瀋陽公用發展股份有限公司
SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

MAJOR TRANSACTION

DISPOSAL OF AN APPROXIMATELY 99.37% INTEREST IN SHENYANG WATER COMPANY LIMITED AND POSSIBLE CHANGE IN USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Financial adviser to
Shenyang Public Utility Holdings Company Limited

Tai Fook Capital Limited

The Disposal

- On 13th June, 2002, the Company entered into the Disposal Agreement with Zheng Xing, pursuant to which the Company agreed to sell, and Zheng Xing agreed to acquire the 99.37% equity interest held by the Company in Shenyang Water at a cash consideration of RMB900 million (approximately HK$841 million). Shenyang Water is engaged in the production and sale of purified water.

- The Directors consider that the Disposal Agreement was negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved with reference to (i) the audited net asset value of Shenyang Water as at 31st December, 2001 of approximately RMB833 million; (ii) the net amount of the assets and liabilities of Shenyang Water as at 31st December, 2001 of RMB790 million as valued by a PRC valuer; (iii) the valuation on the 99.37% equity interest of Shenyang Water as at 1st April, 2002 of approximately RMB762 million as valued by the Valuer; and (iv) the unaudited net asset value of Shenyang Water as at 31st March, 2002 of approximately RMB883 million.

- Having considered (i) the substantial increase in the production cost of Shenyang Water; (ii) the decreasing demand for water consumption in Shenyang; (iii) the uncertainty relating to SWGC's ability to fully honour its obligations to Shenyang Water pursuant to the SWGC Water Supply Agreement; and (iv) the substantial decrease in the value of the equity interest in Shenyang Water as valued by the Valuer, the Directors consider that the Disposal is in the interests of the Company and the Shareholders as a whole. Please refer to the paragraphs headed "Reasons for the Disposal" below for further details.

- Upon the initial public offering of the Company in December 1999, the Company raised a net proceeds of approximately RMB684 million. As stated in the Prospectus, amongst the net proceeds of approximately RMB684 million, approximately RMB489 million was intended by the Company to be used for the water plants, of which approximately RMB289 million has been so used by the Company as of the date of this announcement. If the Disposal is completed, the Directors intend to apply approximately RMB120 million of the remaining balance of approximately RMB200 million for the acquisition of the land as described in the paragraphs headed "Revised use of proceeds from the Public Offer and proposed use of proceeds from the Disposal" and the remaining balance of approximately RMB80 million for working capital.

- After completion of the Disposal, the Company intends to focus on property development projects and it is in the course of identifying appropriate property-related projects for investments. In this connection, the Company has entered into a non-legal binding letter of intent for the acquisition of a piece of land for property and education purpose. The Directors expect to utilise an amount of approximately RMB590 million of the proceeds from the Disposal in such project. The Company will continue to identify other property-related projects and it is expected that the remaining proceeds from the Disposal of approximately RMB310 million will be used for such projects.

General

- The Disposal constitutes a major transaction of the Company under the Listing Rules and accordingly, requires the Shareholders' approval in an extraordinary general meeting of the Company. The Extraordinary General Meeting will be convened at which special resolution will be proposed to approve the Disposal. Though SPU is independent of and not connected with Zheng Xing, in view of its interest in the Disposal as explained in the paragraph headed "Information of Shenyang Water" below, it will abstain from voting in the Extraordinary General Meeting.

- A circular containing further details of the Disposal will be despatched to the Shareholders as soon as practicable.

- At the request of the Company, trading in the H Shares was suspended with effect from 9:30 a.m. on 13th June, 2002. An application has been made to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:30 a.m. on 14th June, 2002.

THE DISPOSAL AGREEMENT DATED 13TH JUNE, 2002

Parties

Vendor: The Company

Purchaser: 瀋陽政興企業集團有限責任公司 (Shenyang Zheng Xing Enterprise Group Company Limited), a state-owned enterprise established in the PRC as a company with limited liability, which is under the supervisory control of the Shenyang Municipal Government

Save that Zheng Xing is under the supervisory control of the Shenyang Municipal Government, Zheng Xing is independent of and not connected with the Directors, the promoters, the Supervisors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

Assets to be disposed of

An approximately 99.37% interest in the registered share capital of Shenyang Water, representing the entire interest in Shenyang Water held by the Company

The consideration for the Disposal

The consideration for the Disposal is RMB900 million (approximately HK$841 million). Pursuant to the Disposal Agreement, the consideration is payable in cash by Zheng Xing to the Company as follows:

1. an amount of RMB200 million (approximately HK$187 million), representing approximately 22.2% of the total consideration, within fifteen days following the date of the Disposal Agreement;

2. an amount of RMB200 million (approximately HK$187 million), representing approximately 22.2% of the total consideration, on or before 15th July, 2002; and

3. the remaining balance of RMB500 million (approximately HK$467 million), representing approximately 55.6% of the total consideration, upon completion of the Disposal or by 31st December, 2002, whichever is earlier.

Pursuant to the Disposal Agreement, it was agreed between the parties that the economic benefits (including the rights and obligations) relating to the 99.37% equity interest of Shenyang Water in the period commencing from 1st April, 2002 to (and inclusive of) the date of completion of the Disposal will be borne by Zheng Xing.

The Directors consider that the Disposal Agreement was negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved with reference to the following:

1. the audited net asset value of Shenyang Water as at 31st December, 2001 of approximately RMB833 million (approximately HK$779 million);

2. the net amount of the assets and liabilities of Shenyang Water as at 31st December, 2001 of approximately RMB790 million (approximately HK$738 million) as valued by an independent PRC valuer, 遼寧東方資產評估有限責任公司 (Liaoning Eastern Assets Valuation Co. Ltd.) (Note a);

3. a valuation on the 99.37% equity interest of Shenyang Water as at 1st April, 2002 of approximately RMB762 million (approximately HK$712 million) by the Valuer (Note b); and

4. the unaudited net asset value of Shenyang Water as at 31st March, 2002 of approximately RMB883 million (approximately HK$825 million).

Notes:

a. The valuation was prepared by 遼寧東方資產評估有限責任公司 (Liaoning Eastern Assets Valuation Co. Ltd.) on the assets and liabilities of Shenyang Water as at 31st December, 2001. The valuation was prepared to comply with the relevant PRC laws and regulations for transfer/disposal of state-owned assets.

b. The valuation on the 99.37% equity interest of Shenyang Water as at 1st April, 2002 was prepared by the Valuer. In arriving at the business value of Shenyang Water, the Valuer applied the income approach technique known as the discounted cash flow method. Under this method, value depends on the present worth of future economic benefits to be derived from the operations of Shenyang Water.

INFORMATION OF SHENYANG WATER

Shenyang Water, which is held as to 99.37% by the Company and 0.63% by an independent third party, is engaged in the extraction of ground water, the development and management of water sources and water processing plants in Shenyang, as well as the production of purified water for sale exclusively to SWGC, the principal water distributor in Shenyang, the PRC. At present, Shenyang Water owns and operates a total of eight water plants and is the largest producer of purified water in Shenyang.

Pursuant to the SWGC Water Supply Agreement, SWGC undertakes to purchase from Shenyang Water purified water in an amount no less than a minimum purchase quantity at an unit price adjustable based on the provisions of the SWGC Water Supply Agreement for 30 years starting from 2nd July, 1999. Also pursuant to the SWGC Water Supply Agreement, SPU has undertaken to guarantee the performance of SWGC's obligations under the SWGC Water Supply Agreement.

Set out below is the financial performance of the Group based on the audited consolidated accounts of the Company and its subsidiaries for the financial years respectively ended 31st December, 2000 and 31st December, 2001 as extracted from the annual report of the Company for the year ended 31st December, 2001:

	Year ended 31st December, 2001 (RMB million)	2000 (RMB million)
Turnover		
Urban water supply	577	595
Property sale	90	Nil
Leasing and operating long distance buses and granted routes *(Note)*	Nil	16
Administration of bus terminals *(Note)*	Nil	2
	667	613
Profit attributable to Shareholders	191	288

Note: The business of leasing and operating long distance buses and granted routes and administration of bus terminals were carried out by 瀋陽經緯客運有限公司 (Shenyang Jingwei Passenger Transportation Company Limited), a 99% owned subsidiary of the Company, which was sold by the Company in December 2000 to Zheng Xing as disclosed in the announcement of the Company dated 20th December, 2000.

Set out below is the results of Shenyang Water as extracted from the audited financial statements of Shenyang Water for the year ended 31st December, 2001:

	Year ended 31st December, 2001 (RMB million)	2000 (RMB million)
Turnover	577	595
Profit before taxation	203	315

According to the audited financial statements of Shenyang Water as at 31st December, 2001, the net asset value of Shenyang Water as at 31st December, 2001 amounted to approximately RMB833 million (approximately HK$779 million).

REASONS FOR THE DISPOSAL

The principal activities of the Group are (i) the production and sale of purified water; (ii) property development and sale; and (iii) the investment in a joint venture which produces and sells electricity and heat. The Group's business of the production and sale of purified water (including relevant assets and liabilities) are owned and carried out by Shenyang Water. In proposing the Disposal, the Directors have considered the following reasons:

(i) Increase in production cost of Shenyang Water

The principal raw materials used by Shenyang Water for water production is raw water. At present, Shenyang Water sources raw water from pump wells owned by it and SWGC, which accounts for approximately 73% and 27% of the total raw water consumed by Shenyang Water respectively. Pursuant to a notice issued by Liaoning Province, the PRC, dated 26th February, 2002 (關於調整

水資源費、污水處理費征收標準和省直水庫供水價格及有關事宜通知) (the “Notice”), Liaoning Provincial Government increased the raw water fee for raw water extracted from underground water sources and reservoirs in Liaoning Province, the PRC, with effect from 1st March, 2002 and the Notice applies to Shenyang Municipality.

At present, Shenyang Water is not required to pay any raw water fee for raw water extracted from pump wells owned by it. According to the Notice, Shenyang Water is required to pay RMB0.20 and RMB0.40 per cubic meter of raw water extracted from pump wells located at non-environmental protection region and environmental protection region respectively. Also, pursuant to the Raw Water Purchase Agreement, the current unit purchase cost of raw water paid by Shenyang Water to SWGC is RMB0.45 per cubic meter, of which RMB0.15 is pipe maintenance fee. According to the Notice, the unit purchase cost of raw water to be charged by Liaoning Provincial Government to SWGC will increase from RMB0.30 (not including any pipe maintenance fee) to RMB0.50 per cubic meter. Pursuant to the Raw Water Purchase Agreement, the parties agreed that the unit purchase cost shall be adjusted in accordance with any variation of SWGC’s cost for provision of raw water to Shenyang Water and therefore the unit purchase cost payable by Shenyang Water to SWGC should be adjusted from RMB0.30 to RMB0.50 per cubic meter (before the pipe maintenance fee) as a result of the implementation of the Notice.

In 2001, Shenyang Water used a total quantity of raw water of approximately 456 million cubic meters, of which approximately 249 million cubic meters and approximately 82 million cubic meters were obtained from pump wells located at environmental protection and non-environmental protection region respectively and the balance of approximately 125 million cubic meters were supplied by SWGC. Based on the above, it is estimated that the increase in the raw water fee will result in an increase in future annual production cost of Shenyang Water by approximately RMB141 million, of which RMB116 million will result from an increase in raw water fee for raw water extracted from underground (being the sum of 249 million cubic meters multiplied by RMB0.40 per cubic meter and 82 million cubic meters multiplied by RMB0.20 per cubic meter) and RMB25 million will result from an increase in raw water purchase cost to be paid by the Company to SWGC (being 125 million cubic meters multiplied by RMB0.20 per cubic meter).

Under the terms of the SWGC Water Supply Agreement, the burden of increase in the production cost cannot be transferred to SWGC as the mechanism for adjustment of purified water’s unit price contained in the SWGC Water Supply Agreement does not provide for an upward adjustment of the unit price due to increase in raw water fee. Taking into consideration the fact that SWGC is the sole customer of Shenyang Water and the business of which is completely dependent on the terms of the SWGC Water Supply Agreement, Shenyang Water would need to absorb the negative impact arising from the increase in raw water fee and any further increase in raw water fee by relevant governmental authorities.

(ii) Decreasing demand for water consumption in Shenyang

Pursuant to the terms of the SWGC Water Supply Agreement, SWGC agreed to purchase from Shenyang Water purified water in a total annual quantity of no less than a minimum purchase commitment of 547,500,000 cubic meters (the “Minimum Purchase Commitment”) for each year starting from year 2000 for a term of 30 years. The Minimum Purchase Commitment is non-adjustable in all events. Accordingly, there is no provision contained in the SWGC Water Supply Agreement to provide for downward adjustment of the Minimum Purchase Commitment in the event if the actual demand for purified water by end users in Shenyang is in fact lower than the Minimum Purchase Commitment.

Since early 2000, the actual demand for purified water by end users in Shenyang has decreased significantly which was partly attributable to a serious drought in the northeastern part of the PRC including Shenyang and the corresponding water usage tightening policy including a progressive water fee scale adopted for the consumption of purified water implemented by the Shenyang Municipal Government. The shutting down and/or relocation of large-scale industrial plants in Shenyang in recent years have also led to the decreased water consumption in Shenyang. Accordingly, the actual demand for purified water by SWGC decreased from approximately 495 million cubic meters in 2000 to approximately 456 million cubic meters in 2001 and both of which were below the Minimum Purchase Commitment.

The Directors consider that the future water demand for Shenyang Water's purified water by end users would continue to be lower than the Minimum Purchase Commitment. Firstly, the water usage tightening policy including a progressive water fee scale implemented by the Shenyang Municipal Government in response to the drought in the northeastern part of the PRC is still in place. The policy requires the active adoption of water-saving measures by all industrial and commercial enterprises and residents in the whole city to lower the total consumption of purified water by approximately 10% to 20% respectively. Secondly, the economic development of Shenyang in near and medium terms would not be in favor of establishment of large-scale industrial enterprises which have a high water demand. Thirdly, certain large-scale industrial enterprises with demand for purified water usage have been relocated out of Shenyang Municipality in the past few years and this relocation process is expected to continue.

Based on the reasons as presented above, the Directors expect that the actual demand for Shenyang Water's purified water by the end users in Shenyang in the near and medium terms would be below the Minimum Purchase Commitment. Accordingly, the chances of Shenyang Water achieving business growth and turnover in excess of the Minimum Purchase Commitment in the next few years would be low and the decrease in actual water usage would affect the future business growth as well as the value of Shenyang Water as explained below under the paragraph headed "(iv) Substantial decrease in the value of the equity interest in Shenyang Water".

(iii) Uncertainty relating to SWGC's ability to fully honour its obligations to Shenyang Water pursuant to the SWGC Water Supply Agreement

Based on the audited financial statements of Shenyang Water for the year ended 31st December, 2000 and 2001, Shenyang Water recorded a turnover of approximately RMB595 million (approximately HK$556 million) and RMB577 million (approximately HK$539 million) respectively and a profit before taxation of approximately RMB315 million (approximately HK$294 million) and RMB203 million (approximately HK$190 million) respectively. The significant decrease in the operating results of Shenyang Water was due to a doubtful debt provision made by Shenyang Water in the amount of approximately RMB131 million (approximately HK$122 million) against SWGC. As explained under the paragraph headed "(ii) Decreasing demand for water consumption in Shenyang" above, the actual water usage by end users in Shenyang was lower than the Minimum Purchase Commitment. Given that SWGC was required to pay water fee to the Company based on the Minimum Purchase Agreement irrespective of the actual demand and that SWGC has experienced difficulties in collecting water fees from the end-users, who were required to pay a higher water fee but to consume less water, SWGC was unable to fully settle the water fee due to Shenyang Water on a timely basis in 2001. Since 2001, the Company has taken appropriate measures to push for the collection of the receivables from SWGC including negotiating with SWGC and serving notices to SWGC indicating that possible legal actions will be taken by the Company against SWGC pursuant to the relevant provisions of the SWGC Water Supply Agreement. Notwithstanding the above, SWGC was and is still unable to fully settle the outstanding amount due to Shenyang Water and a provision of doubtful debt in the amount of approximately RMB131 million (approximately HK$122 million) was made by Shenyang Water in accordance with the prudence principle in the financial year 2001.

The Directors are of the view that given the uncertain factors surrounding the future demand for purified water by end-users in Shenyang, the ability of SWGC making good its obligation to Shenyang Water pursuant to the SWGC Water Supply Agreement is in doubt.

(iv) Substantial decrease in the value of the equity interest in Shenyang Water

As stated in the prospectus of the Company dated 7th December, 1999 (the "Prospectus"), the 99% equity interest of Shenyang Water as at 30th September, 1999 as valued by the Valuer was approximately RMB1,638 million (the "Old Valuation"). To assess the value of the equity interest in Shenyang Water subsequent to (a) the increase in raw water fee; (b) expected decrease in actual water usage by end-users in Shenyang; (c) the inability of SWGC to fully honour its obligation under the SWGC Water Supply Agreement (collectively, the "Factors"), the Company engaged the Valuer to conduct a valuation on the 99.37% equity interest in Shenyang Water as at 1st April, 2002 (the "Present Valuation"). The Valuer's assessment of the Present Valuation is approximately RMB762 million, representing a decrease of approximately 54% as compared with the Old Valuation. To formulate the Present Valuation, the Valuer took into account of the Factors and assumed the following:

(i) the raw water fee will maintain at the level as stipulated under the Notice;

(ii) the actual demand for Shenyang Water's purified water by end-users will continuously be lower than the Minimum Purchase Commitment; and

(iii) an increase in the discount rate to take into account the credit risk relating to SWGC.

Based on the above, the Directors are of the view that any variation of the Factors in the ways unfavorable to Shenyang Water may add further adverse effect to the value of the equity interest in Shenyang Water.

The Directors (including the independent non-executive Directors) consider that the Disposal is in the interest of the Shareholders and the Company as a whole because of (i) the increase in the production cost of Shenyang Water; (ii) the depressing business potential of Shenyang Water due to limited actual water consumption demand and the Minimum Purchase Commitment; (iii) the uncertainty relating to SWGC's ability to fully honour its obligations to Shenyang Water pursuant to the SWGC Water Supply Agreement; and (iv) the substantial decrease in the value of the equity interest in Shenyang Water.

The Directors further consider that the consideration for the Disposal is fair and reasonable as it is determined with reference to the audited net assets (as at 31st December, 2001), the value of the assets and liabilities (as at 31st December, 2001) as valued by a PRC valuer, the value of the 99.37% equity interest (as at 1st April, 2002) as valued by the Valuer and the unaudited net assets (as at 31st March, 2002) of Shenyang Water.

Conditions for completion of the Disposal

Completion of the Disposal is subject to the following major conditions:

1. the passing of the relevant resolution(s) in the Extraordinary General Meeting, in which SPU will abstain from voting, to approve the transfer of the 99.37% equity interest in Shenyang Water held by the Company to Zheng Xing as described in the Disposal Agreement;

2. the waiver by the other investor in Shenyang Water of its pre-emptive rights to purchase the 99.37% equity interest in Shenyang Water held by the Company and to be sold to Zheng Xing pursuant to the Disposal Agreement;

3. the passing of the relevant resolution(s) by the existing shareholders of Shenyang Water to approve the transfer of the 99.37% equity interest in Shenyang Water held by the Company to Zheng Xing as described in the Disposal Agreement; and

4. the filing of the asset valuation report relating to the transfer of the 99.37% equity interest in Shenyang Water with the finance authorities in the PRC.

Completion of the Disposal shall take place on the fifth business day following the due fulfillment of the conditions thereof. If any of the above conditions has not been fulfilled by 31st March, 2003 or such later date as agreed between the parties, the provisions of the Disposal Agreement shall be of no effect and no party shall have any liability under them. Accordingly, the full amount of the consideration of RMB900 million as paid by Zheng Xing in the manner as described under the paragraph headed "The consideration for the Disposal" above shall be refunded in full amount, without interest, to Zheng Xing.

Revised use of proceeds from the Public Offer and proposed use of proceeds from the Disposal

Upon the initial public offering of the Company in December 1999, the Company raised a net proceeds of approximately RMB684 million by the issue of 420,400,000 H Shares to the public. As stated in the Prospectus, amongst the net proceeds of approximately RMB684 million, approximately RMB489 million was intended by the Company to be used for the water plants, of which approximately RMB289 million has been so used by the Company as of the date of this announcement. If the Disposal is completed, the Directors intend to apply the remaining balance of approximately RMB200 million as follows:

i. an amount of approximately of RMB120 million will be used to finance the acquisition of the Land (as described below); and

ii. the balance of approximately RMB80 million will be used as working capital.

It is currently intended that the proceeds from the Disposal in the amount of RMB900 million will be used for investment in property and education projects. The Company is in the course of identifying appropriate projects for investment and the proceeds will be used to finance such investments. In this connection, the Company entered into a non-legal binding letter of intent (the "Letter of Intent") with 瀋陽經濟技術開發區管理委員會 (The Administration Committee of Shenyang Economic and Technology Development Zone), pan independent third party not connected with the Company, on 6th June, 2002, pursuant to which the Company intends to acquire the land use rights of a piece of land for a term of 50 years with a gross area of approximately 1,200 acres in Shenyang Economic and Technology Development Zone (the "Land") for development of property and education projects (the "Projects").

It is currently estimated by the Directors that the total acquisition cost of the Land will amount to approximately RMB120 million. As stated in the Letter of Intent, the Company will be responsible for developing property projects on the Land and introducing a prestige PRC university to participate in development and management of education projects such as setting up primary and secondary schools on the Land. Also as stated in the Letter of Intent, it is estimated that the total investment to be incurred by the Company for completion of the Projects will amount to no less than RMB1,000 million of which no less than RMB150 million will be used in education projects. The Directors expect that Phase I and II of the property projects to be developed on the Land will be completed by the second half of 2005 and the relevant investment cost will amount to approximately RMB390 million. Also, the Directors expect that the education projects to be established on the Land will be completed by the second half of 2004 and the estimated total investment cost will amount to RMB200 million. It is expected that the investment cost of the Projects in the amount of approximately RMB590 million will be financed by the net proceeds from the Disposal.

As stated in the FY2001 Annual Report, the business of property development and sale is carried out through Shenyang Development Real Estate Company Limited (the "Real Estate Company"), a subsidiary of the Company established in June 2000. During 2001, there was a steady growth in the turnover of Real Estate Company which recorded a turnover of approximately RMB90 million (approximately HK$84 million), representing approximately 13.5% of the Company's 2001 total turnover of approximately RMB667 million (approximately HK$623 million). Having considered the reasons as explained under the paragraphs headed "Reasons for the Disposal" above, the Company entered into the Disposal Agreement to dispose of Shenyang Water for a consideration of RMB900 million (approximately HK$841 million). Considering (i) the prosperous state of the property market in the PRC, particularly in the major cities of the PRC; (ii) the satisfactory results of the Company's property development project in the past year; and (iii) the Company's intention to form alliance with prestige university in the PRC to jointly develop education projects, the Directors intend to utilize the proceeds from the Disposal in the amount of approximately RMB590 million to invest in the Projects. The balance of net proceeds in the amount of approximately RMB310 million will be applied in property development project and education project to be identified by the Company.

SUSPENSION AND RESUMPTION OF TRADING IN H SHARES

At the request of the Company, trading in the H Shares was suspended with effect from 9:30 a.m. on 13th June, 2002. An application has been made to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:30 a.m. on 14th June, 2002.

GENERAL

Tai Fook Capital Limited acts as the financial adviser of the Company in respect of the Disposal.

The Disposal constitutes a major transaction of the Company under the Listing Rules and accordingly, requires the Shareholder's approval in an extraordinary general meeting of the Company. The Extraordinary General Meeting will be convened at which special resolution will be proposed to approve the Disposal. Though SPU is independent of and not connected with Zheng Xing, in view of its interest in the Disposal due to the Undertaking, it will abstain from voting in the Extraordinary General Meeting.

A circular containing further details of the Disposal will be despatched to the Shareholders as soon as practicable.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:–

"associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Company"	瀋陽公用發展股份有限公司 (Shenyang Public Utility Holdings Company Limited), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"Disposal"	the disposal of the Company's approximately 99.37% equity interest in Shenyang Water by the Company to Zheng Xing pursuant to the Disposal Agreement
"Disposal Agreement"	the conditional sale and purchase agreement dated 13th June, 2002 entered into between the Company and Zheng Xing in relation to the Disposal
"Extraordinary General Meeting"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign invested shares in the registered share capital of the Company with a Renminbi-denominated nominal value of RMB1.00 each, which are listed on the Stock Exchange and subscribed for and traded in Hong Kong dollars
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC" or "China"	the People's Republic of China which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Public Offer"	the issue of 420,400,000 H Shares for subscription by public investors at an issue price of HK$1.70 in December 1999
"Raw Water Purchase Agreement"	the raw water purchase agreement entered into between SWGC and Shenyang Water dated 21st November, 1999 relating to the purchase of raw water by Shenyang Water from SWGC

"Share(s)"	State Shares and H Shares
"Shareholder(s)"	the holder(s) of the Share(s)
"Shenyang"	Shenyang, Liaoning Province, the PRC
"Shenyang Municipal Government"	瀋陽市人民政府 (the Shenyang Municipal People's Government)
"Shenyang Water"	瀋陽水業有限公司 (Shenyang Water Company Limited), a company established in the PRC with limited liability in which the Company owns a 99.37% equity interest
"SPU"	瀋陽公用集團有限公司 (Shenyang Public Utility Group Company Limited), a company established in the PRC with limited liability and the existing controlling shareholder of the Company with an approximately interest of 58.8% in the issued share capital of the Company
"State Share(s)"	ordinary shares with a nominal value of RMB1.00 each in the capital of the Company, issued by the Company to SPU credited as fully paid
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the supervisory committee of the Company
"SWGC"	瀋陽市自來水總公司 (Shenyang Water General Corporation), a company established in the PRC
"SWGC Water Supply Agreement"	淨化水供應及購買協議 (the Purified Water Supply and Purchase Agreement) dated 6th August, 1999 and the supplementary agreement dated 24th November, 1999 entered into between SWGC and Shenyang Water in relation to Shenyang Water's sale of purified water to SWGC
"Undertaking"	the undertaking of SPU to guarantee the performance of SWGC's obligations under the SWGC Water Supply Agreement in favour of Shenyang Water
"Valuer"	Sallmanns (Far East) Limited, a professional valuer which is independent of and not connected with the Directors, the promoters, the Supervisors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them
"Zheng Xing"	瀋陽政興企業集團有限責任公司 (Shenyang Zheng Xing Enterprise Group Company Limited), a limited liability company established in the PRC in 1999 by and is under administrative control of the Shenyang Municipal Government, which is independent of and not connected with the Directors, the promoters, the Supervisors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them

For the purpose of this announcement, unless otherwise indicated, conversion of Renminbi into HK dollars is calculated at the approximate exchange rate of HK$0.9346 to RMB1.00. The use of such rate of exchange is not a representation that the Renminbi or HK dollars can be exchanged at this rate or at any other rates at all.

By Order of the Board
Wang Se
Executive Director

Shenyang, the PRC, 13th June, 2002

"Please also refer to the published version of this announcement in The Standard".