



## Contents

	<i>Page</i>
Management Discussion and Analysis .....	2
Condensed Consolidated Income Statement .....	21
Condensed Consolidated Balance Sheet .....	22
Condensed Consolidated Statement of Changes in Equity .....	24
Condensed Consolidated Cash Flow Statement .....	25
Notes to the Condensed Financial Statements .....	26

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 2003 (the “Period”). The consolidated results, the consolidated cash flow statement and the statement of changes in equity for the Period and the consolidated balance sheet of the Group as at 30th June 2003, which are all unaudited and prepared in condensed accounts together with some explanatory notes to the accounts, are set out from page 21 to 34 in this report.

## Management Discussion and Analysis

During the Period, the turnover of the Group amounted to approximately RMB11,674,000, representing a decrease of approximately 96.79% as compared with that of the corresponding period (the “Corresponding Period”) for the six months ended 30th June 2002 (the “2002 Period”); profit after taxation and minority interests amounted to approximately RMB1,777,000, representing a decrease of approximately 98.61% as compared with that of the Corresponding Period; and earnings per share was approximately RMB0.0017, representing a decrease of approximately 98.64% as compared with that of the Corresponding Period.

### I. Review of the Group’s Major Business

The Group is a real estate developer and an investor in education business. It is principally engaged in the development and sale of real estate and investment in and management of education. The Company’s subsidiaries, Shenyang Development Real Estate Company Limited (“Real Estate Company”) and Beijing Diye Real Estate Development Company Limited (“Beijing Diye”), are real estate developers in Shenyang and Beijing respectively. The Company’s subsidiaries, Shenyang Development Beida Education Science Park Company Limited (“Shenyang Education”), Zhuhai Beida Education Science Park Company Limited (“Zhuhai Education”) and Shanghai Beida Jade Bird Education Investment Company Limited (“Shanghai Education”), are investors in education business in Shenyang, Zhuhai and Shanghai respectively.

On 10th February 2003, the Company convened an extraordinary general meeting approving the acquisition of 70% equity interest in Zhuhai Education by the Company and the acquisition of 100% equity interest in Shanghai Education by the Company and Real Estate Company (please refer to the Company’s announcement dated 11th February 2003 and section IX of the Management Discussion and Analysis for details).



During the Period, the Company convened an extraordinary board meeting on 26th April 2003 approving the acquisition of 100% equity interest in Beijing Diye by Real Estate Company and Shenyang Education and the acquisition of 100% equity interest in Shenyang Pollon Finance Building Management Company Limited (“Building Management Company”) by the Company and Real Estate Company (please refer to section IX of the Management Discussion and Analysis for details).

During the Period, the Company convened an extraordinary board meeting on 16th June 2003 approving the acquisition of 90% equity interest in Shenyang Beida Jade Bird Business Information System Company Limited (“Shenyang Business Information”) by Shenyang Education (please refer to the Company’s announcement dated 30th June 2003 and section IX of the Management Discussion and Analysis for details).

## **1. Real Estate Development**

During the Period, the Group seized the opportunity of continuous growth in domestic real estate market and focused its works on the sale and project construction of phase one and two of the residential project “Water-Flowers City” in Shenyang, the commencement of construction work of project “Cosmo International Mansion” in Shenyang and the preparation of construction work of the residential project “Lakefront Jade Palace” (tentative name) in Beijing.

During the Period, 3,030 square metres of remaining saleable area of “Hongji Garden” were sold. Actual sales income of RMB 11,390,000 was recorded. The sales percentage reached 99.06%.

During the Period, phase one of residential project “Water-Flowers City” in Shenyang was formally available for sale in March 2003, of which 137 units were presold on that day, and the market response was very encouraging. The construction of phase two of residential project “Water-Flowers City” in Shenyang is being in tight progress and it is expected to be completed by the end of the year 2003. Up to 30th June 2003, based on the available saleable area, a total of 42,210 square metres of the saleable area of residential project “Water-Flowers City” in Shenyang had been presold and the pre-sales percentage reached 58.26%. This project was awarded by the Construction Department of Liaoning Province as the “Liaoning Outstanding Building Project” in the Year 2003.



During the Period, the Company's subsidiary — Real Estate Company acquired, through acquisition of corporations, the project "Cosmo International Mansion" in Shenyang and the residential project "Lakefront Jade Palace" in Beijing respectively. The project "Cosmo International Mansion" is the reconstruction of an incomplete project. The building will be reconstructed as hotel apartments with gross floor area of approximately 30,000 square metres. External and interior decoration works have already commenced. It is expected that the construction works will be completed by early 2004 (please refer to "Changes in the Composition of the Group" in section IX of the Management Discussion and Analysis for details). Preparatory construction works are currently in progress for the project "Lakefront Jade Palace" in Beijing for the proposed construction of medium to high-class residential buildings. The total area of the land for the project is 173,000 square metres. It is planned to construct gross floor area of approximately 287,000 square metres. It is expected that the construction works will commence in the first half of 2004 (please refer to "Changes in the Composition of the Group" in section IX of the Management Discussion and Analysis for details).

During the Period, Real Estate Company recognised turnover of RMB 11,674,000 and loss of RMB 3,603,000, representing a decrease of 86.55% and 129.32% respectively as compared with that of the Corresponding Period. The main reason for the decrease was that the contribution to turnover and profits was relatively small for the sale of the remaining units of "Hongji Garden". In addition, since the project "Water-Flowers City" in Shenyang was not up to the standard for completion and inspection, the sales income could not be recognised at this stage.

## **2. Education Investment Business**

During the Period, Shenyang Education appointed a Canadian architecture design company to complete the overall design scheme of Shenyang Development Beida Education Science Park ("Shenyang Education Park"). Construction of the project is expected to formally commence in September 2003. The plan of Shenyang Education to co-operate with foreign education institutions for the joint education programmes in international senior high school and preparatory level achieved preliminary progress, and Shenyang Education entered into the "Education Co-operation Framework Agreement" in April 2003 with Canadian Quebec Education International (Quebec public senior high school alliance) and Quebec CEGEP International (Quebec public preparatory alliance) for the proposed introduction of Canadian Quebec senior high school and preparatory level educational courses.



During the Period, phase one of Zhuhai Beida Education Science Park (“Zhuhai Education Park”) as invested by Zhuhai Education passed the test of overall inspection in January 2003. Currently, all the education buildings can be delivered for use. Zhuhai Beida Subsidiary Experiment School (“Zhuhai School”) acquired school-running license approved and issued by Zhuhai Municipal Education Bureau in April 2003. At present, Zhuhai School is organising the admission work. It is planned that courses will formally commence on 1st September 2003. Pursuant to the “Zhuhai Master Lease Agreement”, Zhuhai Education will enter into the “Zhuhai Formal Lease Agreement” with Zhuhai School after courses have commenced (please refer to the Company’s circular to shareholders dated 23rd December 2002 for details).

During the Period, Shanghai Beida Education Science Park (“Shanghai Education Park”) as invested by Shanghai Education was at the stage of preparatory works for construction and construction works had not commenced.

### **3. Electricity and Heat Co-generation Business**

During the Period, the disposal of the Company’s 22.50% equity interest in Shenyang Shenhai Hot Electricity Company Limited (“Shenhai Co-generation”) to Pollon Investment Limited (“Pollon Investment”) is still pending for the approval from the relevant government authorities in the PRC and the procedures relating to the change of equity holding have not been completed. Accordingly, the Company still holds 22.50% equity interest in Shenhai Co-generation during the Period.

During the Period, Shenhai Co-generation recognised turnover and profit before taxation of RMB 302,626,000 and RMB 64,414,000 respectively, representing an increase of 3.51% and 21.45% respectively over that of the Corresponding Period. On-grid sales volume of electricity of Shenhai Co-generation was 1,133,880 MWh, representing an increase of 9.62% over that of the Corresponding Period. Total heat production was 2,472,054 GJ, representing a decrease of 7.85% over that of the Corresponding Period.



#### **4. System Integration Business**

During the Period, the Board of the Company passed a resolution approving the subsidiary — Shenyang Education to acquire the 90% equity interest in Shenyang Business Information from Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited (“Beijing Tianqiao”) at a consideration of approximately RMB 8,900,000. The registered capital of Shenyang Business Information is RMB10,000,000. It is principally engaged in system integration and development of applied software. The Company plans to take advantage of the professionals and resources of the aforesaid business of Shenyang Business Information to provide software design services for the real estate development and education park construction of the Group . The acquisition is a connected transaction and the Company has published the announcement in Hong Kong newspapers on 30th June 2003 in respect of the acquisition.

#### **5. Investment in the Technology Business**

During the Period, Tsinghua Unisplendour Hi-Tech Venture Capital Inc. (“THCI”) recognised investment income of RMB3,363,000, representing an increase of 950% from that of the Corresponding Period and recorded a loss of RMB 107,000. The loss was 98.16% narrower than that of the Corresponding Period.

The reduction of loss by THCI were mainly attributable to the active adjustment in investment portfolio, gradual increase in the scale of investment in production industries and repayment of bank loans to reduce the financial expenses.



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

### 1. Level and Analysis of Indebtedness at the Balance Sheet Date

As at 30th June 2003, the total amount of the Group's bank borrowings was RMB 215,000,000 (31st December 2002: RMB120,000,000). The above borrowings was unsecured, bearing interests at 5.31% or 5.49% per annum.

	As at 30th June 2003 (RMB'000)	As at 31st December 2002 (RMB'000)
<b>Bank borrowings payable as follows</b>		
Within one year	205,000	120,000
The second year	10,000	—
	<b>215,000</b>	<b>120,000</b>

During the Period, the Group had no delay in repayment of bank borrowings and interest.

### 2. Bills Payable

During the Period, the bank acceptance issued by the Company's subsidiary, Real Estate Company, amounted to RMB 23,179,000. The funds were used for the payment of the project "Water-Flowers City" and the project "Cosmo International Mansion" in Shenyang.

### 3. Financial Indicators and Basis of Calculation

Financial Indicators	Basis of Calculation	As at 30th June 2003	As at 31st December 2002
Gearing ratio	Total liabilities/total assets x 100%	22.47%	10.83%
Earnings/net assets ratio	Net profit/net assets x 100%	0.09%	5.02%
Sales profit margin	Net profit/sales x 100%	15.22%	20.55%

### III. Capital Structure of the Group

#### 1. Capital Structure of the Group

Items	As at 30th June 2003		As at 31st December 2002	
	Amount (RMB'000)	Percentage to Total Capital	Amount (RMB'000)	Percentage to Total Capital
Share capital	1,020,400	53.73%	1,020,400	55.22%
Share premium	323,258	17.02%	323,258	17.49%
Surplus from asset valuation	—	—	—	—
Statutory surplus reserve	66,332	3.49%	66,332	3.59%
Statutory public welfare reserve	33,167	1.75%	33,167	1.79%
Accumulated profits	398,367	20.97%	396,590	21.46%
Minority interests	57,663	3.04%	8,181	0.45%
Total capital	<u>1,899,187</u>	<u>100%</u>	<u>1,847,928</u>	<u>100%</u>

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

Currency	As at 30th June 2003		As at 31st December 2002	
	Amount ('000)	Average Interest Rate	Amount ('000)	Average Interest Rate
Hong Kong dollar	304,647	1.53%	306,664	2%
Renminbi	190,612	0.72%	160,907	0.74%

### IV. Details of the Group's Assets Pledged

As at 30th June 2003, the Group did not have any assets pledged as security.

### V. 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 (1-6 issues)" for 2003 announced by the State Administration of Foreign Exchange, the exchange rate of Renminbi to Hong Kong dollar experienced slight fluctuations during the Period. Accordingly, the risk of the Company's deposits in Hong Kong dollars was relatively low.





## **VI. Taxation**

During the Period, no provision for Hong Kong Profits Tax had been made as the Group's income neither arose in nor was derived from Hong Kong. During the Period, the Group paid income tax at the prevailing tax rate of 33% in the PRC.

## **VII. Significant Investments Held**

As at 30th June 2003, the Group held 8% equity interest in THCI with investment of RMB 20,000,000 (31st December 2002: RMB 20,000,000).

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

As at 30th June 2003, the Group employed a total of 116 employees (including the directors of the Company) and provided them with emoluments totalling approximately RMB 2,521,000 during the Period (2002 Period: RMB 16,302,000). The Group has entered into employment contracts with all the employees. The employees are offered different emoluments with respect to their different positions. The Group also made contributions to endowment insurance, basic medical insurance and housing reserves 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.

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

### **1. Acquisition of 70% equity interest in Zhuhai Education and 100% equity interest in Shanghai Education**

During the Period, the Company convened an extraordinary general meeting on 10th February 2003 which considered and approved the acquisition by the Company from Beijing Beida Education Investment Company Limited (“Beida Education Investment”) and Beijing Beida Public School Education Investment Company Limited (“Beida Public School”) of 70% equity interest in Zhuhai Education (in which each of Beida Education Investment and Beida Public School held 35% equity interest) at a consideration of approximately RMB 166,600,000; and approved the acquisition by the Company and its subsidiary — Real Estate Company from Beida Education Investment and Beida Public School of 80% and 20% equity interest respectively in Shanghai Education at a consideration of approximately RMB 194,400,000 (please refer to the Company’s announcement dated 11th February 2003 for details).

### **2. Acquisition of 100% equity interest in Beijing Diye**

During the Period, the Company convened an extraordinary board meeting on 26th April 2003 which considered and approved the acquisition jointly by the Company’s subsidiary — Real Estate Company and Shenyang Education from independent third parties — Shenzhen Municipal Diye Real Estate Company Limited, Beijing Xinruida Decoration Company Limited and other natural persons of 100% equity interest in Beijing Diye at a consideration of RMB 33,000,000 (in which Real Estate Company acquired 80% equity interest and Shenyang Education acquired 20% equity interest). The total area of the land for the residential project “Lakefront Jade Palace”, which will be developed by Beijing Diye, is 173,000 square metres. It is planned to construct gross floor area of approximately 287,000 square metres. It is expected that the construction works will commence in the first half of 2004.



### 3. Acquisition of 100% equity interest in Building Management Company

During the Period, the Company convened an extraordinary board meeting on 26th April 2003, which considered and approved the acquisition jointly by the Company and its subsidiary — Real Estate Company from Pollon Industrial Limited (“Pollon Industrial”, a connected company of Pollon Investment) and Shenyang Municipal Dadong District Real Estate and Land Development General Corporation (“Dadong Development”) of 100% equity interest in Building Management Company (in which Pollon Industrial held 92.50% equity interest and Dadong Development held 7.50% equity interest). The Company and Real Estate Company entered into the “Agreement for the Transfer of Equity Interest in Shenyang Pollon Finance Building Management Company Limited” with Pollon Industrial and Dadong Development. Pursuant to the agreement, the Company and Real Estate Company will pay a total consideration of RMB 141,000,000 in cash and an assignment of debts (of which, the payments of RMB 130,500,000 to Pollon Industrial and RMB 10,500,000 to Dadong Development) in return for the 100% equity interest in Building Management Company. The only asset held by Building Management Company is Shenyang Pollon Finance Building (“Finance Building”) with gross floor area of 30,000 square metres. After the Company’s acquisition of Finance Building, it is planned to reconstruct the building as hotel apartments and rename the building as “Cosmo International Mansion”. Both the exterior and interior decoration works of the mansion have commenced and it is expected that the project will be completed for sale in early 2004. Pollon Investment has agreed that it will pay in cash the difference between the amount payable for the acquisition of the 22.50% equity interest in Shenhai Co-generation and the amount receivable for the disposal of the 92.50% equity interest in Building Management Company to the Company.

#### **4. Acquisition of 90% equity interest in Shenyang Business Information**

During the Period, the Company convened an extraordinary board meeting on 16th June 2003, which considered and approved the acquisition by the Company's subsidiary — Shenyang Education from Beijing Tiaoqiao of 90% equity interest in Shenyang Business Information at a consideration of approximately RMB 8,900,000. Shenyang Business Information is principally engaged in the development of applied software and provision of system integration for users in various industries such as logistics, finance, social insurance and campus education network construction. The Company is of the view that for the long term benefits of the Group, the acquisition of Shenyang Business Information will ensure that the Group will have the in-house technical know-how in designing software solutions for the management of the Group's various property development and educational complexes and for the development of the Group's services relating to the provision of non-compulsory education (please refer to the Company's announcement dated 30th June 2003).

#### **X. Use of Proceeds Arising from the Issue of H Shares**

The issue of 420,400,000 H shares of the Company in December 1999 raised net proceeds of RMB 684,256,000. No proceeds were raised by means of issuing new shares thereafter. Up to 30th June 2003, the Company had made investments totalling RMB 593,230,000 (30th June 2002: RMB 493,230,000), of which:

1. RMB 231,951,000 had been applied to invest in the acquisition of No. 8 Water Plant (as defined in the prospectus issued by the Company on 7th December 1999, the "Prospectus");
2. RMB 56,787,000 had been applied for the acquisition and construction of the Shifosi Water Source expansion project (as defined in the Prospectus);
3. RMB 9,041,000 had been applied to renovate the system of production facilities of Shenyang Water (as defined in the Prospectus);
4. RMB 1,000,000 had been applied to purchase new vehicles for Jingwei Transportation (as defined in the Prospectus);



5. RMB 100,000,000 had been applied to acquire the use right of a parcel of land in Shenyang Economic and Technological Development Zone with an area of 790,000 square metres (please refer to the Company's circular to shareholders dated 5th July 2003 for details); and
6. The balance was used as working capital.

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

As result of the assets reorganisation in 2002, the Company has basically established the real estate development and education investments as its principal operations. For future investments, the Company will focus on the newly established principal operations to carry out its business. On one hand, the Company will strengthen management, seize the work on integration of the existing resources and strive to achieve good returns for shareholders as soon as possible. On the other hand, the Company will actively search for new profit centres and obtain more projects with land reserves and competitive advantages in order to establish a solid foundation for the Company's long-term development.

## **XII. Prospect of the Company for the 2nd half of 2003**

In the second half of the year, the Company will focus on the following works:

1. The Company will ensure that phase one of "Water-Flowers City" in Shenyang can be available for occupation in September and all construction works for phase two can be completed by the end of the year. The Company will put all efforts in the sales and receivable collection of phase one and two of "Water-Flowers City" in Shenyang;
2. The Company will properly carry out the preparatory works of the residential project "Lakefront Jade Palace" in Beijing and ensure that the construction work of the project formally commence in the first half of 2004;
3. The Company will put all efforts in speeding up the progress in the construction of Shenyang Education Park to measure up to the conditions for students admission in September of the coming year;



4. The Company will ensure the exterior and interior decoration works of “Cosmo International Mansion” are progressing as scheduled and strive to complete the construction works so that it can be available for sale by early next year;
5. The Company will continue to refine the property management and logistics assurance of Zhuhai Education Park to ensure a good teaching environment for Zhuhai School;
6. The Company will properly prepare for the preliminary work for the construction of Shanghai Education Park and strive to commence construction work of Shanghai Education Park as soon as possible;
7. The Company will continue to explore new investment opportunities and acquire land reserves with competitive advantages so that the Company can create good conditions for continuous and healthy growth.

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

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

### **XIV. Directors’, Supervisors’ and Chief Executive’s Interests and/or Short Positions in Shares, Underlying Shares, Securities, Equity Derivatives and/or Debentures of the Company or the Company’s Associated Corporations**

1. As at 30th June 2003, for each of the Company’s directors, supervisors and chief executive of the Company, in respect of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “Securities and Futures Ordinance”):
  - (1) None of them held any interests and/or short positions in the shares, underlying shares, securities, equity derivatives and/or debentures as shown in the register maintained in accordance with section 352 of the Securities and Futures Ordinance; and
  - (2) None of them held any interests and/or short positions in the shares, underlying shares, securities, equity derivatives and/or debentures as required to notify the Company and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in accordance with the Model Code for Securities Transactions by Directors of Listed Companies.



2. During the Period, save that the director Mr. Lin Wen Bin, who was also the chairman of Shenyang Public Utility Group Company Limited (“SPU”), the directors Mr. Zhang Jian Bo, Mr. Chen Shu Xin, Mr. Zhang Ying Jian who were also the directors of SPU, and Mr. Xu Er Hui, Mr. Zhang Jian Bo, Mr. Chen Shu Xin and Mr. Zhang Wan Zhong who were the vice-presidents of Beijing Beida Jade Bird Company Limited (“Beida Jade Bird”) (Beida Jade Bird is the controlling shareholder of Beijing Beida Hi-tech Industry Investment Company Limited (“Beida Hi-Tech”), which is the shareholder of SPU), none of the Company’s directors and supervisors were directors or employees of another body corporate which at the same time held any interests in the Company’s shares, underlying shares, securities, equity derivatives and/or debentures that were required to be disclosed to the Company and the Hong Kong Stock Exchange in accordance with Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.
  
3. 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.

## XV. Share Capital Structure

During the Period, there was no change in the share capital structure of the Company. As at 30th June 2003, the share capital structure of the Company was as follows:

Types of Shares	Number of Shares	Percentage to Total Issued Share Capital
Domestic shares	600,000,000	58.80%
H shares	420,400,000	41.20%
Total share capital	<u>1,020,000,000</u>	<u>100%</u>

## XVI. Share Options

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

## XVII. Substantial Shareholders

As at 30th June 2003, save as the Company's directors, supervisors and chief executive, the register of holders maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance showed that the following companies and persons had interests and /or short positions in the Company's shares, underlying shares, securities, equity derivatives and/or debentures:

Beneficial Owners	Shares	Percentage to Total Issued Share Capital
1 SPU	600,000,000 domestic shares (unlisted shares)	58.80%
2 Shenyang Urban Infrastructure Facility Construction Investment Development Company Limited ("Shenyang Urban Construction") (note 1)	600,000,000 domestic shares	58.80%
3 Beida Hi-Tech (note 2)	600,000,000 domestic shares	58.80%
4 Beida Jade Bird (note 3)	600,000,000 domestic shares	58.80%
5 Beijing Tianqiao (note 4)	600,000,000 domestic shares	58.80%
6 Peking University (note 5)	600,000,000 domestic shares	58.80%
7 HKSCC Nominees Limited (note 6)	418,803,990 H shares (listed shares)	41.04%





*Notes:*

- 1 *Shenyang Urban Construction is a limited company established in the PRC. It holds 42.23% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Shenyang Urban Construction is regarded as holding interests in the underlying shares of the Company held by SPU.*
- 2 *Beida Hi-Tech is a limited company established in the PRC. It holds 50% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Beida Hi-Tech is regarded as holding interests in the underlying shares of the Company held by SPU.*
- 3 *Beida Jade Bird is a limited company established in the PRC. It holds 50% equity interest in Beida Hi-Tech. Through Beida Hi-Tech, it holds 50% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Beida Jade Bird is regarded as holding interests in the underlying shares of the Company held by SPU.*
- 4 *Beijing Tianqiao is a joint stock limited company established in the PRC and listed on Shanghai Stock Exchange. Beijing Tianqiao holds 50% equity interest in Beida Hi-Tech. Through Beida Hi-Tech, it holds 50% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Beijing Tianqiao is regarded as holding interests in the underlying shares of the Company held by SPU.*
- 5 *Peking University is a famous comprehensive university in the PRC. Through its subsidiary Beijing Beida Jade Bird Software System Company (“Jade Bird Software”), Peking University holds 46% equity interest in Beida Jade Bird. As Beida Jade Bird holds 50% equity interest in Beida Hi-Tech and Beida Hi-Tech holds 50% equity interest in SPU, pursuant to section 316 of the Securities and Futures Ordinance, Peking University is regarded as holding interests in the underlying shares of the Company held by SPU.*
- 6 *As notified by HKSCC Nominees Limited, as at 30th June 2003, the following participants in the central clearance system had interests amounting to 5% or more of the total issued H shares of the Company as shown in the securities accounts in the central clearance system:*
  - (1) *Tai Fook Securities Company Limited as nominee holds 95,592,000 H shares, representing 22.74% of the issued H shares of the Company, of which Sino-French Water Development (Liaoning) Company Limited (“Sino-French Liaoning”) beneficially owned 88,146,000 H shares, representing 20.97% of the issued H shares of the Company.*
  - (2) *The Hong Kong and Shanghai Banking Corporation Limited as nominee holds 51,904,000 H shares, representing 12.35% of the issued H shares of the Company.*



- (3) *Shenyin Wanguo Securities (Hong Kong) Limited as nominee holds 23,424,000 H shares, representing 5.57% of the issued H shares of the Company.*
- (4) *Guotai Junan Securities (Hong Kong) Limited as nominee holds 21,298,000 H shares, representing 5.07% of the issued H shares of the Company.*

*Save as disclosed above, during the Period, the Company has not been notified of any interests and/or short positions in shares, underlying shares, securities, equity derivatives and/or debentures of the Company required to be recorded in the register maintained in accordance with section 336 of the Securities and Futures Ordinance.*

### **XVIII. Dividend**

During the Period, no dividend was paid. The Board resolved not to declare any interim dividend in 2003.

### **XIX. Connected Transactions**

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

- 1 The Company acquired 70% equity interest in Zhuhai Education, jointly acquired 100% equity interest in Shanghai Education with Real Estate Company and applied for a waiver from the Hong Kong Stock Exchange in respect of the cap of the rental amounts arising from leasing education properties of Zhuhai Education to a connected party (please refer to the Company's 2002 Annual Report for details). The connected transactions mentioned above had been disclosed by the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and had been approved by independent shareholders.



- 2 Shenyang Education acquired the 90% equity interest in Shenyang Business Information from Beijing Tianqiao at a consideration of approximately RMB 8,900,000. As the consideration for the acquisition is more than the higher of 0.03% of the Company's net tangible assets or HK\$1,000,000 but less than HK\$10,000,000, pursuant to rule 14.25(1) of the Listing Rules, the acquisition is subject only to the disclosure requirements and the Board's approval, but does not require independent shareholders' approval. During the Period, the Company had made relevant disclosure in accordance with the above rule in the newspapers in Hong Kong.

## **XX. Audit Committee**

The Company's Audit Committee convened a meeting on 20th August 2003 to review the Group's financial reporting process, 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.

## **XXI. Significant Litigation**

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

## **XXII. Extraordinary General Meetings**

### **1. The First Extraordinary General Meeting of 2003**

On 10th February 2003, the Company convened the first extraordinary general meeting of 2003 which considered and approved the acquisition by the Company of 70% equity interest in Zhuhai Education at a consideration of RMB 166,600,000 and the acquisition jointly by the Company and Real Estate Company of 100% equity interest in Shanghai Education at a consideration of RMB 194,400,000, and did not discuss the proposal for the acquisition of 50% equity interest in Beijing Beida - Online Internet Company Limited ("Beida Online") at the meeting. The Company's annual general meeting of 2002 held on 16th June 2003 had ratified the Board's resolution to terminate the proposal for the acquisition of 50% equity interest in Beida Online (please refer to the Company's annual report for the year 2002 and the Company's announcement dated 17th June 2003).

## 2. The Second Extraordinary General Meeting of 2003

On 26th April 2003, the Company convened the second extraordinary general meeting of 2003 which considered and approved: (1) the appointment of Deloitte Touche Tohmatsu, Certified Public Accountants, as the international auditors of the Company and Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the PRC auditors of the Company to hold office until the conclusion of the annual general meeting of 2002; (2) the Company's application for conversion into a foreign investment joint stock limited company (please refer to the Company's announcement dated 28th April 2003).

### XXIII. 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.

### XXIV. 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

Website : [www.syfz.com.cn](http://www.syfz.com.cn)

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

Company Secretary : Wang Se

### XXV. Publication of Further Information on the Website of the Hong Kong Stock Exchange

The Company will publish its interim results on the Hong Kong Stock Exchange's website at an appropriate time as required by paragraph 46 of Appendix 16 of the Listing Rules.