

Chairman's Statement


Dear shareholders,

As the Chairman, I would like to express my gratitude towards your trust to the Group. I am pleased to present the operating results of the Group for the Year, and hereby sincerely thank you for your generous support to the Group.

During the Year, the turnover of the Group amounted to RMB169,116,000, profit after taxation and minority interests amounted to RMB17,833,000, and earnings per share amounted to RMB0.02, representing a decrease of approximately 62.55%, 80.78% and 77.78% from that of the Previous Year respectively.

During the Year, the Group's asset reorganisation has basically completed. The Group's new business layout demonstrated an upward trend. However, the Group's operating results recorded a decrease due to the limited scale of real estate development and the education projects are only at the preliminary investment stage.

During the Year, the Group strived to accomplish the following:

- In order to explore real estate development business and enter into the Beijing real estate market at the appropriate time, the Group completed the acquisition of Beijing Diye in the Year. Currently, Beijing Diye is actively undertaking its first residential project.
- In order to equip the Group with software development capability for the Group's facility requirements for internal projects such as building automation and electronic education projects, the Group acquired 90.00% equity interests of Shenyang Business Information in the Year.
- During the Year, the sale of phase one project of "Water-Flowers City" developed by Shenyang Real Estate was basically completed. The phase two project was partly roofed. Sale of "Hongji Garden" project was basically completed.
- During the Year, the Group entered into an agreement with Pollon Industrial Company Limited ("Pollon Industrial") and Shenyang Municipal Dadong District Real Estate and Land Development General Corporation ("Dadong Development"). Under the agreement, the Group acquired 100% equity interests of Building Management Company and transformed its existing properties into hotel apartments, which was renamed as "Cosmo International Mansion".
- During the Year, all construction for phase one of Zhuhai Education Park was completed and delivered for use. Zhuhai School commenced schooling in September 2003.

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- During the Year, construction of phase one of Shenyang Education Park has commenced. It is expected to be completed in July 2004. Shenyang School plans to commence schooling in September 2004.
- During the Year, construction of phase one of Shanghai Education Park has not commenced. The Company has actively taken measures in order to resolve this problem for commencement of construction as soon as possible.
- During the Year, the Group established Shenyang Tourism. Shenyang Tourism is negotiating with Qipanshan Committee for land acquisition, which is used for development of tourism facilities and large-scale ecotype community in Shenyang Qipanshan International Scenery and Tourism Development Zone.
- During the Year, the Group acquired a parcel of land in Laoguapu, Dadong District of Shenyang from Shenyang Municipal Planning and Land Resources Bureau by way of auction. With a site area of approximately 203,000 square meters, the land is planned to be used for commercial and residential development. The project will be named "Shinning Festival". At preset, the preliminary preparation work for the project is under way.
- During the Year, the Board of the Company approved the acquisition of 95.00% equity interests of Shenzhen Jingmei Industrial Development Company Limited ("Jingmei Industrial") as it holds 70.00% of equity interests of Shenzhen Xili Baoen Fu Di Cemetery Company Limited ("Xili Cemetery") whereby the Company will engage in the business of cemetery development.

Leveraging the development opportunities in 2004, the Group is committed to integrate its existing resources, strengthen internal management, establish a good brand, increase profit margin and control market risks, so as to lay a solid foundation for future development. I believe that in the year of 2004, all the staff of the Group will put in more efforts to create returns to our shareholders as a whole.

Xu Er Hui
Chairman

Shenyang Public Utility Holdings Company Limited

Shenyang, the PRC
26th April 2004