



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)

2002 Interim Results

(Results for the Six Months Ended 30th June 2002)

The board of directors (the "Board") of Shenyang Public Utility Holdings Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2002 (the "Period"), together with comparative figures for the corresponding period (the "Corresponding Period") of 2001 (the "2001 Period") as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2002

	Note	Unaudited	
		Six months ended 30th June 2002	2001
		RMB'000	RMB'000
Turnover	2	230,323	279,206
Other revenues	3	6,910	17,081
Total revenues		237,233	296,287
Power costs		(19,472)	(38,709)
Raw water purchase costs		(13,751)	(25,902)
Cost of properties sold		(64,787)	—
Depreciation		(11,635)	(23,652)
Staff costs		(16,302)	(20,985)
Repairs and maintenance		(2,085)	(4,578)
Gain on disposal of a subsidiary		37,677	—
Other operating expenses		(19,970)	(30,928)
Profit from operations		126,908	151,533
Finance costs		(295)	(6,789)
Share of profit of a joint venture		11,934	11,076
Profit before taxation		138,547	155,820
Taxation	4	(39,645)	(50,354)
Profit after taxation		98,902	105,466
Minority interests		(491)	(584)
Profit attributable to shareholders		98,411	104,882
Interim dividends	6	—	71,428
Earnings per share - basic	7	RMB0.10	RMB0.10

Notes:

1. Accounting Policies

The accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2001. The Group has adopted the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants (the "HKSA") which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 33	: Discontinuing operations
SSAP 34	: Employee benefits

There is no material effect on the accounts as a result of the adoption of these SSAPs, except for the changes in presentation of certain comparative figures.

2. Turnover and segment information

The Group was principally engaged in the production and sales of purified water and the development and sales of real estate. During the Period, the Group disposed of its entire 99.37% of interest in a subsidiary, Shenyang Water Company Limited ("Shenyang Water") which engaged in the production and sales of purified water. An analysis of the Group's revenue and results for the Period by business segments is as follows:

Reporting format - business segments

Six months ended 30th June – Unaudited									
	Discontinued operation		Continuing operations						Group
	Sales of purified water		Sales of properties		Other operations		Sub-total		
	2002	2001	2002	2001	2002	2001	2002	2001	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Turnover	143,547	279,206	86,644	—	132	—	86,776	—	230,323
Other revenues	527	398	59	—	6,324	16,683	6,383	16,683	6,910
Segment results	74,745	146,979	18,826	(3,529)	5,985	16,683	24,811	13,154	99,556
Unallocated costs									(10,325)
									(8,600)
Gain on disposal of a subsidiary									37,677
									—
Operating profit									126,908
									151,533

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No geographical segment reporting is presented as sales of the Group are all made to customers in the PRC.

3. Other revenues

	Six months ended 30th June	
	2002 RMB'000	2001 RMB'000
Bank interest income	4,278	11,761
Interest income from a joint venture	1,521	2,364
Investment income from unlisted investments	—	1,889
Dividend income from investment securities	1,088	1,022
Others	23	45
	6,910	17,081

4. Taxation

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
The Group:		
PRC income tax charges	37,433	48,520
The joint venture:		
PRC income tax charges	2,212	1,834
	<u>39,645</u>	<u>50,354</u>

- (a) All PRC domestic enterprises are subject to a unified income tax rate of 33% on their taxable profit unless special arrangement is made and approved by the relevant PRC government authorities. Pursuant to the approval document dated 13th February 1999 issued by the Liaoning Provincial Government, the Group is subject to an effective tax rate of 15% as the Finance Bureau of Shenyang Economic and Technological Development Zone will refund the 18% by way of government subsidy which are recognised when the right to receive is established. The refund however had been terminated since 1st January 2002.
- (b) In accordance with various approval documents issued by the State Administration of Taxation of the PRC, the Company's joint venture – Shenhai Hot Electricity Company Limited ("Shenhai Co-generation"), being a sino-foreign joint venture company engaged in power generation, is subject to an income tax rate of 15% plus local surcharge.
- (c) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax for the Period (2001 Period: Nil).
- (d) As at 30th June 2002 and during the Period, the Group did not have any significant unprovided deferred tax assets or liabilities.

5. Appropriations to Reserves

According to their respective Articles of Association, the Company and its subsidiaries are required to transfer a proportion of their retained earnings, as show in the accounts prepared under the PRC accounting regulations, to various statutory reserve funds. The total amount transferred to each of these reserves for the six months ended 30th June 2002 is set out as follows:

	Percentage of profit after taxation	Transferred from retained earnings
		RMB'000
Statutory surplus reserve	10%	9,432
Statutory public welfare reserve	5-10%	4,716
		<u>14,148</u>

Note: The proportion of the amount of reserves transferred was determined by the board of directors of each company of the Group.

6. Dividends

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
2001 final dividend, paid, of Nil (2000 Period: RMB0.05586 per share) (Note (a))	—	57,004
2002 Interim dividend, proposed, of Nil (2001 Period: RMB0.07 per share) (Note (b))	—	71,428
	<u>—</u>	<u>128,432</u>

Note:

- (a) At a meeting held on 19th April 2002 the directors did not recommend the payment of a final dividend for the year ended 31 December 2001.
- (b) At a meeting held on 13th September 2002 the directors did not recommend the payment of an interim dividend for the year 2002.

7. Earnings per share - basic

The calculation of earnings per share for the period is based on the profit attributable to shareholders for the Period of RMB98,411,000 (2001 Period: RMB104,882,000) and the number of 1,020,400,000 shares (2001 Period: 1,020,400,000 shares) in issue during the Period.

No fully diluted earnings per share are presented as the Company has no dilutive potential shares.

INTERIM DIVIDEND

The Board do not recommend the despatch of an interim dividend for the year 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

- The turnover of the Group during the Period was approximately RMB230,323,000 (2001 Period: RMB279,206,000), representing approximately 17.51% decrease from the Corresponding Period.
- Profit after taxation and minority interests during the Period amounted to approximately RMB98,411,000, (2001 Period: RMB104,882,000) representing approximately 6.17% decrease from the Corresponding Period.
- Earnings per share during the Period were approximately RMB0.10 (2001 Period: RMB0.10), mainly maintained at the same level as that of the Corresponding Period.

1. Urban Water Supply

- During the Period, the declining trend of sales volume of Shenyang Water, a former subsidiary of the Company, persisted due to the decrease in consumption by end-users in Shenyang. For the three months period from 1st January to 31st March 2002, aggregate sales of purified water was 113,349,449 cu.m., representing approximately 6.07% decrease from the Corresponding Period.
- During the Period, turnover of Shenyang Water amounted to RMB143,547,000, profit after taxation and minority interests amounted to approximately RMB50,079,000. On 13th June 2002, the Company entered into the equity disposal agreement (the “Disposal Agreement”) with Shenyang Zheng Xing Enterprise Group Company Limited (“Zheng Xing”, a third party independent of the Group) in relation to the disposal of the entire 99.37% equity interest in Shenyang Water by the Company to Zheng Xing. According to the Disposal Agreement, the economic benefits relating to the 99.37% equity interest of Shenyang Water for the three months period commencing from 1st January 2002 to 31st March 2002 would be attributable to the Group. Accordingly, the Company only reported the relevant operational figures of Shenyang Water for the three months period commencing from 1st January to 31st March 2002, and no comparison with the results of the same period last year is presented.

2. Real Estate Development

- During the Period, there was a steady growth in the development of the Company’s subsidiary, Shenyang Development Real Estate Company Limited (“Real Estate Company”). The sales of the residential project “Hongji Garden” developed by Real Estate Company has nearly come to an end, with 538 units of properties sold, representing 83% of the total saleable number of properties. Recognised sales income and profit before taxation amounted to 86,776,000 and 18,421,000 respectively. As no projects developed by Real Estate Company in the first half of 2001 has been completed for sale, no comparison with the figures of the same period last year is presented.
- The construction of the residential project “Water-Flowers City” developed by Real Estate Company had commenced after the Period with a planned gross floor area of 89,000 square metres. The standard of such residential project is of medium to high class. The construction period is estimated to be one year.

3. Electricity and Heat Co-generation

- During the Period, turnover and profit before taxation of Shenhai Co-generation amounted to RMB292,354,000 and RMB53,039,000 respectively, representing an approximately 1.83% and 7.75% increase from the Corresponding Period.
- During the Period, on-grid sales of electricity of Shenhai Co-generation was 1,034,360 MWh, representing approximately 3.71% increase from the Corresponding Period; total heat production was 2,682,609 GJ, representing approximately 8.25% decrease from the Corresponding Period.
- The growth in results of Shenhai Co-generation was mainly attributable to the increase in market demand for electricity and increase in on-grid sales of electricity of Shenhai Co-generation during the Period. Besides, Shenhai Co-generation has strengthened its technological management in production to ensure safe operations of its generating units. As a result, no generating units had experienced material suspension.

4. High Technology Investment

- The Company established Qinghua Ziguang Technology Venture Investment Company Limited (“QTIL”) jointly with the other eight shareholders in May 2000. QTIL is a business venture principally engaged in high-tech investment projects. As at 30th June 2002, the registered capital of QTIL was RMB250,000,000. It is owned by 13 shareholders. The Company has invested a total of RMB20,000,000 in QTIL, representing 8.00% of the total share capital of QTIL.
- During the Period, the Company had received dividends of RMB1,088,000 from QTIL for the year 2001, representing an increase of 6.45% from the Corresponding Period.
- During the Period, being adversely affected by macroeconomic factors relevant with venture investment, QTIL’s gains from investment projects were unsatisfactory. As a result, a loss of RMB5,820,000 was recorded.

GROUP'S WORKING CAPITAL AND FINANCIAL RESOURCES

As at 30th June 2002, the Group had repaid all of its bank loans (31st December 2001: RMB80,000,000, with an annual interest rate of 5.02%).

During the Period, the Group did not default in any repayment of principal and interest.

Financial indicators and their calculation basis are as follows:

Financial Indicators	Calculation Basis	As at 30th June 2002	As at 31st December 2001
Gearing ratio	Total liabilities/ total assets x 100%	5.9%	10.2%
Earnings/net assets ratio	Net profit/ net assets x 100%	5.3%	10.9%
Sales profit margin	Net profit/ sales x 100%	42.7%	28.6%

WATER FEES RECEIVABLES

The sole customer of Shenyang Water is Shenyang Water General Corporation ("SWGC"). As at 31st March 2002, the total amount due from SWGC to Shenyang Water was RMB351,635,000 (31st December 2001: RMB233,683,000), representing an increase of approximately 50.47%. After deducting the bad debts provision of RMB97,546,000 made by Shenyang Water in 2001, the remaining balance for water fees receivables was RMB254,089,000 (31st December 2001: RMB136,137,000), representing an increase of 86.64%.

The increase in remaining balance of water fees receivables of Shenyang Water was mainly attributable to unsatisfactory collection of water fees by SWGC from end-users. In addition, SWGC experienced financial difficulties and was unable to settle the outstanding amount on a timely basis.

Pursuant to relevant provisions of the Disposal Agreement, upon the completion of the Disposal, even if the above receivables can be fully or partially recovered, it would not be recognised in the accounts of the Group.

CAPITAL STRUCTURE OF THE GROUP

1. Capital Structure of the Group

Item	As at 30th June 2002		As at 31st December 2001	
	Amount (RMB'000)	Percentage to Total Capital	Amount (RMB'000)	Percentage to Total Capital
Share capital	1,020,400	55.28%	1,020,400	58.12%
Share premium	323,258	17.51%	323,258	18.41%
Asset revaluation reserve	—	—	36,829	2.10%
Statutory surplus reserve	67,636	3.66%	109,487	6.23%
Statutory public welfare reserve	33,817	1.83%	54,741	3.12%
Retained earnings	400,256	21.68%	202,241	11.52%
Minority interests	639	0.04%	8,866	0.50%
Total capital	1,846,006	100%	1,755,822	100%

2. Currencies and Structure of Interest Rates

Currency	As at 30th June 2002		As at 31st December 2001	
	Amount ('000)	Average Interest Rate	Amount ('000)	Average Interest Rate
Hong Kong Dollar	309,362	2.52%	303,801	3.02%
Renminbi	426,176	0.79%	184,454	0.99%

SIGNIFICANT INVESTMENTS HELD

As at 30th June 2002, the Group held 8.00% equity interests in QTIL with investment of RMB20,000,000 (31st December 2001: RMB20,000,000).

CHANGE IN THE COMPOSITION OF THE GROUP

1. Disposal of 99.37% equity interest in Shenyang Water

During the Period, there were significant changes in the external environment of purified water business and Shenyang Water was facing the following adverse conditions: (1) there was a substantial increase in the production costs of Shenyang Water resulting from change of policies; (2) the actual water usage by end-users in Shenyang continued to decline; (3) the uncertainty relating to SWGC's ability to fully honour its obligations to Shenyang Water pursuant to the SWGC Water Supply Agreement; and (4) the substantial decrease in the valuation on the business of Shenyang Water.

Accordingly, in order to get away completely from the unfavourable conditions in operating the purified water businesses by the Group and to safeguard the interests of shareholders as a whole, the Board resolved on 12th June, 2002 to dispose of its entire 99.37% interest in Shenyang Water to Zheng Xing. The consideration for the Disposal is RMB900,000,000, representing a profit of approximately RMB37,700,000 over the net assets of Shenyang Water as at 31st March 2002 of approximately RMB867,800,000 (the unaudited net asset value prepared under the accounting principles generally accepted in Hong Kong). Pursuant to the Disposal Agreement, the economic benefits relating to the 99.37% equity interest of Shenyang Water for the three months commencing from 1st January to 31st March 2002 would be attributable to the Group. From 1st April 2002, the corresponding 99.37% equity interest in Shenyang Water, together with all the related assets (including but not limited to outstanding debts) and liabilities would be undertaken by Zheng Xing. All or part of the outstanding debts recovered by Shenyang Water in the future would not be recognized in the accounts of the Group.

A circular in relation to the Disposal had been despatched to the shareholders of the Company on 5th July 2002. Details of the relevant substance of the Disposal Agreement, the reasons for the Disposal and the proposed use of the proceeds from the Disposal were contained in the circular.

According to the requirements of the notice convening the extraordinary general meeting of the Company in 2002, which was despatched together with such circular, the extraordinary general meeting was held on 20th August 2002. The Disposal was passed at the meeting by way of special resolution.

As at 9th September 2002, the Company has received an aggregate sum of RMB900,000,000, representing 100% of the consideration for the disposal of the equity interest, from Zheng Xing as its payment for the acquisition of the 99.37% equity interest in Shenyang Water.

2. Increase in registered capital of Real Estate Company

In view of a steady growth in the development of real estate market in Shenyang City, the Real Estate Company has achieved promising results since its establishment. In order to strengthen the capital of the Real Estate Company and enlarge its scale, a Board meeting was held on 12th June 2002 at which it was resolved to increase the Company's investment in Real Estate Company by RMB215,000,000, and its registered capital had increased from RMB35,000,000 to RMB250,000,000. After such increase in investment, the Company's shareholding in Real Estate Company has increased from 99% to 99.86%. The increase in investment was completed in July 2002.

NUMBER OF EMPLOYEES, EMOLUMENTS POLICIES, TRAINING SCHEMES AND SHARE OPTION SCHEMES

As at 30th June 2002, the Group employed a total of 56 employees (including directors of the Company, but excluding 1,925 employees formerly employed by Shenyang Water) and provided them with emoluments totalling approximately RMB16,302,000 during the Period (2001 Period: RMB20,985,000). The Group has entered into employment contracts with all the employees. Employees are offered different emoluments with respect to their different positions. The Group also made contribution to endowment insurance and housing provident funds for all the employees in accordance with the relevant laws of the PRC. The Group also provided them with vocational training courses. To date, the Group has not adopted any share option scheme for any of its senior management or employees.

DETAILS OF THE GROUP'S ASSET PLEDGED

As at 30th June 2002, the Group had no asset pledged as security.

CURRENCY RISKS

According to the regular announcements of the "Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks (1-3 issues)" for 2002 announced by the State Administration of Foreign Exchange, the exchange rates of Renminbi to Hong Kong dollar generally remained stable during the Period. Accordingly, the risks of the Company's deposits in Hong Kong dollars were relatively low.

SHARE CAPITAL STRUCTURE

During the Period, there was no change in the share capital structure of the Company. As at 30th June 2002, the share capital structure of the Company was as follows:

Types of shares	Number of shares	Percentage to total issued share capital
Stated-owned 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>

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS' INTERESTS IN EQUITY SECURITIES OR BOND

During the Period, none of the Company, its fellow subsidiaries or the controlling company was a party to any arrangement to enable any director of the Company to acquire benefits by means of acquisition of the shares in or debentures of the Company or any other body corporate.

During the Period, the Company was not notified by the directors, supervisors and chief executive officers of the Company that they themselves or their spouse or their respective children under 18 years old held any interest in the shares or debentures of the Company or its associated companies (as defined in Securities (Disclosure of Interests) Ordinance).

During the Period, the directors, supervisors and chief executive officers of the Company and their spouse or children under 18 years old were not granted and did not exercise the right to subscribe for the shares or debentures of the Company.

During the Period, save as Director Mr. Zhang Guo Xiang who was also the General Manager of SWGC, none of the Company, or its fellow subsidiaries or the controlling company entered into any material contract under which the directors and supervisors directly or indirectly had any material interest in any related business of the Group.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Article 16(1) of the Securities (Disclosure of Interests) Ordinance as at 30th June 2002 showed that the following companies have a material interest amounting to 10% (or above) of the total issued share capital or class of share capital of the Company:

- (1) Shenyang Public Utility Group Company Limited ("SPU") holds all of the 600,000,000 Stated-owned shares, representing the entire Stated-owned shares in issue of the Company and 58.8% of the total issued share capital of the Company.
- (2) Sino-French Water Development (Liaoning) Co., Ltd. ("Sino-French Liaoning") holds 88,146,000 H shares, representing approximately 21.0% of the issued H shares of the Company.
- (3) The Hongkong and Shanghai Banking Corporation Limited holds 45,594,000 H shares, representing 10.8% of the issued H shares of the Company.
- (4) Citibank NA holds 45,191,000 H shares, representing 10.7% of the issued H shares of the Company.

Save as aforesaid, the Company has not been notified of any interest in the issued share capital of the Company which was required to be disclosed pursuant to the Securities (Disclosure of Interests) Ordinance during the Period.

SIGNIFICANT LITIGATION

During the Period, the Group was not involved in any significant litigation.

CONNECTED TRANSACTIONS

During the Period, the connected transactions of the Group were detailed as follows:

1. Sale of purified water to SWGC by Shenyang Water, with total sales of RMB143,547,000 (2001 Period: RMB279,206,000);
2. Purchase of surface raw water from SWGC by Shenyang Water of RMB13,751,000 (2001 Period: RMB25,902,000);
3. Lease of office from Shenyang Water Services General Company by Shenyang Water, with total rental of RMB105,000 (2001 Period: RMB210,000);
4. Lease of land rights of use to Shenyang Water Services General Company by Shenyang Water, with rental of RMB23,000 (2001 Period: RMB45,000).

The Board considered that (1) the aforesaid connected transactions were conducted on normal commercial terms (by reference to terms of similar transactions conducted by similar entities in the PRC) in the ordinary course of business of the Company in accordance with the terms of the respective agreements 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 each of the connected transactions as a percentage of the total turnover of Group did not exceed the cap specified in the waiver granted by the Hong Kong Stock Exchange in respect of the connected transactions of the Company.

AUDIT COMMITTEE

A meeting was convened by the Company's Audit Committee on 9th September 2002 to review the Group's financial reporting processes, internal monitoring mechanism and its unaudited interim financial statements for the Period.

The Audit Committee considered that the accounting principles and methods adopted by the Group, internal monitoring mechanism and financial reporting complied with the relevant requirements of the accounting regulations.

CHANGES IN THE SHARE STRUCTURE OF CONTROLLING SHAREHOLDER

The Company has been notified by the Company's controlling shareholder, SPU, that on 25th July 2002, Shenyang Urban Infrastructure Facility Construction Investment Development Company Limited ("Shenyang Urban Construction Company"), Shenyang State-owned Assets Management Company Limited ("Shenyang Asset Company") and Beijing Beida High-Tech Industry Investment Company Limited ("Beida High-Tech") signed a capital injection agreement, pursuant to which Beida High-Tech agreed to subscribe 50% shares of the entire enlarged registered capital of SPU at a cash consideration of RMB1,250,000,000.

As advised by SPU, the sole asset held by SPU as at the signing date of the capital injection agreement was 600,000,000 State-owned shares of the Company, representing approximately 58.8% of the issued share capital of the Company. Before the signing of the capital injection agreement, Shenyang Urban Construction Company and Shenyang Asset Company held 84.46% and 15.54% equity interest in SPU respectively. After the completion of the capital injection, the registered capital of SPU will be enlarged to RMB2,112,000,000, while Shenyang Urban Construction Company and Shenyang Asset Company will jointly hold 50% of the total enlarged share capital of SPU. The remaining 50% share capital will be held by Beida High-Tech.

Regarding the capital injection of SPU, the Company published an announcement on Hong Kong newspapers on 29th July 2002.

FIRST EXTRAORDINARY GENERAL MEETING OF 2002

The first extraordinary general meeting for 2002 of the Company was held at the Company's office at No. 14, Shisiwei Road, Heping District, Shenyang, the PRC on 20th August 2002. The shareholders and proxies attended the extraordinary general meeting representing a total of 691,264,000 shares with valid voting rights, which accounted for 67.74% of the total share capital of the Company.

The following resolutions were passed in the extraordinary general meeting:

1. Special resolution:

approve the conditional sale and purchase agreement dated 13th June 2002 entered into between the Company as vendor and Zheng Xing relating to the proposed disposal of approximately 99.37% of the entire registered capital of Shenyang Water by Zheng Xing, and approve the transactions contemplated thereunder; and authorize any one director of the Company to do such acts or execute such other documents as he may consider necessary, desirable or expedient or to implement or give effect to the Disposal Agreement, and among other things, to make such changes and amendments thereto as any one director of the Company may consider necessary, desirable or expedient.

The results of voting on this resolution were as follows: affirmative votes: 91,264,000 votes, representing 100% of the shares held by the shareholders attended the meeting with voting rights; objected vote: 0, representing 0% of the shares held by the shareholders attended the meeting with voting rights; abstained vote: 0, representing 0% of the shares held by the shareholders attended the meeting with voting rights.

As SPU was a party interested in the disposal of the 99.37% interest in Shenyang Water by the Company (but not the connected transactions defined in the Listing Rules), SPU abstained from voting for this special resolution.

2. Ordinary resolution:

agree to revise the application of the unutilized balance of approximately RMB200,000,000, being the balance of RMB489,000,000 which was originally intended to be used for the water plants of Shenyang Water financed out of the net proceeds of approximately RMB684,000,000 raised by the issue of 420,400,000 H shares to public investors at the issue price of HK\$1.7 each in December 1999. The revision will be effective from 20th August 2002. The Company intends to apply the remaining balance as follows:

- (1) an amount of approximately RMB120,000,000 will be used to finance the acquisition of the piece of land in the Development Zone; and
- (2) the balance of approximately RMB80,000,000 will be used as working capital of the Company.

The results of voting on this resolution were as follows: affirmative votes: 691,264,000 votes, representing 100% of the shares held by the shareholders attended the meeting; objected vote: 0, representing 0% of the shares held by the shareholders attended the meeting; abstained vote: 0, representing 0% of the shares held by the shareholders attended the meeting.

19TH MEETING OF THE FIRST BOARD OF DIRECTORS

The 19th meeting of the first board of directors was held at the Company's office on 20th August 2002. 10 directors of the Company were present at the Board meeting. The resolutions passed at the meeting were as follows:

1. The extension of the tenure of the directors and supervisors of the first board of directors and supervisory committee until the end of the second extraordinary general meeting of the Company for 2002, and the submission to the second extraordinary general meeting of the Company for 2002 for ratification and approval were agreed.
2. The submission of the 14 candidates for directors and the 7 candidates for supervisors as candidates for the second board of directors and the second supervisory committee for approval at the second extraordinary general meeting of the Company for 2002 was agreed.
3. The convening of the second extraordinary general meeting of the Company for 2002 on 11th October 2002 for the purpose of considering the following resolutions as ordinary resolutions was agreed:
 - (1) To approve the tenure of all the directors and supervisors of the first board of directors and supervisory committee of the Company until the end of the second extraordinary general meeting of the Company for 2002.
 - (2) To approve the candidates for directors and supervisors of the second board of directors and supervisory committee of the Company.

The announcements in relation to the resolutions passed at this Board meeting and the notice of the second extraordinary general meeting for 2002 were published on newspapers in Hong Kong on 22th August 2002.

SPECIAL NOTE

According to the requirements of the Company's Articles of Association, the Company should publish its interim financial report within 60 days from the end of the first six months in an accounting year. However, the results of the resolutions passed at the extraordinary general meeting of the Company held on 20th August 2002 had affected the preparation of the financial indicators for the interim period that led to a postponement in disclosure of the interim results of the Company.

PUBLICATION OF FURTHER INFORMATION ON THE WEB-SITE ON THE HONG KONG STOCK EXCHANGE

The Company will publish its interim results on the Hong Kong Stock Exchange's web-site at an appropriate time as required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules.

By order of the Board
Zhang Guo Xiang
Chairman

Shenyang, the PRC, 13th September 2002

Please also refer to the published version of this announcement in The Standard / Hong Kong Economic Times.