

1. SUMMARY OF THE RESULTS

(1) Summary of income statement

The Group's (loss) profits

	2004	2003	2002	2001	2000
	<i>RMB'000</i>				
Turnover	35,312	169,116	451,620	667,435	612,640
(Loss) profit after taxation	(197,482)	17,454	93,193	191,778	289,520
(Loss) profit attributable to shareholders	(194,995)	17,833	92,791	190,616	287,900
(Loss) earnings per share (RMB)	(0.19)	0.02	0.09	0.19	0.28

(2) Analysis of segment results

	2004	2003	2002	2001	2000
	Amount	Amount	Amount	Amount	Amount
Consolidated (loss) profit before Taxation	(194,466)	31,834	156,280	302,809	400,758
Of which: Property development, sales and lease	(76,040)	28,434	12,865	16,780	(403)
Education Investment	(11,584)	(2,711)	-	-	-
Electricity and Heat Co-generation	-	24,288	20,388	18,447	21,444
Shenyang Water Cemetery development and lease	-	-	158,816	267,167	357,319
	(38,546)	-	-	-	-

Management Discussion and Analysis

(3) Analysis of segment turnover

	RMB'000									
	2004	% on	2003	% on	2002	% on	2001	% on	2000	% on
	Turnover	total	Turnover	total	Turnover	total	Turnover	total	Turnover	total
Total turnover	35,312	100	169,116	100	451,620	100	667,435	100	612,640	100
Of which: Property										
development,										
sales and lease	21,128	59.83	165,762	98.02	125,820	27.90	90,073	13.50	-	-
Education										
investment	10,658	30.18	2,500	1.48	-	-	-	-	-	-
Other operations	3,032	8.59	854	0.50	400	0.05	-	-	-	-
Shenyang Water	-	-	-	-	325,400	72.05	577,362	86.50	595,285	97.20
Cemetery										
development										
and lease	494	1.40	-	-	-	-	-	-	-	-

2. ANALYSIS OF REAL ESTATE DEVELOPMENT BUSINESS

Summary of operating results


	2004	2003
Sales area ('000 sq.m.)	4.83	55.85
Turnover (RMB'000)	21,128	165,762
(Loss) Profit before taxation (RMB'000)	(76,040)	28,434

During the Year, the Group mainly focused on sales and construction of phase two for the project of "Water-Flowers City" in Shenyang, renovation, decoration, sales and lease of the project "Cosmo International Mansion" in Shenyang and preliminary preparation work of the project "Scenic Bay" in Beijing.

Phase one of the project "Water-Flowers City" in Shenyang has been completed for residence and pre-sale of phase two has completed. As at 31 December 2004, the project "Water-Flowers City" in Shenyang recorded actual sales area of 4,830 square metres and a sales revenue of RMB14,063,000.

The project "Cosmo International Mansion" in Shenyang is the reconstruction of an incomplete project, with gross floor area of approximately 30,000 square metres. The decoration and ornament works for the mansion and its podium have basically been completed. As at 31 December 2004, the project recorded aggregate presold area of 9,630 square metres and a presales revenue of RMB70,751,000. Rental income of the podium for the Year amounted to RMB5,266,000.

Affected by the policy adjustments regarding suspension of the application, approval and construction of all real estate development projects in Beijing, the project of "Scenic Bay" in Beijing has not yet officially commenced construction during the Year, but has obtained approval for land requisition from the relevant government authorities, and the subsequent work is under planning.



During the Year, turnover from real estate development, sales and lease businesses amounted to RMB21,128,000, down 87.25% over that of the Previous Year and the loss before taxation amounted to RMB76,040,000, which is RMB104,474,000 less than that of the Previous Year. It is principally because of a substantial decrease in the gross floor area of sold properties as compared with that of the Previous Year, the loose cost control over the "Water-Flowers City" project in Shenyang, the over investment in brand promotion as well as the unexpected investment on the difficult reconstruction of the old buildings for the project "Cosmo International Mansion" in Shenyang during the Year.

3. ANALYSIS OF EDUCATION INVESTMENT BUSINESS

Phase one of Shenyang Education Park, a project invested by Shenyang Education with a site area of 133,000 square metres, was basically completed in August 2004. Shenyang School was set up in May 2004, and obtained "School Operation Permit", "Education Fee Collection Permit" and "Permission for the Appointment of Foreign Teachers" issued by the Education Bureau of Shenyang in April and July 2004 respectively. Shenyang School formally started school in September 2004 with the first enrollment of 60 students, and is now under active preparation for 2005 enrollment.

The second batch of students admitted by Zhuhai School commenced school smoothly on 1st September 2004, constituting a total of 790 students at present. In December 2004, Zhuhai School has passed the Band One School Assessment for the district of Guangdong Province and was assessed as a Band One school in the district of Guangdong Province. Under the Lease Contract entered into between Zhuhai Education and Zhuhai School, Zhuhai School has during the Year paid Zhuhai Education a rental fee amounting to RMB10,000,000.

During the Year, Shanghai Municipal Government has made adjustment to the land use of substantial projects and the land proposed for use by Shanghai Education is within the adjustment plan. As such, there is no actual progress for the project construction of Shanghai Education Park. Shanghai Education is currently under negotiation with Shanghai Municipal Government with a view to resolve such issue.

4. ANALYSIS OF ELECTRICITY AND HEAT CO-GENERATION BUSINESS

On 28th December 2002, the Company entered into an agreement with Pollon Investment Limited ("Pollon Investment") pursuant to which the Company would transfer its 22.50% equity interests in Shenyang Shenhai Hot Electricity Company Limited ("Shenhai Co-generation") to Pollon Investment. The Company is aware that Ministry of Commerce of the PRC has approved the transfer of the equity interests on 8th July 2004. The remaining work on the change of the equity interests have also been completed subsequently. Since July 2004, Shenhai Co-generation was no longer a joint venture of the Company.

5. ANALYSIS OF SYSTEM INTEGRATION BUSINESS

Shenyang Business Information's operating income and loss for the Year amounted to RMB3,032,000 and RMB4,061,000 respectively. During the Year, Shenyang Business Information provided audio-visual education accessories and buildings automation services for the construction of Shenyang Education Park, with a contract value of RMB1,200,000.

Management Discussion and Analysis

6. ANALYSIS OF CEMETERY DEVELOPMENT BUSINESS

During the Year, a lease income of RMB494,000 and a loss before tax of RMB38,546,000 were generated by Xili Cemetery, and 279 plots were leased.

During the Year, Xili Cemetery invested approximately RMB12,000,000 to perfect the environment of the cemetery area. Xili Cemetery did not achieve expected operation results principally because the settlement of rights of credit and debts and the reorganization of sales team took a comparatively long time, and the new employees had insufficient marketing experience, which resulted in the undesirable sales of plots and the relevant products.

7. ANALYSIS OF THE GROUP'S ASSETS AND FINANCIAL POSITION

(1) Financial statistics of the Group

Items	Basis	As at 31st December 2004	As at 31st December 2003
Gearing ratio	Total liabilities/total assets x 100%	43.09%	28.20%
Current ratio	Current assets/current liabilities	1.36	2.36
Quick ratio	(Current assets – inventories – properties under development – properties held for sale)/current liabilities	1.06	1.68
(Loss) earnings/net assets ratio	Net (loss) profit/net assets x 100%	(11.32)%	0.91%
Sales (loss) profit margin	Net (loss) profit/sales x 100%	(552.21)%	10.54%
Debt equity ratio	Total liabilities/shareholders' equity x 100%	78.45%	41.61%

(2) Overall position of the Group's assets

During the Year, there was an increase in the total assets of the Group when compared with that of the Previous Year. The total assets of the Group increased to approximately RMB3,027,054,000 from approximately RMB2,741,168,000, representing an increase of approximately RMB285,886,000 or 10.43%.

Items	<i>RMB'000</i>		
	As at 31st December 2004	As at 31st December 2003	Change in amounts
Total assets	3,027,054	2,741,168	285,886
Of which:			
Fixed assets	936,928	547,243	389,685
Interests in a jointly controlled entity	–	103,380	(103,380)
Goodwill	609,372	62,638	546,734
Deposits paid for acquisitions of subsidiaries	–	391,100	(391,100)
Investment securities	20,000	20,000	–
Long-term receivable	–	58,234	(58,234)
Current assets	1,460,754	1,558,573	(97,819)

(3) Current assets of the Group

During the Year, the current assets of the Group decreased by approximately RMB97,819,000 to RMB1,460,754,000 as compared with RMB1,558,573,000 in the Previous Year, representing a decrease of approximately 6.28%.

Items	<i>RMB'000</i>		
	As at 31st December 2004	As at 31st December 2003	Change in amounts
Current assets	1,460,754	1,558,573	(97,819)
Of which:			
Properties held for sale	321,863	426,201	(104,338)
Inventories	2,099	469	1,630
Other investments	620	–	620
Account receivables	12,465	7,050	5,415
Receivables from a former jointly controlled entity	60,000	60,000	–
Long-term receivable – receivable within one year	97,056	38,822	58,234
Prepaid expenses	101,835	117,374	(15,539)
Other receivables	551,894	78,600	473,294
Tax recoverable	8,459	–	8,459
Pledged bank deposits	180,399	46,072	134,327
Cash and bank balance	124,064	783,985	(659,921)

Management Discussion and Analysis

(4) Bank borrowings of the Group

As at 31st December 2004, the Group's bank borrowings totaled RMB708,858,000 (2003: RMB425,000,000), of which RMB291,420,000 were loans secured by the Company's cash or property, and parts of the remaining balance were guaranteed loans, which guarantees provided by Beida Jade Bird, SPU and other persons totaled RMB385,300,000. Among the above-mentioned borrowings, borrowings repayable within one year bear interest at 4.779% to 5.841% per annum, and borrowings repayable within two years bear interest at 5.49% or 6.039% per annum.

	As at 31st December 2004	<i>RMB'000</i> As at 31st December 2003
Bank borrowings repayable in the following periods		
Overdue	199,638	–
Within one year	338,220	376,000
The 2nd year	171,000	49,000
	<u>708,858</u>	<u>425,000</u>

As at 31st December 2004, the Group's overdue bank borrowings were RMB199,638,000.

(5) Bills payable

As at 31st December 2004, the balance of the Group's bank acceptance totaled RMB31,000,000, all of which were used to fund the "Cosmo International Mansion" project in Shenyang.

(6) Currency risks

According to the "Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks" periodically promulgated by the State Administration of Foreign Exchange of the PRC in 2004, the exchange rates of Renminbi to US dollar and to Hong Kong dollar were stable as a whole, and the exchange rate of the Hong Kong dollar to Renminbi experienced slight fluctuations during the Year. Accordingly, the risks of the Company's deposits of Hong Kong dollar were relatively low.

(7) Land reserves

At the balance sheet date, the Group has four parcels of land in its reserves with a total area of 1,189,000 square metres as follows:

1. Portion of land at 10th Road in Shenyang Economic and Technological Development Zone with an area of approximately 657,000 square metres and with cost of RMB83,165,000 already paid up, in which the Group holds 99.90% interests;
2. Portion of land at Laoguapu East Road, Dadong District, Shenyang with an area of approximately 203,000 square metres and with cost of RMB100,000,000 already paid up, in which the Group holds 99.86% interests;
3. A parcel of land in Guan Zhuang Xin Cun, Chaoyang District, Beijing with an area of approximately 129,000 square metres and with cost of RMB90,000,000 already paid up, in which the Group holds 93.87% interests; and
4. A parcel of land in Fuxing Road, Zhu Jia Jiao Town, Qingpu District, Shanghai with an area of approximately 318,000 square metres and with cost of RMB1,200,000 already paid up, in which the Group holds 99.97% interests.

The Group intends to use the aforementioned land reserves for real estate development and education investment.

(8) Contingent liabilities

Save as disclosed in note 41 to the financial statements, as at the balance sheet date, the Group did not have any other contingent liabilities.

(9) Analysis of equity and reserves

	31st December 2004	31st December 2003	<i>RMB'000</i> Change in amounts
Share capital	1,020,400	1,020,400	–
Share premium	323,258	323,258	–
Statutory surplus reserve	69,054	69,054	–
Statutory public welfare reserve	34,528	34,528	–
Accumulated profits	215,345	410,340	(194,995)

8. 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 RMB684,256,000. No proceeds were raised by means of issuing new shares thereafter. The proceeds were applied basically in accordance with the use of proceeds as disclosed in the prospectus of the Company dated 7th December 1999 (the "Prospectus"). The extraordinary general meeting of the Company convened on 20th August 2002 approved the resolution to change the intended use of proceeds amounting to RMB200,000,000, which was the remaining unused net proceeds of the total amount of RMB489,000,000 originally intended to be used for Shenyang Water. Up to 31st December 2004, the Company has made investments totaling approximately RMB593,230,000 (2003: RMB593,230,000), of which:

- (1) RMB231,951,000 was used to invest in the acquisition of No. 8 Water Plant (as defined in the Prospectus);
- (2) RMB56,787,000 was used for the acquisition and construction of the Shifosi Water Source expansion project (as defined in the Prospectus);
- (3) RMB9,041,000 was used to renovate the system of production facilities of Shenyang Water;
- (4) RMB1,000,000 was used to purchase new vehicles for Jingwei Transportation (as defined in the Prospectus);
- (5) RMB100,000,000 was used to acquire the land use right of a parcel of land in Shenyang Economic and Technological Development Zone with an area of 790,000 square metres; and
- (6) the balance was used as working capital.

9. NUMBER OF EMPLOYEES AND THEIR EDUCATION LEVELS

As at 31st December 2004, the Group had 320 employees.

208 employees of the Group had received university or higher education, and 76 technicians were of intermediate rank or above.

During the Year, the aggregate salaries and allowances paid to the employees amounted to RMB15,563,000 (2003: RMB8,532,000). The Group has not established any share option scheme for any of its senior management or employees.