

Major Events

1. During the year 2001, there is no litigation or arbitration that is material to the Company.
2. Summary and progress of the Company's acquisitions and sale of assets, merger and combination during the reporting period:

During the reporting period, the Company and Tianjin Sewage Company entered into conditional agreements dated 24th September 2001 regarding the acquisition of the construction-in-progress of the Beicang sewage treatment plant, the Xianyanglu sewage treatment plant and the expansion project of the Jizhuangzi sewage treatment plant. Except for the novation of the loan facilities, all other conditions had been completed. Approval for the novation of the loan facilities denominated in Japanese Yen has been obtained from the State Ministry of Finance. The completion for the novation of the other two loan facilities will be actively followed up. The 2001 extraordinary general meeting has passed the resolution to amend the Articles of Association. However, the above projects have not been completed during the year. Accordingly, the Articles of Association will only be amended as soon as the above projects are completed.

The revenue for the above business is based on the Sewage Water Treatment Plants Construction Fee Agreement entered into between the Company and Tianjin Sewage Company on 24th September 2001. During the year, the construction costs incurred amounted to Rmb 238,926,154. Based on the progress of the construction work, the Company would receive construction fee of Rmb 91,012,587.

3. Significant connected transactions
 - (1) On 24th September 2001, Tianjin Sewage Company and the Company entered into an agreement for the acquisition of the construction-in-progress of the Beicang sewage treatment plant.
 - (2) On 24th September 2001, Tianjin Sewage Company and the Company entered into an agreement for the acquisition of the construction-in-progress of the Xianyanglu sewage treatment plant.
 - (3) On 24th September 2001, Tianjin Sewage Company and the Company entered into an agreement for the acquisition of the construction-in-progress of the expansion project of the Jizhuangzi sewage treatment plant.
 - (4) On 24th September 2001, Tianjin Municipal Investment Company Limited and the Company entered into an agreement regarding the project management of the construction of the Haihe Bridge.

Announcements in respect of these connected transactions have been published on 25th September 2001, 26th September 2001 and 18th October 2001 in Shanghai Securities, Hong Kong Wen Wei Pao and Hong Kong iMail accordingly.

- (5) Pursuant to the Sewage Water Processing Agreement entered into between TMICL and Tianjin Sewage Company on 10th October 2000, Tianjin Sewage Company agreed to procure TMICL to process sewage water for a term of 30 years. Tianjin Sewage Company is a state-owned enterprise under the supervisory control of the Tianjin Municipal Engineering Bureau of Tianjin. The agreement was initially entered into between TMICL and Tianjin

Sewage Company, as the sewage water processing business was owned and operated by TMICL at that time. After the completion of the Asset Exchange, the rights and obligations of TMICL were automatically transferred to the Company. The Company becomes a party to the agreement replacing TMICL. According to the pricing formula, the processing fee payable is structured on a cost-plus-profit approach, and is linked to, among other things, the cost of processing sewage water, a fixed return on the capital investment and incentive payments.

During the period under review, the Company processed sewage water 219 million cubic meters. A sewage water processing fee of Rmb 418 million and a net profit of Rmb 192 million were derived from the services provided pursuant to the Sewage Water Processing Agreement for the year ended 31st December 2001. In addition, the completed construction works of Beicang sewage treatment plant construction in progress, Xianyanglu sewage treatment plant construction in progress and Jizhuangzi sewage treatment plant construction in progress (expansion project) amounted to an aggregate amount of Rmb 239 million. As such, pursuant to the Sewage Water Treatment Plants Construction Fee Agreement, an income of approximately Rmb 91.013 million and a net profit contribution of Rmb 47.07 million were recorded for the year ended 31st December 2001.

- (6) Pursuant to the Road Repair and Maintenance Agreement and the supplementary agreement thereof entered into between TMICL and Tianjin Urban Road and Bridge Construction Company ("TURBCC") on 1st October 2000 and 24th November 2000, respectively, TURBCC will maintain and repair the Southeastern Half Ring Road for TMICL. TURBCC is a state-owned enterprise under the supervisory control of the Tianjin Municipal Engineering Bureau of Tianjin. The agreement was initially entered into between TMICL and TURBCC, as the Southeastern Half Ring Road was owned and operated by TMICL at that time. After the completion of the Asset Exchange, the rights and obligations of TMICL were automatically transferred to the Company. The Company becomes a party to the agreement replacing TMICL. Pursuant to the Road Repair and Maintenance Agreement, TURBCC will charge the Company for fees based on the rates prescribed under 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 from time to time.
- (7) The Company and TMICL entered into the Lease Agreement on 10th October 2000, pursuant to which the Company will lease from TMICL upon the completion of the Asset Exchange a building situated at No. 18 Jinlong Apartment, Shuishang Park North Road, Nankai District, Tianjin, the PRC, with a total gross floor area of approximately 674 sq. m. as its office premises. The annual rental payable by the Company to TMICL is Rmb 450,000 and such annual rental will be adjusted every three years based on the then market rentals determined by an independent valuer.

The independent directors of the Company confirm that the above transactions are entered into in accordance with normal commercial terms.

- (8) The Company paid Rmb 1,921,000 to Li & Partners, the legal adviser of the Company as to Hong Kong law, for legal advices in respect of the new and usual course of businesses. As Mr. Li Weibin is the present independent director of the Company and the partner of Li & Partners, the transaction constituted a connected transaction of the Company.

4. Significant contracts and status of implementation

During the reporting period, the Company properly complied with the terms of various business contracts and there was no significant dispute arising from these contracts.

- (1) During the reporting 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.
- (2) During the reporting period, the Company did not enter into any guarantees.
- (3) During the reporting period, the Company did not enter into any trust arrangement with any third party for financial management matters.

5. During the reporting period or remaining effective up to the reporting period, the Company or shareholders who are interested in more than 5% of the total issued share capital of the Company had not published any matters of commitments in the designated newspapers and websites.

6. During the reporting period, the Company re-appointed PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers, Certified Public Accountants, as auditors of the Company. Remunerations paid to the auditors during the year are as follows:

	2001	Notes
	Rmb	
Audit and financial services fees	4,134,000	The amount does not include other expenses such as the trip expenses mentioned below
Other fees	77,700	For the year ended 31st December 2001, the Company paid other fees of RMB 77,700 to the auditors of the Company, which represents a reimbursement of accommodation and traveling expenses incurred during the course of audit works carried out by the auditors of the Company in Tianjin. The directors of the Company confirm that the payment of such fees will not impair the independence of the auditors of the Company

The audit and financial services fees include:

- (1) Fees for professional services rendered in respect of the audit of 2001 PRC GAAP interim accounts and the review of 2001 HKGAAP interim accounts and the audit of the year 2001 accounts, and
- (2) Fees for professional services rendered in respect of the acquisitions during the year.

Major Events

7. During the reporting period, the Company, the Company's board of directors, directors and senior management were not subject to any review by the CSRS, administrative punishment by the CSRS, criticism through circulars or public statement of criticism. The CSRS and its related entities also had not carried out any regular recurring inspection of the Company.
8. During the reporting period, the Company was subject to 33% income tax rate and was not entitled to any preferential treatment on income tax.
9. Other major events
 - (1) As audited by Pricewaterhouse Zhong Tian Certified Public Accountants Co., Ltd., the Company's net profit for the year 2000 amounted to Rmb168,604,000. The auditors issued an unqualified audit report on the Company's accounts for the year 2000. Accordingly, the Shanghai Securities Exchange decided to cancel the special treatment of the Company's A Shares with effect from 26th March 2001. The abbreviation name of the Company's A Shares was changed from "ST Capital" to "Tianjin Capital".
 - (2) On 20th June 2001, the Company, Tianjin Municipal Investment Company Limited and Tianjin Bohai Chemical Industry Group Corporation confirmed that, save as the transfer of title in land and buildings, the transfer of titles in all other assets involved in the assets exchange were duly completed.