

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under historical cost convention and have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) which have been adopted in the condensed financial statements. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for prior period have been restated accordingly. Opening accumulated profits at 1st January 2002 have been increased by RMB14,632,000, which is the cumulative effect of the change in policy on the results for period prior to 2002. Net profit for the six months period ended 30th June 2002 has been increased by RMB17,558,000.

Other than as described above, the accounting policies adopted are consistent with those followed in the Group's annual audited financial statements for the year ended 31st December 2002.

In addition, the Group has acquired certain subsidiaries and resulted for a goodwill on acquisition of subsidiaries of approximately RMB 85,752,000 (see note 13) in the current period. Accordingly, the Group has adopted the accounting policy on goodwill as follows:

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiaries at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life of not more than twenty years.



In the last year, the Group disposed of its 99.37% equity interest in Shenyang Water Company Limited (“Shenyang Water”) (“Disposal of Water Business”). The Disposal of Water Business was approved in the Company’s extraordinary general meeting held on 20th August 2002. Accordingly, the effective date of discontinuance for accounting purposes was 31st July 2002 upon the completion of the Disposal of Water Business. However, in the previously reported interim report for the six months period ended 30th June 2002, the effective date of Disposal of Water Business was regarded at 31st March 2002. Accordingly, the comparative amounts of the condensed financial statements for the six months period ended 30th June 2002 have been restated. Net profit for the six months period ended 30th June 2002 has been increased by RMB11,698,000.

2. TURNOVER AND SEGMENT INFORMATION

Business segments

	Unaudited		
	Six months ended 30th June 2003		
	Continuing operations		Consolidated
Sales of properties	Other operations		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	11,390	284	11,674
Other operating income	36	115	151
	<u>11,426</u>	<u>399</u>	<u>11,825</u>
Segment results	<u>(3,080)</u>	<u>(523)</u>	(3,603)
Bank interest income			2,174
Unallocated corporate expenses			<u>(7,909)</u>
Loss from operations			(9,338)
Finance costs			(1,064)
Share of results of a jointly controlled entity	—	14,493	14,493
Profit before taxation			4,091
Taxation			<u>(2,391)</u>
Profit before minority interests			1,700
Minority interests			<u>77</u>
Net profit for the period			<u><u>1,777</u></u>

Business segments - continued

	Six months ended 30th June 2002 - unaudited			
	Discontinuing operations	Continuing operations		Consolidated
	Sales of purified water	Sales of properties	Other operations	
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	277,189	68,644	18,132	363,965
Other operating income	115	23	1,088	1,226
	<u>277,304</u>	<u>68,667</u>	<u>19,220</u>	<u>365,191</u>
Segment results	<u>137,825</u>	<u>18,826</u>	<u>5,985</u>	162,636
Bank interest income				4,282
Interest income from a jointly controlled entity				1,521
Unallocated corporate expenses				<u>(16,127)</u>
Profit from operations				152,312
Finance costs				(295)
Share of results of a jointly controlled entity	—	—	11,934	<u>11,934</u>
Profit before taxation				163,951
Taxation				<u>(35,527)</u>
Profit before minority interests				128,424
Minority interests				<u>(757)</u>
Net profit for the period				<u>127,667</u>

All of the Group's turnover for both periods was made in the People's Republic of China (the "PRC"). As at 30th June 2003 and 31st December 2002, all of the Group's segment assets were located in the PRC. All of the changes in the Group's property, plant and equipment took place in the PRC for both periods.



3. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30th June	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
(Loss) profit from operations has been arrived at after charging:		
Amortisation of goodwill	1,710	—
Depreciation of property, plant and equipment	1,133	22,738
and after crediting:		
Bank interest income	2,174	4,282
Interest income from a jointly controlled entity	—	1,521
Dividend income from investment securities	—	1,088
	<u> </u>	<u> </u>

4. TAXATION

	Six months ended 30th June	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax	—	50,873
Share of taxation attributable to a jointly controlled entity in the PRC	2,391	2,212
Deferred tax credit	—	(17,558)
	<u> </u>	<u> </u>
	<u>2,391</u>	<u>35,527</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor derived from, Hong Kong.

Taxation of the Group arising in the PRC is calculated at the rates prevailing in the PRC. The Group is subject to an unified enterprise income tax rate of 33% for the period.

5. DIVIDENDS

The Board resolved not to declare any interim dividend in 2003.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit for the period of RMB1,777,000 (six months ended 30th June 2002: RMB127,667,000) and the number of 1,020,400,000 shares (2002: 1,020,400,000 shares) in issue during the period.

No diluted earnings per share are presented as the Company has no dilutive potential shares outstanding in both periods.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB5,683,000 (six months ended 30th June 2002: RMB1,575,000) on acquisition of property, plant and equipment, which included the acquisition of property, plant and equipment arising from purchase of subsidiaries amounting to approximately RMB3,130,000 (six months ended 30th June 2002: nil).

8. GOODWILL

During the period, the Group spent approximately RMB393,994,000 in purchase of subsidiaries and the goodwill arising from the purchase of subsidiaries amounted to approximately RMB85,752,000 (see note 13).



9. DEBTORS, DEPOSITS AND PREPAYMENTS

An aged analysis of trade debtors at the balance sheet is set out as follows:

	30th June 2003 RMB'000	31st December 2002 RMB'000
0 - 30 days	7,866	1,891
31 - 60 days	—	954
Over 180 days	886	—
	8,752	2,845
Deposits and other debtors	429,142	229,262
Prepayments	340,000	—
	777,894	232,107

10. CREDITORS AND ACCRUED CHARGES

An aged analysis of the trade creditors at the balance sheet is set out as follows:

	30th June 2003 RMB'000	31st December 2002 RMB'000
0 - 90 days	12	1,182
91 - 180 days	173	299
Over 180 days	704	508
	889	1,989
Other creditors and accrued charges	53,752	93,331
	54,641	95,320

11. SHARE CAPITAL

	30th June 2003 RMB'000	31st December 2002 RMB'000
Registered, issued and fully paid:		
600,000,000 Domestic shares of par value of RMB1.00 each	600,000	600,000
420,400,000 H shares of par value of RMB1.00 each	420,400	420,400
	<u>1,020,400</u>	<u>1,020,400</u>

Except for the currency in which dividends are payable and the restrictions as to whether the shareholders can be PRC investors or foreign investors. Domestic shares are H shares issued by the Company rank pari passu in all respect with each other.

12. CAPITAL COMMITMENTS

Commitments in respect of the acquisition of property, plant and equipment:

	30th June 2003 RMB'000	31st December 2002 RMB'000
Contracted but not provided for in the financial statements	<u>4,208</u>	<u>—</u>



13. PURCHASE OF SUBSIDIARIES

	<i>RMB'000</i>
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The effect of the purchase of subsidiaries is summarised as follows:	
Net assets acquired	308,242
Goodwill arising on acquisitions	<u>85,752</u>
Cash consideration	<u>393,994</u>
Net cash outflow arising on acquisitions	
Cash consideration	393,994
Bank balances and cash acquired	<u>(4,804)</u>
	<u><u>389,190</u></u>
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The subsidiaries purchased during the interim period did not have any significant impact to the Group's cash flow or operating result.

14. RELATED PARTY TRANSACTIONS

- (a) During the period, SPU has entered into a guarantee agreement with a bank of the Group to facilitate the Group in obtaining bank loans of RMB55,000,000 (for the six months ended 30th June 2002: nil).
- (b) During the period, on 10th February 2003, an ordinary resolution was passed in an extraordinary general meeting with regard to the purchase agreements entered between the Company, Real Estate Company and Beida Education Investment, Beida Public School to acquire 70% equity interest in Zhuhai Education for a consideration of RMB166,596,000 and 100% equity interest in Shanghai Education for a consideration of RMB194,398,000. Accordingly, Zhuhai Education and Shanghai Education became the subsidiaries of the Group from 1st February 2003 thereafter.



- (c) During the period, Beida Jade Bird had entered into a guarantee agreement for a credit limit up to RMB50,000,000 with a bank of Zhuhai Education to facilitate Zhuhai Education in obtaining bank loans. As a subsidiary of the Company up to 30th June 2003, Zhuhai Education raised bank loans amounted to RMB40,000,000 from this bank.

- (d) During the period, Shenyang Education entered into an agreement with Beijing Tianqiao to acquire 90% equity interest in Shenyang Business Information for a consideration of RMB8,900,000. Details of the transaction are set out in the Company's announcement. The consideration was fully paid on 25th July 2003 and accordingly, Shenyang Business Information has become a subsidiary of the Company subsequent to the balance sheet date.

By order of the Board
Xu Er Hui
Chairman

Shenyang, the PRC, 22nd August 2003