

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

1. BASIS OF PREPARATION

The condensed financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”) and Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2003.

3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is currently divided into two operating divisions - property development and education projects. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property development — development and sale of properties

Education projects — leasing of campus and equipment, and investment and management of education projects

There was no business transaction between the segments for both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information about these businesses is presented below:

	Six months ended 30th June 2004			Consolidated RMB'000
	Property development RMB'000	Education projects RMB'000	Others RMB'000	
Turnover	13,381	3,750	1,095	18,226
Segment results	(2,771)	(7,021)	(1,891)	(11,683)
Interest income from bank deposits				5,067
Unallocated corporate expenses				(32,157)
Loss from operations				(38,773)
Finance costs				(22,573)
Loss before taxation				(61,346)
Taxation				392
Loss after taxation				(60,954)
Minority interests				547
Loss attributable to shareholders				(60,407)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT INFORMATION (Continued)

	Six months ended 30th June 2003 (Unaudited)		
	Properties development RMB'000	Others RMB'000	Consolidated RMB'000
Turnover	<u>11,390</u>	<u>284</u>	<u>11,674</u>
Segment results	<u>(3,080)</u>	<u>(523)</u>	(3,603)
Interest income from bank deposits			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			<u>14,493</u>
Profit before taxation			4,091
Taxation			<u>(2,391)</u>
Profit after taxation			1,700
Minority interests			<u>77</u>
Profit attributable to shareholders			<u><u>1,777</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

4. LOSS FROM OPERATIONS

	Six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Loss from operations has been arrived at after charging / (crediting):		
Amortisation of goodwill	1,631	1,710
Depreciation of fixed assets	5,650	1,133
Amortisation of investments in unconsolidated subsidiaries (note 9)	14,250	—
Total depreciation and amortisation	<u>21,531</u>	<u>2,843</u>
Interest income from bank deposits	<u>(5,067)</u>	<u>(2,174)</u>

5. TAXATION

	Six months ended 30th June	
	2004	2003
	RMB'000	RMB'000
Taxation comprises :		
The Company and its subsidiaries		
— PRC enterprise income tax	—	—
— Deferred taxation (note 14)	(392)	—
Share of taxation of a jointly controlled entity in the PRC	—	2,391
	<u>(392)</u>	<u>2,391</u>

* PRC denotes the People's Republic of China

No provision for Hong Kong profits tax had been made as the Group's income neither arose in, nor derived from, Hong Kong.

Taxation of the Group arising in the PRC was calculated at the rates of 15% - 33%. As the Group did not derive any assessable profit for the period, no provision for PRC enterprise income tax had been made.

The applicable PRC income tax rate for the jointly controlled entity was 16.5%.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6. DIVIDEND

The Board resolved not to declare any dividend for the current interim period.

7. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share for the period is based on the loss attributable to shareholders for the period of RMB 60,407,000 (profit for 2003 Period: RMB 1,777,000) and the number of 1,020,400,000 shares (2003: 1,020,400,000 shares) in issue during the period.

No diluted (loss) earnings per share are presented as the Company has no dilutive potential shares outstanding for both periods.

8. ADDITIONS TO FIXED ASSETS

During the period, the Group acquired approximately RMB 5,384,000 of fixed assets, which included the interest capitalisation of RMB 1,434,000.

During the period, the Group disposed of fixed assets in the amount of RMB 993,000, resulting in a loss of RMB 319,000.

9. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

	30th June 2004 RMB'000	31st December 2003 RMB'000
Unlisted shares in PRC, at cost	570,000	—
Less: Amortisation	14,250	—
	<u>555,750</u>	<u>—</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES (*Continued*)

Particulars of the unconsolidated subsidiaries are as follows:

Name of subsidiary	Paid-up registered capital RMB'000	Percentage of equity interests held by the the Company		Principal activities
		Directly	Indirectly	
深圳市景梅實業發展有限公司 Shenzhen Jingmei Industrial Development Company Limited ("Jingmei Industrial")	10,000	95%	—	Investment holding
深圳市西麗報恩福地墓園有限公司 Shenzhen Xili Baoen Fu Di Cemetery Company Limited ("Xili Cemetery")	5,000	—	66.5%	Development and sale of cemetery

The Company entered into agreement with the vendor for the acquisition of the above subsidiaries on 31st December 2003 and paid deposit totaling RMB 391,000,000 up to that day. With effect from 1st January 2004, the Company obtained effective control over the above subsidiaries. However, the execution of the agreement under which the vendor will transfer out from Jingmei Industrial liabilities and assets not related to those of Xili Cemetery had not been completed as at 30th June 2004. Accordingly, they were not consolidated in the Group's consolidated financial statements of the current period. For the sake of prudence, the investment cost was amortised at 5% per annum. The amortisation charge for the period of RMB 14,250,000 was included in the loss for the period. The directors expected the work of transferring out the liabilities and assets would be completed by the end of 2004.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES *(Continued)*

The combined results of the unconsolidated subsidiaries for the period from 1st January 2004 to 30th June 2004 were as follows:

	<i>RMB'000</i>
Turnover	7,710
Loss before taxation	(889)
Taxation	—
Loss after taxation	(889)

10. ACCOUNT RECEIVABLES

The Group allows an average credit period of 30 days to the customers.

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

	30th June 2004 <i>RMB'000</i>	31st December 2003 <i>RMB'000</i>
0 - 30 days	1,344	1,139
31 - 60 days	625	—
61 - 365 days	4,043	3,558
1 - 2 years	182	1,992
Over 2 years	920	792
	7,114	7,481
Provision for doubtful debts	(431)	(431)
	6,683	7,050

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

11. OTHER RECEIVABLES AND PREPAID EXPENSES

Included in the amount is a partial payment of RMB100,000,000 for an acquisition of a parcel of land for properties development purposes. The land was acquired from the Shenyang Municipal Government through public auction at a total consideration of RMB366,454,000. Due to the impact of the national macro-economic control policies, the land had not been handed-over up to 30th June 2004.

12. ACCOUNT PAYABLES

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

	30th June 2004 RMB'000	31st December 2003 RMB'000
0 - 90 days	69	2,133
91 - 180 days	52	70
181 - 365 days	2,758	319
1 - 2 years	32	810
Over 2 years	241	—
	<u>3,152</u>	<u>3,332</u>

13. BANK LOANS

During the period, the Group obtained new bank loans in the amount of RMB 713,720,000. The loans bear interest at market rates and are repayable within 1-2 years. The bank loans were used as the Group's working capital.

The interest capitalised for the period in respect of bank loans borrowed and used for the properties under development of education projects was RMB 1,434,000. The capitalisation rate was 5.31% per annum.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

14. DEFERRED TAXATION

	Accelerated tax allowance
	<i>RMB'000</i>
At 1st January 2003 and 30th June 2003	—
Acquisition of subsidiaries	63,852
Credited to income statement for the period	(196)
At 31st December 2003 and 1st January 2004	63,656
Credited to income statement for the period	(392)
At 30th June 2004	<u>63,264</u>

15. SHARE CAPITAL

	30th June	31st December
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Registered, issued and fully paid:		
600,000,000 State shares of RMB1.00 each	600,000	600,000
420,400,000 H shares of RMB1.00 each	420,400	420,400
	<u>1,020,400</u>	<u>1,020,400</u>

There were no movements in the share capital of the Company in both the current and the prior interim reporting periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

16. CAPITAL COMMITMENTS

At the balance sheet date, there were capital commitments contracted but not provided for in the financial statements:

	30th June 2004 RMB'000	31st December 2003 RMB'000
Capital commitment in respect of acquisition of fixed assets	<u>111,056</u>	<u>113,684</u>

17. RELATED PARTIES TRANSACTIONS

- a. During the period, the Group had received the rental income from leasing of campus and equipment of RMB 3,750,000 from Zhuhai Beida Subsidiary Experiment School ("Zhuhai School"). The amount is in accordance with the lease agreement. The lease terms are for 20 years, and the rental is fixed for the first three years ended August 2006 and is subject to negotiate for the remaining lease period.
- b. During the period, Beijing Beida Jade Bird Company Limited ("Beida Jade Bird") had entered into guarantee agreement with bank to facilitate the Group in obtaining bank loans of RMB 226,000,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

17. RELATED PARTIES TRANSACTIONS *(Continued)*

- c. As at 30th June 2004, the outstanding balance of related parties with the Group are as follows:

	<i>RMB'000</i>
Account receivables	
Zhuhai School	3,750
Other receivables and prepaid expenses	
Beida Jade Bird	500
Zhuhai School	883
Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited	2,000
Other payable and accrued charges	
Shenyang Public Utility Group Company Limited	1,911
Beida Jade Bird	2,420

18. POST BALANCE SHEET EVENT

The Group was notified that the approval from the Ministry of Commerce of the PRC for the disposal of 22.5% equity interests in Shenyang Shenhai Hot Electricity Company Limited was given on 8th July 2004. The disposal will be effected in the second half of 2004. The directors expected that the disposal would not have material effect to the Group's results of 2004.

By order of the Board
Xu Er Hui
Chairman

Shenyang, the PRC, 23rd August 2004