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The board of directors (the “Board”) of Shenyang Public Utility Holdings Company Limited (the “Company”) is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2002 (the “Period”). The consolidated results, the consolidated cash flow statement and the statements of changes in equity for the Period and the consolidated balance sheet of the Group as at 30th June 2002, which are all unaudited and prepared in condensed accounts together with some explanatory notes to the accounts, are set out from page 22 to 36 in this report.

## Management Discussion and Analysis

### I. Major Business Review of the Group

The Group, a public utility developer and operator based in Shenyang, is principally engaged in the production and sale of purified water, the development and sale of real estate and the production and sale of electricity and heat through a joint venture. The former subsidiary of the Company, Shenyang Water Company Limited (“Shenyang Water”), is the largest producer of purified water in Shenyang. The Company’s subsidiary, Shenyang Development Real Estate Company Limited (“Real Estate Company”), is a real estate developer in Shenyang. Shenyang Shenhai Hot Electricity Company Limited (“Shenhai Co-generation”), the Company’s joint venture, is the largest coal-fired power and heat co-generation enterprise in Shenyang.

The Company disposed of its entire 99.37% interest in Shenyang Water (the “Disposal”) during the Period (details of which are set out in section 9 of Management Discussion and Analysis), and the Disposal was approved at the extraordinary general meeting of the Company held on 20th August 2002. Shenyang Water was no longer a subsidiary of the Company since 1st April 2002. Details of the business prospects of the Company are set out in section 12 of Management Discussion and Analysis.

During the Period, turnover of the Group amounted to RMB230,323,000, representing a decrease of approximately 17.51% as compared with the corresponding period (the “Corresponding Period”) for the six months ended 30th June 2001 (the “2001 Period”); profit after taxation and minority interests amounted to approximately RMB98,411,000, representing a decrease of approximately 6.17% from the Corresponding Period; and earnings per share were approximately RMB0.10, which maintained at the same level as that of the Corresponding Period.



## 1. Urban Water Supply

During the Period, the declining trend of sales volume of Shenyang Water persisted due to the decrease in consumption by end-users in Shenyang. For the three months period from 1st January to 31st March 2002, aggregate sales of purified water was 113,349,449 cu.m., representing approximately 6.07% decrease from the Corresponding Period.

During the Period, turnover of Shenyang Water amounted to RMB143,547,000, profit after taxation and minority interests amounted to approximately RMB50,079,000. According to the agreement in relation to the Disposal (the "Disposal Agreement"), the economic benefits relating to the 99.37% equity interest of Shenyang Water for the three months period commencing from 1st January to 31st March 2002 would be attributable to the Group. Accordingly, the Company only reported the relevant operational figures of Shenyang Water for the three months period commencing from 1st January to 31st March 2002, and no comparison with the results of the same period last year is presented.

## 2. Real Estate Development

During the Period, there was a steady growth in the development of Real Estate Company. The sales of the residential project "Hongji Garden" developed by Real Estate Company has nearly come to an end, with 538 units of properties sold, representing 83% of the total saleable number of properties. Recognised sales income and profit before taxation amounted to 86,776,000 and 18,421,000 respectively. As no projects developed by Real Estate Company in the first half of 2001 has been completed for sale, no comparison with the figures of the same period last year is presented.

The construction of the residential project "Water-Flowers City" developed by Real Estate Company had commenced after the Period with a planned gross floor area of 8,900 square metres. The standard of such residential project is of medium to high-class. The construction period is estimated to be one year.

### 3. Electricity and Heat Co-generation

During the Period, turnover and profit before taxation of Shenhai Co-generation amounted to RMB292,354,000 and RMB53,039,000 respectively, representing an approximately 1.83% and 7.75% increase from the Corresponding Period.

During the Period, on-grid sales of Shenhai Co-generation was 1,034,360 MWh, representing approximately 3.71% increase from the Corresponding Period; total heat production was 2,682,609 GJ, representing approximately 8.25% decrease from the Corresponding Period.

The growth in results of Shenhai Co-generation was mainly attributable to the increase in market demand for electricity and increase in on-grid sales of Shenhai Co-generation during the Period. Besides, Shenhai Co-generation has strengthened its technological management in production to ensure safe operations of its generating units. As a result, no generating units had experienced material suspension.

### 4. High Technology Investment

The Company established Tsinghua Unisplendour Hi-Tech Venture Capital, INC (“TUIL”) jointly with the other eight shareholders in May 2000. QTIL is a business venture principally engaged in high-tech investment projects. As at 30th June 2002, the registered capital of QTIL was RMB250,000,000. It is owned by 13 shareholders. The Company has invested a total of RMB20,000,000 in QTIL, representing 8.00% of the total share capital of QTIL.

During the Period, the Company had received dividends of RMB1,088,000 from QTIL for the year 2001, representing an increase of 6.45% from the Corresponding Period.

During the Period, being adversely affected by macroeconomic factors relevant with venture investment, QTIL’s gains from investment projects were unsatisfactory. As a result, a loss of RMB5,820,000 was recorded.

## II. Group's Working Capital and Financial Resources

As at 30th June 2002, the Group had repaid all of its bank loans (31st December 2001: RMB80,000,000, with an annual interest rate of 5.02%).

During the Period, the Group did not default in any repayment of principal and interest.

Financial indicators and their calculation basis are as follows:

| Financial Indicators      | Calculation Basis                     | As at<br>30th June 2002 | As at<br>31st December 2001 |
|---------------------------|---------------------------------------|-------------------------|-----------------------------|
| Gearing ratio             | Total liabilities/total assets x 100% | 5.9%                    | 10.2%                       |
| Earnings/net assets ratio | Net profit/net assets x 100%          | 5.3%                    | 10.9%                       |
| Sales profit margin       | Net profit/sales x 100%               | 42.7%                   | 28.6%                       |

### Water Fees Receivables

The sole customer of Shenyang Water is Shenyang Water General Corporation ("SWGC"). As at 31st March 2002, the total amount due from SWGC to Shenyang Water was RMB351,635,000 (31st December 2001: RMB233,683,000), representing an increase of approximately 50.47%. After deducting the bad debts provision of RMB97,546,000 made by Shenyang Water in 2001, the remaining balance for water fees receivables was RMB254,089,000 (31st December 2001: RMB136,137,000), representing an increase of 86.64%.

The increase in remaining balance of water fees receivables of Shenyang Water was mainly attributable to unsatisfactory collection of water fees by SWGC from end-users. In addition, SWGC experienced financial difficulties and was unable to settle the outstanding amount on a timely basis.

Pursuant to relevant provisions of the Disposal Agreement, upon the completion of the Disposal, even if the above receivables can be fully or partially recovered, it would not be recognised in the accounts of the Group.

### III. Capital Structure of the Group

#### 1. Capital Structure of the Group

| Items                               | As at 30th June 2002 |                                   | As at 31st December 2001 |                                   |
|-------------------------------------|----------------------|-----------------------------------|--------------------------|-----------------------------------|
|                                     | Amount<br>(RMB'000)  | Percentage<br>to Total<br>Capital | Amount<br>(RMB'000)      | Percentage<br>to Total<br>Capital |
| Share capital                       | 1,020,400            | 55.28%                            | 1,020,400                | 58.12%                            |
| Share premium                       | 323,258              | 17.51%                            | 323,258                  | 18.41%                            |
| Asset revaluation<br>reserve        | —                    | —                                 | 36,829                   | 2.10%                             |
| Statutory surplus reserve           | 67,636               | 3.66%                             | 109,487                  | 6.23%                             |
| Statutory public welfare<br>reserve | 33,817               | 1.83%                             | 54,741                   | 3.12%                             |
| Retained earnings                   | 400,256              | 21.68%                            | 202,241                  | 11.52%                            |
| Minority interests                  | 639                  | 0.04%                             | 8,866                    | 0.50%                             |
| Total capital                       | <u>1,846,006</u>     | <u>100%</u>                       | <u>1,755,822</u>         | <u>100%</u>                       |

#### 2. Currencies and Structure of Interest Rates

| Currency         | As at 30th June 2002 |                          | As at 31st December 2001 |                          |
|------------------|----------------------|--------------------------|--------------------------|--------------------------|
|                  | Amount('000)         | Average<br>Interest Rate | Amount('000)             | Average<br>Interest Rate |
| Hong Kong Dollar | 309,362              | 2.52%                    | 303,801                  | 3.02%                    |
| Renminbi         | 426,176              | 0.79%                    | 184,454                  | 0.99%                    |

### IV. Taxation

Details of taxation of the Group are set out in note 7 to the condensed interim accounts on pages 29.

### V. Details of the Group's Asset Pledged

As at 30th June 2002, the Group had no asset pledged as security.

## **VI. Currency Risks**

According to the regular announcements of the “Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks (1-3 issues)” for 2002 announced by the State Administration of Foreign Exchange, the exchange rates of Renminbi to Hong Kong dollar generally remained stable during the Period. Accordingly, the risk of the Company’s deposits in Hong Kong dollars was relatively low.

## **VII. Number of Employees, Emoluments Policies, Training Schemes and Share Option Schemes**

As at 30th June 2002, the Group employed a total of 56 employees (including directors of the Company, but excluding 1,925 employees formerly employed by Shenyang Water) and provided them with emoluments totalling approximately RMB16,302,000 during the Period (2001 Period: RMB20,985,000). The Group has entered into employment contracts with all the employees. Employees are offered different emoluments with respect to their different positions. The Group also made contribution to endowment insurance and housing provident funds for all the employees in accordance with the relevant laws of the PRC. The Group also provided them with vocational training courses. To date, the Group has not adopted any share option scheme for any of its senior management or employees.

## **VIII. Significant Investments Held**

As at 30th June 2002, the Group held 8.00% equity interests in TUIL with investment of RMB20,000,000 (31st December 2001: RMB20,000,000).

## **IX. Changes in the Composition of the Group**

### **1. Disposal of 99.37% equity interest in Shenyang Water**

During the Period, there were significant changes in the external environment of purified water business and Shenyang Water was facing the following adverse conditions: (1) there was a substantial increase in the production costs of Shenyang Water resulting from change of policies; (2) the actual water usage by end-users in Shenyang continued to decline; (3) the uncertainty relating to SWGC’s ability to fully honour its obligations to Shenyang Water pursuant to the SWGC Water Supply Agreement; and (4) the substantial decrease in the valuation on the business of Shenyang Water.

Accordingly, in order to get away completely from the unfavourable conditions in operating the purified water businesses by the Group and to safeguard the interests of shareholders as a whole, the Board resolved on 12th June, 2002 to dispose of its entire 99.37% interest in Shenyang Water to Shenyang Zheng Xing Enterprise Group Company Limited (“Zheng Xing”, a third party independent of the Group). The consideration for the Disposal is RMB900,000,000, representing a profit of approximately RMB37,700,000 over the net assets of Shenyang Water as at 31st March 2002 of approximately RMB867,800,000 (the unaudited net asset value prepared under the accounting principles generally accepted in Hong Kong). Pursuant to the Disposal Agreement, the economic benefits relating to the 99.37% equity interest of Shenyang Water for the three months commencing from 1st January to 31st March 2002 would be attributable to the Group. From 1st April 2002, the corresponding 99.37% equity interest in Shenyang Water, together with all the related assets (including but not limited to outstanding debts) and liabilities would be undertaken by Zheng Xing. All or part of the outstanding debts recovered by Shenyang Water in the future would not be recognized in the accounts of the Group.

A circular in relation to the Disposal had been despatched to the shareholders of the Company on 5th July 2002. Details of the relevant substance of the Disposal Agreement, the reasons for the Disposal and the proposed use of the proceeds from the Disposal were contained in the circular.

According to the requirements of the notice convening the extraordinary general meeting of the Company in 2002, which was despatched together with such circular, the extraordinary general meeting was held on 20th August 2002. The Disposal was passed at the meeting by way of special resolution.

As at 9th September 2002, the Company has received an aggregate sum of RMB900,000,000, representing 100% of the consideration for the acquisition of the equity interest, from Zheng Xing as its payment for the acquisition of the 99.37% equity interest in Shenyang Water.

Please refer to section 11 of Management Discussion and Analysis for the details of the proposed use of the proceeds from the Disposal.



## 2. Increase in registered capital of Real Estate Company

In view of a steady growth in the development of real estate market in Shenyang City, the Real Estate Company has achieved promising results since its establishment. In order to strengthen the capital of the Real Estate Company and enlarge its scale, a Board meeting was held on 12th June 2002 at which it was resolved to increase the Company's investment in Real Estate Company by RMB215,000,000, and its registered capital had increased from RMB35,000,000 to RMB250,000,000. After such increase in investment, the Company's shareholding in Real Estate Company has increased from 99% to 99.86%. The increase in investment was completed in July 2002.

## X. Use of Proceeds 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. Up to 30th June 2002, the Company had made used totalling RMB493,230,000 (30th June 2001: 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 Shenyang Jingwei Passenger Transportation Company Limited\*; and
- (5) the balance was used as working capital.

Pursuant to the ordinary resolution passed in the extraordinary general meeting held by the Company on 20th August, 2002, it was resolved that among the proposed funds of RMB489,000,000 which was originally intended for financing in Shenyang Water, RMB200,000,000 of which that was not yet used would be used for other purposes. Details of new use of the amount are set out in section 23 of Management Discussion and Analysis.

- \* Shenyang Jingwei Passenger Transportation Company Limited was formerly a subsidiary of the Company. In December 2000, the Company disposed of its 99% equity interest therein.

## **XI. Major Investment Plans in the Future**

### **1. Investment in acquisition of land use rights**

During the Period, the Company entered into a letter of intent with the Development Zone and intended to invest RMB 120,000,000 to acquire a piece of land with an area of 1,200 Mu (畝) for a term of 50 years.

The aforesaid investment will be financed by a substantial proportion of the balance of the proceeds from the initial public offering after its application has been changed. The aforesaid land will be utilized by the Company for its prospective investment in the residential and education projects.

### **2. Investment in education and property projects**

During the period, the Company has completed preliminary plans in respect of the land with an area of 1,200 Mu (畝) acquired in the Development Zone, including: (1) the construction of an experimental school attached to Peking University, comprising primary, junior and senior secondary education divisions which will occupy 300 Mu (畝) of the land with a proposed investment of approximately RMB200,000,000; (2) investment in developing medium to high class residential projects in four phases which will occupy 900 Mu (畝) of the land with a proposed investment of approximately RMB390,000,000 for the first and second phases of the residential project which will occupy 300 Mu (畝) of the land. The construction of the experimental school under Peking University is expected to be completed in September of 2004 for enrollment, whereas construction of the first and second phases of the residential project is expected to be completed in the second half of 2005.

The construction costs for these projects will be mainly financed by the proceeds from the Disposal.

## **XII. Business Prospects of the Company**

Subsequent to the completion of the Disposal, the Company will focus on developing real estate and education projects.

The Company believes that with the robust development of the PRC economy and gradual improvement of the living standard, the demand for high quality housing will steadily increase. In view of the prosperous state of the property market, revenues derived from property development industry will surpass the risks incurred in the long term. Meanwhile, in order to enhance self-quality and to remain competitive in the society, people now tend to invest more in education and in particular, with the increasing recognition of the importance of prestige education. In addition, Beijing Beida Hi-Tech Industry Investment Company Limited (“Beida Hi-Tech”) successfully became a shareholder of Shenyang Public Utility Group Company Limited (“SPU”, the controlling shareholder of the Company) by subscribing new shares of SPU (details of which are set out in section 13 of Management Discussion and Analysis), the Company will be able to get enormous support from the most prestigious university in China—Peking University on the development of education projects. Its support will certainly secure steady income from the education projects to be invested by the Company.

## **XIII. Changes in the Share Structure of Controlling Shareholder**

The Company has been notified by SPU that on 25th July 2002, Shenyang Urban Infrastructure Facility Construction Investment Development Company Limited (“Shenyang Urban Construction Company”), Shenyang State-owned Assets Management Company Limited (“Shenyang Asset Company”) and Beida Hi-Tech signed a capital injection agreement, pursuant to which Beida Hi-Tech agreed to subscribe 50% shares of the entire enlarged registered capital of SPU at a cash consideration of RMB1,250,000,000.

As advised by SPU, the sole asset held by SPU at the signing date of the capital injection agreement was 600,000,000 State-owned shares of the Company, representing approximately 58.8% of the issued share capital of the Company. Before the signing of the capital injection agreement, Shenyang Urban Construction Company and Shenyang Asset Company held 84.46% and 15.54% equity interest in SPU respectively. After the completion of the capital injection, the registered capital of SPU will be enlarged to RMB2,112,000,000, while Shenyang Urban Construction Company and Shenyang Asset Company will jointly hold 50% of the total enlarged share capital of SPU. The remaining 50% share capital will be held by Beida Hi-Tech.

Regarding the capital injection of SPU, the Company published an announcement on Hong Kong newspapers on 29th July 2002.

#### **XIV. Purchase, Sale or Redemption of Shares**

During the Period, the Group had not purchased, sold or redeemed any of the Company's shares.

#### **XV. Directors' Interests in Equity Securities or Bond**

During the Period, none of the Company, its fellow subsidiaries or the controlling company was a party to any arrangement to enable any directors of the Company to acquire benefits by means of acquisition of the shares in or debentures of the Company or any other body corporate.

During the Period, the Company was not notified by the directors, supervisors and chief executive officers of the Company that they themselves or their spouse or their respective children under 18 years old held any interest in the shares or debentures of the Company or its associated companies (as defined in Securities (Disclosure of Interests) Ordinance).

During the Period, the directors, supervisors and chief executive officers of the Company and their spouse or children under 18 years old were not granted and did not exercise the right to subscribe for the shares or debentures of the Company.

During the Period, save as Director Mr. Zhang Guo Xiang who was also the General Manager of SWGC, none of the Company, or its fellow subsidiaries or the controlling company entered into any material contract under which the directors and supervisors directly or indirectly had any material interest in any related business of the Group.

## XVI. Share Capital Structure

During the Period, there was no change in the share capital structure of the Company. As at 30th June 2002, the share capital structure of the Company was as follows:

| Types of shares     | Number of shares     | Percentage to total issued share capital |
|---------------------|----------------------|--|
| State-owned shares  | 600,000,000          | 58.80%                                   |
| H shares            | 420,400,000          | 41.20%                                   |
| Total share capital | <u>1,020,400,000</u> | <u>100%</u>                              |

## XVII. Share Options

During the Period, the Group did not issue or grant any convertible securities, options, warrants or other similar rights.

## XVIII. Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Article 16(1) of the Securities (Disclosure of Interests) Ordinance as at 30th June 2002 showed that the following companies have a material interest amounting to 10% (or above) of the total issued share capital or class of share capital of the Company:

- (1) SPU holds all of the 600,000,000 state-owned shares, representing the entire state-owned shares in issue of the Company and 58.8% of the total issued share capital of the Company.
- (2) Sino-French Water Development (Liaoning) Co., Ltd. (“Sino-French Liaoning”) holds 88,146,000 H shares, representing approximately 21.0% of the issued H shares of the Company.
- (3) The Hongkong and Shanghai Banking Corporation Limited holds 45,594,000 H shares, representing 10.8% of the issued H shares of the Company.
- (4) Citibank NA holds 45,191,000 H shares, representing 10.7% of the issued H shares of the Company.

Save as aforesaid, the Company has not been notified of any interest in the issued share capital of the Company which was required to be disclosed pursuant to the Securities (Disclosure of Interests) Ordinance during the Period.

## **XIX. Dividend**

The Board resolved not to declare any interim dividend in 2002.

## **XX. Connected Transactions**

During the Period, the connected transactions of the Group were detailed as follows:

1. Sale of purified water to SWGC by Shenyang Water, with total sales of RMB143,547,000 (2001 Period: RMB279,206,000);
2. Purchase of surface raw water from SWGC by Shenyang Water of RMB13,751,000 (2001 Period: RMB25,902,000);
3. Lease of office from Shenyang Water Services General Company, by Shenyang Water, with total rental of RMB105,000 (2001 Period: RMB:210,000);
4. Lease of land rights of use to Shenyang Water Services General Company by Shenyang Water, with rental of RMB23,000 (2001 Period: RMB45,000).

The Board considered that (1) the aforesaid connected transactions were conducted on normal commercial terms (by reference to terms of similar transactions conducted by similar entities in the PRC) in the ordinary course of business of the Company in accordance with the terms of the respective agreements or terms that were no less favorable than those available to third parties and were fair and reasonable so far as the independent shareholders of the Company were concerned; and (2) the amount of each of the connected transactions as a percentage of the total turnover of Group did not exceed the cap specified in the waiver granted by the Hong Kong Stock Exchange in respect of the connected transactions of the Company.

## **XXI. Audit Committee**

A meeting was convened by the Company's Audit Committee on 9th September 2002 to review the Group's financial reporting processes, internal monitoring mechanism and its unaudited interim financial statements for the Period.

The Audit Committee considered that the accounting principles and methods adopted by the Group, internal monitoring mechanism and financial reporting complied with the relevant requirements of the accounting regulations.

## **XXII. Significant Litigation**

During the Period, the Group was not involved in any significant litigation.

### XXIII. First Extraordinary General Meeting of 2002

The first extraordinary general meeting for 2002 of the Company was held at the Company's office at No. 14, Shisiwei Road, Heping District, Shenyang, the PRC on 20th August 2002. The shareholders and proxies attended the extraordinary general meeting representing a total of 691,264,000 shares with valid voting rights, which accounted for 67.74% of the total share capital of the Company.

The following resolutions were passed in the extraordinary general meeting:

1. Special resolution:

approve the conditional sale and purchase agreement dated 13th June 2002 entered into between the Company as vendor and Zheng Xing relating to the proposed disposal of approximately 99.37% of Shenyang Water by Zheng Xing, and approve the transactions contemplated thereunder; and authorize any one director of the Company to do such acts or execute such other documents as he may consider necessary, desirable or expedient or to implement or give effect to the Disposal Agreement, and among other things, to make such changes and amendments thereto as any one director of the Company may consider necessary, desirable or expedient.

The results of voting on this resolution were as follows: affirmative votes: 91,264,000 votes, representing 100% of the shares held by the shareholders attended the meeting with voting rights; objected vote: 0, representing 0% of the shares held by the shareholders attended the meeting with voting rights; abstained vote: 0, representing 0% of the shares held by the shareholders attended the meeting with voting rights.

As SPU was a party interested in the disposal of the 99.37% interest in Shenyang Water by the Company (but not the connected transactions defined in the Listing Rules), SPU abstained from voting for this special resolution.

2. Ordinary resolution:

agree to revise the application of the unutilized balance of approximately RMB200,000,000, being the balance of RMB489,000,000 which was originally intended to be used for the water plants of Shenyang Water financed out of the net proceeds of approximately RMB684,000,000 raised by the issue of 420,400,000 H shares to public investors at the issue price of HK\$1.7 each in December 1999. The revision will be effective from 20th August 2002. The Company intends to apply the remaining balance as follows:

- (1) an amount of approximately RMB120,000,000 will be used to finance the acquisition of the piece of land in the Development Zone; and
- (2) the balance of approximately RMB80,000,000 will be used as working capital of the Company.

The results of voting on this resolution were as follows: affirmative votes: 691,264,000 votes, representing 100% of the shares held by the shareholders attended the meeting; objected vote: 0, representing 0% of the shares held by the shareholders attended the meeting; abstained vote: 0, representing 0% of the shares held by the shareholders attended the meeting.

#### **XXIV. 19th Meeting of the First Board of Directors**

The 19th meeting of the first board of directors was held at the Company's office on 20th August 2002. 10 directors of the Company were present at the Board meeting. The resolutions passed at the meeting were as follows:

1. The extension of the tenure of the directors and supervisors of the first board of directors and supervisory committee until the end of the second extraordinary general meeting of the Company in 2002, and the submission to the second extraordinary general meeting of the Company in 2002 for ratification and approval were agreed.
2. The submission of the 14 candidates for directors and the 7 candidates for supervisors as candidates for the second board of directors and the second supervisory committee for approval at the second extraordinary general meeting of the Company in 2002 was agreed.
3. The convening of the second extraordinary general meeting of the Company in 2002 on 11th October 2002 for the purpose of considering the following resolutions as ordinary resolutions was agreed:
  - (1) To approve the tenure of all the directors and supervisors of the first board of directors and supervisory committee of the Company until the end of the second extraordinary general meeting of the Company in 2002.
  - (2) To approve the candidates for directors and supervisors of the second board of directors and supervisory committee of the Company.



The announcements in relation to the resolutions passed at this Board meeting and the notice of the second extraordinary general meeting in 2002 were published on newspapers in Hong Kong on 22th August 2002.

## **XXV. Special Note**

According to the requirements of the Company's Articles of Association, the Company should publish its interim financial report within 60 days from the end of the first six months in an accounting year. However, the factors such as whether the Company's disposal of the 99.37% equity interest in its subsidiary, Shenyang Water, could be approved and the commencement and the ending of the period for which the economic benefits relating to the 99.37% equity interest in Shenyang Water shall be included after such disposal has been approved could not be determined until the resolution had been passed at the extraordinary general meeting of the Company held on 20th August 2002. Therefore, the preparation of the Company's interim report and the date for disclosure had been postponed. Please refer to sections 9 and 11 of Management Discussion and Analysis for the details regarding the disposal by the Company of its 99.37% equity interest in Shenyang Water and the extraordinary general meeting.

## **XXVI. Compliance with the Code of Best Practice under the Listing Rules**

The Board is pleased to confirm that the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the Period. The Board is not aware of any information indicating that the Group did not comply with the Code of Best Practice.

## **XXVII. Company Information**

Legal address : No. 24-1 Mo Chou Hu Street  
Shenyang Economic and Technological Development Zone  
Shenyang, the PRC

Place of business : No. 14, Shisiwei Road, Heping District  
Shenyang, the PRC

Postal code : 110003

Tel : 86-24-2326-1111

Fax : 86-24-2325-7181

Web site : [www.sfgg-ch.com](http://www.sfgg-ch.com)

E-mail : [sygyfz@mail.sy.ln.cn](mailto:sygyfz@mail.sy.ln.cn)

Company Secretary : Wang Se

## **XXVIII. Publication of Further Information on the Web-site on the Hong Kong Stock Exchange**

The Company will publish its interim results on the Hong Kong Stock Exchange's web-site at an appropriate time as required by paragraphs 46(6) of Appendix 16 of the Listing Rules.