

1. Summary of the Results

(1) Summary of profit and loss accounts

The Group's Profits

	2001 RMB'000	2000 RMB'000	Pro forma		
			1999 RMB'000	1998 RMB'000	1997 RMB'000
Turnover	667,435	612,640	432,368	416,079	411,507
Profit after taxation	191,778	289,520	224,041	226,499	229,331
Profit attributable to shareholders	190,616	287,900	222,047	224,619	227,422
Earnings per share (RMB)	0.19	0.28	0.36	0.37	0.38

(2) Analysis of segment results

	2001 Amount RMB'000	% on profit before taxation	2000 Amount RMB'000	% on profit before taxation	Pro forma					
					1999 Amount RMB'000	% on profit before taxation	1998 Amount RMB'000	% on profit before taxation	1997 Amount RMB'000	% on profit before taxation
Total Segment profit before taxation of the Group	302,809	100	400,758	100	308,390	100	302,724	100	306,570	100
Main segment results included:										
Shenyang Water	267,167	88.2	357,319	89.2	264,717	85.8	250,368	82.7	248,608	81.1
Shenhai Co-generation	18,447	6.1	21,444	5.4	38,419	12.5	41,747	13.8	41,609	13.6
Real Estate Development	16,780	5.5	(403)	—	—	—	—	—	—	—

(3) Analysis of segment turnover

	2001 Amount RMB'000	% on total turnover	2000 Amount RMB'000	% on total turnover	Pro forma					
					1999 Amount RMB'000	% on total turnover	1998 Amount RMB'000	% on total turnover	1997 Amount RMB'000	% on total turnover
Total turnover	667,435	100	612,640	100	432,368	100	416,079	100	411,507	100
Of which:										
Shenyang Water	577,362	86.5	595,285	97.2	403,425	93.3	385,232	92.6	377,489	91.7
Real Estate Development	90,073	13.5	—	—	—	—	—	—	—	—

2. Analysis of Urban Water Supply Business

Summary of results

Items	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>	Change %
Turnover	577,362	595,285	(3.01)
Profit before taxation	267,985	356,739	(24.88)

During the Year, the operating results of Shenyang Water decreased significantly comparing to the Previous Year, this was attributable to a serious drought which has happened in the northeastern area of China including Shenyang since early 2001. The average volume of rain fall per annum decreased by 35% and water resource was in short supply. Shenyang Municipal Government demanded for the active adoption of water-saving measuring by all industrial and commercial enterprises and residents in the whole city. A progressive water fee scale was adopted for the consumption of water by residents so that demand for the purified water in Shenyang decreased. Accordingly, sales volume of the purified water of Shenyang Water was lower than that of the Previous Year. Its earnings level also decreased correspondingly. At the same time, the work in collecting water fee by SWGC was very unsatisfactory. As a result, SWGC experienced very difficult financial positions and could not make full payment of water fee to Shenyang Water on a timely basis that caused to incur an interest on overdue payment. Accordingly, in accordance with the prudence principle, Shenyang Water had made a provision for doubtful debts of RMB130,587,000 for certain receivables in 2001.

3. Analysis of Real Estate Company Business

During the Year, there was a steady growth in the development of Real Estate Company. The construction of the first residential project "Hongji Garden" developed by Real Estate Company was officially completed. As at 31st December 2001, actual area sold amounted to 28,807 sq.m., representing 39% of the saleable area. 258 units of properties were sold, representing 40% of the total number of properties. Recognised turnover and profit before taxation amounted to approximately RMB90,073,000 and RMB16,974,000 respectively. As Real Estate Company was established in June 2000 and had no sales during the Previous Year, no year-on-year comparison was presented.

4. Analysis of Electricity and Heat Co-generation Business

Summary of results

Items	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>	Change %
Turnover	520,159	536,731	(3.09)
Profit before taxation	81,988	95,305	(13.97)
The Group's share of profit before taxation (22.50%)	18,447	21,444	(13.97)
Profit after taxation	63,431	82,134	(22.77)
The Group's share of profit after taxation (22.50%)	14,272	18,480	(22.77)

4. Analysis of Electricity and Heat Co-generation Business (Continued)

Shenhai Co-generation is currently the largest electricity and heat co-generation enterprise in Shenyang. During the Year, net electricity generation of Shenhai Co-generation amounted to 1,921,970 MWh, representing a decrease of approximately 4.19% when compared with that of the Previous Year. This was mainly because the State continued to consolidate power enterprises and adjust grid operations during the Year; in addition, part of the electricity was charged at a lower price, which led to a decrease in investment gain of the Group as compared with the Previous Year. Owing to an increase in heat demand in winter, heat supply of Shenhai Co-generation increased. During the Year, the heat supply of Shenhai Co-generation reached 5,012,124GJ, representing an increase of 7.92% over that of the Previous Year.

5. Analysis of Investment in the Business of Qinghua Ziguang Technology Venture Investment Company Limited

Qinghua Ziguang Technology Venture Investment Company Limited ("QTIL") was formally established in May 2000. It is a business venture principally engaged in high-tech investment projects. As at 31st December 2001, the registered capital of QTIL was RMB250,000,000. It is owned by nine shareholders with total assets amounting to RMB364,083,000, including current assets of RMB311,720,000 and long-term investments of RMB49,784,000. During the Year, profit after taxation of QTIL amounted to RMB16,007,000 and distributable profits amounted to RMB13,606,000. The Company had received dividends in the sum of RMB1,088,000 according to its proportionate shareholding after the balance sheet date. Following the increase in capital and issue of new shares by QTIL, the investment of the Company in the total registered capital of QTIL has been diluted from 11.11% to 8.00%.

6. Analysis of the Group's Assets and the Financial Position

(1) Financial statistics of the Group

Items	Basis of calculation	As at 31st	As at 31st
		December 2001	December 2000 (As restated)
Gearing ratio	Total liabilities/total assets x 100%	10.2%	20.7%
Current ratio	Current assets/current liabilities	5.3	2.7
Quick ratio	(Current assets - inventories - properties under development for sale - completed properties held for sale) / current liabilities	4.0	2.2
Earnings/net assets ratio	Net profit/net assets x 100%	10.9%	17.1%
Sales profit margin	Net profit/sales x 100%	28.6%	47.0%
Debt equity ratio	Total liabilities/shareholders' equity x 100%	11.4%	26.3%

6. Analysis of the Group's Assets and the Financial Position (Continued)

(2) Overall position of the Group's assets

During the Year, there was a decrease in the total assets of the Group when compared to that of the Previous Year. The total assets of the Group decreased to approximately RMB1,955,354,000 in 2001 from approximately RMB2,135,141,000 in the Previous Year, representing a decrease of approximately RMB179,787,000 or 8.42%.

Items	As at	As at	RMB'000
	31st December 2001	31st December 2000	Changes in amount
Total assets	1,955,354	2,135,141	(179,787)
Of which:			
Fixed assets	731,718	751,252	(19,534)
Construction-in-progress	2,521	11,174	(8,653)
Interest in a joint venture	140,638	165,462	(24,824)
Investment securities	20,000	20,000	—
Current assets	1,060,477	1,187,253	(126,776)

(3) Current assets of the Group

During the Year, the current assets of the Group was decreased by RMB126,776,000 to RMB1,060,477,000 as compared to RMB1,187,253,000 of the Previous Year, representing a decrease of approximately 10.68%, mainly due to the repayment of bank loans during the Year.

Items	As at 31st	As at 31st	RMB'000
	December 2001	December 2000	Changes in amount
Current assets	1,060,477	1,187,253	(126,776)
Of which:			
Cash and bank deposits	506,664	651,682	(145,018)
Accounts receivable	145,890	163,572	(17,682)
Prepayments, deposits and other receivables	111,278	158,957	(47,679)
Properties under development for sale	171,000	201,723	(30,723)
Completed properties held for sale	98,079	—	98,079
Amount due from a joint venture	23,855	10,423	13,432
Amount due from a fellow subsidiary	2,815	—	2,815
Inventories	896	896	—

6. Analysis of the Group's Assets and the Financial Position (Continued)

(4) Pledge of foreign currency deposits of the Group

As at 31st December 2001, the Company had bank loans totalling RMB80,000,000 (2000: RMB250,000,000) of which an amount of RMB60,000,000 (2000: RMB250,000,000) was pledged by a bank deposit of HK\$60,000,000 (2000: HK\$250,000,000). Both the term of security and repayment term of the loans were within one year.

(5) Currency risks

According to the "Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks" periodically promulgated by the State Administration of Foreign Exchange of the PRC in 2001, the exchange rates of Renminbi to US dollar and to Hong Kong dollar were stable as a whole, and the exchange rate of the Hong Kong dollar to Renminbi experienced slight fluctuations during the Year. Accordingly, the risks of the Company's deposits in Hong Kong dollars were relatively low.

(6) Land reserves

During the Year, Real Estate Company, has two plots of land reserves with a total area of 214,000 sq.m. as follows:

1. Portion No. 31, Wenhua East Road, Dongling District, Shenyang with an area of approximately 161,000 sq.m. with cost of RMB171,000,000 already paid.
2. Portion No. 36, Huaihe Street, Huanggu District, Shenyang with an area of approximately 53,000 sq.m. with cost of RMB81,700,000 already paid.

Real Estate Company intends to use the aforementioned land reserves for real estate development in the future, and its planning and design are being in progress.

(7) Contingent liabilities

As at 31st December 2001, the Group did not have any contingent liabilities.

6. Analysis of the Group's Assets and the Financial Position (Continued)

(8) Analysis of equity and reserves

Items	As at 31st December 2001 <i>RMB'000</i>	As at 31st December 2000 <i>RMB'000</i> (As restated)	Changes in amount <i>RMB'000</i>
Share capital	1,020,400	1,020,400	—
Share premium	323,258	323,258	—
Surplus from asset revaluation	36,829	37,032	(203)
Statutory surplus reserve	109,487	64,322	45,165
Statutory public welfare reserve	54,741	32,161	22,580
Retained profits	202,241	207,599	(5,358)

7. Use of Proceeds Arising from the Issue of H Shares

The issue of 420,400,000 H shares in the Company in December 1999 raised net proceeds of RMB684,256,000. No proceeds were raised by means of issuing new shares thereafter. The proceeds were applied in accordance with the intended use as disclosed in the prospectus of the Company dated 7th December 1999 (the "Prospectus"). Up to 31st December 2001, the Company had made investments totalling approximately RMB493,230,000 (2000: RMB493,230,000), of which:

- (1) RMB231,951,000 had been applied to invest in the acquisition of No. 8 Water Plant (as defined in the Prospectus);
- (2) RMB56,787,000 had been applied for the acquisition and construction of the Shifosi Water Source expansion project (as defined in the Prospectus) ;
- (3) RMB9,041,000 had been applied to renovate the system of production facilities of Shenyang Water;
- (4) RMB1,000,000 had been applied to purchase new vehicles for Jingwei Transportation (as defined in the Prospectus); and
- (5) the balance was used as working capital.

8. Number of Employees and Their Education Levels

As at 31st December 2001, the Group had 1,999 staff, of which 42 worked in the Company's headquarter, 1,939 worked in Shenyang Water and 18 worked in Real Estate Company.

429 staff of the Group had received university or higher education, and 185 technicians were of intermediate rank or above.

During the Year, the aggregate salary paid to the staff amounted to RMB44,419,000 (2000: RMB44,318,000). The Group has not established any share option scheme for any of its senior management or staff.