interest income is recognised on a time proportion basis after taking into account the principal amounts outstanding and the interest rates applicable.

(p) Taxation

(1) Income tax

Corporate income tax is accounted for using the tax liability method under the effective tax method. The tax rate is 33% of taxable income.

(2) Business tax

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

(3) Other government surcharges

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

(q) Related parties

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

3 PRINCIPAL ACCOUNTING POLICIES (Cont'd)**(r) Basis of preparation of consolidated accounts**

The consolidated accounts are prepared in accordance with Cai Kuai Zi (1995) No. 11 "Temporary Regulations for Preparation of Consolidated Accounts" issued by the Ministry of Finance.

The consolidated accounts include the accounts of the Company and its subsidiary made up to 31 December 2001.

A subsidiary is an enterprise in which the Company holds directly or indirectly more than 50% of the voting share capital, has the power of decision making on the financing and operating strategies of the enterprise and shares of its benefits from its operating activities.

All significant intercompany transactions and balances between the Company and the subsidiaries are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the shareholders' equity of the subsidiary.

4 CASH AND BANK BALANCES

| | Group | | Company | |
|--------------|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Cash on hand | 12 | 1 | 12 | 1 |
| Cash in bank | 260,456 | 51,838 | 208,758 | 51,838 |
| Total | <u>260,468</u> | <u>51,839</u> | <u>208,770</u> | <u>51,839</u> |

5 ACCOUNTS RECEIVABLE

| | Group and Company | | | |
|---|------------------------|-----------|------------------------|-----------|
| | 2001 <i>Rmb'000</i> | 2001 % | 2000 <i>Rmb'000</i> | 2000 % |
| Ageing analysis of accounts receivable is as follows: | | | | |
| Within one year | 132,312 | 100 | 11,890 | 100 |
| Less: Provision for bad debts | — | | — | |
| Net accounts receivable | 132,312 | | 11,890 | |

Accounts receivable as at 31st December 2001 included receivables from TSC in respect of sewage water processing services fee of Rmb 44,719,000 (2000: Rmb 11,890,000) and sewage water treatment plants construction services fee of Rmb 84,864,000 (2000: Nil) (note 2), and receivable from the Company's current controlling shareholder in respect of Haihe Bridge project management fee of Rmb 2,729,000 (2000: Nil) (note 2).

6 OTHER RECEIVABLES

| | Group | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Ageing analysis of other receivables is as follows: | | | | |
| Within one year | 548 | 433 | 530 | 433 |
| Less: Provision for bad debts | — | — | — | — |
| Net accounts receivable | 548 | 433 | 530 | 433 |

7 PREPAYMENT TO SUPPLIERS

Prepayment to suppliers as at 31st December 2001 of Rmb 215,026,000 represented the construction costs incurred during the period from 24th September 2001 to 31st December 2001 in relation to the sewage water treatment plants construction services, less amounts paid by TSC on behalf of the Company.

8 INVENTORIES

| | Group and Company | | | |
|-----------------------------|-------------------|----------------|----------------|----------------|
| | 2001 | 2001 | 2000 | 2000 |
| | Cost | Provision | Cost | Provision |
| | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> |
| Raw materials | 2,230 | — | 2,689 | — |
| Spare parts and consumables | 284 | — | 165 | — |
| Total | <u>2,514</u> | <u>—</u> | <u>2,854</u> | <u>—</u> |

9 LONG-TERM INVESTMENTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> |
| Long-term equity investments (note (a)) | 4,000 | — | 4,000 | — |
| Investment in subsidiary company (note (b)) | — | — | 17,018 | — |
| Net book value | <u>4,000</u> | <u>—</u> | <u>21,018</u> | <u>—</u> |

(a) Long-term equity investments

| Name of invested entity | Percentage of interest in registered capital | Group | Company |
|--|---|-----------------|-----------------|
| | | Cost | Cost |
| | | <i>Rmb '000</i> | <i>Rmb '000</i> |
| Tianjin Baotong Qinjiliao Co., Ltd.* | 20% | 2,000 | 2,000 |
| Tianjin Northern Human Resources Co., Ltd. | 6.1% | 2,000 | 2,000 |
| Less: Provision for diminuton in value | | — | — |
| Net book value | | <u>4,000</u> | <u>4,000</u> |

* The Company has no significant influence on the entity

9 LONG-TERM INVESTMENTS (Cont'd)**(b) Investment in subsidiary company**

| Name | Registered capital Rmb '000 | Interest held | | Principal activities | Place of registration and operation | Type |
|---|-----------------------------------|---------------|-----------------|--|---|---------------------------------|
| | | Directly % | Indirectly % | | | |
| Tianjin Water Recycling Co., Ltd. | <u>20,000</u> | <u>90%</u> | <u>—</u> | Production of recycled water, equipment development and technical consulting relating to water recycling business | Tianjin, the PRC | Limited liability company |

10 FIXED ASSETS AND ACCUMULATED DEPRECIATION

| | Group | | | | | Total Rmb'000 |
|---------------------------------|-------------------------------|-----------------|---|--|--|------------------|
| | Land use rights Rmb'000 | Road Rmb'000 | Buildings and structures Rmb'000 | Plant, machinery and equipment Rmb'000 | Motor vehicles and others Rmb'000 | |
| 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 | — | 1,399 | 3,387 | 7,857 | 13,130 |
| Disposals | — | — | — | (40) | (560) | (600) |
| At 31st December 2001 | <u>651,085</u> | <u>185,418</u> | <u>656,897</u> | <u>209,456</u> | <u>51,863</u> | <u>1,754,719</u> |
| Accumulated depreciation | | | | | | |
| At 1st January 2001 | — | 23,096 | 223,221 | 106,042 | 24,122 | 376,481 |
| Transfer from intangible assets | 13,354 | — | — | — | — | 13,354 |
| Charge for the year | 14,389 | 5,978 | 21,209 | 9,936 | 1,782 | 53,294 |
| Disposals | — | — | — | (16) | (396) | (412) |
| At 31st December 2001 | <u>27,743</u> | <u>29,074</u> | <u>244,430</u> | <u>115,962</u> | <u>25,508</u> | <u>442,717</u> |
| Net book value | | | | | | |
| At 31st December 2001 | <u>623,342</u> | <u>156,344</u> | <u>412,467</u> | <u>93,494</u> | <u>26,355</u> | <u>1,312,002</u> |
| At 31st December 2000 | <u>—</u> | <u>162,322</u> | <u>432,277</u> | <u>100,067</u> | <u>20,444</u> | <u>715,110</u> |

10 FIXED ASSETS AND ACCUMULATED DEPRECIATION (Cont'd)

| | Company | | | | | Total |
|---------------------------------|--------------------|---------|--------------------------------|---|---------------------------------|-----------|
| | Land use rights | Road | Buildings and structures | Plant, machinery and equipment | Motor vehicles and others | |
| | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| 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 | — | 1,399 | 1,767 | 6,164 | 9,817 |
| Disposals | — | — | — | (40) | (560) | (600) |
| At 31st December 2001 | 651,085 | 185,418 | 656,897 | 207,836 | 50,170 | 1,751,406 |
| Accumulated depreciation | | | | | | |
| At 1st January 2001 | — | 23,096 | 223,221 | 106,042 | 24,122 | 376,481 |
| Transfer from intangible assets | 13,354 | — | — | — | — | 13,354 |
| Charge for the year | 14,389 | 5,978 | 21,209 | 9,936 | 1,782 | 53,294 |
| Disposals | — | — | — | (16) | (396) | (412) |
| At 31st December 2001 | 27,743 | 29,074 | 244,430 | 115,962 | 25,508 | 442,717 |
| Net book value | | | | | | |
| At 31st December 2001 | 623,342 | 156,344 | 412,467 | 91,874 | 24,662 | 1,308,689 |
| At 31st December 2000 | — | 162,322 | 432,277 | 100,067 | 20,444 | 715,110 |

All of the Group's land use rights, road, buildings and structures and plants are located in the PRC.

11 INTANGIBLE ASSETS

| | Cost <i>Rmb'000</i> | Accumulated amortisation <i>Rmb'000</i> | Group | | |
|-----------------|------------------------|---|---------------------------------------|---|---|
| | | | 1st January 2001 <i>Rmb'000</i> | 31st December 2001 <i>Rmb'000</i> | |
| | | | | Transfer out <i>Rmb'000</i> | |
| Land use rights | 650,598 | (13,354) | 637,244 | (637,244) | — |

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.

12 DIVIDEND PAYABLE

Pursuant to the 22nd meeting of the Second Board of Directors held on 28th February 2002, the Board of Directors proposed to distribute a final dividend of Rmb 0.80 for every ten shares held by shareholders, totalling Rmb 106,400,000, based on the total number of shares of 1,330,000,000 as at 31st December 2001. The proposal is subject to approval of the shareholders at the annual general meeting to be held in 2002.

13 TAXES PAYABLE

| | Group | | Company | |
|-------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Income tax | 26,594 | 3,627 | 26,594 | 3,627 |
| Business tax and others | 20,003 | 723 | 19,999 | 723 |
| Total | 46,597 | 4,350 | 46,593 | 4,350 |

14 OTHER PAYABLES

| | Group | | Company | |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Current controlling shareholder | 17,696 | 2,508 | 17,696 | 2,508 |
| Construction costs payable | 135,730 | — | 135,730 | — |
| Others | 4,119 | 2,371 | 4,105 | 2,371 |
| Total | <u>157,545</u> | <u>4,879</u> | <u>157,531</u> | <u>4,879</u> |

Other payables are unsecured, interest free and have no specific repayment terms. Construction costs payable represent the construction costs incurred by the Company in relation to the construction of the sewage water treatment plants during the period 24th September 2001 to 31st December 2001 (note 2). The construction costs payable included amounts of Rmb 99,396,000 payable to related companies.

15 SPECIFIC PAYABLES

Specific payables include amounts of Rmb 36,000,000 obtained by the Company's subsidiary, Tianjin Water Recycling Co., Ltd., from TMEB in accordance with a document issued by Tianjin Development Planning Commission "Forwarded Notice from the State Development Planning Commission Regarding Investment Plan of Specific Fund of Central Budget for the Sewage Water Recycling Projects in 2001". The specific payables are granted for the construction of Jizhuangzi sewage water recycling project. The remaining balance is obtained from Tianjin Municipal Government. The specific payables are interest free and the method and date of repayment will be determined upon completion of the construction project which is estimated to take more than one year.

16 SHARE CAPITAL

| | Company | |
|---|-------------------------|-------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Registered share capital | | |
| 990,000,000 A shares of Rmb 1 each | 990,000 | 990,000 |
| 340,000,000 H shares of Rmb 1 each | <u>340,000</u> | <u>340,000</u> |
| Total | <u><u>1,330,000</u></u> | <u><u>1,330,000</u></u> |
| Issued and paid up capital | | |
| (1) A shares of Rmb 1 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) | <u>112,495</u> | <u>112,495</u> |
| Sub-total | 990,000 | 990,000 |
| (2) H shares of Rmb 1 each | | |
| Circulating shares outside the PRC | | |
| Social public shares (340,000,000 shares) | <u>340,000</u> | <u>340,000</u> |
| Total | <u><u>1,330,000</u></u> | <u><u>1,330,000</u></u> |

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

17 CAPITAL RESERVE FUND, GENERAL RESERVES

| Capital reserve fund | Capital reserve fund <i>(note a)</i> <i>Rmb'000</i> | Statutory common reserve <i>(note b)</i> <i>Rmb'000</i> | Statutory welfare fund <i>(note b)</i> <i>Rmb'000</i> |
|---|--|--|--|
| Group | | | |
| At 1st January 2001 | 69,289 | 736 | 368 |
| Transferred from profit appropriation | | | |
| — Transfer to statutory common reserve (note b) | — | 26,764 | — |
| — Transfer to statutory welfare fund (note b) | — | — | 13,382 |
| | <u>69,289</u> | <u>27,500</u> | <u>13,750</u> |
| At 31st January 2001 | <u>69,289</u> | <u>27,500</u> | <u>13,750</u> |
| Company | | | |
| At 1st January 2001 | 69,289 | 736 | 368 |
| Transferred from profit appropriation | | | |
| — Transfer to statutory common reserve (note b) | — | 26,764 | — |
| — Transfer to statutory welfare fund (note b) | — | — | 13,382 |
| | <u>69,289</u> | <u>27,500</u> | <u>13,750</u> |
| At 31st January 2001 | <u>69,289</u> | <u>27,500</u> | <u>13,750</u> |

(a) Capital reserve fund

Capital reserve fund comprises the following item:

| | Group | |
|---------------|----------------|----------------|
| | 2001 | 2000 |
| | <i>Rmb'000</i> | <i>Rmb'000</i> |
| Share premium | <u>69,289</u> | <u>69,289</u> |

Amounts in capital reserve fund can be utilised to offset prior years' losses or for issuance of bonus shares.

17 CAPITAL RESERVE FUND, GENERAL RESERVES *(Cont'd)*

(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 these reserves must be made before the distribution of dividends to shareholders.

The Company's directors have proposed to transfer 10% and 5% of the net profit of the Company for 2001 prepared under PRC accounting regulations to the statutory common reserve of Rmb 26,764,000 (2000: Rmb 736,000) and to the statutory welfare fund of Rmb 13,382,000 (2000: Rmb 368,000), respectively.

The statutory common reserve shall only be used as follows:

- (1) to make up losses;
- (2) to expand the Company's production operation ; or
- (3) to increase the capital of the Company.

Upon approval by a resolution of shareholders' general meeting, the Company may convert its statutory common reserve into share capital. When converting the Company's statutory common reserve into capital, the amount of such reserve remaining unconverted must not be less than 25% of the registered capital.

The statutory provident fund shall only be used as follows:

The statutory provident fund should be used for the collective welfare of employees. This fund forms part of the shareholders' equity and is non-distributable other than in liquidation.

18 UNDISTRIBUTED PROFITS

| | Group <i>Rmb'000</i> | Company <i>Rmb'000</i> |
|---|--------------------------------|----------------------------------|
| At 1st January 2001 | 6,261 | 6,261 |
| Add: Profit for the year | 267,634 | 267,634 |
| Less: Statutory common reserve | (26,764) | (26,764) |
| Statutory welfare fund | (13,382) | (13,382) |
| Dividend proposed by the Board of Directors | (106,400) | (106,400) |
| | <u>127,349</u> | <u>127,349</u> |
| At 31st December 2001 | <u><u>127,349</u></u> | <u><u>127,349</u></u> |

19 PRINCIPAL OPERATING INCOME AND SEGMENTAL INFORMATION**(a) Principal operating income**

| | Group | |
|--|-------------------------------|-------------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| <i>New Exchanged Business</i> | | |
| Revenue from sewage water processing services | 417,944 | 11,890 |
| Toll fee income | 84,299 | 2,567 |
| <i>Additonal New Business</i> | | |
| Revenue from Sewage water treatment plants construction services | 91,013 | — |
| Haihe Bridge project management fee | 2,730 | — |
| <i>Chemical Business</i> | | |
| Manufacture and trading | — | 3,483,874 |
| Finance management | — | 2,407 |
| | <u>595,986</u> | <u>3,500,738</u> |

19 PRINCIPAL OPERATING INCOME AND SEGMENTAL INFORMATION (Cont'd)

(b) Segment information

| | <i>New Exchanged Business</i> | | <i>Additional New Business</i> | | <i>Group</i> |
|--------------------------------------|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|-----------------------|
| | <i>Sewage water processing</i> | <i>Road and toll stations</i> | <i>Sewage water</i> | | |
| | | | <i>treatment plant construction</i> | <i>Haihe Bridge managment</i> | |
| | | | <i>2001</i> | <i>2001</i> | |
| | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> |
| Principal operating income | 417,944 | 84,299 | 91,013 | 2,730 | 595,986 |
| Principal operating costs | (95,839) | (34,445) | (704) | (661) | (131,649) |
| Business tax and surcharges | (22,987) | (4,636) | (5,006) | (150) | (32,779) |
| Operating expenses | (12,608) | (5,968) | (15,046) | (1) | (33,623) |
| Financial income | 93 | 1,103 | — | — | 1,196 |
| Others | (104) | 318 | — | — | 214 |
| Total profit | <u>286,499</u> | <u>40,671</u> | <u>70,257</u> | <u>1,918</u> | <u>399,345</u> |
| Income tax | <u>(94,905)</u> | <u>(13,097)</u> | <u>(23,185)</u> | <u>(633)</u> | <u>(131,820)</u> |
| Net profit before minority interests | 191,594 | 27,574 | 47,072 | 1,285 | 267,525 |
| Minority interests | 109 | — | — | — | 109 |
| Net profit | <u><u>191,703</u></u> | <u><u>27,574</u></u> | <u><u>47,072</u></u> | <u><u>1,285</u></u> | <u><u>267,634</u></u> |

19 PRINCIPAL OPERATING INCOME AND SEGMENTAL INFORMATION (Cont'd)

(b) Segment information (Cont'd)

| | <i>New Exchanged Business</i> | | | Group 2000 <i>Rmb'000</i> |
|---|-------------------------------|------------------------------|------------------------------|---|
| | <i>Chemical Business</i> | <i>Sewage water</i> | <i>Road and</i> | |
| | <i>Period from</i> | <i>processing</i> | <i>toll stations</i> | |
| | <i>1st January 2000 to</i> | <i>Period from</i> | <i>Period from</i> | |
| | <i>20th December 2000</i> | <i>21st December 2000 to</i> | <i>21st December 2000 to</i> | |
| | <i>Rmb'000</i> | <i>31st December 2000</i> | <i>31st December 2000</i> | <i>Rmb'000</i> |
| | | <i>Rmb'000</i> | <i>Rmb'000</i> | |
| Principal operating income | 3,486,281 | 11,890 | 2,567 | 3,500,738 |
| Principal operating costs | (2,927,809) | (1,541) | (609) | (2,929,959) |
| Business tax and surcharges | (22,345) | (654) | (141) | (23,140) |
| Operating expenses | (400,929) | (293) | (236) | (401,458) |
| Financial expenses | (218,407) | — | — | (218,407) |
| Others | (9,535) | 9 | — | (9,526) |
| | <u>(92,744)</u> | <u>9,411</u> | <u>1,581</u> | <u>(81,752)</u> |
| Reversal of provision against certain assets | <u>254,140</u> | <u>—</u> | <u>—</u> | <u>254,140</u> |
| Total profit | 161,396 | 9,411 | 1,581 | 172,388 |
| Income tax | (157) | (3,105) | (522) | (3,784) |
| Net profit | <u><u>161,239</u></u> | <u><u>6,306</u></u> | <u><u>1,059</u></u> | <u><u>168,604</u></u> |

20 FINANCIAL INCOME/(EXPENSES)

| | Group | | Company | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Interest income | 1,208 | 5,826 | 1,138 | 689 |
| Less: Interest expenses | — | (268,998) | — | (11,444) |
| Net interest expenses | 1,208 | (263,172) | 1,138 | (10,755) |
| Add: Exchange gain | — | 334 | — | 210 |
| Others | (12) | (910) | (12) | (832) |
| | 1,196 | (263,748) | 1,126 | (11,377) |
| Less: Interest capitalised | — | 45,341 | — | — |
| | 1,196 | (218,407) | 1,126 | (11,377) |

21 INVESTMENT INCOME/(LOSS)

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Based on cost method | | | | |
| Income from investment | | | | |
| in government treasury bonds | — | 1,703 | — | — |
| Income from other investments | — | 2,486 | — | 2,192 |
| Based on equity accounting | | | | |
| Share of profit of an associated company | — | 3,959 | — | — |
| Share of (loss)/profit of subsidiaries | — | — | (982) | 114,100 |
| Provision for diminution in value | — | (5,795) | — | (5,795) |
| Total | — | 2,353 | (982) | 110,497 |

22 INCOME TAX

| | Group | |
|-------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| New Exchanged Business | 108,002 | 3,627 |
| Additional New Business | 23,818 | — |
| Chemical Business | — | 157 |
| Total | <u>131,820</u> | <u>3,784</u> |

The New Exchanged Business and Additional New Business

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

The Chemical Business

The income tax of the Company and its subsidiaries is calculated at the rate of 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.

23 COMMITMENTS**(a) Capital commitments**

| | Group | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> | 2001 <i>Rmb'000</i> | 2000 <i>Rmb'000</i> |
| Contracted but not provided for (note i) | 137,892 | 1,547 | 137,892 | 1,547 |
| Authorised but not contracted for (note ii) | 2,398,694 | 503,000 | 2,284,194 | 503,000 |
| | <u>2,536,586</u> | <u>504,547</u> | <u>2,422,086</u> | <u>504,547</u> |

- (i) The amount represents the consideration in respect of the proposed acquisition of the construction-in-progress of the sewage water treatment plants as at 24th September 2001 (note 2), which will be payable upon completion of the acquisitions.
- (ii) This comprises the commitments of the Company in respect of the construction projects of the sewage water treatment plants from 1st January 2002 to completion amounting to approximately Rmb2,284,194,000, and the capital commitment of Tianjin Jizhuangzi sewage water recycling project of the Company's subsidiary, Tianjin Water Recycling Co., Ltd., amounting to Rmb 114,500,000.

23 COMMITMENTS (Cont'd)**(b) Operating lease commitments**

At 31st December 2001, the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises leased from the current controlling shareholder as follows:

| | Group | | Company | |
|---------------------------------------|--------------|------------|--------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | Rmb'000 | Rmb'000 | Rmb'000 | Rmb'000 |
| Within one year | 450 | 450 | 450 | 450 |
| In the second to fifth year inclusive | 1,800 | 380 | 1,800 | 380 |
| After the fifth year | 6,300 | — | 6,300 | — |
| | <u>8,550</u> | <u>830</u> | <u>8,550</u> | <u>830</u> |

In addition, certain leases in respect of land and buildings at toll stations of the Company were leased from third parties with no specific lease period. The yearly rental in respect of these leases in aggregate amounts to Rmb 380,000.

24 RELATED PARTIES*The New Exchanged Business and Additional New Business***(a) Related parties that have controlling relationship**

| Company | Relationship with the Company |
|--|--|
| Tianjin Municipal Investment Company Limited | The current controlling shareholder and the ultimate holding company |
| Tianjin Municipal Engineering Bureau | Supervisory controller of the New Business |
| Tianjin Water Recycling Co., Ltd | A subsidiary of the Company |

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

| Company | At 1st January | Addition | At 31st December |
|--|------------------|---------------|------------------|
| | 2001 | | 2001 |
| | Rmb'000 | Rmb'000 | Rmb'000 |
| Tianjin Municipal Investment Company Limited | 1,724,278 | — | 1,724,278 |
| Tianjin Water Recycling Co., Ltd | — | 20,000 | 20,000 |
| | <u>1,724,278</u> | <u>20,000</u> | <u>1,744,278</u> |

24 RELATED PARTIES (Cont'd)*The New Exchanged Business and Additional New Business (Cont'd)*

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

| Name of enterprise | At 1st January 2001 | | Addition | | At 31st December 2001 | |
|--|---------------------|-------|----------|---|-----------------------|-------|
| | Rmb'000 | % | Rmb'000 | % | Rmb'000 | % |
| Tianjin Municipal Investment Company Limited | 839,020 | 63.08 | — | — | 839,020 | 63.08 |

(d) Main related parties that have no controlling relationship

| Name of Enterprise | Relationship with the Company |
|---|--|
| Li & Partners Solicitors | Law firm in which an independent director of the Company holds a beneficial interest |
| Tianjin Sewage Company | State owned company under the supervisory control of TMEB |
| Tianjin Urban Road & Bridge Construction Company ("TURBCC") | State owned company under the supervisory control of TMEB |
| Tianjin Urban Road Construction No.1 Company Limited | State owned company under the supervisory control of TMEB |
| Tianjin Urban Road Construction No.2 Company Limited | State owned company under the supervisory control of TMEB |
| Tianjin Urban Road Construction No.3 Company Limited | State owned company under the supervisory control of TMEB |
| Tianjin Urban Road Construction No.5 Company Limited | State owned company under the supervisory control of TMEB |
| Tianjin City Construction Group Company Limited | State owned company under the supervisory control of TMEB |
| Sewage Management No.2 Management Office | State owned company under the supervisory control of TMEB |
| Tianjin Sewage Engineering Company | State owned company under the supervisory control of TMEB |
| Tianjin Road & Bridge Management Office | State owned company under the supervisory control of TMEB |
| Tianjin Municipal Engineering Design Research Institute | State owned company under the supervisory control of TMEB |

24 RELATED PARTIES (Cont'd)

The Chemical Business

- (a) Related parties that have controlling relationship

Former controlling shareholder: Tianjin Bohai Chemical Industry Group Corporation

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 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 Yongli Electricity United Development Company in which the Company had significant influence previously and the non-listed entities of the former controlling shareholder.

25 RELATED PARTY TRANSACTIONS

The New Exchanged Business and Additional New Business

The following is a summary of significant transactions with related companies in 2001, which were carried out in the normal course of operations of the New Exchanged Business and Additional New Business:

| Company | Nature of transaction | Year ended | Period from |
|-----------------|---|----------------------------------|--|
| | | 31st December 2001 Rmb'000 | 21st December to 31st December 2000 Rmb'000 |
| <i>Income</i> | | | |
| TSC | Revenue from sewage water processing services (note (a)) | 417,944 | 11,890 |
| TSC | Revenue from construction of sewage water treatment plants (note (b)) | 91,013 | — |
| TMICL | Revenue from Haihe Bridge project management (note (c)) | 2,729 | — |
| <i>Expenses</i> | | | |
| TURBCC | Road repair and maintenance (note (d)) | 2,750 | 92 |
| TMICL | Operating lease rental in respect of office premises (note (e)) | 450 | 13 |
| Li & Partners | Legal consulting fees (note (f)) | 1,921 | — |
| <i>Others</i> | | | |
| Related | | | |
| contractors | Prepaid sewage water treatment plants construction costs (note (g)) | <u>186,940</u> | <u>—</u> |

Notes:

- (a) This represents revenue derived from the sewage water processing services rendered by the Company to TSC according to Sewage Water Processing Agreement, details of which are set out in note 1.
- (b) This represents revenue derived from the construction of sewage water treatment plants services rendered by the Company to TSC according to Sewage Water Treatment Plants Construction Fee Agreement, details of which are set out in note 2.
- (c) This represents revenue derived from the Haihe Bridge project management services rendered to the current controlling shareholder, details of which are set out in note 2.

25 RELATED PARTY TRANSACTIONS (Cont'd)*The New Exchanged Business and Additional New Business* (Cont'd)

Notes:

- (d) According to a road repair and maintenance agreement, Tianjin Urban Road & Bridge Construction Company ("TURBCC") 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.
- (e) 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.
- (f) This represents the fees for legal services in respect of the acquisitions of the Additional New Business of the Group and other general consultancy. Mr Li Wei Bin is an independent director of the Company.
- (g) This represents the construction costs incurred in respect of the sewage water treatment plants during the period from 24th September 2001 to 31st December 2001 and paid to the following related contractors:

| Name of related parties | 2001 Rmb'000 |
|---|-----------------|
| Tianjin Urban Road Construction No.1 Co., Ltd. | 15,022 |
| Tianjin Urban Road Construction No.2 Co., Ltd. | 7,791 |
| Tianjin Urban Road Construction No.3 Co., Ltd. | 6,899 |
| Tianjin Urban Road Construction No.5 Co., Ltd. | 12,311 |
| Tianjin City Construction Group Co., Ltd. | 130,611 |
| Sewage Management No.2 Management Office | 800 |
| Tianjin Sewage Engineering Company | 4,506 |
| Tianjin Road & Bridge Management Office | 5,000 |
| Tianjin Municipal Engineering Design Research Institute | 4,000 |
| | <hr/> |
| Total | 186,940 |

- (h) The road and toll stations business has sixteen toll stations as at 31st December 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.

25 RELATED PARTY TRANSACTIONS (Cont'd)*The Chemical Business*

The following is a summary of significant transactions with the former controlling shareholder and its private group companies during the period from 1st January 2000 to 20th December 2000, which were carried out in the normal course of operations of the Chemical Business:

| | Period from 1st January to 20th December 2000 Rmb'000 |
|---|---|
| <i>Income</i> | |
| Sales of finished products | 390,832 |
| Sales of raw materials and spare parts | 106 |
| Subcontracting fees received | 21,552 |
| Interest income from loans receivable | 3,131 |
| Management fee income | 700 |
| Rental fee income | 2,598 |
| | <u> </u> |
| <i>Expenses</i> | |
| Purchases of raw materials and spare parts | 697,070 |
| Purchases of fixed assets | 2,960 |
| Subcontracting fees paid | 74,641 |
| Fees paid for other supporting services | 11,621 |
| Operating lease rental expenses for land and facilities | 3,616 |
| Staff welfare expenses | 26,381 |
| Fees paid for repair and maintenance services | 600 |
| | <u> </u> |

26 DIRECTORS' REMUNERATION

The Company and its subsidiaries have paid an aggregate remuneration (including salaries, housing allowance and other allowance) of Rmb 2,260,000 to the Company's directors and paid retirement benefits of Rmb 20,000 for the Company's directors totalling Rmb 2,280,000 for the year ended 31st December 2001 (2000: Rmb 351,000). The total amount includes directors' fees of Rmb 780,000 (2000: Rmb 12,000) paid to independent non-executive directors during the year.

27 COMPARATIVE FIGURES OF THE ACCOUNTS

Certain comparative figures of the accounts had been reclassified in order to comply with the requirements of the Accounting Regulations for Business Enterprises and the Disclosure Requirements of Listed Companies No.15-the General Requirements of Financial Reports.

28 POST BALANCE SHEET EVENT

Pursuant to the 22nd meeting of the Second Board of Directors held on 28th February 2002, the board of directors proposed to issue "A Share" convertible bonds for a total amount of not more than Rmb1,200 million. The convertible bonds have par value of Rmb100 and will mature in 5 years. The proposal is subject to approval of the shareholders at the annual general meeting to be held in 2002.

29 AUTHORISATION OF THE ISSUE OF THE ACCOUNTS

The accounts were authorised for issue by the Company's board of directors on 28th February 2002.