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**Shenyang Public Utility Holdings Company Limited**  
INTERIM REPORT 2005



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The board of directors (“the Board”) of Shenyang Public Utility Holdings Company Limited (“the Company”) is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (“the Group”) for the six months ended 30th June 2005 (“the Period”). The consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity for the Period and the consolidated balance sheet of the Group as at 30th June 2005 are all unaudited and prepared in condensed accounts form together with some selected explanatory notes to the accounts which are set out from page 16 to 32 in this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the turnover of the Group amounted to approximately RMB17,082,000, representing a decrease of approximately 6.28% as compared with that of the corresponding period (“the Corresponding Period”) for the six months ended 30th June 2004 (“the 2004 Period”); loss after taxation and minority interests amounted to approximately RMB19,778,000, representing a decrease in loss of approximately 67.26% as compared with that of the Corresponding Period; and loss per share was approximately RMB0.02, representing a decrease in loss of approximately 66.67% as compared with that of the Corresponding Period.

### I. Review of the Group’s Major Business

The Group is a real estate developer and an investor in education business. It is principally engaged in the development and sale of real estate and investment in and management of education. The Company’s subsidiaries, Shenyang Development Real Estate Company Limited (“Shenyang Real Estate”), Shenyang Pollon Finance Building Management Company Limited (“Building Management Company”) and Beijing Diye Real Estate Development Company Limited (“Beijing Diye”), are real estate developers in Shenyang and Beijing respectively. The Company’s subsidiaries, Shenyang Development Beida Education Science Park Company Limited (“Shenyang Education”), Zhuhai Beida Education Science Park Company Limited (“Zhuhai Education”) and Shanghai Beida Jade Bird Education Investment Company Limited (“Shanghai Education”), are investors in education business in Shenyang, Zhuhai and Shanghai respectively. The Company’s subsidiary, Shenyang Beida Jade Bird Business Information System Company Limited (“Shenyang Business Information”) is a developer of application software in Shenyang. The Company’s subsidiary, Shenzhen Jingmei Industrial Development Company Limited (“Jingmei Industrial”), is a developer of cemetery in Shenzhen through Shenzhen Xili Baoen Fu Di Cemetery Company Limited (“Xili Cemetery”), while the Company’s subsidiary – Shenzhen Grand Science Investment Development Company Limited (“Shenzhen Grand Science”) is an industrial investor in Shenzhen.

1. *Real Estate Development Business*

During the Period, the Group focused its works on the completion and inspection of the residential project “Water-Flowers City” and the project “Cosmo International Mansion” in Shenyang, and the preliminary preparation of project “Scenic Bay” in Beijing.

During the Period, the primary focus of the Group in relation to project “Water-Flowers City” in Shenyang was the completion and inspection and the occupation arrangement for the phase two project. The primary focus of the Group in relation to Shenyang “Cosmo International Mansion” was the completion of reconstruction and the last stage completion and inspection. The decoration and ornament works for the mansion and its podium have basically been completed and the leasing has already begun. Rental income of the podium amounted to RMB1,976,000, while 30 units of the mansion have been leased, recording a rental income of RMB492,000.

The project “Scenic Bay” in Beijing covers an area of 129,000 square meters and the planned gross floor area is around 195,000 square meters. Affected by the national macro-economic control policies (policy adjustments regarding suspension of the application, approval and construction of all real estate development projects in Beijing), the procedure of land approval for the project was not completed as scheduled, leading to the delay of construction work. At present, Beijing Diye has obtained approval for land requisition from the relevant government authorities, and the subsequent work is under planning.

2. *Education Investment Business*

During the Period, major projects of Shenyang Development Beida Education Science Park (“Shenyang Education Park”), invested by Shenyang Education, were basically completed in August 2004, and is now undergoing last stage of completion and inspection. Shenyang Beida Jade Bird School (“Shenyang School”) formally commenced school in September 2004, and is now under active preparation for 2005 enrollment.

During the Period, the completion and inspection for acceptance of works for the first phase project of Zhuhai Beida Education Science Park (“Zhuhai Education Park”) has finished, and now is in the process of applying for Housing Ownership Certificates for the first phase project. At the same time, Zhuhai Beida Subsidiary Experiment School (“Zhuhai School”) is now under preparation for 2005 enrollment. During the Period, Zhuhai School has paid Zhuhai Education a rental fee amounting to RMB7,500,000.

During the Period, the commencement of the project construction of Shanghai Beida Education Science Park (“Shanghai Education Park”) was delayed as a result of the Shanghai Municipal Government’s adjustment to the land use policy of substantial projects. However, after active negotiation and communication with relevant Shanghai government authorities, Shanghai Education Park has progressed well with its review and approval work, and is now undergoing pre-construction application work.

3. *System Integration Business*

During the Period, Shenyang Business Information has signed 30 project contracts with a contract sum of RMB5,321,200 and a total income of RMB3,262,800. Its accumulated loss amounted to RMB546,600. During the Period, Shenyang Business Information passed the test conducted by Liaoning Provincial Information Industry Bureau on three software products, including Beida Jade Bird Medical Insurance Management Information System, Beida Jade Bird Unemployment Insurance Management Information System, and Beida Jade Bird Labor Forces Market Management Information System, and obtained the product inspection reports. During the Period, Shenyang Business Information has commenced various operations principally relating to system integration and the R&D and sales of software. It is expected that competition in the IT industry will remain intensive in the second half of the year. Shenyang Business Information will actively develop new software products and put more efforts on the sales of existing software business, so as to improve operation results and turn loss to profit as soon as possible.

4. *Cemetery Development Business*

During the Period, Xili Cemetery realized a sales income of RMB8,244,200, sold 140 plots and generated a total profit of RMB451,000. During the Period, while enhancing construction of sales system and putting more efforts on marketing in the local markets, Xili Cemetery began to explore the Hong Kong market through promotion on major plain medias and setting up effective agent networks and sales team. On the other hand, the company made appropriate investment in the further improvement of cemetery's environment and service level and grading. Based on the above, it is expected that Xili Cemetery will increase its sales income in the second half of the year.

II. **The Group's Liquidity and Financial Resources**

1. *Borrowing Level and Analysis at the Balance Sheet Date*

As at 30 June 2005, the Group's bank borrowings totaled RMB379,926,000 (As at 31st December 2004: RMB708,858,000), of which RMB200,000,000 were loans secured by the Company's bank deposits of RMB71,053,300, and loans in the amount of RMB39,000,000 were secured by the podium portion of the Company's Cosmo International Mansion. Among the abovementioned borrowings, borrowings repayable within one year bear interest at 5.31% to 6.138% per annum, and borrowings repayable within two years bear interest at 5.49% to 6.039% per annum.

	<b>As at 30th June 2005 (RMB'000)</b>	As at 31st December 2004 (RMB'000)
Bank borrowings payable as follows:		
Overdue	<b>24,426</b>	199,638
Within one year	<b>355,500</b>	338,220
The second year	-	171,000
	<b><u>379,926</u></b>	<u>708,858</u>

2. *Financial Indicators and Basis of Calculation*

Financial Indicators	Basis of Calculation	As at	As at
		30th June 2005	31st December 2004
Gearing ratio	Total liabilities/ total assets x 100%	<b>38.58%</b>	43.09%
Earnings/net assets ratio	Net profit/ net assets x 100%	<b>-1.24%</b>	-11.32%
Sales profit margin	Net profit/sales x 100%	<b>-123.80%</b>	-552.21%

III. **Capital Structure of the Group**

Items	As at 30th June 2005		As at 31st December 2004	
	Amount (RMB'000)	Percentage of Total Capital	Amount (RMB'000)	Percentage of Total Capital
Share capital	1,020,400	59.97%	1,020,400	59.23%
Share premium	323,258	19.00%	323,258	18.77%
Statutory surplus reserve	69,054	4.06%	69,054	4.00%
Statutory public welfare reserve	34,528	2.03%	34,528	2.00%
Accumulated profits	195,567	11.49%	215,345	12.50%
Minority interests	58,849	3.45%	60,219	3.50%
Total capital	<u>1,701,656</u>	<u>100%</u>	<u>1,722,804</u>	<u>100%</u>

IV. **Significant Investments Held**

During the Period, the Group held 8.00% equity interest in Tsinghua Unisplendour Hi-Tech Venture Capital Inc. ("THCI") with investment cost of RMB20,000,000 (31st December 2004: RMB20,000,000). During the Period, THCI has recorded a loss of RMB3,133,000, representing a loss decrease of RMB1,747,000 as compared with that of the Corresponding Period.

V. **Changes in the Composition of the Group**

During the Period, there was no material change in composition of the Group.

**VI. Number of Employees, Emoluments Policies, Training Schemes and Share Option Schemes**

As at 30th June 2005, the Group employed a total of 275 employees (including the directors of the Company) and provided them with emoluments totalling approximately RMB5,227,780 during the Period (2004 Period: RMB4,022,000). The Group has entered into employment contracts with all the employees. The employees are offered different emoluments with respect to their different positions. The Group also made contributions to endowment insurance, basic medical insurance and housing reserves for all the employees in accordance with the relevant laws of the PRC. The Group also provided employees with vocational training courses. To date, the Group has not adopted any share option scheme for any of its senior management or employees.

**VII. Details of the Group's Assets Secured/Pledged**

As at 30th June 2005, the secured/pledged assets of the Group were properties on the first to fifth floor of the Cosmo International Mansion held by Building Management Company.

**VIII. Taxation**

During the Period, no provision for Hong Kong Profits Tax had been made as the Group's income neither arose in nor was derived from Hong Kong. During the Period, the Group was subject to pay income tax at the prevailing tax rate of 15%-33% in the PRC.

**IX. 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 2005, the exchange rate of Renminbi to Hong Kong dollar was stable as a whole, and the exchange rate of the Hong Kong dollar to Renminbi experienced slight fluctuations during the Period. Accordingly, the risks of the Company's deposits in Hong Kong dollars were relatively low.



**X. 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. Since then, no proceeds were raised by means of issuing new shares. In the extraordinary general meeting of the Company convened on 20th August 2002, the Company 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 Company Limited (“Shenyang Water”). As at 30th June 2005, the Company had made investments totalling approximately RMB593,230,000 (As at 30th June 2004: RMB593,230,000), of which:

1. RMB231,951,000 had been applied to invest in the acquisition of No. 8 Water Plant (as defined in the Prospectus of the Company published on 7th December 1999, the “Prospectus”);
2. RMB56,787,000 had been applied for the acquisition and construction of the Shifosi Water Source expansion project (as defined in the Prospectus);
3. RMB9,041,000 had been applied to renovate the facilities of Shenyang Water production system;
4. RMB1,000,000 had been applied to purchase new vehicles for Jingwei Transportation (as defined in the Prospectus);
5. RMB100,000,000 had been applied to acquire the use right of a parcel of land in Shenyang Economic and Technological Development Zone with an area of 790,000 square meters; and
6. The balance was used as working capital.

**XI. Prospects of the Second Half of 2005**

In the second half of the year, the Group's operation will focus on the following:

1. To enhance internal management and cut costs and expenses, to strengthen sales and maximize the use of assets, to complete the construction and sales of existing real estate projects as soon as possible.
2. To actively explore new sources of income and to increase the incomes from education investment business such as Shenyang Education, Zhuhai Education etc.
3. To integrate marketing and management system, to actively develop Hong Kong market, such that sales income of Xili Cemetery will increase remarkably.
4. To enforce external cooperation and to seek new source of profit growth so that general operation of the Group will improve as soon as possible.

**XII. Purchase, Sale or Redemption of Shares**

During the Period, the Group has not purchased, sold or redeemed any of the Company's shares.

### XIII. Interests and/or Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares, Securities, Equity Derivatives and/or Debentures of the Company and/or the Company's Associated Corporations

As at 30th June 2005, for each of the directors, supervisors and chief executive of the Company, in respect of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "Securities and Futures Ordinance"):

1. None of them held any interests and/or short positions in the shares, underlying shares, securities, equity derivatives and/or debentures as shown in the register maintained in accordance with section 352 of the Securities and Futures Ordinance; and
2. None of them held any interests and/or short positions in the shares, underlying shares, securities, equity derivatives and/or debentures which is required to notify the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in accordance with the Model Code for Securities Transactions by Directors of Listed Companies.

### XIV. Share Capital Structure

During the Period, there was no change in the share capital structure of the Company. As at 30th June 2005, the share capital structure of the Company was as follows:

Types of Shares	Number of Shares	Percentage to Total Issued Share Capital
State shares	600,000,000	58.80%
H shares	420,400,000	41.20%
Total share capital	<u>1,020,400,000</u>	<u>100%</u>

### XV. Share Options

During the Period, the Group did not issue or grant any convertible securities, options, warrants or other similar rights.

**XVI. Substantial Shareholders**

As at 30th June 2005, save as the Company's directors, supervisors and chief executive, the register of holders maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance showed that the following companies and persons had interests and/or short positions in the Company's shares, underlying shares, securities, equity derivatives and/or debentures:

	<b>Beneficial Owners</b>	<b>Shares</b>	<b>Percentage to Total Issued Share Capital</b>
1	Shenyang Public Utility Group Company Limited ("SPU")	600,000,000 State shares (unlisted shares)	58.80%
2	Shenyang Urban Infrastructure Facility Construction Investment Development Company Limited ("Shenyang Urban Construction") (Note 1)	600,000,000 State shares	58.80%
3	Beijing Beida Hi-tech Industry Investment Company Limited ("Beida Hi-Tech") (Note 2)	600,000,000 State shares	58.80%
4	Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang") (Note 3)	600,000,000 State shares	58.80%
5	HKSCC Nominees Limited (Note 4)	418,529,990 H shares (listed shares)	41.02%

*Notes:*

1. Shenyang Urban Construction is a limited company established in the PRC. It holds 42.23% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Shenyang Urban Construction is regarded as holding interests in the underlying shares of the Company held by SPU.
2. Beida Hi-Tech is a limited company established in the PRC. It holds 50% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Beida Hi-Tech is regarded as holding interests in the underlying shares of the Company held by SPU.
3. Jade Bird Huaguang is a joint stock limited company established in the PRC. It holds 57.69% equity interest in Beida Hi-Tech. Through Beida Hi-Tech, it holds 50% equity interest in SPU. Pursuant to section 316 of the Securities and Futures Ordinance, Jade Bird Huaguang is regarded as holding interests in the underlying shares of the Company held by SPU.
4. As notified by HKSCC Nominees Limited, as at 30th June 2005, the following participants in the central clearance system had interests amounting to 5% or more of the total issued H shares of the Company as shown in the securities accounts in the central clearance system:
  - (1) Tai Fook Securities Company Limited as nominee holds 104,174,000 H shares, representing 24.78% of the issued H shares of the Company, of which Sino-French Water Development (Liaoning) Company Limited beneficially owned 88,146,000 H shares, representing 20.97% of the issued H shares of the Company.
  - (2) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 49,227,000 H shares, representing 11.71% of the issued H shares of the Company.
  - (3) Shenyin Wanguo Securities (H.K.) Limited as nominee holds 28,352,000 H shares, representing 6.74% of the issued H shares of the Company.

Save as disclosed above, during the Period, the Company has not been notified of any interests and/or short positions in shares, underlying shares, securities, equity derivatives and/or debentures of the Company which are required to be recorded in the register maintained in accordance with section 336 of the Securities and Futures Ordinance.

**XVII. Dividend**

During the Period, no dividend was paid. The Board resolved not to declare any interim dividend in 2005.

**XVIII. Connected Transactions**

During the Period, the connected transaction of the Group was shown as follows:

Zhuhai Education rented properties and equipments of phase one of Zhuhai Education Park to Zhuhai School at a rental of RMB7,500,000. The Board considered that:

1. the aforesaid connected transaction was conducted on normal commercial terms (by reference to terms of similar transactions conducted by similar entities in the PRC) in the ordinary and usual course of business of the Company in accordance with the terms of the agreement or terms that were no less favorable than those available to third parties and were fair and reasonable so far as the independent shareholders of the Company were concerned; and
2. the amount of the connected transaction did not exceed the cap in respect of the waiver for the connected transaction granted by the Hong Kong Stock Exchange.

**XIX. Compliance with the Code on Corporate Governance Practices under the Listing Rules**

The Board is pleased to confirm that the Company has referred to the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) during the Period, and the Board is convinced that the Group has complied with the principles and provisions of the Code on Corporate Governance Practices in general during the Period.

**XX. Model Code for Securities Transactions by Directors of Listed Issuers**

During the Period, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Code”) in Appendix 10 of the Listing Rules to govern the purchase and sales of the Company’s securities by the directors and supervisors of the Company. The Company has also issued enquiry in writing with each director and supervisor as to whether he/she has fully observed the Code. Each of the director or supervisor has replied to the Company in writing confirming that he/she has fully observed the Code and no violation of the Code has occurred.

## **XXI. Independent Non-executive Directors**

The Company held a board meeting on 28th September 2004 to adjust the composition of the board of directors of the Company to comply with the requirements of revised Rule 3.10(1) and (2) in the Listing Rules which came into effect on 31st March 2004. The above adjustment was approved at the Shareholders' General Meeting convened on 15th November 2004.

In addition, each independent non-executive director of the Company has, on or before the agreed date, confirmed to the Company and the Hong Kong Stock Exchange that such director has no connection with the Company or any of its connected persons with reference to the matters set out in Rule 3.13 of the Listing Rules.

## **XXII. Audit Committee**

The Company held a board meeting to make adjustment to the Audit Committee on 28th September 2004 and finally gained approval of the Shareholders' General Meeting on 15th November 2005. As such, the Audit Committee is now in compliance with the newly revised Rule 3.21 of Chapter 3 of the Listing Rules which came into effect on 31st March 2004.

On 23rd August 2005, the Company's Audit Committee convened a meeting to review the unaudited interim accounts of the Group for the Period. The Audit Committee considered that the accounting principles and methods adopted and the internal monitoring mechanism and financial reporting of the Group are in line with the relevant requirements of the accounting regulations.

## **XXIII. Material Litigation**

On 24th January 2005, the Company and Shenzhen Development Bank Dalian Branch (the "Plaintiff") reached a settlement of the claim and counterclaim in relation to the dispute on the Loan (details are set out in the announcement of the Company dated 12th July 2005). On 28th January 2005, the Company obtained the release of the cash held in various banks from sequestration and detainment. As at 28th April 2005, the Company has repaid an aggregate amount of RMB50,000,000 to the Plaintiff. Around 28th April 2005, the Plaintiff sequestered an amount of RMB155,000,000 from Liao Ning Hua Jin Hua Gong Group Company Limited, one of the guarantors of the Loan. From then on, the Plaintiff has already received the outstanding amount due under the Loan and interest from the Company and its guarantors for the Loan.

On 17th May 2005, that guarantor began to take measures against the Company and its related parties to protect its security as a result of the sequestration of its monies by the Plaintiff and the guarantee it gave for the Loan. At present, the Company and Beijing Beida Jade Bird Company Limited, an indirect shareholder of the Company, are in negotiations with that guarantor on the above matters and repayment but has not reached any final agreement.

#### **XXIV. Extraordinary General Meetings**

During the Period, no extraordinary general meeting was held by the Company.

#### **XXV. Company Information**

Legal address: No. 24-1, Mo Chou Hu Street,  
Shenyang Economic and Technological Development Zone,  
Shenyang, the PRC

Place of business: No. 14, Shisiwei Road,  
Heping District, Shenyang, the PRC

Postal code: 110003

Tel: 8624-2326 1111

Fax: 8624-2325 7181

Website: [www.syfz.com.cn](http://www.syfz.com.cn)

E-mail: [sygyfz@mail.sy.ln.cn](mailto:sygyfz@mail.sy.ln.cn)

Company Secretary: Wang Se

#### **XXVI. Publication of Further Information on the Website of the Hong Kong Stock Exchange**

The Company will publish its interim report on the Hong Kong Stock Exchange's website at an appropriate time as required by the Listing Rules.



**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30th June 2005

	<i>Notes</i>	<b>Six months ended</b>	
		<b>2005</b>	<b>2004</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Turnover	3	<b>17,082</b>	18,226
Other operating income		<b>364</b>	5,160
Cost of properties sold		<b>(9,646)</b>	(10,968)
Taxes on sales of properties		<b>(394)</b>	(984)
Other operating expenses		<b>(14,814)</b>	(50,207)
		<hr/>	<hr/>
Loss from operations	4	<b>(7,408)</b>	(38,773)
Finance costs		<b>(14,132)</b>	(22,573)
		<hr/>	<hr/>
Loss before taxation		<b>(21,540)</b>	(61,346)
Taxation	5	<b>392</b>	392
		<hr/>	<hr/>
Loss after taxation		<b>(21,148)</b>	(60,954)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		<b>(19,778)</b>	(60,407)
Minority interests		<b>(1,370)</b>	(547)
		<hr/>	<hr/>
		<b>(21,148)</b>	(60,954)
		<hr/>	<hr/>
Loss per share – basic	7	<b>RMB(0.02)</b>	RMB(0.06)
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th June 2005

		<b>At 30th June 2005 (Unaudited) RMB'000</b>	<b>At 31st December 2004 (Audited) RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>931,568</b>	936,928
Goodwill		<b>609,372</b>	609,372
Available for sales financial assets		<b>20,000</b>	20,000
		<b>1,560,940</b>	1,566,300
<b>Current assets</b>			
Properties held for sale		<b>321,863</b>	321,863
Inventories		<b>15,103</b>	2,099
Other investment		<b>620</b>	620
Accounts receivables	9	<b>19,145</b>	12,465
Amount due from a former jointly controlled entity		<b>60,000</b>	60,000
Long-term other receivable – receivable within one year		<b>96,656</b>	97,056
Prepayments		<b>109,134</b>	101,835
Other receivables	10	<b>209,702</b>	551,894
Tax prepaid		<b>9,387</b>	8,459
Pledged bank deposits		<b>71,069</b>	180,399
Cash and bank balances		<b>296,937</b>	124,064
		<b>1,209,616</b>	1,460,754
<b>Current liabilities</b>			
Accounts payables	11	<b>11,385</b>	14,772
Bills payable		<b>–</b>	31,000
Investment cost payable		<b>39,512</b>	39,512
Receipt in advance		<b>246,717</b>	285,850
Other payables and accrued charges		<b>304,900</b>	145,986
Deferred income	12	<b>23,981</b>	15,401
Bank loans – repayable within one year	13	<b>379,926</b>	537,858
		<b>1,006,421</b>	1,070,379
<b>Net current assets</b>		<b>203,195</b>	390,375
		<b>1,764,135</b>	1,956,675

**CONDENSED CONSOLIDATED BALANCE SHEET** *(Continued)*

At 30th June 2005

		<b>At 30th June 2005 (Unaudited) RMB'000</b>	<b>At 31st December 2004 (Audited) RMB'000</b>
	<i>Note</i>		
<b>Equity</b>			
Share capital		<b>1,020,400</b>	1,020,400
Reserves		<b>622,407</b>	642,185
		<hr/>	<hr/>
Shareholders' equity		<b>1,642,807</b>	1,662,585
Minority interests		<b>58,849</b>	60,219
		<hr/>	<hr/>
Total equity		<b>1,701,656</b>	1,722,804
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Bank loans – repayable after one year	<i>13</i>	–	171,000
Deferred taxation	<i>14</i>	<b>62,479</b>	62,871
		<hr/>	<hr/>
		<b>62,479</b>	233,871
		<hr/>	<hr/>
		<b>1,764,135</b>	1,956,675
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th June 2005

(Unaudited)

**Attributable to the Company's shareholders**

			Statutory		Accumulated profits	Minority interests	Total
	Share capital	Share premium	Statutory surplus reserve	public welfare reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2004	1,020,400	323,258	69,054	34,528	410,340	-	1,857,580
Minority interests of previous period	-	-	-	-	-	110,709	110,709
At 1st January 2004 (restated)	1,020,400	323,258	69,054	34,528	410,340	110,709	1,968,289
Contribution from minority shareholders	-	-	-	-	-	4,000	4,000
Loss for the period	-	-	-	-	(60,407)	(547)	(60,954)
At 30th June 2004	<u>1,020,400</u>	<u>323,258</u>	<u>69,054</u>	<u>34,528</u>	<u>349,933</u>	<u>114,162</u>	<u>1,911,335</u>
At 1st January 2005	1,020,400	323,258	69,054	34,528	215,345	-	1,662,585
Minority interests of prior period	-	-	-	-	-	60,219	60,219
At 1st January 2005 (restated)	1,020,400	323,258	69,054	34,528	215,345	60,219	1,722,804
Loss for the period	-	-	-	-	(19,778)	(1,370)	(21,148)
At 30th June 2005	<u>1,020,400</u>	<u>323,258</u>	<u>69,054</u>	<u>34,528</u>	<u>195,567</u>	<u>58,849</u>	<u>1,701,656</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30th June 2005

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Net cash flow generated from (used in) operating activities	<b>393,754</b>	(370,643)
Net cash flow used in investing activities	<b>(1,279)</b>	(372,629)
(Used in) generated from financing activities	<b>(219,602)</b>	345,412
Increase (Decrease) in cash and cash equivalents	<b>172,873</b>	(397,860)
Cash and cash equivalents at the beginning of the period	<b>124,064</b>	725,265
Cash and cash equivalents at the end of the period	<b><u>296,937</u></b>	<u>327,405</u>
The analysis of cash and cash equivalents at the end of the period:		
Cash and bank balances	<b>296,937</b>	664,548
Less: Bank fixed deposit with maturity over three months	<b>—</b>	(337,143)
	<b><u>296,937</u></b>	<u>327,405</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2005

### 1. Accounting policies and basis of preparation

The unaudited condensed consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under historical cost convention. The principal accounting policies used in the preparation of the unaudited condensed financial statements are consistent with those adopted in the preparation of the consolidated annual financial statements of the Group for the year ended 31 December 2004, except for those mentioned below. During the period beginning on 1 January 2005, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for the accounting periods beginning on or after 1st January 2005.

The major effects of the new HKFRSs, which have had a material impact on the unaudited condensed consolidated financial statements, are set out below:

In prior periods, the Group's long term investment was stated at historical cost. The adoption of HKAS 39 “Financial Instruments: Recognition and Measurement”, it is grouped under available for sale financial asset which is carried at fair value, where an active market exists, with any unrealized gains and losses recognized in equity. Available for sale financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques is carried at cost less impairment. The adoption of HKAS 39 does not have any material effect on the accounts.

The adoptions of HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets” have resulted in ceasing goodwill amortisation and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1st January 2005. The transitional provisions of HKFRS 3 have required the Group to eliminate the carrying amount of accumulated amortisation of RMB34,786,000 with a corresponding decrease in goodwill. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Amotisation of goodwill for the six month ended 30th June 2005 would have been approximately RMB16,105,000 if goodwill were amortised. HKFRS is applied prospectively, accordingly, comparative figures for 2004 have not been restated.

The preparation of the unaudited condensed consolidated financial statements in conformity with the new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed financial statements include provision for doubtful debts, provision for taxation, provision for asset impairment and fair values of financial assets at fair value through profit or loss.

## 2. Adoption of going concern basis

The Group recorded a net loss of RMB21,148,000 for the period and had overdue bank loans totaling RMB24,426,000 as at 30th June 2005. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of Directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration of the fact that the Group is currently negotiating with its bankers to extend and re-schedule the repayment terms of certain bank loans and borrowings which either have been overdue for payment at the balance sheet date or will be due for repayment in the coming year. The Group is also in the course of discussion with some of its bankers to apply for additional credit facilities. The Directors anticipate that the Group will be able to maintain the existing credit facilities and obtain additional credit facilities from its bankers.

The Directors believe that the aforementioned financial plans and operational measures will be successful and the principal bankers will continue to support the Group. Having regard to the cash flow projections of the Group, which are prepared based on the key assumptions that these measures will succeed, the Directors are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows and/or secure the support of its bankers, the Group might not be able to continue its business as a going concern. Adjustments would have to be made in the financial statements to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

## 3. Turnover and segment information

For management purposes, the Group is currently organised into three major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Property development – development, sale, rental and management of properties.
- Education projects – leasing of campus and equipment; and investment and management of education projects.
- Cemetery development – development and lease of tomb sets and niches for cremation urns.

There was no significant business and other transactions between the segments for both periods

## For the six months ended 30th June 2005 (Unaudited)

	Property development <i>RMB'000</i>	Education projects <i>RMB'000</i>	Cemetery development <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Turnover	<u>4,898</u>	<u>8,391</u>	<u>530</u>	<u>3,263</u>	<u>17,082</u>
Segment results	<u>(675)</u>	<u>5,106</u>	<u>(2,893)</u>	<u>(576)</u>	<u>962</u>
Interest income					173
Unallocated corporate expenses					<u>(8,543)</u>
Operating loss					<u>(7,408)</u>
Finance costs					<u>(14,132)</u>
Loss before taxation					<u>(21,540)</u>
Taxation					<u>392</u>
Loss after taxation					<u><u>(21,148)</u></u>

## For the six months ended 30 June 2004 (Unaudited)

	Property development <i>RMB'000</i>	Education projects <i>RMB'000</i>	Cemetery development <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Turnover	<u>13,381</u>	<u>3,750</u>	<u>–</u>	<u>1,095</u>	<u>18,226</u>
Segment results	<u>(2,771)</u>	<u>(7,021)</u>	<u>–</u>	<u>(1,891)</u>	<u>(11,683)</u>
Interest income					5,067
Unallocated corporate expenses					<u>(32,157)</u>
Operating loss					<u>(38,773)</u>
Finance costs					<u>(22,573)</u>
Loss before taxation					<u>(61,346)</u>
Taxation					<u>392</u>
Loss after taxation					<u><u>(60,954)</u></u>



**4. Loss from operations**

	<b>Six months ended 30th June</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Loss from operations has been arrived at after charging (crediting):		
Amortisation of goodwill	–	1,631
Depreciation of property, plant and equipment	<b>6,919</b>	5,650
Amortisation of investment costs for unconsolidated subsidiaries	–	14,250
Interest income from bank deposits	<b>(173)</b>	<b>(5,067)</b>
	<u><u>(173)</u></u>	<u><u>(5,067)</u></u>

**5. Taxation**

	<b>Six months ended 30th June</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Taxation includes		
The Company and its subsidiaries		
– PRC Enterprise income tax	–	–
– Deferred taxation	<b>(392)</b>	<b>(392)</b>
	<u><u>(392)</u></u>	<u><u>(392)</u></u>

\* "PRC" represents the People's Republic of China.

As the Group does not derive any assessable income in Hong Kong, therefore, no Hong Kong profits tax is provided.

Taxation of the Group arising in the PRC is calculated at the rates of 15%-33%. The Group did not derive any assessable income in the PRC, accordingly no PRC enterprise income tax is provided.

**6. Dividends**

The Board of Directors resolved not to declare any dividends for the current interim period.

**7. Loss per share**

The calculation of loss per share for the period is based on the loss attributable to the shareholders of the Company for the period of RMB19,778,000 (For the six months ended 30th June 2004: RMB60,407,000) and the number of 1,020,400,000 shares (2004: 1,020,400,000 shares) in issue during the period.

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

**8. Additions to property, plant and equipment**

During the period, the Group acquired property, plant and equipment approximately of RMB1,994,000, which included the interest capitalisation of RMB974,000.

During the period, the Group disposed of property, plant and equipment with net book value of RMB435,000, resulting in a gain of RMB108,000.

**9. Accounts receivables**

As at the balance sheet date, the Group's accounts receivables mainly represent the amounts due from buyers of the Group's developed properties held for sale, rental receivable for leasing of campus and equipment and amounts acquired through the acquisition of subsidiaries. The Group allows an average credit period of 30 days (2004: 30 days) to the buyers of the Group's developed properties.

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

	<b>At 30th June 2005 RMB'000</b>	<b>At 31st December 2004 RMB'000</b>
0-30 days	5,923	3,651
31-60 days	667	–
61-365 days	3,848	7,194
1-2 years	7,796	836
Over 2 years	1,411	1,407
	<u>19,645</u>	<u>13,088</u>
Provision for bad debts	(500)	(623)
Net amount of accounts receivables	<u><u>19,145</u></u>	<u><u>12,465</u></u>

**10. Other receivables**

Other receivables are unsecured, interest free and have no fixed repayments terms.

At the date of the financial statements, the Group had signed repayment agreements with certain debtors of about RMB51,800,000 where they agree to settle the outstanding amounts by the end of 2005.

**11. Accounts payables**

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

	<b>At 30th June 2005 RMB'000</b>	<b>At 31st December 2004 RMB'000</b>
0-90 days	1	7,908
91-180 days	3,088	1,020
180-365 days	5,767	1,338
1-2 years	1,985	4,099
Over 2 years	544	407
	<u>11,385</u>	<u>14,772</u>

**12. Deferred income**

The land on which the cemetery business is situated in a leasehold land with a medium lease terms expiry until 10th May 2048. The Group develops tomb sets and niches for cremation urns on the land and conveys to the lessees for the period as same as the lease terms of the land. The rental income is wholly received from the lessee when the legally binding contract is signed. Such rental income is recognized on a straight-line basis in the income statement over the relevant lease terms. The rental income received but not yet recognized to income statement is classified as deferred income in the balance sheet.

**13. Bank loans**

During the period, the Group obtained new bank loans of RMB69,000,000 and repaid RMB397,932,000. The loans bear interest at market rates and are repayable within 1 year. Out of the outstanding amount, RMB24,426,000 was overdue (Note 19b). 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 RMB974,000. The capitalisation rate was 5.841% - 6.138% per annum.

## 14. Deferred taxation

	<b>Fair value adjustment on business combination</b> <i>RMB'000</i>
At 1st January 2004	63,656
Credited to income statement	<u>(392)</u>
At 30th June 2004	63,264
Credited to income statement	<u>(393)</u>
At 31st December 2004 and at 1st January 2005	62,871
Credited to income statement for the period	<u>(392)</u>
<b>At 30th June 2005</b>	<b><u><u>62,479</u></u></b>

## 15. Share capital

	<b>At 30th June 2005</b> <i>RMB'000</i>	At 31st December 2004 <i>RMB'000</i>
Registered, issued and fully paid:		
600,000,000 State shares of RMB1.00 each	<b>600,000</b>	600,000
420,400,000 H shares of RMB1.00 each	<b>420,400</b>	420,400
	<b><u><u>1,020,400</u></u></b>	<b><u><u>1,020,400</u></u></b>

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

**16. Capital commitments**

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

	<b>At 30th June 2005 RMB'000</b>	<b>At 31st December 2004 RMB'000</b>
Acquisition of fixed assets/construction costs	<b>53,846</b>	53,846
Acquisition of a parcel of land	<b>46,800</b>	46,800
	<b><u>100,646</u></b>	<u>100,646</u>

The Group acquired the land use rights of a land by way of auction at a consideration of RMB366,000,000 in 2003 and paid deposit of RMB100,000,000. In 2004, the Group entered into agreements with unrelated parties for the disposal of the entire equity interests in two subsidiaries with net book value of RMB620,000 and the abovesaid land deposit of RMB100,000,000 which was intended to be held for property development purpose at an aggregate consideration of RMB135,214,000.

**17. Related party transactions**

Related parties include the Company's subsidiaries, the Company's holding companies and their subsidiaries, other majority stated-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence in making financial and operating decisions and key management personnel of the Company and its holding companies as well as their close family members.

The related parties of the Group are as follows:

<b>Name of company</b>	<b>Relationships with the Company</b>
瀋陽公用集團有限公司 Shenyang Public Utility Group Company Limited ("SPU")	Holding company of the Company
北京北大高科技產業投資有限公司 Beijing Beida Hi-Tech Industry Investment Company Limited ("Beida Hi-Tech")	Shareholder of SPU

Name of company	Relationships with the Company
濰坊北大青鳥華光科技股份有限公司 Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang")	Holding company of Beida Hi-Tech
北京北大青鳥有限責任公司 Beijing Beida Jade Bird Company Limited ("Beida Jade Bird")	Shareholder of Jade Bird Huaguang
北京天橋北大青鳥科技股份有限公司 Beijing Tianqiao Beida Jade Bird Technology Company Limited ("Beijing Tianqiao")	Shareholder of Jade Bird Huaguang
北京北大教育投資有限公司 Beijing Beida Education Investment Company Limited ("Beida Education Investment")	Subsidiary of Beida Jade Bird
珠海北大附屬實驗學校 Zhuhai Beida Subsidiary Experiment School ("Zhuhai School")	Branch of Beida Education Investment
瀋陽瀋海熱電有限公司 Shenyang Shenhai Hot Electricity Company Limited ("Shenhai Co-generation")	Former jointly controlled entity of the Company
遼寧華錦化工集團有限公司 Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin Company")	Other state-owned enterprise
北京北大資源集團有限公司 Beijing Peking University Resource Group Company Limited ("Beida Resource")	Other state-owned enterprise

In addition to the related party information shown elsewhere in the unaudited condensed interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions:

- a. The details of the guaranteed bank loans are as follows:

	At 30th June 2005 <i>RMB'000</i>	At 31st December 2004 <i>RMB'000</i>
SPU	–	50,000
SPU and other parties	20,300	20,300
Beida Jade Bird	40,000	140,000
Beida Jade Bird and Hua Jin Company	–	175,000
Beida Resource	50,000	–
	<u>110,300</u>	<u>385,300</u>

- b. During the period, the Group received rental income of RMB7,500,000 (2004: RMB5,000,000) from Zhuhai School for leasing of campus with related equipment. The lease term is irrevocable for 20 years. The rental for the first three years ended 31st August 2006 is at a fixed rate and that for the remaining lease term is negotiable.
- c. As at balance sheet date, the outstanding balances with related parties are as follows:

Name of company	At 30th June 2005 <i>RMB'000</i>	At 31st December 2004 <i>RMB'000</i>
Amount due from a former jointly controlled entity		
Shenhai Co-generation	<u>60,000</u>	<u>60,000</u>
Accounts payable and accrued charges		
Beida Jade Bird	15,261	3,920
SPU	1,911	1,911
Beijing Tianqiao	<u>140</u>	<u>4,404</u>
Account receivables		
Zhuhai School	<u>6,700</u>	<u>774</u>

**18. Contingent liabilities**

- a) Pursuant to the sales and purchase agreement for the acquisition of equity interests in Shenzhen Jingmei Industrial Development Company Limited (“Jingmei Industrial”) and its subsidiary, Shenzhen Xili Baoen Fu Di Cemetery Company Limited (“Xili Cemetery”) (collectively refers as “Cemetery Companies”) dated 31st December 2003, all assets and liabilities not relating to the operations of cemetery business would be transferred out of the Cemetery Companies and taken up by the former shareholder (the “Former Shareholder”). In 2004, the Company entered into an agreement with the Former Shareholder that a total of the Cemetery Companies’ other payables of approximately RMB24,771,000 and other receivables of approximately RMB8,785,000 would be offset against the outstanding balances of approximately RMB14,886,000 owed to the Cemetery Companies by the Former Shareholder and that the net balance of RMB1,100,000 owed to the Former Shareholder was waived.

As written confirmations from these creditors to signify their agreements to above arrangement had not yet been obtained, the Group was still primarily liable to these liabilities. In the opinion of the Directors, as the debts had been undertaken up by the Former Shareholder, they believe that there will not have material adverse impact on the Group’s operating results and cash flows for the period.

- b) Prior to acquisition by the Group, Jingmei Industrial was involved in a litigation relating to construction contracts. The Court held in the year 2002 that Jingmei Industrial together with another party were required to pay a compensation amount of RMB16,054,000. Jingmei Industrial and the other party had filed an appeal to the Appeal Court. At present, the case is still in progress. In the opinion of the Directors, no provision should be made for this case because as mentioned in above paragraph, the consequence of the case and related costs should be taken up by the Former Shareholder.

**19. Sequestration of assets/litigations**

- a) On 6th December 2004, the Company received a writ of summons from Shenzhen Development Bank Dalian Branch dated 15th November 2004 in relation to a claim of RMB200,000,000 together with interest and costs pursuant to a loan agreement made between the Company and this bank on 12th January 2004 (“Loan Agreement”).

Pursuant to the terms of the Loan Agreement, the Company should repay the loan of RMB200,000,000 (the “Loan”) by instalment. The Company failed to repay the full amount of the first instalment of RMB50,000,000 before the due date, being 12th November 2004, and accordingly the entire principal amount of the loan became immediately due.

On 6th December 2004, the Company received a judgement from the Supreme People’s Court of Liaoning Province, the PRC (the “Liaoning Court”) dated 16th November 2004 in relation to the claim which temporarily sequester, detain and freeze the assets of the Company and its guarantors (i.e. Beida Hi-tech and Hua Jin Company). The amount of cash of the Company being frozen at that time was RMB180,000,000.



Pursuant to the Settlement Agreement from Liaoning Court dated 24th January 2005, the bank agreed to discontinue the legal actions and the Company was required to repay the bank outstanding balance and interest of the Loan by five instalments. On 28 January 2005, the Company has obtained the release of cash held in various banks from sequestration and detainment.

As the repayment schedule was not strictly followed, the Bank sequestered an amount of RMB155,000,000 from Hua Jin Company on 28th April 2005. From then on, the Bank had already received the outstanding amount due under the Loan and interest from the Company and the guarantors for the Loan. The Company is now liaising with the Liaoning Court to conclude the case.

The directors was given to understand from Beida Jade Bird that prior to the Settlement, Beida Jade Bird had given a back to back guarantee to Hua Jin Company if Hua Jin Company was required to fulfill its obligations of guarantee under the Loan, Beida Jade Bird would correspondingly be responsible to Hua Jin Company. As a result of the sequestration of its monies and the guarantee it gave for the Loan, Hua Jin Company sequestered the shares of Jade Bird Huaguang and Beida Tianqiao with aggregate value of approximately RMB142,000,000, both owned by Beida Jade Bird on 17th May 2005.

On 14th June 2005, Hua Jin Company then sequestered certain units of the properties held for sale (with a value of approximately RMB24,000,000) owned by the Company's subsidiary, Shenyang Pollon Finance Building Management Company Limited and bank deposits of approximately RMB200,000 from another subsidiary Beijing Diye Real Estate Development Company Limited. The above matters had some effect on the normal operations of the Group. At present, the Company and Beida Jade Bird were in negotiations with Hua Jin Company concerning the above matters and repayment but had not reached any final agreement yet.

- b) In respect of the non-repayment of the bank loan of RMB25,000,000 owed by Xili Cemetery to Shenzhen Development Bank, the Great Wall Branch, the creditor bank has filed a claim to The People's Court of Shenzhen City, Guangdong Province ("Shenzhen Court") and requested the Shenzhen Court to sequester the Group's assets as security for the claim on 18th October 2004. As at 25th October 2004, Shenzhen Court issued a judgement to sequester the land which is in the name of the guarantor, Jingmei Industrial, one of subsidiaries of the Group (the ownership of the land is in fact belonged to Xili Cemetery, but the land use right permit is registered in the name of Jingmei Industrial). On 11th April 2005, Shenzhen Court issued a writ of summon which requested Jingmei Industrial to attend the Court in respect of the abovesaid claim. At 30th June 2005, the amount outstanding was RMB24,426,000. At present, the claim has not yet finalised.

By order of the Board

**Xu Er Hui**  
*Chairman*

Shenyang, the PRC, 25th August 2005