



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 Annual Results

(Results for the year ended 31st December 2002)

The board of directors (the “Board”) of Shenyang Public Utility Holdings Company Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2002 (the “Year”), prepared in accordance with the accounting principles generally accepted in Hong Kong, as follows:

CONSOLIDATED INCOME STATEMENT (AUDITED)

	Notes	2002 RMB'000	2001 RMB'000
Turnover	2	451,620	667,435
Other operating income	3	11,304	122,872
Total income		462,924	790,307
Cost of properties sold		(94,995)	(60,739)
Taxes on sales of properties		(8,790)	(5,122)
Staff costs		(35,246)	(55,868)
Depreciation and amortisation		(27,135)	(46,246)
Power costs		(42,944)	(74,687)
Raw water purchase costs		(38,109)	(50,283)
Repairs and maintenance		(7,087)	(11,127)
Allowance for doubtful debts		—	(130,587)
Expenses on a terminated project		(3,153)	—
Other operating expenses		(46,905)	(60,290)
Profit from operations		158,560	295,358
Finance costs		(2,286)	(10,996)
Share of results of a jointly controlled entity		20,388	18,447
Loss on disposal of a subsidiary		(20,382)	—
Profit before taxation		156,280	302,809
Taxation	4	(63,087)	(111,031)
Profit before minority interests		93,193	191,778
Minority interests		(402)	(1,162)
Net profit for the Year		92,791	190,616
Dividend	6	—	71,428
Earnings per share - basic	7	RMB0.09	RMB0.19

Notes:

1. **Accounting policies**

The accounts of the Company have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the “HKSA”) (collectively “HKGAAP”). The accounts are prepared under the historical cost convention as modified for the revaluation of certain property, plant and equipment.

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants.

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 15 (Revised)	:	Cash flow statements
SSAP 33	;	Discontinuing operations
SSAP 34	:	Employee benefits

Adopting of these new and revised SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the inclusion of a consolidated statement of changes in equity, but has had no material effect on the results of the current year or prior years. Accordingly, no prior period adjustment is required.

2. **Segment information and segment results analysis**

The Group principally operates in the People’s Republic of China (the “PRC”). The turnover and segment results of principal activities are as follows:

	Turnover		Segment results	
	2002 RMB’000	2001 RMB’000	2002 RMB’000	2001 RMB’000
By principal activities				
Discontinuing operations				
Sales of urban purified water	325,400	577,362	158,305	267,167
Continuing operations				
Sales of properties	125,820	90,073	12,738	16,780
Other operations	400	—	(469)	2,974
	<u>451,620</u>	<u>667,435</u>	<u>170,574</u>	<u>286,921</u>
Interest income			7,598	20,062
Interest income from a jointly controlled entity			2,016	4,336
Unallocated corporate expenses			(21,628)	(15,961)
Profit from operations			<u>158,560</u>	<u>295,358</u>

3. Other operating income

	2002 RMB'000	2001 RMB'000
Interest on bank deposits and balances	7,598	20,062
Interest from a jointly controlled entity	2,016	4,336
Interest on overdue debtors	—	33,041
Total interest income	9,614	57,439
Dividend income from investment securities	1,088	1,022
Others	602	90
Refund of PRC Enterprise Income Tax (note 4(b))	—	62,369
Investment income from unlisted investment	—	1,952
	<u>11,304</u>	<u>122,872</u>

4. Taxation

	2002 RMB'000	2001 RMB'000
The charge comprises:		
PRC Enterprise Income Tax	59,069	106,856
Share of taxation attributable to a jointly controlled entity in the PRC	4,018	4,175
	<u>63,087</u>	<u>111,031</u>

Notes:

- (a) No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.
- (b) Taxation of the Group arising in the PRC is calculated at the rates prevailing in the PRC. The Group is subject to an unified enterprise income tax rate of 33% for the Year. In the previous years, however, pursuant to an approval document dated 13th February 1999 issued by Liaoning Provincial Government and a circular "Caishui [2000] No. 99" issued by the Ministry of Finance of the PRC on 13th October 2000, the Group was subject to an enterprise income tax rate at 15%. The Finance Bureau of Shenyang Economic and Technological Development Zone would refund the 18% by way of government subsidies. The refund of PRC Enterprise Income Tax for the year ended 31st December 2001 of RMB62,369,000 was received and recorded as other operating income for that year.
- (c) In accordance with various approval documents issued by the State Administration of Taxation of the PRC, Shenyang 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.
- (d) No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

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 shown in the accounts prepared under the PRC accounting regulations, to various statutory reserves. The total amount transferred to each of these reserves for the Year is set out as follows:

	Percentage of profit after taxation	Transferred from accumulated profits RMB'000
Statutory surplus reserve	10%	8,129
Statutory public welfare reserve	5% to 10%	4,065
		12,194

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

6. Dividend

The directors do not recommend the payment of a dividend for the Year. A total dividend of RMB71,428,000 for the year of 2001 represented the interim dividend of RMB0.07 per share and was paid in 2001.

7. Earnings per share

The calculation of earnings per share for the Year is based on the profit attributable to shareholders for the Year of RMB92,791,000 (2001: RMB190,616,000) and the number of 1,020,400,000 shares (2001: 1,020,400,000 shares) in issue during the Year.

No diluted earnings per share are presented as the Company has no dilutive potential shares outstanding in both years.

FINAL DIVIDEND

The Board resolved that no final dividend would be declared for 2002. Such resolution is subject to approval at the 2002 Annual General Meeting of the Company to be held on 16th June 2003.

BUSINESS REVIEW

- Turnover of the Group during the Year amounted to RMB451,620,000 (2001: RMB667,435,000), representing a decrease of approximately 32.33% from that of the year ended 31st December 2001 (the "Previous Year").
- Profit after taxation during the Year was RMB93,193,000 (2001: RMB191,778,000), representing a decrease of approximately 51.41% from that of the Previous Year.
- Profit attributable to shareholders for the Year was RMB92,791,000 (2001: RMB190,616,000), representing a decrease of approximately 51.32% from that of the Previous Year.
- Earnings per share for the Year was RMB0.09 (2001: RMB0.19), representing a decrease of approximately 52.63% from that of the Previous Year.

1. Urban Water Supply Business

- During January to July 2002, turnover and profit before taxation of the former subsidiary of the Company, Shenyang Water Company Limited (“Shenyang Water”) amounted to RMB325,400,000 (2001: no comparative figures) and RMB158,816,000 (2001: no comparative figures) respectively.
- During January to July 2002, sales volume of water of Shenyang Water was 256,945,000 cu.m. (2001: no comparative figures).
- During the Year, 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 the change in policies; (2) the actual water usage by end-users in Shenyang continued to decline; (3) the uncertainty relating to the ability of Shenyang Water General Corporation to fully honour its obligations to Shenyang Water pursuant to the Purified Water Supply and Purchase Agreement and the supplementary 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, the Company disposed of its entire 99.37% equity interest in Shenyang Water to Shenyang Zheng Xing Enterprise Group Company Limited (“Zheng Xing”) during the Year. The Disposal was approved at the extraordinary general meeting of the Company convened on 20th August 2002.
- The Company dispatched a circular to shareholders of the Company on 5th July 2002 in respect of the above disposal. It was set out in the circular that the economic benefits relating to the 99.37% equity interest in Shenyang Water for the period from 1st January 2002 to 31st March 2002 would be attributable to the Company and from 1st April 2002, the corresponding 99.37% equity interest in Shenyang Water and the related assets (including but not limited to the outstanding receivable) and liabilities would be borne by Zheng Xing and all or part of the outstanding receivables of Shenyang Water recovered in the future would not be recognized in the accounts of the Group. The consideration of disposal of 99.37% equity interest in Shenyang Water was RMB 900,000,000, representing a profit of approximately RMB 37,700,000 over the net assets of Shenyang Water as at 31st March 2002 of approximately RMB867,800,000 (the unaudited net asset value prepared under HKGAAP).

- The operating result of Shenyang Water for the period from 1st January 2002 to 31st March 2002 was disclosed in the interim report of the Year. However, pursuant to “the Notification of Implementing ‘Corporation Accounting System’ and Explaining Relevant Accounting Principles” (CaiKuai [2002] No.18) dated 21st October 2002 issued by the Ministry of Finance of the PRC and in view of opinions of international auditors of the Company, the Group should have accounted for the result of Shenyang Water up to 31st July 2002 according to audit and accounting requirements. From 1st August 2002, all rights and interests relating to the 99.37% equity interest of Shenyang Water was no longer attributable to the Company. Such adjustment resulted in a loss on disposal of RMB 20,382,000, representing the difference between the consideration of disposal of 99.37% equity interest in Shenyang Water and the net assets value of RMB920,382,000 of Shenyang Water as at 31st July 2002 (based on the unaudited net asset value prepared under HKGAAP). On the other hand, the profit after taxation of Shenyang Water attributable to the Company for the four months from 1st April 2002 to 31st July 2002 was increased by approximately RMB 58,049,000. Consequently, the above adjustment only resulted in a change in structure of profit after taxation and gain from disposal of Shenyang Water included in the consolidated profit after taxation of the Group for the Year and had no material effect on the Group’s consolidated profit after taxation. As a result, the Company only sets out the operation data of Shenyang Water for the seven months ended on 31st July 2002 and it is not appropriate to compare the figures with those of the corresponding period of the Previous Year.

2. Real Estate Development Business

- During the Year, turnover and profit before taxation of the subsidiary of the Company, Shenyang Development Real Estate Company Limited (“Real Estate Company”) amounted to RMB125,820,000 (2001: RMB90,073,000) and RMB12,865,000 (2001: RMB16,973,000), representing an increase of approximately 39.69% and a decrease of approximately 24.20% from those in the Previous Year respectively.
- During the Year, sales area of Real Estate Company was 41,020 square meters (2001: 28,810 square meters), representing an increase of approximately 42.38% from that in the Previous Year.
- During the Year, the Company injected additional capital of RMB215,000,000 to Real Estate Company so that its registered capital was increased to RMB250,000,000. The Company holds 99.86% equity interest in Real Estate Company as enlarged by the capital injection.
- During the Year, real estate market in Shenyang was continuously optimistic. The Company seized opportunities arising from such optimism and set the sale of residential project “Hongji Garden” and the construction of the phase one of the residential project “Water-Flowers City” as the main objectives and achieved satisfactory results in the Year. As at 31st December 2002, 95% of salable areas of “Hongji Garden” had been sold. Phase one of the residential project “Water-Flowers City” were roofed on schedule.
- During the Year, the main reason for an increase in turnover Real Estate Company is that sales area of the residential project “Hongji Garden” for the Year was larger than those of the Previous Year; the main reasons for a decrease in profit before taxation are that the residential project “Water-Flowers City” was not available for sale and no profits were generated during the Year, however the relevant expenses were charged to the financial statement for the Year.

- The residential project “Water-Flowers City” has gross floor area of 95,560 square metres, including gross floor area of 59,760 square metres for phase one. It is expected that residential units of phase one project will be available for sale in the spring of 2003. Phase two of “Water-Flowers City” has gross floor area of 35,800 square metres. It is expected that the main building in phase two project will be roofed by the end of 2003.

3. Power and Heat Co-generation Business

- During the Year, turnover and profit before taxation of Shenhai Co-generation, a joint venture of the Company, amounted to RMB556,362,000 (2001: RMB520,159,000) and RMB90,613,000 (2001: RMB81,988,000), representing an increase of approximately 6.96% and 10.52% from those in the Previous Year respectively.
- During the Year, on-grid sales volume of electricity of Shenhai Co-generation was 2,088,100 MWH (2001:1,921,970MWH), representing an increase of 8.64% from that in the Previous Year. The main reasons for an increase in the on-grid sales volume of electricity are that (i) the market demand for electricity increased during the Year; and (ii) Shenhai Co-generation strengthened its internal production management , ensuring the smooth operations of its power generators.
- During the Year, the total heat production of Shenhai Co-generation was 4,631,991 GJ (2001: 5,012,124 GJ), representing a decrease of 7.58% over that of the Previous Year. The main reason for a decrease in the total heat production is that temperature was relatively high during the winter of 2002, leading to a decrease in market demand for heat energy.
- During the Year, the Company and Pollon Investment Limited (“Pollen Investment”) entered into an equity interest disposal agreement, according to which the Company disposed its 22.50% equity interest and relevant interests of Shenhai Co-generation to Pollon Investment for a consideration of RMB177,314,000. The completion of the disposal of equity interest is still pending for the approval from the relevant government authorities in the PRC.

4. Investment in the Technology Business

- Tsinghua Unisplendour Hi-Tech Venture Capital Inc. (THCI) is a venture capital company principally engaged in investment of high-tech projects. THCI was formally established in May 2000 by nine shareholders, including the Company. As at 31st December 2002, the registered capital of THCI was RMB250,000,000. It is owned by twelve shareholders. The Company contributed RMB20,000,000 to THCI, representing 8.00% of the total share capital of THCI.
- During the Year, being adversely affected by the capital market and macroeconomic factors relevant to venture investment , loss of THCI amounted to RMB1,849,000. Since THCI recorded loss for the Year, no profits were distributed.

5. Education Investment Business

- Investment in education was a new business focus of the Company for the Year. It was in the initial phase of investment and construction, and therefore, education investment business did not generate any operating results for the Year.

- During the Year, the Company acquired the land use right of a parcel of land with an area of 790,000 square meters located in Shenyang Economics and Technology Development Zone (the “Zone”) for a consideration of RMB150 per square meter. Such land is intended to use for the construction of Shenyang Beida Education Science Park and medium and top grade residential properties. In September 2002, the Company and Real Estate Company jointly invested RMB50,000,000 to establish Shenyang Development Beida Education Science Park Company Limited (“Shenyang Education”) in the Zone. The Company directly holds 30% equity interest in it. Real Estate Company holds the remaining 70% equity interest in it.
- During the Year, the Board approved the Company to acquire relevant equity interest in three education companies from connected parties respectively. The extraordinary general meeting of the Company held on 10th February 2003 approved the resolution to acquire 70% equity interest in Zhuhai Beida Education Science Park Company Limited (“Zhuhai Education”) and to jointly acquire 100% equity interest in Shanghai Beida Jade Bird Education Investment Company Limited (“Shanghai Education”) with Real Estate Company for the considerations of RMB166,600,000 and RMB194,400,000 respectively. According to the acquisition agreements, the Company holds beneficial interest in the aforesaid companies with effect from 1st January 2003. Works relating to the change of equity holding are currently in progress. With respect to the acquisition of the relevant equity interest in Beijing Beida-Online Internet Company Limited (“Beida Online”), the Board has subsequently resolved to terminate the acquisition of 50% equity interest in Beida Online, subject to ratification by shareholders at the next annual general meeting of the Company.
- For the purpose of the collection of rents for the leasing properties of Zhuhai Education and Shanghai Education, the Company and the relevant parties entered into the master lease agreements.

ASSETS AND FINANCIAL POSITION OF THE GROUP

1. Financial statistics of the Group

Items	Basis of calculation	As at 31st December 2002	As at 31st December 2001
Gearing ratio	Total liabilities/total assets x 100%	10.83%	10.20%
Current ratio	Current assets/current liabilities	5.79	5.30
Quick ratio	(Current assets – inventories – properties under development – properties held for sale)/current liabilities	5.24	4.00
Earnings/net assets ratio	Net profit/net assets x 100%	5.02%	10.90%
Sales profit margin	Net profit/sales x 100%	20.55%	28.60%
Debt equity ratio	Total liabilities/shareholders’ equity x 100%	12.20%	11.40%

2. Overall position of the Group’s assets

During the Year, there was an increase in the total assets of the Group when compared to that of the Previous Year. The total assets of the Group increased to approximately RMB2,072,427,000 in 2002 from approximately RMB1,955,354,000 in the Previous Year, representing an increase of approximately RMB117,073,000 or 5.99%.

			<i>RMB'000</i>
	As at	As at	Changes
Items	31st December	31st December	in amount
	2002	2001	
Total assets	2,072,427	1,955,354	117,073
Of which:			
Property, plant and equipment	10,478	734,239	(723,761)
Properties under development	279,732	171,000	108,732
Interest in a jointly controlled entity	100,265	140,638	(40,373)
Investment securities	20,000	20,000	—
Deposits paid for acquisitions of subsidiaries	360,994	—	360,994
Current assets	1,300,958	889,477	411,481

3. Current assets of the Group

During the Year, the current assets of the Group was increased by RMB411,481,000 to RMB1,300,958,000 compared to RMB889,477,000 of the Previous Year, representing an increase of approximately 46.26%.

			<i>RMB'000</i>
	As at 31st	As at 31st	Changes
Items	December	December	in amount
	2002	2001	
Current assets	1,300,958	889,477	411,481
Of which:			
Cash and bank deposits	486,308	506,664	(20,356)
Accounts receivable	2,845	145,890	(143,045)
Prepayments, deposits and other receivables	229,262	111,278	117,984
Advance to a building contractor	360,000	—	360,000
Properties under development	115,996	—	115,996
Properties held for sale	8,149	98,079	(89,930)
Deposit paid for an investment	94,380	—	94,380
Amount due from a jointly controlled entity	2,733	23,855	(21,122)
Amount due from a fellow subsidiary	—	2,815	(2,815)
Tax recoverable	1,285	—	1,285
Inventories	—	896	(896)

4. Pledge of foreign currency deposits of the Group

As at 31st December 2002, the bank deposits amounting to HK\$60,000,000 pledged to banks for the bank loans totalling RMB60,000,000 granted to the Group in the year 2001 was released during the Year.

5. 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 2002, the exchange rates of Renminbi to US dollar and to Hong Kong dollar were stable as a whole, and the exchange rate of the Hong Kong dollar to Renminbi experienced slight fluctuations during the Year. Accordingly, the risks of the Company’s deposits in Hong Kong dollars were relatively low.

6. Contingent liabilities

During the Year, the Group did not have any contingent liabilities.

7. Bank borrowings of the Group

As at 31st December 2002, the total amount of the Group’s bank borrowings was RMB120,000,000 (2001: RMB80,000,000, of which an amount of RMB60,000,000 was pledged by a bank deposit of HK\$60,000,000). The above borrowings was guaranteed by SPU bearing interest at 5.31% per annum and should be repayable within one year.

During the Year, the Group had no delay in repayment of bank borrowings.

USE OF PROCEEDS ARISING FROM THE ISSUE OF H SHARES

The issue of 420,400,000 H Shares of the Company in December 1999 raised net proceeds of RMB684,256,000. No proceeds were raised by means of issuing new shares thereafter. The proceeds were applied basically in accordance with the intended use as disclosed in the prospectus of the Company dated 7th December 1999 (the “Prospectus”). The extraordinary general meeting of the Company convened on 20th August 2002 approved the resolution to change the intended use of the proceeds amounting to RMB200,000,000 which was the remaining unused net proceeds of the total amount of RMB489,000,000 originally intended to be used for Shenyang Water. Up to 31st December 2002, the Company had made investments totalling approximately RMB [593,230,000] (2001: RMB493,230,000), of which:

- (1) RMB231,951,000 had been applied to invest in the acquisition of No. 8 Water Plant (as defined in the Prospectus);
- (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 system of production facilities of Shenyang Water;
- (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 land use right of a parcel of land in the Zone with an area of 790,000 square meters; and
- (6) the balance was used as working capital.

NUMBER OF EMPLOYEES AND THEIR EDUCATION LEVELS

As at 31st December 2002, the Group had 52 employees, of which 23 worked in the Company and 29 worked in Real Estate Company.

46 employees of the Group had received university or higher education, and 31 technicians were of intermediate rank or above.

During the Year, the aggregate salaries paid to the employees amounted to RMB22,269,000, including the salaries of January to July of 2002 paid to the employees of Shenyang Water and the salaries paid to the former employees in 2002 (2001: RMB44,419,000). The Group has not established any share option scheme for any of its senior management or employees.

TRUST DEPOSITS

There were no deposits managed by trustees for the Year.

TAXATION

The Group's taxation is described in note 4 of the consolidated income statement.

No tax reduction and exemption was enjoyed by holders of the listed securities of the Company for their holding of such securities.

STAFF QUARTERS

The Group did not have any balance of house revolving funds which was carried forward in its accounts upon its incorporation in 1999, and no staff quarters were constructed, purchased or sold to staff.

Pursuant to the "Housing Reserves Management Ordinance" stipulated by the PRC government and the Shenyang Municipal Government on 28th December 2000, the basis of contribution for the housing reserves was the monthly income of the staff, of which the ratio of contribution by the Company was 8% from 1st January 2001 onwards.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the Year, the Group did not purchase, sell and redeem any of the Company's shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of the PRC which would require the Company to offer new shares to existing shareholders on a pro rata basis.

MATERIAL LITIGATION

During the Year, the Group was not involved in any material litigation or arbitration.

CODE OF BEST PRACTICE

The Board of the Company are pleased to confirm that the Company has complied with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the Year.

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

Financial and other relevant information of the Company in accordance with the paragraphs from 45(1) to 45(3) of Appendix 16 to the Listing Rules will be available for publication on the web-site of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Xu Er Hui
Chairman

26th April 2003, Shenyang, the PRC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2002 Annual General Meeting of Shenyang Public Utility Holdings Company Limited (the “Company”) will be held at the Company’s office at the Conference Room, 4th Floor, No. 14, Shisiwei Road, Heping District, Shenyang, the People’s Republic of China (the “PRC”) at 9:00 a.m. on Monday, 16th June, 2003 for the following purposes:

By way of ordinary resolutions:

1. To consider and approve the 2002 report of the Board of the Company;
2. To consider and approve the 2002 report of the supervisory committee of the Company;
3. To consider and approve the 2002 financial statements of the Company;
4. To consider and approve the 2002 reports of the PRC auditors and the international auditors of the Company;
5. To consider and approve the 2002 profit allocation and dividend distribution proposals of the Company;
6. To consider and approve the re-appointment of Deloitte Touche Tohmatsu, Certified Public Accountants, as the international auditors of the Company and to authorise the Board to determine their remuneration;
7. To consider and approve the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountant Ltd. as the PRC auditors of the Company and to authorise the Board to determine their remuneration.
8. To consider and approve and ratify the Board resolution to terminate the proposed acquisition of 50% equity interest in Beijing Beida-Online Interest Company Limited on 10th February 2003.

By way of Special resolution:

9. To consider and approve the granting of authorisation to the board of directors of the Company to issue domestic shares and H shares respectively not exceeding 20% of the existing number of domestic shares and H shares respectively.

By order of the Board

Wang Se

Company Secretary

26th April 2003, Shenyang, the PRC

Notes:

- (1) Each shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies in writing to attend and vote at the meeting on his/her behalf. A proxy need not be a member of the Company. Shareholders or their proxies are entitled to attend and vote at the meeting.
- (2) To be valid, the proxy form together with the notarised power of attorney or authority (if any) must be delivered to the Company's business address or the Company's H share registrar, Hong Kong Registrars Limited at Rooms 1901-5 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time of the meeting.
- (3) Shareholders or their proxies shall procure their identity documents when attending the meeting.
- (4) The register of members of the Company will be closed from Saturday, 17th May 2003 to Sunday, 15th June 2003 (both days inclusive), during which period no transfer of the Company's shares will be registered.
- (5) Shareholders whose names appear in the register of members at 4:00pm, Friday, 16th May 2003 are entitled to attend and vote at the meeting.
- (6) Shareholders who intend to attend the meeting should complete and lodge the reply slip and return it to the Company's business address at No. 14, Shisiwei Road, Heping District, Shenyang, the PRC, (postal code: 11003) or deliver the same to the Company's H share registrar, Hong Kong Registrars Limited on or before Tuesday, 27th May 2003. The reply slip may be delivered by hand, by post, by cable or by fax. The fax no. of the Company is 86-24-23257181. The fax no. of the Company's H share registrar is 852-25790095. Completion and return of reply slip shall not affect the right of shareholders to attend the meeting pursuant to note (5) above.
- (7) The Annual General Meeting is expected to take not more than one day. The attending shareholders and proxies shall be responsible for their own travelling and accommodation expenses.

REPLY SLIP FOR THE 2002 ANNUAL GENERAL MEETING
TO BE HELD ON 16TH JUNE, 2003

To: **Shenyang Public Utility Holdings Company Limited** (the “Company”)

I/We (note 1) _____

(name(s) in Chinese): _____

of _____

(the registered address(es) as shown in the Register of Members) being the registered holder(s) of (note 2) _____ State shares / H shares (note 3) of RMB1.00 each in the share capital of the Company, hereby inform the Company that I/we intend to attend (in person or by proxy _____) the 2002 Annual General Meeting of the Company to be held at the Company’s office at Conference Room, 4th Floor, No.14, Shisiwei Road, Heping District, Shenyang, the People’s Republic of China (the “PRC”) at 9:00 a.m. on Monday, 16th June 2003.

Date: _____, 2003

Signature(s): _____

Notes:

1. Please insert full name(s) in Chinese and English and address(es) (as shown in the register of members) in **BLOCK CAPITALS**.
2. Please insert the number of H shares registered in your name(s).
3. Please delete as appropriate.
4. The register of holders of H shares of the Company will be closed from Saturday, 17th May, 2003 to Sunday, 15th June, 2003 (both days inclusive), during which period no transfer of H shares will be registered. Holders of State shares or H shares of the Company whose names appear in the register of members of the Company as at 4:00p.m. on Friday, 16th May, 2003 shall be entitled to attend and to vote at the Annual General Meeting (and any adjournment thereof).
5. Holders of State shares or H shares of the Company who intend to attend the Annual General Meeting should complete and return this slip to the Company’s business address at No.14, Shisiwei Road, Heping District, Shenyang, the PRC or the Company’s H shares registrars in Hong Kong, Hong Kong Registrars Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before Tuesday, 27th May, 2003. The reply slip may be delivered by hand, by post or by fax to the number (852) 2865 0990/2529 6087.

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