



## 6. FINANCIAL REPORT (UNAUDITED)

### BALANCE SHEET

As at 30 June 2003

Prepared under PRC Accounting Standards

	<i>Unit: RMB</i>			
Assets	Group Closing	Group Opening	Company Closing	Company Opening
<b>CURRENT ASSETS:</b>				
Cash and bank balances	87,972,549	88,305,705	379,542	11,819,299
Bills receivables	100,000	1,377,667		—
Accounts receivable	493,628,595	461,377,685	56,288,550	34,970,450
Other receivables	189,324,486	199,383,380	128,640,299	124,884,045
Advances to suppliers	32,752,911	29,060,382		—
Inventories	242,991,496	220,227,630	27,878,800	27,878,800
Deferred expenses	12,616,992	8,601,709		—
Total current assets	<u>1,059,387,029</u>	<u>1,008,334,158</u>	<u>213,187,191</u>	<u>199,552,594</u>
<b>LONG TERM INVESTMENTS:</b>				
Long term equity investments	82,647,084	80,699,648	398,788,000	394,332,915
Long term debenture investment	1,900	1,900	0	—
Total long term investments	<u>82,648,984</u>	<u>80,701,548</u>	<u>398,788,000</u>	<u>394,332,915</u>
<b>FIXED ASSETS:</b>				
Fixed assets - at costs	1,176,312,192	1,177,546,316	2,619,761	2,138,621
Less: Accumulated depreciation	<u>359,576,403</u>	<u>342,903,037</u>	<u>1,170,247</u>	<u>1,084,531</u>
Fixed assets- net book value	<u>816,735,789</u>	<u>834,643,279</u>	<u>1,449,514</u>	<u>1,054,090</u>
Less: Provision for impairment on fixed assets	84,277,120	84,277,120		
Fixed assets- net of provision	<u>732,458,669</u>	<u>750,366,159</u>	<u>1,449,514</u>	<u>1,054,090</u>
Construction in progress	<u>16,366,655</u>	<u>11,968,460</u>		
Total fixed assets	<u>748,825,324</u>	<u>762,334,619</u>	<u>1,449,514</u>	<u>1,054,090</u>
<b>INTANGIBLE AND OTHER ASSETS:</b>				
Intangible asset	58,719,038	59,647,323		—
Long term deferred expenditure	846,096	986,316	220,000	235,000
Other long term assets				
Total intangible and other assets	<u>59,565,134</u>	<u>60,633,639</u>	<u>220,000</u>	<u>235,000</u>
<b>TOTAL ASSETS</b>	<u><u>1,950,426,471</u></u>	<u><u>1,912,003,964</u></u>	<u><u>613,644,705</u></u>	<u><u>595,174,599</u></u>

**BALANCE SHEET (CONTINUED)**

As at 30 June 2003

Unit: RMB

Liabilities and owners' equity	Group Closing	Group Opening	Company Closing	Company Opening
<b>CURRENT LIABILITIES:</b>				
Short term loans	508,303,908	434,486,945	13,000,000	—
Bills payable	32,000,000	14,000,000		—
Accounts payable	353,197,053	341,525,889	145,300	120,000
Advances from customers	52,520,453	106,846,531	721,000	751,000
Wages payable	1,952,986	1,964,067		—
Welfare payable	160,639	609,920		—
Dividends payable	103,606	903,607		—
Taxes payable	5,990,075	11,362,429	229,284	2,243,178
Others payable	7,761,264	7,835,189		—
Other creditors	92,021,932	92,858,739	56,823,861	53,123,994
Accrued expenses	9,251,353	6,742,626	3,151,732	3,518,500
Long term liability due within one year	170,410,000	170,410,000		—
<b>Total current liabilities</b>	<b>1,233,673,269</b>	<b>1,189,545,943</b>	<b>74,071,177</b>	<b>59,756,672</b>
<b>LONG TERM LIABILITIES:</b>				
Long term loans	157,989,462	168,606,711		—
Specific payable	13,822,738	13,240,955		—
<b>Total long term liabilities</b>	<b>171,812,200</b>	<b>181,847,666</b>		—
<b>Total liabilities</b>	<b>1,405,485,469</b>	<b>1,371,393,609</b>	<b>74,071,177</b>	<b>59,756,672</b>
Minority interest	5,367,474	5,192,428		—
<b>OWNERS' EQUITY:</b>				
Paid-up capital (shares)	873,370,000	873,370,000	873,370,000	873,370,000
Capital surplus	762,890,210	762,890,210	762,890,210	762,890,210
Surplus reserve fund	108,587,124	108,587,124	108,587,124	108,587,124
Including: Statutory surplus reserve fund	32,210,803	32,210,803	32,210,803	32,210,803
Unappropriated profits	(1,205,273,806)	(1,209,429,407)	(1,205,273,806)	(1,209,429,407)
<b>Total owners' equity</b>	<b>539,573,528</b>	<b>535,417,927</b>	<b>539,573,528</b>	<b>535,417,927</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>1,950,426,471</b>	<b>1,912,003,964</b>	<b>613,64,705</b>	<b>595,174,599</b>



**PROFIT AND PROFIT APPROPRIATION**

As at 30 June 2003

*Unit: RMB*

Items	Group		Company	
	Current Year (Accumulated)	Previous Year (Accumulated)	Current Year (Accumulated)	Previous Year (Accumulated)
1. Revenues from principal operations	343,048,056	585,374,156	28,956,410	
Less: Costs from principal operations	231,021,755	396,271,910	26,821,838	
Tax and addition from principal operations	2,866,296	4,005,981	269,700	
2. Profits from principal operations (losses identified with "()")	109,160,005	185,096,265	1,864,872	
Add: Other operating profits (losses identified with "()")	6,892,980	10,033,747	5,394,000	
Less: Operating expense	26,173,871	53,914,005	1,447,820	
Administrative expense	60,820,218	104,335,205	5,918,631	1,038,698
Financial expense	23,389,908	40,251,173	191,906	281,186
3. Operating income (losses identified with "()")	5,668,988	(3,370,371)	(299,485)	(1,319,884)
Add: Investment income (losses identified with "()")	1,947,436	47,462,654	4,455,085	39,258,846
Subsidy income		480,016		
Non-operating income	905,582	1,883,448		
Less: Non-operating expense	399,729	1,740,921		
4. Total profits (losses identified with "()")	8,122,277	44,714,826	4,155,600	37,938,962
Less: Income tax	2,929,111	4,541,809		
Minority interest (losses identified with "()")	1,037,565	2,234,055		
5. Net profits (net losses identified with "()")	4,155,601	37,938,962	4,155,600	37,938,962
Add: Closing undistributed profits	(1,209,429,407)	(1,278,431,819)	(1,209,429,407)	(1,278,431,819)
6. Profits available for distribution (losses identified with "()")	(1,205,273,806)	(1,240,492,857)	(1,205,273,806)	(1,240,492,857)
Less: Transfer to statutory surplus reserve				
Transfer to statutory public welfare fund	—			
7. Profits available for distribution to shareholders (net losses identified with "()")	(1,205,273,806)	(1,240,492,857)	(1,205,273,806)	(1,240,492,857)
Less: Dividend payable for preferred shares		—		
Transfer to discretionary surplus reserve		—		
Dividend payable for ordinary shares		—		
Dividend for ordinary shares converted into capital		—		
8. Undistributed profits (net losses identified with "()")	(1,205,273,806)	(1,240,492,857)	(1,205,273,806)	(1,240,492,857)

## CASH FLOW STATEMENT

From 1 January 2003 to 30 June 2003

Unit: RMB

Items	Group		Company	
	Current Year	Same Period Last Year	Current Year	Same Period Last Year
1. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services	255,548,735	560,316,734	18,393,500	0
Refund of tax	0	480,016	0	0
Other cash received relating to operating activities	12,115,852	1,045,416	2,500,000	7,221,687
Sub-total of cash inflows	267,664,587	561,842,166	20,893,500	7,221,687
Cash paid for goods and services	209,997,331	382,234,932	35,902,500	0
Cash paid to and on behalf of employees	46,033,352	7,150,549	4,905,968	0
Taxes paid	30,469,653	2,819,589	2,586,402	0
Other cash paid relating to operating activities	12,228,521	276,618,600	1,285,322	10,081,377
Sub-total of cash outflows	298,728,857	668,823,670	44,680,192	10,081,377
Net cash flows from operating activities	(31,064,270)	(106,981,504)	(23,786,692)	(2,859,690)
2. Cash flows from investing activities:				
Proceeds from investments	0	0	0	0
Cash received from disposal of subsidiary	0	44,691,436	0	150,000,000
Cash received from investment gain	0	0	0	0
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	338,207	0	0	0
Cash received from other investing activities	0	0	0	0
Sub-total of cash inflows	338,207	44,691,436	0	150,000,000
Cash paid to acquire fixed assets, intangible assets and other long-term assets	9,528,557	3,355,795	481,140	21,300
Cash paid to acquire equity investments	0	0	0	0
Cash paid to other investing activities	0	0	0	0
Sub-total of cash outflows	9,528,557	3,355,795	481,140	21,300
Net cash flows from investing activities	(9,190,350)	41,335,641	(481,140)	149,978,700
3. Cash flows from financing activities:				
Cash received from equity investments	0	0	0	0
Proceeds from borrowings	316,050,000	0	13,000,000	0
Other proceeds relating to financing activities	0	0	0	0
Sub-total of cash inflows	316,050,000	0	13,000,000	0
Cash repayments of amounts borrowed	252,850,286	106,350,000	0	216,940,000
Dividends paid or cash payments relating to appropriation of profit	23,278,250	41,464,979	171,925	281,186
Cash paid to other financing activities	0	0	0	0
Sub-total of cash outflows	276,128,536	147,814,979	171,925	217,221,186
Net cash flows from financing activities	39,921,464	(147,814,979)	12,828,075	(217,221,186)
4. Effect of foreign exchange rate changes on cash	0	0	0	0
5. Net increase in cash and cash equivalents	333,156	213,460,842	11,439,757	70,102,176



**CASH FLOW STATEMENT**

From 1 January 2003 to 30 June 2003

Unit:RMB

Supplementary Information	Group		Company	
	Current Year	Same Period Last Year	Current Year	Same Period Last Year
1. Reconciliation of net profit to cash flows from operating activities:				
Net profit	4,155,601	37,938,962	4,155,601	37,938,962
Add: Minority interest				
(losses identified with "()")	1,037,565	2,234,055	0	0
Provision for diminution in value	(366,849)	2,660,743	0	0
Depreciation of fixed assets	16,673,366	19,869,269	85,716	92,922
Amortisation of intangible assets	664,286	686,781	0	0
Amortisation of long term deferred expenditure	140,220	648,437	15,000	0
Decrease in deferred expenses (deduct: increase)	(4,015,283)	(839,303)	0	0
Increase in accrued expenses (deduct: decrease)	2,508,727	(2,226,951)	(366,768)	0
Loss on disposal of fixed assets, intangible assets and other long term assets (deduct: profit)	21,282	0	0	0
Fixed assets written off	0	0	0	0
Financial expenses	23,389,908	39,636,291	191,906	281,186
Loss arising from investments (deduct: gain)	(1,947,436)	(47,462,655)	(4,455,085)	8,203,808
Decrease in inventories(deduct: increase)	(22,763,866)	256,345,286	0	0
Decrease in operating receivable (deduct: increase)	(24,606,878)	943,045,246	(25,074,354)	7,128,765
Increase in operating payable (deduct: decrease)	(32,198,374)	(1,359,517,666)	1,681,273	(56,505,333)
Others	6,243,461	0	(19,981)	0
Net cash flows from operating activities	<u>(31,064,270)</u>	<u>(106,981,504)</u>	<u>(23,786,692)</u>	<u>(2,859,690)</u>
2. Net increase in cash and cash equivalents:				
Cash and bank balances at the end of the period	87,972,549	101,012,281	379,542	2,124,571
Less: Cash and bank balances at the beginning of the period	88,305,705	314,473,123	11,819,299	72,226,746
Net decrease in cash and cash equivalents	<u>333,156</u>	<u>213,460,842</u>	<u>11,439,757</u>	<u>70,102,176</u>

The notes form an integral part of these financial statements.

Company  
Representative: Luo Hong

Head of Accounting  
Department: Wang Guohua

Person - in- change of the  
Accounting Firm: Suen Zhen

## NOTES TO THE ACCOUNTS

From 1 January 2003 to 30 June 2003

### 1. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND BASIS OF CONSOLIDATION

#### Accounting regulations

In accordance with Accounting Standards for Enterprises and Accounting Regulations for Enterprises and their supplementary provisions.

#### Accounting period

The accounting period starts from 1 January to ends on 31 December.

#### Reporting currency

The Group uses the Renminbi ("RMB") as its reporting currency.

#### Principal of book-keeping and valuation

The Group adopts the accrual basis of accounting and all assets are stated at their historical costs of acquisition.

#### Foreign currencies

Transactions in foreign currencies are translated into Renminbi at exchange rates stipulated by the People's Bank of China prevailing at the mid-rate of the first day of that month ("market rate"). The foreign currency balances of foreign currency account at the end of period are translated into Renminbi at market rate at the end of period. Exchange gain or loss are included in finance costs for the current period except for gain or loss arising from construction which is taken to construction-in-progress.

#### Basis of preparation for consolidation

##### (1) Recognition principles of consolidation

The consolidated financial statements include the financial statements of the Company and all of its domestic and overseas subsidiaries made up to 30 June 2003. Subsidiaries are enterprises in which the Company directly or indirectly holds more than 50 percent of equity capital or has power to exercise control over operating activities through other methods.

##### (2) Accounting method adopted

The principal accounting policies adopted by the subsidiaries are consistent with the Company.

All intra-group balances and transactions have been eliminated on consolidation.



## 2. CASH AND BANK BALANCES

	Foreign currency	Closing Exchange rate	RMB	Foreign currency	Opening Exchange rate	RMB
Cash						
RMB			205,749			272,682
US	2,864.34	8.2773	23,709	2,864.34	2,864.34	23,709
Bank balances						
RMB			65,161,650	—	—	70,935,342
US	126.28	8.2773	1,045	126.28	126.28	1,045
HK	17,382.53	1.0610	18,443	17,382.53	17,382.53	18,443
Other cash						
RMB			22,561,953	—	—	17,054,484
			<u>87,972,549</u>	—	—	<u>88,305,705</u>

At the end of period, cash and bank balances represented pledged bank deposit.

## 3. ACCOUNTS RECEIVABLE

Ageing analysis of accounts receivable is as follows:

	Closing				Opening			
	Amount	Percentage	Provision for bad debt	Book value	Amount	Percentage	Provision for bad debt	Book value
	RMB	(%)	RMB	RMB	RMB	(%)	RMB	RMB
With 1 year	406,548,481	68	(82,430)	406,466,051	336,650,876	60	(72,430)	336,578,446
1 to 2 years	63,689,535	11	(3,958,132)	59,731,403	98,262,055	18	(3,442,616)	94,819,439
2 to 3 years	33,534,133	6	(14,701,210)	18,832,923	38,422,807	7	(16,919,727)	21,503,080
3 to 4 years	23,999,691	4	(15,401,473)	8,598,218	22,877,943	4	(14,401,223)	8,476,720
over 4 years	66,558,237	11	(66,558,237)	—	63,665,486	11	(63,665,486)	—
	<u>594,330,077</u>		<u>(100,701,482)</u>	<u>493,628,595</u>	<u>559,879,167</u>	<u>100</u>	<u>(98,501,482)</u>	<u>461,377,685</u>

The five largest outstanding debts are as follows:

Total of the five largest outstanding debts (RMB)	Share of accounts receivable %
127,137,244	21.5

There were no debts due from shareholders holding more than 5% of shares of the Company.

#### 4. OTHER RECEIVABLE

Ageing analysis of other receivable is as follows:

	Closing			Book value RMB	Opening			Book value RMB
	Amount RMB	Percentage (%)	Provision for bad debt RMB		Amount RMB	Percentage (%)	Provision for bad debt RMB	
With 1 year	58,996,286	20	—	58,996,286	158,911,635	54	—	158,911,635
1 to 2 years	119,232,897	42	—	119,232,897	27,819,618	9	—	27,819,618
2 to 3 years	8,467,460	3	(3,686,984)	4,780,476	11,875,981	4	(5,217,692)	6,658,289
3 to 4 years	15,896,639	6	(9,581,812)	6,314,827	15,007,998	5	(9,014,160)	5,993,838
over 4 years	81,761,757	29	(81,761,757)	—	80,798,701	28	(80,798,701)	—
	<u>284,355,039</u>	<u>100</u>	<u>(95,030,553)</u>	<u>189,324,486</u>	<u>294,413,933</u>	<u>100</u>	<u>(95,030,553)</u>	<u>199,383,380</u>

Others receivable due with one to two year included a deposit of US\$12 million placed with Liaoning Trust and Investing Company.

Total of the largest outstanding debts of other receivables is Rmb174,867,392, representing 61.50% of the total other receivables.

There were no debts of other receivables due from shareholders holding more than 5% of shares of the Company.

#### 5 PROVISION FOR BAD DEBTS

	Accounts receivable Rmb	Other receivable Rmb	Total Rmb
Opening balance	98,501,482	95,030,553	193,532,035
Provision for the period	2,200,000	—	2,200,000
Write-back for the period	—	—	—
Other transfer for the period	—	—	—
Closing balance	100,701,482	95,030,553	195,732,035





**6. INVENTORIES AND PROVISION FOR DIMINUTION IN VALUE ON INVENTORIES**

	Closing		Book value	Opening		Book value
	Amount	Provision for impairment		Amount	Provision for impairment	
	RMB	RMB	RMB	RMB	RMB	RMB
Consumable with low value	710,224		710,224	1,236,423	—	1,236,423
Raw materials	84,552,132	(23,182,728)	61,369,404	103,315,577	(25,749,577)	77,566,000
Work in progress	57,940,846	(2,036,962)	55,903,884	43,892,431	(2,036,962)	41,855,469
Finished goods	114,538,364	(17,409,180)	97,129,184	89,100,118	(17,409,180)	71,690,938
Inventories	27,878,800	27,878,800	27,878,800	—	27,878,800	
	<u>285,620,366</u>	<u>(42,628,870)</u>	<u>242,991,496</u>	<u>265,423,349</u>	<u>(45,195,719)</u>	<u>220,227,630</u>

Change in provision for impairment is as follows:

	RMB
Opening	45,195,719
Provision for the period	—
Transfer for the period	2,566,849
Other transfer	—
Closing	<u>42,628,870</u>

**7. DEFERRED EXPENSES**

Category	Closing	Opening
	Rmb	Rmb
Heating expenses	220,483	652,505
Insurance	776,896	670,494
Tax to be deferred	6,075,315	6,230,519
Others	5,544,298	1,048,191
Total	<u>12,616,992</u>	<u>8,601,709</u>

The increase of 46.68% of deferred expenses was due to increase of trial project for Three Gorges Project.

## 8. LONG TERM EQUITY INVESTMENTS

Category	Opening Investment Amount RMB	Closing Provision for Impairment RMB	Book value RMB	Increase (Decrease) in the current period RMB	Investment amount RMB	Provision for impairment RMB	Book value RMB
Other equity investment	10,950,107	(272,000)	10,678,107	—	10,950,107	(272,000)	10,678,107
Long term equity	81,663,154	—	81,663,154	1,669,950	83,333,104	—	83,333,104
Difference on equity	(11,641,613)	—	(11,641,613)	277,486	(11,364,127)	—	(11,364,127)
Total	<u>80,971,648</u>	<u>(272,000)</u>	<u>80,699,648</u>	<u>1,947,436</u>	<u>82,919,084</u>	<u>(272,000)</u>	<u>82,647,084</u>

## 9. CONSTRUCTION IN PROGRESS

Items	Opening RMB	Increased for the period RMB	Transfer for the period RMB	Other decrease for the period RMB	Closing	Source of funds RMB	Completion %
Hydroelectric project	2,680,786	4,102,727	—	2,917,207	3,866,306	loan	96
Including: Loan expense capitalized			—	—			
High voltage transmission Project	9,339,764	3,598,815	—	386,140	12,552,439	internal resources and bank loans	80
Including: Loan expense capitalized	1,283,517	—	—	—	—		—
	<u>12,020,550</u>	<u>7,701,542</u>	<u>—</u>	<u>3,303,347</u>	<u>16,418,745</u>		—
Provision for impairment	(52,090)	—	—	—	(52,090)		—
	<u>11,968,460</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,366,655</u>		—

## 10. LONG TERM DEFERRED EXPENDITURE

Items	Opening RMB	Decrease for the period RMB	Transfer for the period RMB	Amortization for the period RMB	Closing RMB	Period of amortization
Housing maintenance expenditure	<u>986,316</u>	<u>—</u>	<u>—</u>	<u>140,220</u>	<u>846,096</u>	4.5years



### 11. ACCURED EXPENSES

	Closing <i>RMB</i>	Opening <i>RMB</i>	Reasons for balance
Interest expenses	1,235,088	516,921	incurred but unpaid
Service expense for intermediaries	3,138,533	3,369,700	incurred but unpaid
Others	4,877,732	2,856,005	incurred but unpaid
<b>Total</b>	<b><u>9,251,353</u></b>	<b><u>6,742,626</u></b>	

The increase of 37.21% of accrued expenses was due to accrued expenses relating to expenses of introducing technology for Three Gorges Project.

### 12. PROFIT FROM OTHER OPERATIONS

	Accumulated for current period <i>RMB</i>	Same period last year <i>RMB</i>
Sale of material		
- Revenue	27,294,535	9,223,050
- Costs	(26,944,137)	(7,210,591)
	<u>350,398</u>	<u>2,012,459</u>
Technical service and transportation		
- Revenue	15,748,037	16,185,768
- Costs	(9,205,455)	(8,164,480)
	<u>6,542,582</u>	<u>8,021,288</u>
<b>Total</b>	<b><u>6,892,980</u></b>	<b><u>10,033,747</u></b>

### 13. INVESTMENT GAIN

	Accumulated for current period <i>RMB</i>	Same period last year <i>RMB</i>
Gain from long-term investment		
Gain from equity interests	1,669,950	—
Gain on disposal equity interest in a subsidiary	—	47,495,681
Amortisation of difference in equity investment	277,486	26,921
Other income		(59,948)
	<u>1,947,436</u>	<u>47,462,654</u>

**FINANCIAL STATEMENTS PREPARED UNDER ACCOUNTING PRINCIPLES GENERALLY  
ACCEPTED IN HONG KONG (UNAUDITED)  
CONDENSED CONSOLIDATED INCOME STATEMENTS**

For the sixth months ended 30 June 2003

	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Turnover	340,182	581,368
Cost of sales	(231,022)	(396,272)
Gross profit	109,160	185,096
Other income	7,945	12,721
Distribution costs	(26,174)	(53,914)
Administrative expenses	(60,961)	(98,472)
Other operating expenses	(400)	(2,712)
Profit from operations	29,570	42,719
Interest on bank borrowings	(23,567)	(39,636)
Investment in associates	1,670	41,196
Partial forfeiture of a syndicated loan	—	148,115
Profit before taxation	7,673	192,394
Taxation	(2,929)	(4,542)
Profit after taxation	4,744	187,852
Minority interests	(1,038)	(2,234)
Net profit attributable to shareholders	<u>3,706</u>	<u>185,618</u>
Earnings per share-basic	<u>0.42 cents</u>	<u>21.3 cents</u>



FINANCIAL STATEMENTS PREPARED UNDER ACCOUNTING PRINCIPLES GENERALLY  
ACCEPTED IN HONG KONG (UNAUDITED)  
CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

	30.6.2003 RMB'000 (unaudited)	31.12.2002 RMB'000 (audited)
<b>Non-current assets</b>		
Property, plant and equipment	733,304	751,352
Construction in progress	16,367	11,968
Intangible assets	58,359	59,024
Interests in associates	75,517	73,570
Investments in securities	10,680	10,680
Negative goodwill	(3,548)	(3,548)
	<u>890,679</u>	<u>903,046</u>
<b>Current assets</b>		
Inventories	242,991	220,228
Trade debtors	493,729	462,755
Other debtors, deposits and prepayments	135,821	131,350
Amount due from shareholders and other associates	—	7,085
Amount due from a non-bank financial institution	99,233	99,233
Tax receivable		723
Bank balances and cash	87,973	88,306
	<u>1,059,747</u>	<u>1,009,680</u>
<b>Current liabilities</b>		
Trade creditors	385,197	355,526
Other creditors, advances from customers and accruals	182,493	242,476
Tax payable	931	—
Bank borrowings - due within one year	678,714	604,897
	<u>1,247,335</u>	<u>1,202,899</u>
<b>Net current liabilities</b>	<u>(187,588)</u>	<u>(193,219)</u>
Total assets less current liabilities	<u>703,091</u>	<u>709,827</u>
Capital and reserves		
Share capital	873,370	873,370
Reserves	(333,636)	(337,342)
	<u>539,734</u>	<u>536,028</u>
Minority interests	<u>5,368</u>	<u>5,192</u>
Non-current liability		
Bank borrowings - due after one year	<u>157,989</u>	<u>168,607</u>
	<u>703,091</u>	<u>709,827</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**  
FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Share Capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Discretionary reserve <i>RMB'000</i>	Accumulated loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January 2003	873,370	603,394	48,091	32,212	32,424	(1,053,463)	536,028
Profit for the period		—	—	—	—	3,706	3,706
At 30th June, 2002	<u>873,370</u>	<u>603,394</u>	<u>48,091</u>	<u>32,212</u>	<u>32,424</u>	<u>(1,049,757)</u>	<u>539,734</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Six months ended 30 June	
	2003 <i>RMB'000</i> <i>(unaudited)</i>	2002 <i>RMB'000</i> <i>(audited)</i>
Net cash (outflow) inflow from operating activities	(31,064)	(106,982)
Net cash inflow (outflow) from investing activities	(9,190)	129,947
Net cash (outflow) inflow from financing activities	<u>39,921</u>	<u>(147,815)</u>
(Decrease) increase in cash and cash equivalents	(333)	(124,850)
Cash and cash equivalents at beginning of the period	<u>88,306</u>	<u>225,862</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>87,973</u></u>	<u><u>101,012</u></u>

**NOTES TO THE FINANCIAL STATEMENT**

For the six months ended 30 June 2003

**1. Principal accounting policies**

The condensed financial statements have been prepared under historical cost convention

The accounting policies adopted for the six months ended 30 June 2003 are consistent with those followed by the Group in the financial statements for the year ended 31 December 2002.



**2. Segment information**

The Group's turnover and gross profit from operations for the six months ended 30 June 2003 and 2002, analysed by business segments and by geographical segments, are as follows:

Business segments

	For the six months ended 30 June 2003			Consolidated RMB'000
	Continuing operations		Provision of hotel, catering and entertainment services RMB'000	
	Manufacture of transmission and transformation machinery RMB'000			
Turnover	326,904	13,278		340,182
Segment results	34,480	(4,910)		29,570
Profit from operations				29,570
Interests on bank borrowings				(23,567)
Result attributable from associates				1,670
Profit before taxation				7,673
Taxation				(2,929)
Profit after taxation and before minority interests				4,744

	For the six months ended 30 June 2002			Consolidated RMB'000
	Continuing operations		Discontinued operations	
	Manufacture of transmission and transformation machinery RMB'000	Provision of hotel, catering and entertainment services RMB'000	Manufacture of transformer equipment RMB'000	
Turnover	355,720	17,732	207,916	581,368
Segment results	37,687	607	5,587 43,881	
Unallocated corporate expenses				(1,162)
Profit from operations				42,719
Interests on bank borrowings				(39,636)
Profit on disposal of a subsidiary				41,196
Partial forfeiture of a syndicated bank loan				148,115
Profit before taxation				192,394
Taxation				(4,542)
Loss after taxation and before minority interests				187,852

The Group had disposed of its equity interests in Shenyang Transformers Ltd. and Shenyang Hua Kang Food & Entertainment Ltd. in 2002. As such, the financial data in respect of these two companies was stated under the item of discontinued operations for the six months ended 30 June 2002. Most of the Group's incomes are derived from the People's Republic of China (the "PRC") and the income earned outside the PRC is insignificant.

### 3. Profit from operations

	Six months ended 30 June	
	2003 RMB'000 (unaudited)	2002 RMB'000 (audited)
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	16,813	21,182
Loss (gain) on disposal of property, plant and equipment	(40)	(345)
Interest income	(317)	(296)

### 4. Taxation

The Company and its subsidiaries are subject to income tax at the statutory rate of 33%.

The Company had no taxable profit for the period (2002: Nil). The charge for the period mainly represents provision for income tax calculated at 33% of the assessable income of certain PRC subsidiaries. The associates were still in their tax exemption period and therefore had no taxable profit.

No Hong Kong Profits Tax has been provided as the Company and its subsidiaries had no taxable profit in Hong Kong (2002: Nil).

As at 30 June 2003, the Company and the Group had no significant deferred tax (2002: Nil)

### 5. INTERIM DIVIDEND

No dividends were paid during the period. The board of directors do not recommend the payment of any interim dividend.

### 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders of RMB3,706,315 (2002: RMB205,443,000) and the total number of shares of 873,370,000 (2002: 873,370,000) in issue as at the end of the period.





## 7. TRADE DEBTORS

The following is the aged analysis of trade debtors as at 30 June 2003:

	30.6.2003 RMB'000	31.12.2002 RMB'000
Related companies:		
Within 1 year	32	5,077
1 to 2 years		2,422
2 to 3 years		3,825
3 to 4 years		3,359
		14,683
Allowance for bad debts		(8,035)
	32	6,648
Third parties:		
Within 1 year	406,616	332,952
1 to 2 years	63,689	95,840
2 to 3 years	33,535	34,598
3 to 4 years	90,558	83,184
	594,398	546,574
Allowance for bad debts	(100,701)	(90,467)
	493,697	456,107
	493,729	462,755

## 8. AMOUNT DUE FROM A NON-BANK FINANCIAL INSTITUTION

The amount was originally a long-term deposit of US\$20,000,000 (equivalent to RMB165,532,000), placed with Liaoning Trust as a condition for Liaoning Trust granting a guarantee for the syndicated bank loan.

Liaoning Trust was a third party non-bank financial institution registered in the PRC. In November 2001, the People's Bank of China approved in withdrawing Liaoning Trust's Financial Institution Legal Person Licence and Financial Institution Business Licence. Its entire financial activities were suspended with effect from the date of notice for a liquidation process. The Company registered with the Liaoning Trust Liquidation Team its deposits of US\$20,000,000 previously placed with Liaoning Trust with the relevant proof of debt. The Company received the repayment of US\$8,000,000 from Liaoning Trust in 2002. Up to the date of this report, the liquidation is still in progress.

**9. SHARE CAPITAL**

**30.06.2003 & 31.12.2002**

*RMB'000*

Registered, issued and fully paid-up capital:

615,420,000 ordinary 'Domestic' shares of RMB1 each, of which:

- Non-listed	471,820
- Listed "A" shares	143,600

615,420

257,950,000 "H" shares of RMB1 each

257,950

Total

873,370

There were no movements in the share capital of the Company for the period.

**10. CONTINGENT LIABILITIES**

**30.6.2003**

**31.12.2002**

*RMB'000*

*RMB'000*

Guarantees given to banks, in respect of  
banking facilities utilised by other entities:

Northeast Electrical Transmission and Transformation

Equipment Group Corporation ("NET") (note i)	30,000	30,000
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Shenyang Cable Company Ltd. (note ii)	20,000	20,000
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Shenyang Transformers Ltd. (note iii)	281,817	287,286
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331,817

337,236

*Notes:*

(i) The Company acted as the guarantor for a 10-months loan amounting to RMB30,000,000 which was entered into by NET and the China Everbright Bank in June 1998. In December 2001, the China Everbright Bank commenced litigation against the Company and NET for the repayment of loan principal of RMB26,400,000 and the related interest. On 19 May 2003, the Company received a verdict of the final trial by the Beijing Higher People's Court in respect of the case in connection with the Company's provision of a security for NET, which ruled that the Loan Contract entered into between China Everbright Bank Co., Ltd. ("Everbright Bank") and the Company be valid; and that the ruling of the Beijing First Intermediate People's Court to require NET to repay the principal of the loan of RMB26.402 million from Everbright Bank and the interest of RMB1,203,139 thereon be sustained. The Company could not be discharged from the responsibility and that it should continue to resume joint repayment responsibility. The fee for hearing of the case and the property retention fee are RMB164,980 and RMB155,489.64 respectively, which should be borne by NET and the Company.

The Company is endeavouring to settle the case through negotiations with NET and Everbright Bank, but no final conclusion has been reached. The Company will make a reasonable provision for liability at the end of 2003 based on the developments of the matter.

(ii) In April 1999, Shenyang Cable Company Ltd., a subsidiary of NET, entered into a bank loan agreement amounting to RMB20,000,000 with the Bank of China, Shenyang Branch, in respect of which the Company acted as the guarantor and is jointly and severally liable. In July 2001, the Bank of China, Shenyang Branch commenced litigation against the Company and that subsidiary of NET for the repayment of the loan but it was overruled by the Intermediate Peoples Court in Shenyang Liaoning Province because Shenyang Cable Company Ltd. had already declared a bankruptcy progress in August 2000. Recently the Company received again a plaint from Bank of China, Shenyang Branch. The relevant court hearings will be held on 26 August 2003.

(iii) The Company and its subsidiary acted as guarantor for general banking facilities granted to Shenyang Transformers Ltd. The extent of such facilities utilised by Shenyang Transformers Ltd. at 30th June, 2002 amounted to approximately RMB462,590,000. Upon the disposal of Shenyang Transformers Ltd. in May 2002, the Company entered into an agreement with SNIAMC to transfer such guarantees to SNIAMC. However, the procedures for the transfer of guarantees has not been completed up to the date of this report.



## 11. Connected transactions

As NET and its subsidiaries, which originally were connected parties of the Company, did not have any shareholdings in the Company during the period and ceased to be connected parties of the Company. Therefore, no disclosure is required in respect of them as connected parties.

During the period, the Group had the following transactions with connected parties:

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Sale of finished products to connected parties	<u>                    </u>	<u>2,303</u>
Purchase of raw materials and spare parts from connected parties		24,581
Provision of hotel services	<u>78</u>	628

The above transactions had been entered into by the parties on normal commercial terms.

## SUPPLEMENTARY INFORMATION

These financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong, which differ in certain significant respects from those in the PRC Accounting Regulations. The significant differences relate principally to the following items and the adjustments considered necessary to restate net profit attributable to shareholders and net assets in accordance with PRC Accounting Regulations are shown in the tables set out below.

	Net assets RMB'000	Net profit RMB'000
Under accounting principles generally accepted in Hong Kong	539,734	3,706
Welfare expenses payable	<u>(160)</u>	<u>(450)</u>
Under the PRC Accounting Regulations	<u>539,574</u>	<u>4,156</u>