

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Six Months Ended 30th June 2002

		Unaudited Six months ended 30th June 2002	Unaudited 30th June 2001
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
TURNOVER	3	243,780	208,354
Cost of sales		<u>(67,196)</u>	<u>(54,961)</u>
Gross profit		176,584	153,393
Other revenues		1,419	563
Administrative expenses		(20,871)	(12,449)
Other operating expenses		<u>(1,026)</u>	<u>(29)</u>
Profit before taxation	4	156,106	141,478
Taxation	5	<u>(51,540)</u>	<u>(46,688)</u>
Profit after taxation		104,566	94,790
Minority interests		<u>75</u>	<u>—</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		104,641	94,790
Transfers to reserves	7	<u>—</u>	<u>(14,219)</u>
PROFIT RETAINED FOR THE PERIOD		<u><u>104,641</u></u>	<u><u>80,571</u></u>
		<i>Rmb</i>	<i>Rmb</i>
EARNINGS PER SHARE	8	<u><u>0.08</u></u>	<u><u>0.07</u></u>

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

CONSOLIDATED BALANCE SHEET

As At 30th June 2002

		Unaudited 30th June 2002	Audited 31st December 2001
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
FIXED ASSETS		1,291,056	1,312,002
INVESTMENT SECURITIES		4,000	4,000
CURRENT ASSETS			
Inventories		1,971	2,514
Accounts receivable	9	80,496	132,312
Other receivables and prepayments	10	189,543	215,688
Prepaid taxation		30,710	—
Bank balances and cash		278,166	260,468
		<u>580,886</u>	<u>610,982</u>
CURRENT LIABILITIES			
Accounts payable		414	209
Other payables	11	162,260	187,802
Dividend payable		2,723	—
Taxation payable		—	26,594
		<u>165,397</u>	<u>214,605</u>
NET CURRENT ASSETS		415,489	396,377
		<u>1,710,545</u>	<u>1,712,379</u>
Financed by:			
SHARE CAPITAL	12	1,330,000	1,330,000
CAPITAL RESERVE		69,289	69,289
GENERAL RESERVES		41,250	41,250
RETAINED EARNINGS		231,990	127,349
PROPOSED FINAL DIVIDEND		—	106,400
SHAREHOLDERS' FUNDS		1,672,529	1,674,288
MINORITY INTERESTS		1,816	1,891
LONG-TERM LIABILITIES	13	36,200	36,200
		<u>1,710,545</u>	<u>1,712,379</u>

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For The Six Months Ended 30th June 2002

	Unaudited Six months ended 30th June 2002	Unaudited Six months ended 30th June 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash inflow from operating activities	42,672	142,014
Net cash outflow from investing activities	(24,974)	(7,845)
Increase in bank balances and cash	17,698	134,169
Bank balances and cash at 1st January	260,468	51,839
Bank balances and cash at 30th June	<u>278,166</u>	<u>186,008</u>

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30th June 2002

	Share capital <i>Rmb'000</i>	Capital reserve <i>Rmb'000</i>	Unaudited General reserves <i>Rmb'000</i>	Retained earnings <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1st January 2002	1,330,000	69,289	41,250	233,749	1,674,288
Profit attributable to shareholders	—	—	—	104,641	104,641
Final dividend	—	—	—	(106,400)	(106,400)
	<u>1,330,000</u>	<u>69,289</u>	<u>41,250</u>	<u>231,990</u>	<u>1,672,529</u>
At 30th June 2002	<u>1,330,000</u>	<u>69,289</u>	<u>41,250</u>	<u>231,990</u>	<u>1,672,529</u>
At 1st January 2001	1,330,000	69,289	1,104	6,261	1,406,654
Profit attributable to shareholders	—	—	—	94,790	94,790
Transfers to reserves	—	—	14,219	(14,219)	—
	<u>1,330,000</u>	<u>69,289</u>	<u>15,323</u>	<u>86,832</u>	<u>1,501,444</u>
At 30th June 2001	<u>1,330,000</u>	<u>69,289</u>	<u>15,323</u>	<u>86,832</u>	<u>1,501,444</u>

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

NOTES TO THE INTERIM ACCOUNTS

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. On 20th December 2000, the Company carried out an exchange of business and related net assets, on a portfolio basis, with its current controlling shareholder Tianjin Municipal Investment Company Limited ("TMICL"). The business of manufacture and sale of marine chemical products previously conducted by the Company and its former subsidiaries, and the related net assets, were transferred out and all the former subsidiaries were disposed. The sewage water processing business and road and toll stations business (the "New Exchanged Business") previously conducted by TMICL, and the related net assets, were transferred in. On 8th January 2001, the name of the Company was officially changed to Tianjin Capital Environmental Protection Company Limited.

Subsequent to the exchange of business and related net assets as described above, the Company set up a subsidiary engaging in the business of water recycling during the second half of year 2001. The subsidiary is still in the set up stage. In addition, on 24th September 2001, the Company commenced additional new businesses including the sewage water processing plants construction and the Haihe Bridge project management (the "Additional New Business"). The operations of the Additional New Business are independent from that of the New Exchanged Business mentioned above.

Details of the principal activities and mode of operations conducted by the Company subsequent to the exchange of business and related net assets as described above are set out below:

(a) The New Exchanged Business conducted by the Company since 21st December 2000

Operating unit	Location	Principal activities
Dongjiao Sewage Water Processing Plant and Jizhuangzi Sewage Water Processing 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.

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 Processing Plant and Jizhuangzi Sewage Water Processing 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.

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

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

(b) The Additional New Business conducted by the Company since 24th September 2001

(i) Sewage Water Processing Plants Construction Business

On 24th September 2001, the Company and TSC entered into the Xianyanglu Sewage Water Processing Plant Construction-in-progress Transfer Agreement, the Jizhuangzi (Expansion) Sewage Water Processing Plant Construction-in-progress Transfer Agreement and the Beicang Sewage Water Processing Plant Construction-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.

Pursuant to the Transfer Agreements, the Company conditionally agreed to acquire from TSC the constructions-in-progress of Xianyanglu Sewage Water Processing Plant, Jizhuangzi (Expansion) Sewage Water Processing Plant and its related facilities, and Beicang Sewage Water Processing Plant (the "Sewage Plant Construction Projects"), in Tianjin. The aggregate considerations payable by the Company to TSC for the acquisition of the Sewage Plant Construction Projects amounted to Rmb137,892,000, which will be payable upon the completion of the transfers. Rmb81,473,000 of the considerations payable represented the value of the Sewage 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 Rmb56,419,000 represented reimbursement of the construction costs incurred by TSC during the period from 1st August 2001 to 24th September 2001, and was 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 certain bank loan facilities, totalling approximately Rmb1,460 million, already contracted by TSC for the Sewage Plant Construction Projects upon completion of the transfers.

In addition, the Company and TSC entered into a Sewage Water 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 processing plants, as incentives to remunerate the Company to take responsibility for the construction of the sewage water processing plants.

The aggregate 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 23.7% of the simple yearly/period 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 processing 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.

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

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

(b) The Additional New Business conducted by the Company since 24th September 2001 (Cont'd)

(i) Sewage Water Processing Plants Construction Business (Cont'd)

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

	Xianyanglu Sewage Water Processing Plant Construction Project	Jizhuangzi Sewage Water Processing Plant Expansion Project	Beicang Sewage Water Processing Plant Construction Project
Location	Tianjin, the PRC	Tianjin, the PRC	Tianjin, the PRC
Daily capacity (<i>cubic meter</i>) 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 (<i>Rmb' million</i>)	1,134	978	416
Estimated construction fees (<i>Rmb' million</i>)	589	317	264
% of completion of construction			
— as at 31st December 2001	6.0%	14.4%	3.8%
— as at 30th June 2002	7.3%	19.6%	4.0%
Construction fees recognised by the Company (<i>Rmb' million</i>)			
— up to 31st December 2001	35	46	10
— up to 30th June 2002	43	62	11

The Company is actively in the process of finalising the remaining transfer procedures in respect of the acquisition of the Sewage Plant Construction Projects. The Company understands that TSC neither has the intention nor has issued a written notice to cancel the Transfer Agreements. Since 24th September 2001, the construction of the projects has never been discontinued. 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 30th June 2002. However, since the transfers have not been completed, the construction costs incurred by the Company during the period from 24th September 2001 to 30th June 2002 could only be recorded as prepayments to suppliers for the time being, and the full amount will be transferred to the Company's construction-in-progress accounts upon completion.

(ii) 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 Rmb10,650,000. 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 the 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.

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts (“Interim Accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st December 2001, except that the Group has adopted the following new and revised SSAPs which became effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34:	Employee benefits

The adoption of the new and revised SSAPs has no material effect on the Group’s results other than presentational changes. Certain comparative figures have been reclassified to conform with the current period’s presentation.

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the turnover and contributions to operating profit for the period by principal activities is as follows:

	New Exchanged Business		Additional New Business		
	Sewage water processing	Road and toll stations	Sewage water processing plant construction	Haihe Bridge management	Total
	Six months ended 30th June 2002				
	<i>Rmb’000</i>	<i>Rmb’000</i>	<i>Rmb’000</i>	<i>Rmb’000</i>	<i>Rmb’000</i>
Turnover	<u>180,779</u>	<u>36,951</u>	<u>23,630</u>	<u>2,420</u>	<u>243,780</u>
Segment results	121,465	15,021	18,035	1,585	156,106
Taxation	<u>(40,108)</u>	<u>(4,957)</u>	<u>(5,952)</u>	<u>(523)</u>	<u>(51,540)</u>
Profit after taxation	81,357	10,064	12,083	1,062	104,566
Minority interests	<u>75</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>
Profit attributable to shareholders	<u>81,432</u>	<u>10,064</u>	<u>12,083</u>	<u>1,062</u>	<u>104,641</u>

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

	New Exchanged Business		Additional New Business		Total
	Sewage water processing	Road and toll stations	Sewage water processing plant construction	Haihe Bridge management	
	Six months ended 30th June 2001				
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Turnover	168,082	40,272	—	—	208,354
Segment results	118,418	23,060	—	—	141,478
Taxation	(39,078)	(7,610)	—	—	(46,688)
Profit attributable to shareholders	79,340	15,450	—	—	94,790

Pursuant to the PRC tax rules, the Group is subject to PRC business tax levied at 5% of operating revenue and government surcharges levied at 10% of the amount of business tax. The business tax and government surcharges related to revenues derived from the Group during the six months ended 30th June 2002 amounted to Rmb14,188,000 (2001: Rmb12,126,000) and has been deducted from the operating revenue to arrive at the turnover of the Group.

No geographical segment analysis is presented since all of the Group's operations are in the PRC.

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Six months ended 30th June	
	2002	2001
	Rmb'000	Rmb'000
Depreciation and amortisation	25,328	23,948
Staff costs	17,221	15,238
Repair and maintenance costs	9,771	3,610
Loss on disposal of fixed assets	889	23

5. TAXATION

No Hong Kong profits tax has been provided as the Group has no assessable profits in Hong Kong (2001: nil). PRC income tax has been charged at 33% (2001: 33%) on the assessable profits of the Group.

	Six months ended 30th June	
	2002	2001
	Rmb'000	Rmb'000
PRC income tax	51,540	46,688

6. DIVIDEND

No dividend was proposed by the Company for the six months ended 30 June 2001 and 30 June 2002.

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

7. TRANSFERS TO RESERVES

The Company's board of directors does not recommend any appropriation of the net profit for the six months ended 30th June 2002. The profit appropriation scheme will be decided after the 2002 annual accounts being audited. For the six months ended 30th June 2001, the Company's board of directors decided to transfer 10% and 5% of the net profit of the Company prepared under PRC accounting regulations to the statutory common reserve of Rmb9,479,000 and to the statutory provident fund of Rmb4,740,000, respectively.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of Rmb104,641,000 (2001: Rmb94,790,000) and 1,330,000,000 shares (2001: 1,330,000,000 shares) in issue during the period.

9. ACCOUNTS RECEIVABLE

The accounts receivable of the Group as at 30th June 2002 and 31st December 2001 were aged within one year.

Details of the accounts receivable are set out as follows:

	30th June 2002	31st December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Amounts due from TSC		
— revenue from sewage water processing services (<i>note 1(a)</i>)	36,675	44,719
— revenue from sewage water processing plants construction services (<i>note 1(b)(i)</i>)	41,656	84,864
Haihe Bridge project management fee income (<i>note 1(b)(ii)</i>)	2,031	2,729
Others	134	—
	<hr/>	<hr/>
Total	80,496	132,312
	<hr/> <hr/>	<hr/> <hr/>

10. OTHER RECEIVABLES AND PREPAYMENTS

Included in other receivables and prepayments as at 30th June 2002 was an amount of Rmb170,337,000 (31st December 2001: Rmb215,730,000), which represented the construction costs incurred during the period from 24th September 2001 to 30th June 2002 in relation to the sewage water processing plants construction services amounting to Rmb305,546,000 (31st December 2001: Rmb238,926,000) (*note 1*), less amounts paid by TSC on behalf of the Group amounting to Rmb135,209,000 (31st December 2001: Rmb23,900,000).

11. OTHER PAYABLES

Other payables as at 30th June 2002 included an amount due to TMICL of Rmb55,168,000 (31st December 2001: Rmb17,696,000), which is unsecured, interest free and has no specific repayment terms, except for an amount of Rmb30,000,000 which had been repaid on 24th July 2002.

In addition, other payables as at 30th June 2002 included an amount of construction costs payable of Rmb90,337,000 (31st December 2001: Rmb135,730,000) which represented the balance payable to contractors in respect of the construction costs incurred by the Company in relation to the construction of the sewage water processing plants during the period from 24th September 2001 to 30th June 2002 (*note 1*). The construction costs payable included amounts of Rmb84,606,000 (31st December 2001: Rmb99,396,000) payable to related companies.

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

12. SHARE CAPITAL

	30th June 2002	31st December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Registered, issued and fully paid capital of Rmb1 each:		
990,000,000 A shares	990,000	990,000
340,000,000 H shares	340,000	340,000
	<u>1,330,000</u>	<u>1,330,000</u>

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

13. LONG-TERM LIABILITIES

Long-term liabilities include a specific payable of Rmb36,000,000 obtained by the Company's subsidiary, Tianjin Water Recycling Company Limited, from Tianjin Municipal Engineering Bureau ("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 payable is granted for the construction of the Jizhuangzi sewage water recycling project. The remaining balance is obtained by the subsidiary from Tianjin Municipal Government. These specific payables are interest free and the method and date of repayment will only be determined after the completion of the construction project which is estimated to take more than one year.

14. COMMITMENTS

(a) Capital commitments

	30th June 2002	31st December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Contracted but not provided for (i)	173,841	137,892
Authorised but not contracted for (ii)	2,276,379	2,398,694
	<u>2,450,220</u>	<u>2,536,586</u>

(i) The amount represented the consideration as at 24th September 2001 in respect of the proposed acquisition of the sewage water processing plants constructions-in-progress (note 1(b)(i)) amounting to Rmb137,892,000, which will be payable upon completion of the acquisitions, and the capital commitments of Tianjin Jizhuangzi sewage water recycling project of the Company's subsidiary, Tianjin Water Recycling Company Limited, amounting to Rmb35,949,000.

(ii) The Group amount comprises the commitments of the Company in respect of the construction projects of the sewerage water processing plants from 1st July 2002 to completion date, amounting to Rmb2,217,574,000 and the capital commitments of Tianjin Jizhuangzi sewage water recycling project of the Company's subsidiary, Tianjin Water Recycling Company Limited, amounting to Rmb58,805,000.

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

14. COMMITMENTS (Cont'd)

(b) Operating lease commitments

At 30th June 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises leased from TMICL as follows:

	30th June 2002	31st December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Within one year	1,050	450
One year to five years	3,000	1,800
After five years	6,075	6,300
	<u>10,125</u>	<u>8,550</u>

In addition, certain leases in respect of the land and buildings at toll stations of the Group were leased from third parties with no specific lease period. The yearly rental in respect of these leases in aggregate amounts to Rmb380,000.

15. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related companies for the six months ended 30th June 2002 and 30th June 2001, which were carried out in the normal course of operations:

Name of enterprises	Nature of transaction	Six months ended 30th June	
		2002	2001
		<i>Rmb'000</i>	<i>Rmb'000</i>
<i>Income</i>			
TSC	Revenue from sewage water processing services (note (a))	191,301	177,864
TSC	Revenue from construction of sewage water processing plants (note (b))	25,005	—
TMICL	Revenue from Haihe Bridge project management services (note (c))	2,560	—
<i>Expenses</i>			
TURBCC	Road repair and maintenance (note (d))	1,536	—
TMICL	Operating lease rental in respect of office premises (note (e))	525	225
Li & Partners	Legal consulting fees (note (f))	1,348	960
<i>Others</i>			
Related contractors	Prepaid sewage water processing plants construction costs (note (g))	<u>41,157</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(a).
- (b) This represents revenue derived from the construction of sewage water processing plants services rendered by the Company to TSC according to Sewage Water Plants Construction Fee Agreement, details of which are set out in note 1(b)(i).
- (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 1(b)(ii).

IX. ACCOUNTS PREPARED IN ACCORDANCE WITH HK GAAP

15. RELATED PARTY TRANSACTIONS (Cont'd)

- (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 South-eastern Half Ring Road for fees based on the rates prescribed in the Index For Estimation of Repaired 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 two office premises leasing agreements, signed on 10th October 2000 and 7th April 2002 respectively. According to the agreements, the Company shall lease two buildings from TMICL as its office premises for a total annual rentals of Rmb1,050,000, and such rentals 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 provided by Li & Partners. Li & Partners is a law firm in which a former independent director of the Company in 2001 and during the period, Mr Li Wei Bin, has a beneficial interest. Pursuant to the annual general meeting held on 16th April 2002, Mr. Li Wei Bin resigned as an independent director from the date of the general meeting.
- (g) This represents the construction costs incurred in respect of the Sewage water processing plants during the period from 1st January 2002 to 30th June 2002 and payable to the following related contractors:

Name of related parties	Six months ended 30th June	
	2002	2001
	Rmb'000	Rmb'000
Tianjin Urban Road Construction No.2 Co., Ltd.	22,524	—
Tianjin Urban Road Construction No.3 Co., Ltd.	5,705	—
Tianjin City Construction Group Co., Ltd.	406	—
Sewage Management Bureau No.2 Management Office	600	—
Sewage Management Bureau No.4 Management Office	1,000	—
Tianjin Sewage Engineering Company	7,666	—
Tianjin Sewage Engineering No.2 Company	750	—
Tianjin Road & Bridge Management Bureau No.1 Management Office	651	—
Tianjin Road & Bridge Management Bureau No.3 Management Office	355	—
Tianjin Municipal Engineering Design Research Institute	1,500	—
	<hr/>	<hr/>
Total	41,157	—
	<hr/> <hr/>	<hr/> <hr/>

- (h) The road and toll stations business has fifteen toll stations as at 30th June 2002. According to a land leasing agreement, the land on which twelve of the fifteen toll stations are located is granted by TMEB for perpetual use of the road and toll stations business free of charge.

16. SIGNIFICANT EVENTS

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 of total amount not more than Rmb1,200 million at par value. The par value of each convertible bond is Rmb100 and the bonds will be mature in 5 years. The proposal was approved at the tenth annual general meeting by the shareholders held on 16th April 2002.