SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

Stock code: 747

Annual Report 2008

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Company Profile

1. THE FORMATION AND PRINCIPAL BUSINESSES OF THE COMPANY

Shenyang Public Utility Holdings Company Limited ("Shenyang Public Utility" or the "Company") was established in Shenyang, the People's Republic of China (the "PRC") on 2nd July 1999 as a joint stock limited company by way of promotion, with Shenyang Public Utility Group Company Limited ("SPU") acting as the sole promoter.

In December 1999, the Company issued 420,400,000 H shares of par value of RMB1.00 each at an issue price of HK$1.70 to international investors by way of a placing and an offer to the public. On 16th December 1999, the Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At present, the registered capital of the Company is RMB1,020,400,000.

The Company and its subsidiaries (together the "Group") is a real estate developer and education business investor. It is principally engaged in the development, sale and leasing of real estate and investment in and management of education.

2. EQUITY INTERESTS

Sino-French Liaoning:	Sino-French Water Development (Liaoning) Company Limited, a strategic investor of the Company;
Shenyang Real Estate:	Shenyang Development Real Estate Company Limited, in which the Company directly holds 99.86% equity interests, is a real estate developer in Shenyang;
Zhuhai Education:	Zhuhai Beida Education Science Park Company Limited, in which the Company directly holds 70.00% equity interests, is an education investor in Zhuhai;
Shanghai Education:	Shanghai Beida Jade Bird Education Investment Company Limited, in which the Company directly holds 80.00% equity interests and Shenyang Real Estate directly holds 20.00% equity interests while the Company holds 99.97% equity interests in total, is an education investor in Shanghai;
Beijing Diye:	Beijing Diye Real Estate Development Company Limited, in which the Company holds 80.00% equity interests, is a real estate developer in Beijing;
Unisplendour Venture Capital:	Unisplendour Venture Capital, Inc. (formerly known as Tsinghua Unisplendour Hi-Tech Venture Capital Inc. with its name changed during the year), is an investee company in which the Company directly holds 8.00% equity interests.
Shenyang Education:	Shenyang Development Beida Education Science Park Company Limited, in which the Company directly holds 30.00% equity interests, is an education investor in Shenyang. During the year, the Group ceased to have any equity interest in Shenyang Education;

Company Profile

Building Management Company: Shenyang Pollon Finance Building Management Company Limited, in which the Company directly holds 92.50% equity interests and Shenyang Real Estate directly holds 7.50% equity interests while the Company holds 99.99% equity interests in total, is a real estate developer in Shenyang. During the year, the Group disposed of its entire equity interest in Building Management Company and Building Management Company ceased to be a subsidiary of the Company since November 2008;

Shenyang Business Information: Shenyang Beida Jade Bird Business Information System Company Limited, in which Shenyang Education directly holds 90.00% equity interests and the Company indirectly holds 89.91% equity interests, is an application software developer. Shenyang Business Information has been deregistered during the year;

Shenzhen Grand Scence: Shenzhen Grand Scence Investment Development Company Limited, in which the Company directly holds 50.00% equity interests, Shenyang Real Estate holds 25.00% equity interests and Shenyang Education holds 25.00% equity interests respectively while the Company holds 99.94% equity interests in total, is an industrial investor in Shenzhen. Shenzhen Grand Scence has been deregistered during the year.

Financial Highlights

1. RESULTS

For the year from 1st January to 31st December 2008 (the "Year"), the Group recorded a revenue from principle activities and a loss after tax and minority interests of approximately RMB39,617,000 (2007: RMB9,948,000) and RMB54,638,000 (2007: RMB115,657,000) respectively. It was mainly due to the fact that the Group is still in the process of re-structuring. The Group has not identified any new project during the year. For details please refer to the section headed "Report of the Directors" and "Management Discussion and Analysis".

2. SUMMARY OF CONSOLIDATED INCOME STATEMENT

As at 31st December 2008, the financial highlights of the Group for the last five years are set out as follows:

RMB'000

	2008	2007	2006	2005	2004
Turnover	**39,617**	7,116	16,465	91,221	35,312
Other income	**16,329**	576	3,108	245	5,160
Total income	**55,946**	7,692	19,573	91,466	40,472
Operating (loss)/profit	**–**	–	–	–	–
Finance costs	**(17,876)**	(23,577)	(34,149)	(42,995)	(40,471)
Share of results of a joint venture	**–**	–	–	–	17,487
Impairment loss on properties held for sale	**(216,438)**	–	–	–	–
Profit on disposal of a subsidiary	**204,123**	198,436	–	–	2,821
Transfer of prepayment for purchase of land and profit on disposal of other current assets	**–**	–	19,575	–	–
(Loss) profit before taxation	**(59,007)**	(55,170)	(63,891)	(1,288,602)	(200,831)
Taxation	**613**	613	613	39,090	785
Loss for the year from discontinued operations	**–**	(31,560)	(17,333)	–	–
(Loss) profit after taxation	**(58,394)**	112,319	(80,611)	(1,249,512)	(200,046)
Minority interests	**(3,756)**	(3,338)	(3,906)	(20,382)	(2,487)
(Loss) profit attributable to equity holders	**(54,638)**	115,657	(76,705)	(1,229,130)	(197,559)
(Loss) earnings per share	**RMB(0.06)**	RMB0.11	RMB(0.08)	RMB(1.20)	RMB(0.19)

Financial Highlights

3. SUMMARY OF CONSOLIDATED BALANCE SHEET

RMB'000

	As at 31st December 2008	As at 31st December 2007	As at 31st December 2006	As at 31st December 2005	As at 31st December 2004
Property and equipment, investment properties and prepaid lease payments on land use rights	**267,542**	488,937	567,033	643,673	931,372
Goodwill	**–**	–	–	–	609,372
Investment securities	**–**	–	–	–	20,000
Available-for-sale financial assets	**20,000**	20,000	20,000	20,000	–
Other long-term receivables	**32,745**	–	–	–	–
Current assets	**294,802**	581,591	752,813	918,489	1,463,318
Current liabilities	**67,008**	564,201	926,989	1,074,881	1,070,379
Net current assets (liabilities)	**227,794**	17,390	(174,176)	(156,392)	392,939
	548,081	526,327	412,857	507,281	1,953,683
Capital resources:					
Share capital	**1,020,400**	1,020,400	1,020,400	1,020,400	1,020,400
Reserves	**(605,974)**	(550,985)	(666,642)	(589,937)	639,193
Minority interests	**28,715**	34,357	35,931	39,837	60,219
Non-current liabilities	**104,940**	22,555	23,168	36,981	233,871
	548,081	526,327	412,857	507,281	1,953,683

Chairman's Statement

Dear shareholders,

I hereby present the audited operating results of the Group for the Year.

The court has sold certain assets and businesses of the Group by auction to repay our debts in view of the operational hardship encountered by the Group during the previous periods, resulting in the reduction in scale of operation of our real estate development and education investment businesses.

During the Year, the Group has basically settled the proceedings of claims of Liaoning Hua Jin Hua Gong Group Company Limited, resolved the dispute between Shanghai Hanhua Property Management Company Limited and Shenyang Real Estate over the unpaid balance of construction payment, and achieved steady progress in settling the proceedings of claims of Beijing Beida Jade Bird Company Limited against the Group. These efforts aim at establishing a healthy operating environment for the Group.

During the Year, the Group continued to speed up the final stage improvement works and completion and inspection of uncompleted projects, and has achieved encouraging results. For example, we were ready to apply for the property ownership certificate of the "Water-Flowers City" project of Shenyang Real Estate.

During the Year, the Group has disposed of its shareholding in Building Management Company, debt receivable from and 30% shareholding in Shenyang Education and 60% shareholding in Shenyang Property, and has deregistered Shenyang Business Information and Shenzhen Grand Scence with an aim to adjusting the business structure of the Company and recovering capital for the repayment of debts.

During the Year, the Group has engaged financial consultants, lawyers and compliance advisers in order to resolve the outstanding issues in respect of the suspension of trading of H shares of the Company as soon as possible and accelerate the process of resumption of trading.

To protect our shareholders' interest, the Group will spare no effort to ensure the resumption of trading of the H shares of the Company and complete the adjustment to the business structure of the Group as soon as possible to put the operation of the Group on the right track.

Shenyang Public Utility Holdings Company Limited
An Mu Zong
Chairman

Shenyang, the PRC, 21st April 2009

Profiles of the Management Team

EXECUTIVE DIRECTORS:

Mr. An Mu Zong, born in April 1964, graduated from Beihang University (北京航空學院) in June 1987. He was a vice-president of the Company. Mr. An has extensive experience in the development of real estate projects and corporate management. Mr. An has been an executive director of the Company since 28th November 2005 with a term expiring on 28th November 2008. Mr. An was elected chairman of the Company at the first meeting of the fourth session of the board of directors of the Company with effect from 13th February 2009.

Mr. Wang Zai Xing, born in November 1970, graduated from Beijing Forestry University (北京林業大學) in June 1993 with a bachelor's degree in statistics. Since March 1999, he has been a financial director and financial manager of Beijing Beida Jade Bird Company Limited ("Beida Jade Bird"). Mr. Wang has extensive experience in corporate reorganisation, asset appraisal and auditing. Mr. Wang has been an executive director of the Company since 28th November 2005 with a term expiring on 28th November 2008.

NON-EXECUTIVE DIRECTORS:

Mr. Deng Yan Bin, born in August 1970, is an accountant. Mr. Deng graduated with a bachelor's degree in economics from Renmin University of China (中國人民大學) in March 1996 majoring in accounting. Mr. Deng currently works in the Company. He has extensive experience in financial and investment management. Mr. Deng has been a non-executive director of the Company since 28th November 2005 with a term expiring on 28th November 2008.

Mr. Lin Dong Hui, born in December 1967, is an economist. Mr. Lin graduated from the China Academy of Social Science (中國社會科學院) in September 1998 with a master's degree in investment management. He worked as the head of the office of the board of directors of the Company, the head of the office of the president of the Company and a supervisor since 1999. Mr. Lin has been a non-executive director of the Company since 28th November 2005 with a term expiring on 28th November 2008.

Mr. Wang Hui, born in May 1975, graduated from Peking University (北京大學) in June 2001 with a master's degree in economics. Mr. Wang has worked in the Company since March 2002. Mr. Wang has profound experience in corporate operation, reorganization and mergers and acquisitions. Mr. Wang has been a non-executive director of the Company since 28th November 2005 with a term expiring on 28th November 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Cai Lian Jun, born in December 1950, is a senior accountant. Since 1992, Mr. Cai had worked in the Management Committee of Beijing DaXing Industrial Development Zone (北京市大興工業開發區管理委員會) and served as the party secretary, head of management committee and general manager in Beijing DaXing Industrial Development Zone Operation General Corporation (北京市大興工業開發區經營總公司). He was the secretary of Industry Committee of Beijing Daxing District Committee (北京市大興區委工業工委書記) during the period from November 2001 to July 2004, Mr. Cai is currently retired. Mr. Cai has been a non-executive director of the Company since 28th November 2005 with a term expiring on 28th November 2008.

SUPERVISORS:

Mr. Wang Xing Ye, born in June 1977, graduated from Xi'an University of Technology (西安理工大學) in 1999 with a bachelor's degree in economics. Mr. Wang is currently the manager of Listing Rules Compliance in Beijing Beida Jade Bird Universal Sci-Tech Company Limited. He has profound experience in investment and financing, asset reorganization and business reorganization. Mr. Wang has been a supervisor of the Company since 28th November 2005 with a term expiring on 28th November 2008.

(The 2007 annual general meeting of the Company has ratified and approved the extension of the terms of the above directors and supervisors to the conclusion of the 2007 annual general meeting of the Company. Please refer to the announcement of the Company dated 12th February 2009)

Management Discussion and Analysis

1. SUMMARY OF THE RESULTS

(1) Summary of the income statement

Consolidated profits

RMB'000

	2008	2007	2006	2005	2004
Turnover	**39,617**	7,116	16,465	91,221	35,312
(Loss) profit after taxation	**(58,394)**	112,319	(80,611)	(1,249,512)	(200,046)
(Loss) profit attributable to equity holders	**(54,638)**	115,657	(76,705)	(1,229,130)	(197,559)
Earning (loss) per share (RMB)	**RMB(0.06)**	RMB0.11	RMB(0.08)	RMB(1.20)	RMB(0.19)

(2) Analysis of segment results

RMB'000

	2008 Amount	2007 Amount	2006 Amount	2005 Amount	2004 Amount
Consolidated (loss) profit before taxation	**(59,007)**	112,801	(80,599)	(1,288,602)	(200,831)
Of which:					
Property development	**(11,544)**	(5,113)	(24,477)	(301,109)	(76,040)
Education Investment	**(7,603)**	(18,461)	(19,666)	(307,451)	(14,148)

(3) Analysis of segment turnover

RMB'000

	2008 Turnover	**% of total turnover**	2007 Turnover	% of total turnover	2006 Turnover	% of total turnover	2005 Turnover	% of total turnover	2004 Turnover	% of total turnover
Total turnover	**39,617**	**100**	9,948	100	18,067	100	91,221	100	35,312	100
Of which:										
Property development	**36,617**	**92.43**	3,905	39.25	9,521	52.70	77,040	84.45	21,128	59.83
Education Investment	**3,000**	**7.57**	3,211	32.28	6,370	35.26	6,472	7.09	10,658	30.18
Other operations	**–**	**–**	–	–	574	3.17	6,783	7.44	3,032	8.59

2. ANALYSIS OF THE REAL ESTATE DEVELOPMENT BUSINESS

Summary of operating results

	2008	2007
Turnover (RMB'000)	**36,617**	3,905
Profit before taxation (RMB'000)	**(11,544)**	(5,113)

During the reporting period, several procedures in the early stage such as sales and moving-in of phase two of Shenyang Real Estate's "Water-Flowers City" were completed, while the latter stage procedures such as completion and inspection of amenities and certificate registration were still under progress with the ongoing effort of the Group, the relevant registration procedure of phase two of "Water-Flowers City" was completed in August 2008 and the application procedure for property ownership certificate has been commenced.

During the reporting period, Building Management Company entered into the Agreement of Settlement of Debts by Properties with relevant parties, pursuant to which the liabilities of the relevant parties, including the Company, amounted to RMB24,300,000 will be settled by the properties in Cosmo International Mansion with a value of RMB24,300,000. The procedures of obtaining ownership certificates of these properties are under progress. (Details please refer to the announcement of the Company dated 24th December 2008)

During the reporting period, the Group has disposed of all its shareholdings in Building Management Company in order to adjust the business structure of the Group and reduce the amount of debts.

The construction of "Scenic Bay" in Beijing has not yet commenced during the Year. In order to adjust the business structure of the Group, the Company is actively planning to realize this project.

3. ANALYSIS OF THE EDUCATION INVESTMENT BUSINESS

During the reporting period, the existing gross floor area of Zhuhai Education Park exceeded 70,000 sq meters. In June 2008, Zhuhai Beida Subsidiary Experiment School ("Zhuhai School") entered into a co-operative agreement for the operation of school with the Bureau of Education of Zhuhai Municipality. Accordingly, the Bureau of Education of Zhuhai Municipality has engaged Zhuhai School to provide education to public high school students with Zhuhai city household registration. Zhuhai School enrolled approximately 360 public school students for the 2008 autumn school term, while the total number of students in Zhuhai School was approximately 987. Zhuhai School has paid Zhuhai Education a rental fee amounting to RMB3,000,000 during the Year.

During the reporting period, the Group disposed of the debt receivable from Shenyang Education amounting to RMB256.6 million and 30% shareholding in Shenyang Education in order to retrieve the preliminary investment and recover funds for the operation of the Company. The Group ceased to hold any equity interest in Shenyang Education. (Details please refer to the announcement of the Company dated 5th February 2009)

4. ANALYSIS OF THE SYSTEM INTEGRATION BUSINESS

During the Year, Shenyang Business Information was deregistered.

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

(1) Financial statistics of the Group

Items	Basis	As at 31st December 2008	As at 31st December 2007
Gearing ratio	Total liabilities/total assets x 100%	**27.95%**	53.80%
Current ratio	Current assets/current liabilities	**4.40**	1.03
Quick ratio	(Current assets – inventories – available-for-sale properties under development – completed properties held for sale)/ current liabilities	**1.33**	0.17
Return on net assets ratio	Net (loss) Profit/net assets x 100%	**(13.18%)**	22.96%
Sales profit margin	Net (loss) Profit/sales x 100%	**(137.92%)**	1,625.31%
Debt equity ratio	Total liabilities/shareholders' equity x 100%	**38.80%**	116.47%

(2) Overall position of the Group's assets

During the Year, there was a decrease in the total assets of the Group when compared with that of the previous year. Total assets of the Group decreased to approximately RMB615,089,000 from approximately RMB1,090,528,000, representing a decrease of approximately RMB475,439,000 or 43.60%.

RMB'000

Items	As at 31st December 2008	As at 31st December 2007	Changes in amount
Total assets	**615,089**	1,090,528	(475,439)
Of which:			
Property and equipment	**19,200**	146,795	(127,595)
Investment properties	**248,342**	255,390	(7,048)
Prepaid lease payment on land use right	**–**	86,752	(86,752)
Available-for-sale financial assets	**20,000**	20,000	–
Other long term receivables	**32,745**	–	32,745
Current assets	**294,802**	581,591	(286,789)

(3) Current assets of the Group

During the Year, current assets of the Group decreased by approximately RMB286,789,000 to RMB294,802,000 as compared with RMB581,591,000 in the previous year, representing a decrease of approximately 49.31%.

Items	As at 31st December 2008	As at 31st December 2007	RMB'000 Changes in amount
Current assets	**294,802**	581,591	(286,789)
Of which:			
Properties held for sale	**205,735**	484,987	(279,252)
Inventories	**–**	341	(341)
Other receivables and prepaid expenses	**82,264**	37,517	44,747
Amount due from parent company	**–**	54,268	(54,268)
Bank balances and cash	**6,803**	4,478	2,325

(4) Bank borrowings of the Group

As at 31st December 2008, the Group's bank borrowings totalled RMB14,000,000 (2007: RMB62,000,000). Borrowings repayable within one year bear average interest at 6.9% per annum.

	As at 31st December 2008 (RMB'000)	As at 31st December 2007 (RMB'000)
Bank borrowings repayable in the following period		
Within one year	**14,000**	62,000

(5) Notes Payable

As at 31st December 2008, the Group did not have any balance of bank acceptance.

(6) Currency Risks

According to the "Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks" in 2008 regularly published by the State Administration of Foreign Exchange of the PRC, the exchange rates of Renminbi to US dollar and to Hong Kong dollar were generally stable, while the exchange rate of the Hong Kong dollar to Renminbi experienced slight fluctuations during the Year. Besides, the Company's balance of deposit denominated in Hong Kong dollar is not substantial. Accordingly, the Company has no currency risk.

(7) Contingent liabilities

Save as disclosed in note 37 to the financial statements, as at the balance sheet date, the Group did not have any other contingent liabilities.

(8) Analysis of return on equity

RMB'000

Items	31st December 2008	31st December 2007	Changes in amount
Share capital	**1,020,400**	1,020,400	–
Share premium	**323,258**	323,258	–
Statutory surplus reserve	**103,231**	103,582	(351)
Accumulated losses	**(1,032,463)**	(977,825)	(54,638)

6. EMPLOYEES AND EMPLOYEES' EDUCATION LEVEL

As at 31st December 2008, the Group had 45 employees.

During the Year, the aggregate salaries and allowances paid to the employees amounted to RMB4,359,000 (2007: RMB7,440,000), while termination compensation amounted to RMB117,000 (2007: RMB245,000). The Group has not established any share option scheme for any of its senior management or employees.

Report of the Directors

The board of directors of the Company is pleased to present its report together with the audited financial statements of the Group for the Year.

1. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company is principally engaged in the development, sales and leasing of real estate and the investment and management of education projects through its subsidiaries.

An analysis of the Group's results by business segments for the Year is set out in note 9 to the financial statements on page 49 to 51.

2. SUBSIDIARIES

Shenyang Real Estate, a limited liability company with a registered capital of RMB250,000,000, was incorporated at No.1-4, 20A, Central Street, Shenyang Economic and Technological Development Zone, the PRC in June 2000. Its principal operations are located in the PRC. The Company holds 99.86% equity interests in it. During the Year, no debt securities were issued by it.

Beijing Diye, a limited liability company with a registered capital of RMB30,000,000, was incorporated at No.6 Guan Zhuang, Jianguo Road, Chaoyang District, Beijng, the PRC in July 2001. Its principal operations are located in the PRC. The Company holds 80.00% equity interests in it. During the Year, no debt securities were issued by it.

Building Management Company, a limited liability company with a registered capital of RMB50,000,000, was incorporated at No.1, Xiaodong Road, Dadong District, Shenyang, the PRC in July 2002. Its principal operations are located in the PRC. During the Year, no debt securities were issued by it. The Group ceased to hold any equity interest in it.

Shenyang Education, a limited liability company with a registered capital of RMB50,000,000, was incorporated at No. 1-4, Zhong Yang Da Street A20, Shenyang Economic and Technological Development Zone, Shenyang, the PRC in September 2002. Its principal operations are located in the PRC. During the Year, no debt securities were issued by it. The Group ceased to hold any equity interest in it.

Zhuhai Education, a limited liability company with a registered capital of RMB20,000,000, was incorporated at Zhuhai Beida Education Science Park, Qi'ao Island, Zhuhai, the PRC in May 2001. Its principal operations are located in the PRC. The Company holds 70.00% equity interests in it. During the Year, no debt securities were issued by it.

Shanghai Education, a limited liability company with a registered capital of RMB100,000,000, was incorporated at No. 48, Xinxi Road, Zhu Jia Jiao Town, Qingpu District, Shanghai, the PRC in October 2002. Its principal operations are located in the PRC. The Company and Shenyang Real Estate holds 80.00% and 20.00% equity interests in it, respectively. During the Year, no debt securities were issued by it.

Shenyang Business Information, a limited liability company with a registered capital of RMB10,000,000, was incorporated at No. 9, 6A, Wencui Road, Heping District, Shenyang, the PRC in July 2000. Its principal operations are located in the PRC. Shenyang Education holds 90.00% equity interests in it. During the Year, no debt securities has been issued by it and it was deregistered.

Shenzhen Grand Scence, a limited liability company with a registered capital of RMB100,000,000 (contributed capital: RMB50,000,000), was incorporated at First Floor, Building No. 2, Jingmei New Village, No. 6003, Bei Huan Avenue, Futian District, Shenzhen, the PRC in May 2004. Its principal operations are located in the PRC. During the Year, no debt securities has been issued by it and it was deregistered.

3. OTHER INVESTMENTS

The Company made an investment in Unisplendour Venture Capital in May 2000. Its registered capital is RMB250,000,000. The Company invested RMB20,000,000 and holds 8.00% equity interest in it. During the Year, no debt securities were issued by it.

4. HOLDING COMPANY

As at 31st December 2008, the controlling shareholder of the Company is SPU, which was established on 26th November 1998. Its registered capital is RMB2,113,060,000. Through its directly controlled companies, namely, Shenyang Urban Infrastructure Facility Construction Investment Development Company Limited ("Shenyang Urban Construction") and Shenyang State-owned Assets Management Company Limited ("Shenyang Asset"), Shenyang Municipal Government held 50.00% equity interest in SPU (Shenyang Urban Construction and Shenyang Asset held 42.23% and 7.77% equity interests respectively). Beijing Beida Hi-Tech Industry Investment Company Limited ("Beida Hi-Tech") held the remaining 50.00% equity interest.

In February 2009, the Company was aware that Beijing No. 1 Intermediate People's Court had entrusted an auctioneer to hold a legal auction in respect of the 58.8% equity interest in the Company held by SPU. 北京明德廣業投資諮詢有限公司 successfully bid for the equity interest, details of which are set out in the announcement dated 24th March 2009 of the Company. The Company will make further announcements in relation to the subsequent developments of the auction in due course.

5. RESULTS, FINANCIAL POSITION AND ANALYSIS OF RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 29.

The Group's financial position for the Year is set out in the consolidated balance sheet on pages 30 to 31. The Group's cash flow for the Year is set out in the consolidated cash flow statement on pages 33 to 34. Analysis of the results of the Group for the Year is set out in the Management Discussion and Analysis section on pages 8 to 12.

6. INTERIM DIVIDEND

The board of directors of the Company resolved that no interim dividend was declared for the year 2008.

7. FINAL DIVIDEND

The board of directors of the Company resolved that no final dividend would be declared for the year of 2008. Such resolution is subject to approval at the 2008 Annual General Meeting of the Company.

8. RESERVES

Details of the reserves of the Group and the movements therein during the Year are set out in the consolidated statement of changes in equity on page 32.

9. DONATION

During the Year, the Group did not make any donations to charities or for other purposes.

10. PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Year are set out in note 18 to the financial statements on page 59.

11. SHARE CAPITAL

During the Year, the share capital structure of the Company was as follows:

Types of shares	Number of shares	Percentage
Domestic shares	600,000,000	58.80%
H shares	420,400,000	41.20%
Total	1,020,400,000	100%

There was no change in the share capital structure of the Company during the Year.

12. TAXATION

Details of taxation of the Group are set out in note 14 to the financial statements on page 56.

(1) The Group was subject to income tax rates ranging from 15% to 25% during the Year.

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

13. STAFF QUARTERS

Pursuant to the Regulations on Management of Housing Provident Fund stipulated by the PRC government and the document (Shenfangweihuifa (2000) No. 3) issued by Shenyang Municipal Government on 28th December 2000, contribution to housing fund was calculated base on the monthly income of the staff, of which the ratio of contribution by the Company was 8% from 1st June 2005 onwards.

14. MEDICAL INSURANCE

Pursuant to the Decision of the State Council on Setting up Basic Medical Insurance Systems for Staff Members and Workers in Cities and Towns promulgated by State Council of the PRC and the document (Shen Zheng Fa (2001) No.5) issued by Shenyang Municipal Government on 30th July 2001, contribution to basic medical insurance was calculated base on the monthly income of the staff in the prior month, of which the ratio of contribution by the Company was 8% from 1st October 2002 onwards.

15. DISTRIBUTABLE RESERVES

The Group did not have any reserve available for distribution as at 31st December 2008 and 31st December 2007.

16. FIVE-YEAR FINANCIAL HIGHLIGHTS

Highlights of the results and assets and liabilities of the Group during the Year and the past years are set out on pages 4 and 5.

17. MAJOR CUSTOMERS AND SUPPLIERS

In respect of the Group's continuing operations during the Year, the Group's sales to its five largest customers accounted for approximately 12.43% of the Group's total sales for the Year, of which sales to the largest customer accounted for approximately 7.57% of the Group's total sales for the Year. The Group's five largest suppliers accounted for approximately 77.77% of the costs of properties sold for the Year, of which the largest suppliers accounted for approximately 54.68% of the costs of properties sold for the Year.

Save as disclosed in the connected transactions, none of the directors, their associates or any shareholder (who, to the knowledge of the directors, owns 5.00% or more of the share capital of the Company) had any interest in the above-mentioned five largest customers or five largest suppliers.

18. DIRECTORS AND SUPERVISOR

Directors and supervisors of the Company during the Year were as follows:

Directors: Mr. An Mu Zong, Mr. Wang Zai Xing, Mr. Deng Yan Bin, Mr. Lin Dong Hui, Mr. Wang Hui and Mr. Cai Lian Jun, Mr. Cai Lian Jun is an independent non-executive director.

Supervisor: Mr. Wang Xing Ye.

19. DIRECTORS' AND SUPERVISOR'S SERVICE CONTRACTS

The Company entered into service contracts with the directors and supervisor of the 3rd session of the board of directors and board of supervisors on 28th November 2005. Each existing director and supervisor shall act in accordance with his duties as required by the service contract. In the event of a breach of any provision of the service contract, the Company may immediately terminate the appointment of the director or supervisor by way of written notice.

Except for the directors and the supervisors who have resigned, all service contracts for the existing directors and supervisor should have expired on 28th November 2008. However, as discussed and approved by the 2007 annual general meeting of the Company, all the terms of the existing directors and supervisor were extended to the conclusion of the 2007 annual general meeting of the Company.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without any payment of compensation, other than statutory compensation.

20. DIRECTORS', SUPERVISOR'S AND SENIOR MANAGEMENT'S HOLDING OF SHARES IN THE COMPANY

As at 31st December 2008, none of the Company's directors or supervisor or chief executives had any interests and/or short positions in any shares, underlying shares or debentures in the Company or any of its associated corporations (within the meaning of Part XV in the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) or entered into any transaction thereof which are: (1) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (2) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, nor was there any benefit generated from sales of such shares, underlying shares or debentures in the Company or any of its associated corporations.

21. DIRECTORS' AND SUPERVISOR'S RIGHT TO PURCHASE SHARES

During the Year, neither the Company nor its fellow subsidiaries or holding company made any arrangements for the directors, supervisor, chief executives or their spouses or their children under 18 years old to acquire benefits by means of the acquisition of the shares, securities or equity interests in the Company or associated corporations.

22. REMUNERATION OF DIRECTORS AND SUPERVISOR

Each of the directors of the Company received an annual salary of RMB30,000. There is no provision in the service contracts with the directors in respect of any adjustment to the annual salary of the directors. The executive directors may be entitled to certain cash bonuses with reference to the profitability of the Company subject to the board of directors' approval (in which case the interested directors must abstain from voting) and are entitled to the welfare benefits provided under relevant PRC laws and regulations. Each supervisor of the Company received an annual salary of RMB15,000.

During the Year, the total emoluments paid to the directors and supervisor amounted to RMB195,000 (2007: RMB203,000). None of the directors received any cash bonuses with reference to the profits of the Company or other additional benefits.

23. DIRECTORS' AND SUPERVISOR'S INTERESTS IN BUSINESS CONTRACTS

During the Year or as at the end of the Year, none of the Company, its subsidiaries or its holding company has entered into any material contracts relating to the business of the Group in which any directors or supervisor of the Company had a direct or indirect material interest.

24. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December 2008, save as the Company's directors, supervisor and chief executive, the register of members maintained by the Company pursuant to section 336 of the SFO showed that the following corporations and individuals had interests and /or short positions in the Company's shares, underlying shares, securities, equity derivatives and/or debentures:

	Beneficial owners	Shares	Percentage of total issued share capital
1	SPU	600,000,000 domestic shares (unlisted shares)	58.80%
2	Shenyang Urban Construction (note 1)	600,000,000 domestic shares	58.80%
3	Beida Hi-Tech (note 2)	600,000,000 domestic shares	58.80%
4	HKSCC Nominees Limited (note 4)	418,749,990 H shares (listed shares)	41.04%

Notes:

1. Shenyang Urban Construction is a limited company established in the PRC. It holds 42.23% equity interest in SPU. Pursuant to section 316 of the SFO, Shenyang Urban Construction is regarded as having interests in the underlying shares of the Company held by SPU.

2. Beida Hi-Tech is a limited company established in the PRC. It holds 50.00% equity interest in SPU. Pursuant to section 316 of the SFO, Beida Hi-Tech is regarded as having interests in the underlying shares of the Company held by SPU.

3. As notified by HKSCC Nominees Limited, as at 31st December 2005, the following participants of CCASS had interests amounting to 5% or more of the total issued H shares of the Company as shown in the securities accounts in CCASS:

   (1) Tai Fook Securities Company Limited as nominee holds 103,964,000 H shares, representing 24.73% of the issued H shares of the Company, of which Sino-French Water Development (Liaoning) Company Limited beneficially owned 88,146,000 H shares, representing 20.97% of the issued H shares of the Company.

   (2) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 50,955,000 H shares, representing 12.12% of the issued H shares of the Company.

   (3) Shenyin Wanguo Securities (H.K.) Limited as nominee holds 28,346,000 H shares, representing 6.74% of the issued H shares of the Company.

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

25. MATERIAL CONTRACT

(1) The Agreement of Settlement of Debts by Properties entered into with Liaoning Hua Jin Hua Gong Group Company Limited

In June 2008, Building Management Company, the Company, Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin"), SPU and Beida Jade Bird entered into the Agreement of Settlement of Debts by Properties, pursuant to which the residential units in Cosmo International Mansion with a value of RMB24,300,000 were sequestrated to settle the RMB24,300,000 debts of the Company. The procedures of obtaining title certificates of these residential units is under progress (Details please refer to the Company' announcement dated 26th September, 2008).

26. CONNECTED TRANSACTION

During the Year, the connected transaction of the Group were as follows:

Pursuant to the Lease Contract entered into between Zhuhai Education and Zhuhai School, Zhuhai Education leased the properties of Phase I, Zhuhai Education Park to Zhuhai School with a term of 20 years starting from 1st September 2003, which is renewable. For the three years ended 31st August 2006, a fixed annual rental was determined, while a fixed annual rental plus certain variable rental will be charged thereafter. During the Year, Zhuhai Education received rent amounting to RMB3,000,000 (2006: RMB3,000,000).

Approval of independent shareholders has been obtained and a waiver has been granted by the Stock Exchange in respect of the connected transaction mentioned above. Such approval and waiver, however, have expired in 2006 and the Company will obtain the approval from the independent shareholders and the waiver from the Stock Exchange for the transaction mentioned above as soon as possible.

27. PURCHASE, SALE OR REDEMPTION OF SHARES

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

28. SHARE OPTIONS

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

29. SIGNIFICANT EVENTS

(1) Suspension of Trading of Shares, Review of the Procedures of Delisting and Appeal

Dealing in the H shares of the Company has been suspended since December 2004. In January 2008, the Stock Exchange announced that the Company will be put into the third stage of the delisting procedures.

In July 2008, the Company made an application to the Stock Exchange for the extension of the due time for the submission of resumption proposal. The Stock Exchange did not approve the extension application and resolved to delist the Company. The Company then made an application to the review committee of the Stock Exchange for a review of the delisting decision. In November 2008, the review committee decided to maintain the decision of delisting the Company. The Company has subsequently made an appeal to the appeals committee of the Stock Exchange concerning the delisting decision.

(2) Release of the Pledge Over the 80% Equity Interest in Beijing Diye

From June to November 2007, the Company, Shenyang Real Estate and Beijing Mingyude Business and Trade Company Limited ("Mingyude") have entered into the Assumption and Equity Pledge Agreement, Extension of Credit and Equity Pledge Supplementary Agreement and the Assumption and Equity Pledge Agreement , pursuant to which the 80% equity interest in Beijing Diye held by Shenyang Real Estate was pledged as security, and Mingyude paid the construction payment of RMB12,870,000 to Shenyang Tianbei Construction Installation Work Company ("Tianbei Construction") for Shenyang Real Estate and paid the debt due to Hua Jin of RMB32,160,000 for the Company.

On 31st July 2008, the Company and Shenyang Real Estate have entered into the Debt Repayment and Equity Pledge Release Agreement with Mingyude, pursuant to which the parties determined the schedule of repayment and equity pledge release. As at 31st August 2008, the Company and Shenyang Real Estate have fully repaid the assistance and interest thereof to Mingyude, and the 80% equity interest in Beijing Diye was recovered by the Company.

(3) Disposal of the Debt Receivable Totaling RMB256,600,000 from, and the 30% Equity Interest in, Shenyang Education

In February 2008, the Company, Shenyang Real Estate, Building Management Company, Shenyang Property and Shanghai Hanhua Property Management Company Limited ("Shanghai Hanhua") entered into the Debt Transfer and Shares Subscription Agreement, pursuant to which the Group transferred its debt receivable totaling RMB256,638,760 from Shenyang Education to Shanghai Hanhau, and transferred 30% equity interest in Shenyang Education to Shanghai Hanhua at a consideration of RMB2,514,060. (Details please refer to the Company's announcement dated 5th February, 2009)

(4) Disposal of the 100% Equity Interest in Building Management Company

In November 2008, the Group disposed of its 100% equity interest in Building Management Company in order to adjust the business structure of the Company and reduce the amount of its debts. As Building Management Company has substantially completed the disposal of the remaining residential units and properties of Cosmo International Mansion in previous periods, Building Management Company did not effectively possess any material asset. Meanwhile, Building Management Company still owes a significant amount of liabilities, which includes construction fees payable and presales payments, and has net liabilities in the amount of several ten million RMB. Since the assets, revenue, earnings and consideration involved in the disposal of the equity interest in Building Management Company were insignificant, the disposal did not constitute a disclosable transaction.

(5) Disposal of the 60% Equity Interest in Shenyang Property

In March 2008, the Group disposed of its 60% equity interest in Shenyang Property. Since the total investment amount in Shenyang Property and the transaction consideration were relatively low, the disposal did not constitute a disclosable transaction.

30. BANK BORROWINGS

As at 31st December 2008, the total amount of the Group's bank borrowings was RMB14,000,000 (2007: RMB62,000,000). The bank borrowings were used as the Group's working capital. As at the balance sheet date of the Year, the Group had no defaulted bank loan.

31. TRUST DEPOSITS

There were no deposits managed by trustees for the Year.

32. RETIREMENT SCHEME

Details of the retirement scheme and the amount of contributions to the retirement scheme are set out in note 13 to the financial statements on page 56.

33. 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 its existing shareholders on a pro rata basis.

34. LOANS TO SENIOR MANAGEMENT

During the Year, the Group did not give any loan or other kinds of financial assistance to its senior management.

35. WORK OF THE AUDIT COMMITTEE

On 12th February 2009, the third session of the audit committee of the Company was established at the 2007 annual general meeting and first meeting of the fourth session of the board of directors of the Company and the members of the audit committee included Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan, Mr. Lam Tsan Wing Alexander and Mr. Cai Lian Jun.

The audit committee has reviewed the financial statements and the connected transactions of the Company.

36. CODE OF BEST PRACTICE

Due to the suspension of trading and litigations, the Company has not fully complied with the code of best practice as set out in the Listing Rules during the Year.

37. MATERIAL LITIGATION

(1) The Claim from Beida Jade Bird Against the Company

In December 2006, Beida Jade Bird's assets have been auctioned by the Court and the proceeds were applied to settle the assistance provided by Hua Jin to the Company due to the litigation over the loan from Shenzhen Development Bank Dalian Branch. In May 2007, Beida Jade Bird commenced legal action against the Company and SPU and Shenzhen Jingmei, the guarantors, for the said amount. Up to 31st August 2008, the Company has repaid approximately RMB101,000,000 to Beida Jade Bird. The unpaid balance of the claim of Beida Jade Bird and the interest thereof amount to approximately RMB83,000,000.

In September 2008, Beida Jade Bird executed an undertaking in favor of the Company and confirmed that it will not enforce the recovery of the debts receivable from the Company within two years in view of the liquidity problem of the Company. SPU and Shenzhen Jingmei executed an undertaking in favor of the Company and confirmed that they will not enforce the recovery of the debt receivable from the Company within two years notwithstanding their performance of the guarantee obligation to Beida Jade Bird and the assuming party in view of the liquidity problem of the Company. (Details please refer to the Company' announcement dated 26th September 2008)

(2) The Claim of RMB56,461,630 Assistance from Hua Jin in respect of Guangdong Development Bank litigation

Since RMB56,461,630 was sequestrated from the account of Hua Jin in settlement of the loan of the Company due to Guangdong Development Bank, Hua Jin made a claim against the Company, SPU and Beida Jade Bird, the guarantors, for the sum it paid in September 2007. Under the mediation of the Higher People's Court of Liaoning Province, Hua Jin reached a settlement with the Company, Building Management Company, SPU, Beida Jade Bird and Mingyude, and the Higher People's Court of Liaoning Province issued the Civil Mediation Agreement (2007) Liao Min San Chu Zi No.36 民事調解書(2007)遼民三初字第36號 on 17th October 2007, pursuant to which (1) the Company was liable to repay RMB32,160,000 to Hua Jin, the plaintiff, before 30th November 2007 and Mingyude jointly guaranteed the repayment; (2) the Company was liable to repay RMB24,300,000 to Hua Jin before 25th December 2007 and Building Management Company jointly guaranteed the repayment by pledging the properties of Cosmo International Mansion.

In November 2007, Mingyude repaid RMB32,160,000 to Hua Jin for the Company as the Company failed to perform the obligation of repayment. The Company repaid the assistance provided by Mingyude and the interest accrued to Mingyude in August 2008.

In June 2008, Building Management Company entered into the Agreement of Settlement of Debts by Properties (以房抵債協議) with the Company, Hua Jin, SPU and Beida Jade Bird, pursuant to which the residential units of Cosmo International Mansion with a value of RMB24,300,000 were sequestrated to settle the RMB24,300,000 debts of the Company. The transfer of ownership of these residential units is under progress. (Details please refer to the Company' announcement, dated 26th September, 2008 and 24th December 2008)

(3) The litigation Initiated by No.6 Construction Work Company of No.4 Works Bureau of China Construction Against Shenyang Real Estate for the Unpaid Balance of Construction Payment

In July 2006, No.6 Construction Work Company of No.4 Works Bureau of China Construction ("China Construction No. 4 Bureau") initiated legal action against Shenyang Real Estate for the unpaid balance of construction payment. The parties reached a settlement after negotiation. The Intermediate People's Court of Shenyang issued the Civil Mediation Agreement on 14th February 2007, pursuant to which Shenyang Real Estate was liable to pay RMB2,000,000 and RMB3,865,000 to China Construction No. 4 Bureau before 14th February 2007 and 10th April 2007 respectively, and Shanghai Hanhua jointly guaranteed the payment as the guarantor.

Owing to the fact that Shenyang Real Estate did not make the repayment within the designated period, Shanghai Hanhua performed its guarantee obligation and paid the unpaid balance of construction payment of approximately RMB5,865,000 to China Construction No. 4 Bureau on 15th May 2007.

Since Shenyang Real Estate failed to pay the assistance to Shanghai Hanhua within the designated period, Shanghai Hanhua then applied to the Intermediate People's Court of Shenyang for the enforcement against Shenyang Real Estate according to the Civil Mediation Agreement (2006) Liao Zhong Min (2) Fang Chu Zi No.129 民事調解書(2006)遼中民(2)房初字第129號. In the process of the enforcement, the parties reached a settlement and agreed to pay off all the debts with the 70% equity interest in Shenyang Education held by Shenyang Real Estate, the executed party, at a price of RMB5,866,150. The parties entered into the Agreement of Settlement of Debts by Equity Interest (股權抵債協議書) on this matter.

On 15th January 2008, the Intermediate People's Court of Shenyang issued the Civil (Execution) Judgement Order (2007) Shen Fa Zhi Zi No.577 民事(執行)裁定書(2007)瀋法執字第577號 and confirmed that the Agreement of Settlement of Debts by Shareholding (股權抵債協議書) entered into by the parties is legal and effective, and the parties may process the transfer of equity interest, and the Civil Mediation Agreement (2006) Liao Zhong Min (2) Fang Chu Zi No.129 民事調解書(2006)遼中民(2)房初字第129號 issued by the Intermediate People's Court of Shenyang ceased to be effective.

(4) The litigation Initiated by Shenyang Tianbei Construction Installation Work Company Against Shenyang Real Estate for the Unpaid Balance of Construction Payment

In September 2006, Shenyang Tianbei Construction Installation Work Company ("Tianbei Construction") initiated legal action in the Intermediate People's Court of Shenyang against Shenyang Real Estate for the unpaid balance of construction payment. The parties reached a settlement after negotiation, and the Intermediate People's Court of Shenyang issued the Civil Mediation Agreement (2006) Shen Zhong Min (2) Fang Chu Zi No.190 民事調解書(2006)瀋中民二房初字第190號 on 9th July 2007, pursuant to which (1) Shenyang Real Estate was liable to pay RMB4,130,000 to Tianbei Construction before 28th June 2007, and Shanghai Hanhua jointly guaranteed the payment, (2) Shenyang Real Estate was liable to pay RMB12,870,000 to Tianbei Construction before 6th July 2007, and Mingyude jointly guaranteed the payment.

Owing to the fact that Shenyang Real Estate did not make the repayment within the designated period, Shanghai Hanhua and Mingyude performed their guarantee obligations and paid RMB4,130,000 and RMB12,870,000 to Tianbei Construction in July 2007 respectively. Up to August 2008, the Company has repaid the said assistance and interest thereof to Shanghai Hanhua and Mingyude.

38. AUDITORS

Ho and Ho & Company ("Ho and Ho") have resigned as auditor of the Company and its subsidiaries with effect from 25th August 2008. On 30th August 2008, the board of directors of the Company held a board meeting and decided to appoint Lo & Kwong C.P.A. Co. Ltd. ("Lo & Kwong C.P.A.") as auditor of the Company and its subsidiaries with effect from 1st September 2008 until the date of the conclusion of the next annual general meeting to fill the casual vacancy following the resignation of Ho and Ho as auditor of the Company. The Group's accounts for the year 2008 prepared in accordance with HKGAAP and accounting standards issued by the Hong Kong Institute of Certified Public Accountants will be audited by Lo & Kwong C.P.A..

At the 2007 annual general meeting of the Company held on 12th February 2009, the resolution to reappoint Lo & Kwong C.P.A. as the Group's international auditors was approved. (Details please refer to the Company' announcement dated 12th February 2009)

39. PUBLICATION OF INFORMATION ON THE WEB-SITE OF THE STOCK EXCHANGE

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

40. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Shu Kwan and Mr. Cui Yan, both independent non-executive directors of the third session of the board of directors, have resigned in previous periods. On 12th February 2009, Mr. Wong Kai Tat, Mr. Lam Tsan Wing Alexander, Mr. Chan Ming Sun Jonathan and Mr. Cai Lian Jun were appointed as the independent non-executive directors of the fourth session of the board of directors of the Company at the 2007 annual general meeting of the Company. (Details please refer to the announcement of the Company dated 12th February 2009)

41. PUBLIC FLOAT

As far as the public information available to the Company is concerned and to the best of knowledge of the directors and supervisor, at least 25.00% of the Company's issued share capital were held by members of the public as at 21st April 2009 (being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the relevant information contained).

By order of the Board
An Mu Zong
Chairman

Shenyang, the PRC, 21st April 2009

Corporate Governance Report

Although the H shares of the Company were currently suspended from trading, the Company will endeavor to achieve a higher level of corporate governance.

1. SECURITIES TRANSACTION BY DIRECTORS

During the Year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") set out in Appendix 10 of the Listing Rules to govern the purchase and sales of the Company's securities by the directors and supervisor of the Company. The Company has also issued enquiry in writing to each director and supervisor as to whether each of them has fully complied with or violated the Code. Each of the directors and supervisor has replied to the Company in writing confirming that each of them has fully observed the Code and no violation of the Code has occurred.

2. BOARD OF DIRECTORS

In 2008, the board of directors comprised 6 directors, of which 2 were executive directors, 3 were non-executive directors and 1 was an independent non-executive director. Profiles of each director were set out in "Profiles of the Management Team" on page 7 of this annual report. There is no financial, business or family relationship between the members of the board of directors.

The board of directors held 4 board meetings in 2008.

Attendance record of board meetings

Name of director	Position	Number of attendance/ total number of meetings
An Mu Zong	Executive director	4/4
Wang Zai Xing	Executive director	4/4
Deng Yan Bin	Non-executive director	4/4
Lin Dong Hui	Non-executive director	4/4
Wang Hui	Non-executive director	4/4
Cai Lian Jun	Independent non-executive director	4/4

3. REMUNERATION OF THE AUDITOR

For the year ended 2008, Lo & Kwong C.P.A., the international auditor of the Company, received annual fees of approximately RMB700,000 for the auditing services provided.

4. INTERNAL CONTROL

The board of directors put much emphasis on internal control and risk management. In 2008, the Company engaged CWCC Certified Public Accountants as independent auditor to conduct an evaluation on the Company in terms of internal control, while 高信融資顧問有限公司 was engaged as compliance adviser of the Company to strengthen the corporate internal control system.

5. ENSURING GOOD COMMUNICATION WITH SHAREHOLDERS

The Company has set up a hotline (8624-24351041) and facsimile line (8624-24333288) to response to written and telephone enquiries from shareholders/investors and created a company website to facilitate shareholders to have access to relevant information. (Details please refer to the announcement of the Company dated 22th July 2008)

Independent Auditor's Report

TO THE SHAREHOLDERS OF
SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED
(incorporated in People's Republic of China with limited liability)

We were engaged to audit the consolidated financial statements of Shenyang Public Utility Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on page 29 to 85, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making reasonable accounting estimates in different circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

However, because of the matters described in the paragraphs of the basis for disclaimer of opinion, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION

1. As disclosed in note 23 to the consolidated financial statements, the Group's subsidiary, Beijing Diye Real Estate Development Company Limited ("Beijing Diye"), had a held-for-sale property under development project in Beijing with a carrying value of approximately RMB193,941,000 as at 31 December 2008. According to a sale and purchase agreement dated 31 December 2008, the entire interest, that is 80% of Beijing Diye, will be disposed to a third party for a total consideration of RMB200,000,000 upon reaching several conditions. The management has then made approximately RMB216,438,000 impairment provision on the held-for-sale property for the year ended 31 December 2008. Due to insufficient evidence, we were not able to confirm, whether the Group could successfully dispose the Beijing Diye at the captioned consideration of RMB200,000,000 and whether impairment provision of approximately RMB216,438,000 was properly made in respect of the cost of the held-for-sale property of approximately RMB410,379,000 for the year ended 31 December 2008.

   Nevertheless, if the sale and purchase agreement is not completed, the land use right of the land used for such property development project must be obtained by way of public tender as a result of the change in the related land policy. If the Group ultimately succeeded in winning the tender of the land and completing the development, the recoverable amount of such project shall depend on the realisable value of the completed property in the future. If the Group did not participate in the public tender or it failed to obtain the land use right of the land in the tender, the recoverable amount of such project shall depend on the amount invested by the Group and such amount should be confirmed by the relevant authorities of the People's Republic of China (the "PRC"). Based on our on-site investigation, no buildings were erected on the land nor had it been put on a public tender up to the date of this report. Due to insufficient evidence, we were not able to confirm whether the Group could successfully recover the development cost invested in such project in full or in the amount net of provision, and whether impairment provision of approximately RMB 216,438,000 should be made in respect of the development cost of RMB 410,379,000 is sufficient.

2. On 1 June 2007, the Group pledged 80% equity interests of Beijing Diye to a creditor as a security for repayment of the debt of approximately RMB45,030,000. We acknowledged, in the process of company register checking, that Shenyang Development Real Estate Company Limited ("Shenyang Real Estate"), which originally held 80% equity interests of Beijing Diye, has been changed to that creditor. According to the "Agreement of Compensation and Pledge of Equity Interests"《代償及股權質押協議》dated 1 June 2007 signed with that creditor offered by the Group, as Beijing Diye is a non-listed company and the corresponding PRC's industry and commerce departments do not accept the application for pledge of equity interests from non-listed company, the equity interests of Beijing Diye were first transferred to that creditor under mutual agreement. After the Group has fully repaid the related debts and interests, that creditor will transfer the equity interests of Beijing Diye back to the Group unconditionally. The equity interests of Beijing Diye have been transferred back to the Group in August 2008. As at the balance sheet date, the Group had regarded Beijing Diye as the Group's subsidiary and the assets and liabilities on 31 December 2008 and the full year's operating results of Beijing Diye have been included in these consolidated financial statements. We were unable to obtain adequate information and were unable to carry out relevant procedures to satisfied ourselves that whether the Group has the ownership of Beijing Diye and control or material influence over Beijing Diye's operating and financial policies for the period from 1 January 2008 to 31 July 2008, and whether the corresponding operating results of Beijing Diye should end being consolidated into the Group's consolidated financial statements. Also, we cannot confirm whether the Group has incurred unrecorded liabilities, financial burdens and contingent liabilities due to the above.

Any adjustment to the abovementioned figures could have a consequential and significant effect on the Group's net asset value as at 31 December 2008 and its operating loss for the year then ended.

MATERIAL FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in the consolidated financial statements concerning the adoption of the going concern basis in preparing such consolidated financial statements. As set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain financing and share capital restructuring plans and the debt restructuring result reached with the creditors including, the successful disposal of Beijing Diye for the total consideration of RMB 200,000,000 and, among other things, the financial support from the new substantial shareholder. We consider that appropriate disclosures have been made in such consolidated financial statements concerning the relevant material uncertainty, but the inherent uncertainties surrounding the circumstances under which the Company might successfully continue to adopt the going concern basis are so extreme, we have disclaimed our opinion on material uncertainty relating to the going concern basis.

The consolidated financial statements of the Group do not include any adjustment that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph and the material fundamental uncertainty relating to the going concern basis paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 December 2008 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Lo and Kwong C.P.A. Company Limited
Certified Public Accountants

Lo Wah Wai
Practising Certificate Number: P02693
Hong Kong
21 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Continuous operations			
Turnover	8	**39,617**	7,116
Bank interests received		**33**	21
Other income		**16,296**	555
Cost of properties sold		**(40,237)**	(3,889)
Taxes on sales of properties		**(2,179)**	(436)
Staff costs		**(4,359)**	(5,545)
Depreciation and amortisation		**(12,216)**	(19,083)
Impairment loss on properties held for sale		**(216,438)**	–
Gain on disposal of subsidiaries		**204,123**	–
Impairment loss on investment in associate		**(200)**	–
Allowance for bad and doubtful debt		**(4,034)**	(94)
Other operating expenses		**(21,537)**	(10,238)
Finance costs	10	**(17,876)**	(23,577)
Loss before taxation	11	**(59,007)**	(55,170)
Taxation	14	**613**	613
Loss for the year on continuous operations		**(58,394)**	(54,557)
Discontinued operations			
Profit for the year on discontinued operations	15	**N/A**	166,876
(Loss) profit for the year on continuous and discontinued operations		**(58,394)**	112,319
Attributable to:			
Shareholders of the Company		**(54,638)**	115,657
Minority interests		**(3,756)**	(3,338)
		(58,394)	112,319
(Loss) earning per share	17		
– Basic			
Arising from continuous operations		**(RMB0.06)**	(RMB0.05)
Arising from discontinued operations		**N/A**	RMB0.16
Arising from continuous and discontinued operations		**N/A**	RMB0.11
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON CURRENT ASSETS			
Property and equipment	18	**19,200**	146,795
Investment properties	19	**248,342**	255,390
Prepaid lease payments on land use rights	20	**–**	86,752
Available-for-sale financial assets	22	**20,000**	20,000
Other long term receivable	26	**32,745**	–
		320,287	508,937
CURRENT ASSETS			
Properties held for sale	23	**205,735**	484,987
Inventories		**–**	341
Amount due from parent company		**–**	54,268
Prepaid lease payments on land use rights	20	**–**	2,564
Prepayments		**1,572**	3,039
Other receivables	26	**80,692**	31,914
Bank balances and cash		**6,803**	4,478
		294,802	581,591
CURRENT LIABILITIES			
Trade payables	28	**5,875**	43,080
Other payables and accruals	34	**33,333**	412,989
Receipts in advance	29	**12,759**	44,089
Provision for potential liabilities	30	**1,041**	2,043
Bank loans – repayable within one year	31	**14,000**	62,000
		67,008	564,201
NET CURRENT ASSET		**227,794**	17,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**548,081**	526,327

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**1,020,400**	1,020,400
Reserves		**(605,974)**	(550,985)
Equity attributable to shareholders of the Company		**414,426**	469,415
Minority interests		**28,715**	34,357
TOTAL EQUITY		**443,141**	503,772
NON-CURRENT LIABILITIES			
Deferred taxation	33	**21,942**	22,555
Other non current liabilities	34	**82,998**	–
		104,940	22,555
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**548,081**	526,327

The consolidated financial statements on pages 35 to 85 were approved and authorised for issue by the Board of Directors on 21 April 2009 and are signed on its behalf by:

An Mu Zong
CHAIRMAN

Wang Zai Xing
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Equity attributable to shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory Surplus reserve RMB'000	Retained losses RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	1,020,400	323,258	103,582	(1,093,482)	353,758	35,931	389,689
Profit (loss) for the year	–	–	–	115,657	115,657	(3,338)	112,319
Disposal of subsidiaries	–	–	–	–	–	1,764	1,764
At 31 December 2007 and 1 January 2008	1,020,400	323,258	103,582	(977,825)	469,415	34,357	503,772
Loss for the year	–	–	–	(54,638)	(54,638)	(3,756)	(58,394)
Disposal of subsidiaries	–	–	(351)	–	(351)	(1,886)	(2,237)
At 31 December 2008	1,020,400	323,258	103,231	(1,032,463)	414,426	28,715	443,141

SHARE PREMIUM

Share premium comprises surplus between the value of net assets acquired and the nominal value of State shares issued as a result of the incorporation of the Company as a joint stock limited company and the share premium from the issue of H shares.

STATUTORY SURPLUS RESERVE

The Group is required to set aside 10% of their profit after taxation prepared in accordance with the PRC accounting regulations to the statutory surplus reserve until the balance reaches 50% of their respective paid up capital or registered capital, where further appropriation will be at the Directors' recommendation. Such reserve can be used to reduce any losses incurred or to increase the capital. As the Group recorded an operating loss for the year, no appropriation was made.

DISTRIBUTABLE RESERVE

Pursuant to the relevant PRC regulations, distributable reserve shall be the lower of the accumulated distributable profits determined in accordance with PRC accounting standards and regulations as stated in the PRC statutory audited financial statements and the accumulated distributable profits determined in accordance with accounting principles generally accepted in Hong Kong. The Company did not have reserve available for distribution as at 31 December 2008 and 31 December 2007.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES			
Loss before taxation of continuous operations		**(59,007)**	(55,170)
Profit before taxation of discontinued operations		**–**	167,971
		(59,007)	112,801
Adjustments for:			
Bank interest received		**(33)**	(21)
Depreciation on property and equipment		**2,061**	8,307
Depreciation on investment properties		**10,155**	10,293
Amortisation of prepaid lease payments on land use rights		**–**	2,564
Impairment loss on properties held for sale	23	**216,438**	–
Impairment loss on investment in associate		**200**	–
Finance costs		**17,876**	23,577
Loss on disposal of property and equipment		**852**	–
Allowance for bad and doubtful debts		**4,034**	–
Gain on disposal of subsidiaries	35	**(204,123)**	(198,436)
Operating cash flows before movements in working capital		**(11,547)**	(40,915)
Decrease in properties held for sale		**42,789**	10,728
Decrease in inventories		**–**	128
Decrease in trade receivables		**–**	1,192
Decrease (increase) in prepayments		**1,467**	(521)
Decrease in amount due from a holding company		**54,268**	–
Decrease in trade payable		**(18,318)**	(11,932)
Increase in other payables and accrued charges		**60,897**	55,539
Decrease in provision for potential liabilities		**(1,002)**	(16,459)
Increase (decrease) in receipts in advance		**2,706**	(19,525)
Increase in deferred income		**–**	50,434
Cash generated from operations		**131,260**	28,669
PRC Enterprise Income Tax paid		**–**	(130)
NET CASH FROM OPERATING ACTIVITIES		**131,260**	28,539

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
INVESTING ACTIVITIES			
Bank interest received		**33**	21
Disposal of subsidiaries (Net cash and cash equivalents)	35	**8,502**	(6,490)
Purchase of property and equipment		**(1,521)**	(7,730)
Purchase of investment properties		**–**	(107)
Decrease in amount due from parent company		**–**	1,028
(Increase) decrease in other receivables		**(112,073)**	149,393
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(105,059)**	136,115
FINANCING ACTIVITIES			
New bank loans raised		**14,000**	–
Repayment of bank loans borrowed		**(20,000)**	(118,554)
Interests payment		**(17,876)**	(23,577)
Decrease in other payables		**–**	(27,489)
NET CASH USED IN FINANCING ACTIVITIES		**(23,876)**	(169,620)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,325**	(4,966)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,478**	9,444
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**6,803**	4,478

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

Shenyang Public Utility Holdings Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Company Information" in this annual report.

These consolidated financial statements are presented in Renminbi ("RMB"). RMB is the functional currency of the Company and all of its subsidiaries.

The Group is presently engaged in the development, sale and rental of properties and investment and management of education projects.

The Company's H shares are listed on The Stock Exchange of Hong Kong Limited. As requested by the Company, trading in the shares of the Company in the Stock Exchange of Hong Kong Limited was suspended since 15 December 2004 until further notice.

2. ADOPTION OF GOING CONCERN BASIS

The Group suffered a loss of approximately RMB58,394,000 for the year ended 31 December 2008 and two short term bank loans amounting to RMB14,000,000 has to be repaid in 2009. The management of the Company has taken the following measures:

(i) Carry out debt restructuring with its creditors. Up to the date of approval of these consolidated financial statements, the Group has reached agreements with its creditors in respect of debt restructuring and the court litigations have been discharged. Therefore, these consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern;

(ii) The management of the Company is considering to strengthen the capital base of the Company and provide immediate cash flow through various financing activities and capital restructuring, including, but not limited to, private placement of the Company's shares;

(iii) The management of the Company continues to take action to strengthen cost control in respect of various administrative and other operating expenses, and is actively seeking new investment and business opportunities to pursue profitable businesses that would bring positive cash flow.

(iv) The substantial shareholder of the Company has changed from Shenyang Public Utility Group Company Limited to Beijing Mingde Guangye Investment Consultant Company Limited on 24 February 2009. The management is now working for obtaining the financial support from the new substantial shareholder. The new shareholder has indicated in a letter to the Company on 26 February 2009 that they would fully support the resumption of trading of H-shares of the Company.

The management of the Company believes that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, notwithstanding that the Group had recorded a significant amount of loss for the year and had overdue debts as at 31 December 2008, the management of the Company is of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORT STANDARD

In the current year, the Group has applied all of the new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") that are effective for accounting periods beginning on 1 January 2008. The application of those new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments are required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective as at 1 January 2007. The directors of the Group anticipate the application of these new standards, amendments or interpretations will have no material impact on the Group's results and financial position.

HKFRS (Amendment)	Improvements to HKFRS[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[3]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustment will be made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary, with an agreement dated on or after 1 January 2005, represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

With respect to goodwill previously capitalised, the Group has discontinued amortising such goodwill from 1 January 2005 onwards. A cash-generating unit to which goodwill is tested for impairment annually, and whenever there is an indication that the unit may be impaired (see the accounting policies below).

Goodwill arising on an acquisition of a subsidiary, with an agreement dated before 1 January 2005, represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business. The bases are as follows:

Sales of properties are recognised on execution of legally binding, unconditional and irrevocable sale contracts.

Sales of other goods are recognised when goods are delivered and title has passed.

Rental income under operating leases is recognised in the consolidated income statement in equal installments over the accounting periods covered by the lease terms. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the consolidated income statement in the accounting period in which they are earned.

Income from provision of property management services is recognised when the services are rendered.

Tuitional fee is recognised over the tuition period in the consolidated income statement on a straight-line basis.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property and Equipment

Property and equipment including buildings held for use in the production or supply of goods and services or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Building	2 –10%
Furniture, fixtures and office equipment	8 – 16%
Motor vehicles	8 – 16%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and Equipment *(Continued)*

An item of properties and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Construction in progress represents property and equipment under development or installment is stated at cost less any identified impairment losses. Upon completion of construction, the relevant costs are transferred to appropriate category of property and equipment when they are ready for use.

No depreciation or amortisation is provided on construction in progress until the asset is completed and put into use.

Investment Properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on investment properties over their estimated useful lives and residual value, using the straight-line method at the rate of 2 – 10% per annum.

An item of investment properties is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Land Use Rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of land use rights is amortised on a straight-line basis over the period of the land use rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter.

Properties under Development for Sale

Properties under development for sale are stated at cost less any identified impairment loss. Cost comprises the land cost with development expenditure, which includes construction costs, capitalised interest and direct costs attributable to the development of the properties.

Completed Properties Held for Sale

Completed properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost comprises land cost, direct purchase cost or expenditure incurred for the construction and, where applicable, other incidental expenses that has been incurred in bringing the properties to their present location and condition, is calculated using the weighted average method. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling and marketing costs.

Inventories

Inventories comprise consumable supplies and spare parts held for consumption and usage and are stated at the lower of cost and net relisable value. Cost is determined on the weighted average basis.

Consumable supplies and spare parts are charged to income statement upon consumption and usage.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and Receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other long term receivables, trade receivables, amount due from a former customer, amount due from parent company, other receivables and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. (See accounting policy on impairment loss on financial assets below)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured as cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. (See accounting policy on impairment loss on financial assets below)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Financial Assets *(Continued)*

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables and assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables and other receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity investment instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity investment instrument.

An equity investment instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expenses are recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables, receipts in advance, estimated liabilities and bank loans are subsequently measured at amortised cost, using the effective interest rate method.

Equity investments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

Financial liabilities are derecognised from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated income statement.

Impairment (other than goodwill (see the accounting policies in respect to goodwill above))

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When reverses an impairment loss, the carrying amount of the asset can be increased to its revised recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because the former excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of tax profits, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that entire taxable profits will offset against deductible temporary differences. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initital direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement Benefit Costs

Payments to defined contribution retirement benefit schemes, state-managed retirement benefit schemes and mandatory provident fund are charged from profit or loss as an expense as they fall due.

Provision

Provision are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation and Amortisation of Property and Equipment and Investment Properties

The net carrying amount of the Group's property and equipment (excluding construction in progress) and investment properties as at 31 December 2008 was approximately RMB7,256,000 and RMB248,342,000 respectively. The Group depreciates and amortises the property and equipment and investment properties on a straight line basis at 2% to 20% each year over the estimated useful life between 5 and 50 years after including its estimated remaining value, commencing from the date the property and equipment and investment properties is placed into use. The estimiated useful life represents the number of years which the Group places the property and equipment and investment properties into production, reflecting the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property and equipment and investment properties.

Impairment of Property and Equipment and Investment Properties

The impairment loss for property and equipment and investment properties are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy.

The Group tests annually whether property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the net asset exceed its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. The management had reviewed the Group's property, plant and equipment for impairment using cash flow projections and valuation report prepared by an independent professional valuer. No impairment loss was provided for both years.

Impairment of Held-for-sell Properties

Impairment loss of held-for-sell properties are recognised for the amounts by which the carrying amounts exceeds its realisable value, in accordance with the Group's accounting policy. The realisable value are determined based primarily on the latest invoice prices and current market conditions.

Allowances for Bad and Doubtful Debts

Management regularly reviews the recoverability and age of the trade and other receivables. Appropriate impairment for estimated irrecoverable amounts are recognise in the income statement when there is objective evidence that the asset is impaired.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

6. CAPITAL RISK MANAGEMEMT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings (note 30), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors of the Company consider the cost of capital and the associated risks and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31 December 2008 and 2007.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, amount due from a former customer, amount due from parent company, other receivables, bank balances, trade payables, other payables, receipts in advance, estimated liabilities and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency Risk

Certain deposits of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest Rate Risk

The Group's interest rate risk relates primarily to bank savings and variable-rate borrowings. (See note 30 for details of these borrowings.) It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the interest rate fluctuation arising from the Group's borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for derivatives and non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 200 basis point (2007: 100 basis points) increase or decrease in interest rates of the Peoples' Bank of China is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The management adjusted the sensitivity rate from 100 basis points to 200 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions after the third quarter of 2008.

If interest rates had been 200 basis points (2007: 100 basis points) higher or lower and all other variables were held constant, the Group's after-tax loss for the year ended 31 December 2008 would increase or decrease by approximately RMB280,000 (2007: increase or decrease by approximately RMB502,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate bank borrowings.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit Risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. As at 31 December 2008, the Group has significant concentration of credit risk as 100% (2007: 100%) of the total other receivables was due from a counterparty.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity Risk

As the Group suffered a loss on approximately RMB58,394,000 for the year ended 31 December 2008, the management has carefully considered the present policy applied by the Group on liquidity. Regarding the present policy in the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. As disclosed in note 2, the management believes the Group will perform financial duties in the future.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Undiscounted cash flows within 1 year RMB'000	Carrying amounts at 31 December 2008 RMB'000
2008			
Non-derivative financial liabilities			
Trade payables		**5,875**	**5,875**
Other payables and accruals		**33,333**	**33,333**
Receipts in advance		**12,759**	**12,759**
Provision for potential liabilities		**1,041**	**1,041**
Bank borrowings due within one year	**6.9%**	**14,000**	**14,000**
		67,008	**67,008**

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity Risk *(Continued)*

	Weighted average effective interest rate	Undiscounted cash flows within 1 year RMB'000	Carrying amounts at 31 December 2007 RMB'000
2007			
Non-derivative financial liabilities			
Trade payables		43,080	43,080
Other payables and accruals		412,989	412,989
Receipt in advance		44,089	44,089
Provision for potential liabilities		2,043	2,043
Bank borrowings due withing one year	8.10%	67,022	62,000
		569,223	564,201

Fair value

The directors of the Company consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate to the corresponding carrying amounts due to their short-term maturities.

Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Amount due from parent company	**–**	54,268
Other receivables	**80,692**	31,914
Prepayment	**1,572**	3,039
Bank balances and cash	**6,803**	4,478
	89,067	93,699
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**5,875**	43,080
Other payables and accruals	**33,333**	412,989
Bank loans-repayable within one year	**14,000**	62,000
Receipts in advance	**12,759**	44,089
Provision for a potential liability	**1,041**	2,043
	67,008	564,201

8. TURNOVER

Turnover represents the amounts received and receivable for development, sale, rental and management of properties less sale returns and discounts and revenue from education projects for the year, the Group's turnover for the year is stated below:

	2008 RMB'000	2007 RMB'000
Continuous operations		
Development, sale, rental and management of properties	**36,617**	3,905
Education projects	**3,000**	3,211
	39,617	7,116
Discontinued operations (Note)		
Cemetery development (Note)	**–**	2,832
	39,617	9,948

Note: One former subsidiary of the Group, 深圳市西麗報恩福地墓園有限公司 Shenzhen Xili Baoen Fu Di Cemetery Company Limited ("Xili Cemetery") operates cemetery business in Shenzhen of Guangdong Province, the PRC. The land on which the business is situated is a leasehold land with a medium lease terms expiry until 10 May 2048. Xili Cemetery develops tomb sets and niches for cremation urns on the land and conveys to the lessees for the period as same as the lease terms of the land. The rental income is wholly received from the leasee when the legally binding contract is signed. Such rental income is recognised on a straight-line basis in the income statement over the relevant lease terms. The rental income received but not yet recognised to consolidated balance sheet is classified as deferred income in the balance sheet.

9. SEGMENT INFORMATION

Business Segments

For management purposes, the Group is currently organised into two (2007: three) operating divisions: property development and education projects. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property development – development, sale, rental and management of properties
Education projects – leasing of campus and equipment, investment and management of education projects

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

The Group disposed cemetery development business in 2007 (See Note 15 for details).

9. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

Segment information about these businesses is presented below:

(a) For the year ended 31 December 2008/as at 31December 2008:

	Continuous operations			
	Property development, sale, rental and management RMB'000	Education projects RMB'000	Other business RMB'000	Total RMB'000
Consolidated Income Statement				
Turnover	**36,617**	**3,000**	**–**	**39,617**
Segment results	**(11,544)**	**(7,603)**	**–**	**(19,147)**
Interest income				**33**
Unallocated corporate expenses				**(9,502)**
Finance costs				**(17,876)**
Impairment loss on properties held for sales				**(216,438)**
Gain on disposal of subsidiaries				**204,123**
Impairment loss on investment in associate				**(200)**
Loss before taxation				**(59,007)**
Taxation				**613**
Loss for the year				**(58,394)**
Consolidated Balance Sheet				
Segment assets	**214,237**	**266,981**	**–**	**481,218**
Unallocated corporate assets				**133,871**
Total assets				**615,089**
Segment liabilities	**23,034**	**36,959**	**–**	**59,993**
Unallocated corporate liabilities				**111,955**
Total liabilities				**171,948**
Other Information				
Additions to properties and equipment, and investment properties				
– segment	**–**	**4,628**	**–**	**4,628**
– corporate				**–**
Depreciation and amortisation				
– segment	**114**	**11,980**	**–**	**12,094**
– corporate				**122**
Loss on disposal of property and equipment, and investment properties				
– segment	**–**	**852**	**–**	**852**
– corporate				**–**
Allowances for bad and doubtful debts				
– segment	**2,987**	**–**	**–**	**2,987**
– corporate				**1,047**
Impairment losses on properties held for sales				
– segment	**216,438**			**216,438**
– corporate				**–**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

(b) For the year ended 31 December 2007/as at 31 December 2007:

	Continuous operations				Discontinued operations	
	Property development, sale, rental and management RMB'000	Education projects RMB'000	Other business RMB'000	Sub-Total RMB'000	Cemetery development RMB'000	Total RMB'000
Consolidated Income Statement						
Turnover	3,905	3,211	–	7,116	2,832	9,948
Segment results	(5,113)	(18,461)	–	(23,574)	(26,354)	(49,928)
Interests income				21	–	21
Unallocated corporate profit				(8,040)	–	(8,040)
Finance costs				(23,577)	(4,111)	(27,688)
Profit on disposal of subsidiaries				–	198,436	198,436
(Loss) profit before taxation				(55,170)	167,971	112,801
Taxation				613	(1,095)	(482)
(Loss) profit for the year				(54,557)	166,876	112,319
Consolidated Balance Sheet						
Segment assets	482,546	405,356	193	888,095	–	888,095
Amount due from parent company				54,268	–	54,268
Unallocated corporate assets				148,165	–	148,165
Total assets				1,090,528	–	1,090,528
Segment liabilities	173,865	116,731	2,590	293,186	–	293,186
Unallocated corporate liabilities				293,570	–	293,570
Total liabilities				586,756	–	586,756
Other Information						
Additions to property and equipment, and investment properties						
– segment	49	5,771	–	5,820	1,910	7,730
– corporate				–		–
Depreciation and amortisation						
– segment	386	18,567	–	18,953	2,081	21,034
– corporate				126		126
Loss on disposal of property and equipment, and investment properties						
– segment	–	–	–	–	–	–
– corporate				–		–
Allowances for bad and doubtful debts						
– segment	–	94	–	94	–	94
– corporate				–		–

For the year ended 31 December 2008 and 2007, all of the Group's businesses were taken place in the PRC. All of the Group's turnover and operating results were originated in the PRC. In addition, all of the Group's assets were located in the PRC, accordingly no geographical segment information is presented.

10. FINANCE COSTS

	Continuous operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on bank borrowings wholly repayable within five years	**17,876**	23,577	**–**	4,111	**17,876**	27,688

11. LOSS BEFORE TAXATION

	Continuous operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loss before taxation is arrived at after charging:						
Directors' and Supervisors' emoluments (note12)	**195**	203	**–**	–	**195**	203
Staff salaries, allowances and bonuses	**3,492**	4,208	**–**	1,956	**3,492**	6,164
Contributions to retirement and other benefits schemes	**672**	1,134	**–**	184	**672**	1,318
	4,359	5,545	**–**	2,140	**4,359**	7,685
Auditor's remuneration	**1,000**	1,100	**–**	–	**1,000**	1,100
Under provision on auditor's remuneration	**800**	–	**–**	–	**800**	–
Depreciation of property and equipment	**2,061**	7,466	**–**	841	**2,061**	8,307
Depreciation of investment properties	**10,155**	9,053	**–**	1,240	**10,155**	10,293
Amortisation for prepaid lease payment for land use right	**–**	2,564	**–**	–	**–**	2,564

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' REMUNERATION

(a) Directors' and Supervisors' Remuneration

The emoluments paid or payable to directors and supervisors were as follows:

	2008 **RMB'000**	2007 RMB'000
Fees:		
Executive Directors	**60**	45
Non-executive Directors	**90**	–
Independent non-executive Directors	**30**	135
Supervisors	**15**	23
	195	203
Other emoluments:		
Salary allowances and benefits in kind	**–**	–
Contributions to retirement benefits schemes	**–**	–
	–	–
	195	203

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' REMUNERATION *(Continued)*

(a) Directors' and Supervisors' Remuneration *(Continued)*

The emoluments of each of the directors and supervisors were disclosed as below:

For the year ended 31 December 2008

Name	Fees RMB'000	Other emoluments: Salary allowances and benefits in kind RMB'000	Other emoluments: Contributions to retirement benefits schemes RMB'000	Total emoluments RMB'000
Executive Directors:				
An Mu Zong	30	–	–	30
Wang Zai Xing	30	–	–	30
	60	–	–	60
Non-executive directors:				
Deng Yan Bin	30	–	–	30
Lin Dong Hu	30	–	–	30
Wang Hui	30	–	–	30
	90	–	–	90
Independent non-executive director:				
Cai Lian Jun	30	–	–	30
	30	–	–	30
Supervisors:				
Wang Xing Ye	15	–	–	15
Total in 2008	195	–	–	195

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' REMUNERATION
(Continued)

(a) Directors' and Supervisors' Remuneration *(Continued)*

For the year ended 31 December 2007

Name	Fees	Other emoluments: Salary allowances and benefits in kind	Other emoluments: Contributions to retirement benefits schemes	Total emoluments	Note
	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors:					
Xu Er Hui	–	–	–	–	Resigned on 5 May 2007
Wang Se	45	–	–	45	Resigned on 5 May 2007
An Mu Zong	–	–	–	–	–
Liu Chang Lin	–	–	–	–	Resigned on 1 March 2007
Wang Zai Xing	–	–	–	–	–
	45	–	–	45	
Non-executive directors:					
Dr. Michel P. Detay	–	–	–	–	Resigned on 22 January 2007
Deng Yan Bin	–	–	–	–	
Lin Dong Hu	–	–	–	–	
Wang Hui	–	–	–	–	
Shi Jian Hing	–	–	–	–	Passed away in January 2007
	–	–	–	–	
Independent non-executive director:					
Choy Shu Kwan	45	–	–	45	Resigned on 8 June 2007
Cui Yan	45	–	–	45	Resigned on 1 February 2007
Cai Lian Jun	45	–	–	45	
	135	–	–	135	
Supervisors:					
Yang Zhi An	23	–	–	23	Resigned on 6 March 2007
Wang Xing Ye	–	–	–	–	
	23	–	–	–	
	203	–	–	203	

None of the directors of the company waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director of the company the two years ended 31 December 2008 and 2007.

12. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' REMUNERATION

(Continued)

(b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Company, no director (2007: no director), whose emoluments are included in the disclosures in note(a) above. The emoluments of the remaining individuals, five (2007: five), non-director, highest paid individuals for the two years ended 31December 2008 and 2007 were as follows:

	2008	2007
Salaries, allowance and other benefits	**679**	1,082
Retirement benefit scheme contributions	**–**	–
	679	1,082

13. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of state-managed retirement benefits schemes operated by the PRC government. The Group is required to contribute at a certain percentage on the total compensation paid to the Group's employees for the year to fund the retirement benefits. The rate of contributions for the current year is 25.5% (2007: 25.5%). The only obligation of the Group with respect to the retirement benefits schemes is to make such specified contributions.

14. TAXATION

	Continuous operations		**Discontinued operations**		**Total**	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
The taxation comprises of:						
The Company and subsidiaries						
– PRC enterprise income tax	**–**	–	**–**	(1,095)	**–**	(1,095)
– Deferred taxation (Note 34)	**613**	613	**–**	–	**613**	613
	613	613	**–**	(1,095)	**613**	(482)

No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for each of the two years ended 31 December 2008 and 2007.

The taxation rates applicable to the Group in the PRC is 15% – 25% (2007: 15% – 33%).

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New law. Pursuant to the New Law and Implementation Regulations, the Enterprise income Tax for both domestic and foreign-invested enterprises will be unified at 25 % effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25 % within five years after 1 January 2008.

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14. TAXATION *(Continued)*

The taxation for the year can be reconciled to the (loss) profit per the consolidated income statement as follows:

	2008 **RMB'000**	2007 RMB'000
(Loss) profit before taxation		
– Continuous operations	**(59,007)**	(55,170)
– Discontinued operations	**–**	167,971
	(59,007)	112,801
Income tax at the applicable tax rates	**(14,752)**	38,814
Tax effect of income and expenses not taxable or deductible for tax purpose	**7,206**	61,417
Tax effect of unrecognised tax losses	**8,159**	(99,749)
Taxation expenses	**613**	482

15. DISCONTINUED OPERATIONS

On 29 December 2007, the Railway Transport Intermediate Court of Shenyang held an auction in which Shenzhen Jingmei Industrial Development Limited ("Shenzhen Jingmei") held by the Group and Xili Cemetery, the Group's subsidiary operating cemetery development business were disposed of at the auction price of RMB110,000,000. The proceedings were used to repay the loans owing to Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin Company"). These were regardedas discontinued operations and the consolidated income statement was therefore restated.

Below is the profit and loss analysis of the discontinued operations:

	2008 **RMB'000**	2007 RMB'000
Operating loss of cemetery development business	**–**	(31,560)
Profit from disposal of cemetery development business	**–**	198,436
	–	166,876
Attributable to:		
Equity holders of the Company	**–**	166,876
Minority interests	**–**	–
	–	166,876

15. DISCONTINUED OPERATIONS *(Continued)*

The cemetery development business has been included into the consolidated income statement for the two years ended 31 December 2008 and 2007 as follow:

	2008 RMB'000	2007 RMB'000
Turnover	**–**	2,832
Bank interests received	**–**	–
Staff costs	**–**	(2,140)
Depreciation and amorisation	**–**	(2,081)
Loss on disposal of property and equipment	**–**	–
Other operating expenses	**–**	(24,965)
Finance costs	**–**	(4,111)
Loss before taxation	**–**	(30,465)
Taxation	**–**	(1,095)
Loss for the year	**–**	(31,560)

The auction of cemetery development business has not incurred taxation expenses or compensated loss.

16. DIVIDENDS

No dividend was paid or proposed, nor has any dividend been proposed since the balance sheet date (2007: Nil).

17. (LOSS) EARNING PER SHARE

For continuing and discontinued operations

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,020,400,000**	1,020,400,000

No diluted loss per share have been presented for the two years ended 31 December 2008 and 2007 as there was no dilutive potential ordinary share for both years.

Earnings figures are calculated as follows:

	2008 RMB'000	2007 RMB'000
(Loss) profit attributable to shareholders of the Company	**(54,638)**	115,657
Less: Profit for the year of discontinued operations	**–**	166,876
Loss per share calculated from continuous operations	**(54,638)**	(51,219)

18. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Furniture, Fixtures and office equipment RMB'000	Motor Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
At 1 January 2007	265,726	20,579	4,578	10,173	301,056
Transferred from construction in progress	2,336	114	–	(2,450)	–
Additions	1,760	125	–	5,845	7,730
Disposals/write-off	(14,460)	(825)	(1,297)	–	(16,582)
At 31 December 2007 and 1 January 2008	255,362	19,993	3,281	13,568	292,204
Transferred to investment properties	–	–	–	(3,107)	(3,107)
Additions	–	38	–	1,483	1,521
Disposals/write-off	(701)	–	(872)	–	(1,573)
Disposal of subsidiaries (Note 35)	(254,661)	(3,526)	(1,127)	–	(259,314)
At 31 December 2008	–	16,505	1,282	11,944	29,731
Accumulated depreciation					
At 1 January 2007	15,297	8,944	2,455	–	26,696
Provided for the year	7,404	616	287	–	8,307
Eliminated on disposals/write off	(3,101)	(460)	(462)	–	(4,023)
At 31 December 2007 and 1 January 2008	19,600	9,100	2,280	–	30,980
Provided for the year	–	1,959	102	–	2,061
Eliminated on disposal	–	–	(722)	–	(722)
Eliminated on disposal of subsidiaries (Note 35)	(19,600)	(1,390)	(798)	–	(21,788)
At 31 December 2008	–	9,669	862	–	10,531
Impairment loss					
At 1January 2007, 1 January 2008	114,429	–	–	–	114,429
Eliminated on disposal of subsidiaries (Note 35)	(114,429)	–	–	–	(114,429)
At 31 December 2008	–	–	–	–	–
Net carrying amount					
At 31 December 2008	–	6,836	420	11,944	19,200
At 31 December 2007	121,333	10,893	1,001	13,568	146,795

18. PROPERTY AND EQUIPMENT *(Continued)*

(a) The depreciation of the property and equipments is provided for based on the estimated useful lives and residual value, using the straight-line method and the following annual discount rates:

Buildings	2 – 10%
Furniture, fixture and office equipment	8 – 16%
Motor vehicles	8 – 16%

19. INVESTMENT PROPERTIES

	RMB'000
Costs	
At 1 January 2007	396,039
Additions	107
Disposals of subsidiaries	(56,686)
At 31 December 2007 and 1 January 2008	339,460
Transfer from construction in progress	3,107
At 31 December 2008	342,567
Accumulated depreciation	
At 1 January 2007	30,567
Provided for the year	10,293
Eliminated on disposal of subsidiaries	(4,476)
At 31 December 2007 and 1 January 2008	36,384
Provided for the year	10,155
At 31 December 2008	46,539
Impairment loss	
At 1 January 2007, 1 January 2008 and 31 December 2008	47,686
Book value	
At 31 December 2008	248,342
At 31 December 2007	255,390

Investment properties represent land and buildings located in the PRC under medium terms and held for leasing.

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19. INVESTMENT PROPERTIES *(Continued)*

At the balance sheet date, properties classified by their nature were as follows:

	2008 RMB'000	2007 RMB'000
Campus	**248,342**	255,390

The investment properties was valued by an independent professional valuer, Malcolm & Associates Appraisal Limited, on 31 December 2008 based on open market basis, of which fair value was RMB298,000,000.

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2008 RMB'000	2007 RMB'000
Prepaid lease payments on land use rights of leasehold land in the PRC held under medium terms	**–**	89,316
Analysed for reporting purposes as:		
Non-current assets	**–**	86,752
Current assets	**–**	2,564
	–	89,316

The above amount was the prepaid lease payment for a piece of land located in Shenyang PRC used for education project purpose. The prepaid lease payments on land use right had been disposed during the year. Details please refer to note 35(c) of the notes to the financial statements.

21. GOODWILL

	RMB'000
Costs	
At 1January 2007, 31December 2008 and 1 January 2008	59,376
Impairment	
At 1 January 2007, 31 December 2008 and 1 January 2008	59,376
Book value	
At 31 December 2008	–
At 31 December 2007	–

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 RMB'000	2007 RMB'000
Unlisted equity securities, at cost	**20,000**	20,000

The amount represents investment in Tsinghua Unisplendour Hi-Tech Venture Capital, Inc. ("Tsinghua Unisplendour"). The Group had 8% (2007: 8%) equity interests in Tsinghua Unisplenour. Tsinghua Unisplenour is an unlisted company established in the PRC and is engaged in investment in technology projects. The above investment is an unlisted equity securities issued by private companies. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. PROPERTIES HELD FOR SALE

	2008 RMB'000	2007 RMB'000
Properties under development		
At cost	**410,379**	407,148
Less: Impairment loss	**(216,438)**	–
Realisable value	**193,941**	407,148
Completed properties		
At cost	**11,794**	143,727
Less: Impairement loss	**–**	(65,888)
Realisable value	**11,794**	77,839
	205,735	484,987

(a) The Group's properties held for sale were all located in PRC and under medium-term leases (lease periods of 20 years or more but less than 50 years).

(b) Included in properties under development was development cost of a property development project in Beijing of approximately RMB193,941,000 (2007: RMB407,148,000). The development right for the land was acquired from the Municipal Government of Zhaoyang District of Beijing in previous years.

Relevant land policies in the PRC have been revised in recent years, so the land use right of the land must be obtained through public tendering procedures. Having not obtained the land use right of the land, the Group must participate in the public tendering procedures no matter whether the Group plans to continue developing or transfer the land. The Group has registered in the tendering for the use right of the land. Pursuant to the opinion of the Group's lawyer, if the highest price in the tender is offered by the Group, the Group will obtain the land use right after paying the land premium. On the other hand, if the land is obtained by others, the Group can recover the paid land development costs, related expenses and a certain proportion of the profits in accordance with relevant regulations. The amount the Group can recover depends on the price of tender and the final cost confirmed by relevant authorities.

23. PROPERTIES HELD FOR SALE *(Continued)*

(c) As disclosed in note 33(a), a project of "Jinmao Tower" located in Shenyang, the PRC with the book value of approximately RMB23,257,000 in 2007 was disposed along with the disposal of the equity interest in Shenyang Pollon Finance Building Management Company Limited.

(d) Included in the completed properties was a project of "Water-Flowers City" located in Shenyang, the PRC with the book value of approximately RMB11,794,000 (2007: RMB54,582,000). The properties have been started to pre-sales in 2003. Up to 31 December 2005, all the units were subscribed. Due to the delay in the construction, the properties were unable to hand-over to the customers on schedule. Consequently, some of the customers demanded for refund of deposits paid.

During the year, some customers have occupied the units they purchased. But since the Group has not completed the procedures of obtaining Real Estats Title certificate for purchasers as of the balance date of the financial statements, the sales amount of approximately RMB12,759,000 (2007: approximately RMB29,622,000) received was not recognized as income but stated as receipts in advance under current liabilities (Note 29) .

As at 18 September 2008, the Group has obtained confirmation letter from Shenyang Building Ownership Certificate Registration Office, which allowed the buyers of the project housing "Water-Flowers City" to have ownership registered. The receipts in advance of "Water-Flowers City" is estimated to be transferred sale of housing in the coming future.

24. TRADE RECEIVABLES

The sale was recognised by the Group on accrual basis. The Group allows an average credit period of 30 days to the customers and the management will examine the credit period on a regular basis.

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

	2008 **RMB'000**	2007 RMB'000
Over 2 years	**12,518**	12,518
Allowances for bad and doubtful debts	**(12,518)**	(12,518)
Net amount of trade receivables	**–**	–

The directors considered the carrying amount of the trade receivables approximates to their fair value.

24. TRADE RECEIVABLES *(Continued)*

Movement in allowance of receivables impairment is as follows:

	2008 RMB'000	2007 RMB'000
At 1 January	**12,518**	12,588
Reversal during disposing subsidiary	**–**	(70)
At 31 December	**12,518**	12,518

The allowance for bad and doubtful debts is individually impaired. Allowance is made for debtors who are either been placed under liquidation or in severe financial difficulties.

25. AMOUNT DUE FROM A FORMER CUSTOMER

	2008 RMB'000	2007 RMB'000
Shenyang Water General Corporation ("SWGC")	**96,656**	96,656
Less: impairment loss	**(96,656)**	(96,656)
	–	–

SWGC was a sole customer of water and was a subsidiary of SPU when the Group was engaged in production and sale of urban purified water business before July 2002. The amount due from SWGC was the remaining balance of the purchase of water. According to the agreement entered with SWGC, the amount is required to be settled fully by the end of 2005. However, up to the date of approval of these financial statements, SWGC settled RMB400,000 only. The directors of the Company consider that recovery of the amount is remote, therefore, have made an impairment loss for the balance in full.

The amount is unsecured and interest free.

26. OTHER LONG TERM RECEIVABLES AND OTHER RECEIVABLES

Other long term receivables are amounts unsecured, interest free and payable over 1 year.

Other receivables are amounts unsecured, interest free and payable on demand.

The directors of the Company consider that the carrying amount of other long term receivables and other receivables approximates to their fair value.

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27. INVESTMENT IN ASSOCIATE

	2008 RMB'000	2007 RMB'000
Cost of investment in unlisted associates	**200**	–
Less: Accumulated impairment	**(200)**	–
	–	–

At 31 December 2008, the Group had interests in the following associates:

Name of subsidiary	Class of shares held	Paid-up registered capital RMB'000	Percentage of effective equity interest held by the Company Directly	 Indirectly	Principal activities
Shenyang Development Property Management Company Limited	Ordinary share	200	1%	39%	Provision of property management services

28. TRADE PAYABLES

An age analysis of trade payables at the balance sheet date is set out as follows:

	2008 RMB'000	2007 RMB'000
Over 2 years	**5,875**	43,080

The directors of the Company consider that the carrying amount of trade payable approximates to their fair value.

29. RECEIPTS IN ADVANCE

	2008 RMB'000	2007 RMB'000
Sales of properties (Note23(c) and 23(d))	**12,759**	43,947
Others	**–**	142
	12,759	44,089

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30. PROVISION FOR POTENTIAL LIABILITIES

	2008 **RMB'000**	2007 RMB'000
Default payments for sales of properties	**1,041**	2,043

31. BANK LOANS

	2008 **RMB'000**	2007 RMB'000
Secured, variable rate loans due within one year	**14,000**	62,000
	14,000	62,000

Details of above-mentioned secured loans are as follows:

	2008 **RMB'000**	2007 RMB'000
SPUG	**–**	42,000
Beijing Beida Jade Bird Company Limited ("Beida Jade Bird")	**–**	20,000
Zhuhai Beida Education Science Park Company Limited ("Zhuhai Beida")	**14,000**	–
	14,000	62,000

The weighted average effective interest rates on the Group's variable rate bank loans was 6.9% (2007: 8.1%).

32. SHARE CAPITAL

	Number of shares	**Amount** RMB'000
Authorised:		
At 31 December 2007 and 31 December 2008		
Domestic shares of RMB1.00 each	600,000,000	600,000
H shares of RMB1.00 each	420,400,000	420,400
	1,020,400,000	1,020,400
Issued and fully paid:		
At 31 December 2007 and 31 December 2008		
Domestic shares of RMB1.00 each	600,000,000	600,000
H shares of RMB1.00 each	420,400,000	420,400
	1,020,400,000	1,020,400

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

33. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and the movements thereon during the current and previous years:

	RMB'000
At 1 January 2007	23,168
Written back to consolidated income statement for the year	(613)
At 31 December 2007 and 1 January 2008	22,555
Written back to consolidated income statement for the year	(613)
At 31 December 2008	21,942

The Group's deferred tax were related to the differences between the fair value of assets acquired and the corresponding tax bases arising from the acquisition of the subsidiaries.

As at 31 December 2008, the Group has estimated unused tax losses of RMB392,985,000 (2007: RMB392,985,000) available for offsetting future profits. No tax losses have been recognised as deferred tax assets due to the unpredictability of future profit streams. These unused tax losses will be expired by 2012.

34. OTHER NON-CURRENT LIABILITIES, OTHER PAYABLES AND ACCRUALS

Other non-current liabilities are amounts unsecured, interest free and payable over 1 year.

Other payables and accruals are amounts unsecured, interest free and payable on demand.

The director of the Company consider that the carrying amount of other non-current liabilities, other payables and accruals approximates to their fair value.

35. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES

(a) The Group disposed its all equity interests in Shenyang Pollon Finance Building Management Company Limited at a total consideration of RMB200,000 on 30 October 2008.

The net assets of the subsidiary on the disposal date are as follows:

	Building Management Company RMB'000
Net value of disposed assets:	
Property and equipment	5
Properties held for sale	23,257
Other receivables	720
Bank overdrafts	(1,642)
Trade payable	(16,250)
Other payables and accrual expenses	(8,025)
Receipts in advance	(34,036)
Amounts due to Group companies	(27,087)
	(63,058)
Gain on disposal	63,258
Total consideration	200
Payment manner:	
Bank and cash	200
Net amount of cash inflows arising from disposal	
Disposed bank overdrafts and sales proceed received	1,842

(b) The Group disposed its 60% equity interests in Shenyang Development Property Management Company Limited at a total consideration of RMB600,000 on 28 March 2008.

The net assets of the subsidiary on the disposal date are as follows:

	Shenyang Property RMB'000
Net value of disposed assets:	
Property and equipment	142
Other receivables	8
Amount due from Group companies	9,034
Bank balances and cash	2,291
Other payables and accrual expenses	(1,464)
Amount due to Group companies	(11,936)
	(1,925)
Minority interests	(1,765)
Gain on disposal	4,290
Total consideration	600
Payment manner:	
Bank and cash	600
Net amount of cash outflows arising from disposal	
Disposed bank balances and cash and sales proceed received	1,691

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35. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(c) The Group disposed its all equity and debts interests in Shenyang Development Beida Education Science Park Company Limited, Shenyang Jade Bird School Foreign Language School and Shenyang Beida Jade Bird Business Information System Co Ltd ("Shenyang Business Information") at a total consideration of RMB8,380,207 on 25 September 2008.

The net assets of these subsidiaries on the disposal date are as follows:

	Shenyang Education, Jade Bird School and Shenyang Business Information RMB'000
Net value of disposed assets:	
Property and equipment	122,950
Prepaid lease payments on land use rights	89,316
Inventories	342
Other receivables	2,576
Amount due from Group companies	8,210
Bank balances and cash	21
Trade payable	(2,637)
Other payables and accrual expenses	(39,952)
Amount due to Group companies	(266,486)
Bank borrowings	(42,000)
	(127,660)
Other reserves	(351)
Minority interests	(121)
Gain on disposal	136,512
Total consideration	8,380
Payment manner:	
Bank and cash	8,380
Net amount of cash inflows arising from disposal	
Disposed bank balances and cash and sales proceed received	8,359

35. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(d) Shenzhen Grand Scene Investment Development Co Ltd was deregistered on 11 November 2008.

The net assets of the subsidiary on the disposal date are as follows:

	Shenzhen Grand Scene RMB'000
Net value of disposed assets:	
Bank balances and cash	7
Amount due to Group companies	(70)
Gain on deregistration	63
Net amount of cash outflows arising from deregistration	
Deregistered bank balances and cash	(7)

36. OPERATION LEASE COMMITTMENTS

As a lessor

During the year, the rental income received by the Group from leasing schoolhouse and related equipments was analyzed as follows:

	2008 RMB'000	2007 RMB'000
Schoolhouse and equipment (Note)	**3,000**	3,000

Note: Pursuant to the agreement in respect of leasing schoolhouse and related equipments between the Group and the lessee Zhuhai Beida Subsidiary Experiment School ("Zhuhai School"), Zhuhai School had no amount owed to the Group (2007: RMB3,000,000).

As at the balance sheet date, the Group has entered into agreements with tenants to lease schoolhouse and related equipments. The lease period was from January 2003 to December 2013. Rents have been determined, until December 2009, and the subsequent rents would be otherwise negotiated.

As at the balance sheet date, the contracted and irrevocable minimum rents (excluding the rents for leasing schoolhouse and equipments) are as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**3,000**	3,000

37. CONTINGENT LIABILITIES

Pursuant to the sales and purchase agreement for the acquisition of equity interests in Shenzhen Jingmei and Xili Cemetery (collectively refers as "Cemetery Companies" below) dated 31 December 2003, all liabilities not relating to the operations of cemetery business would be transferred out of the Cemetery Companies and undertaken up by the former shareholder of Cemetery Companies (the "Former Shareholder"). During 2004, the Company entered into an agreement with the Former Shareholder that of the Cemetery Companies' other payables of approximately RMB24,771,000 and other receivables of approximately RMB8,785,000 would be offset against the outstanding balances of approximately RMB14,886,000 owed to the Cemetery Companies by the Former Shareholder and that the net balance of RMB1,100,000 owed to the Former Shareholder was waived.

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

The above contingent liabilities were released as Shenzhen Jingmei's and Xili Cemetery's equity interests were transferred in 2007.

38. LITIGATIONS AND SEQUESTRATION OF ASSETS

Up to the date of this report, the Group had a number of litigations in the PRC closed and in progress during the two years ended 31 December 2008 and 2007.

(a) The RMB200,000,000 loan dispute between the Company and Shenzhen Development Bank

On 6 December 2004, the Company received a writ of summons from the Higher People's Court of Liaoning Province in relation to the RMB200,000,000 loan advanced by Dalian Branch of Shenzhen Development Bank to the Company. Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin Hua Gong") was the guarantor of the RMB200,000,000 loan. In the course of the legal action, Beijing Beida Jade Bird Company Limited ("Beida Jade Bird"), being the associates of the Company's substantial shareholder, Beijing Diye Real Estate Development Company Limited ("Beijing Diye") and Shenyang Pollon Finance Building Management Company Limited ("Shenyang Pollon") provided another guarantee to Hua Jin Hua Gong. The Company has repaid RMB25,000,000 before the Civil Mediation Agreement issued by the Higher People's Court of Liaoning Province becoming effective.

After the Civil Mediation Agreement becoming effective on 16 February 2005, the Company has repaid an additional RMB20,000,000 to Shenzhen Development Bank. On 22 February 2005, Hua Jin Hua Gong paid RMB8,000,000 to Shenzhen Development Bank for the Company. On 26 April 2005, the Higher People's Court of Liaoning Province sequestrated RMB153,380,000 from the account of Hua Jin Hua Gong in settlement of the loan.

As a result, the loan and interest due to Dalian Branch of Shenzhen Development Bank had been fully settled pursuant to the Civil Mediation Agreement.

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(b) The subsequent claim from Hua Jin Hua Gong who acted as guarantor and paid the sum of RMB161,380,000 to Shenzhen Development Bank for the Company

Hua Jin Hua Gong then commenced legal action against the Company, Beida Jade Bird, Beijing Diye and Shenyang Pollon for a total sum of RMB161,380,000 it had paid for the Company as guarantor and the interest accrued.

On 12 December 2005, the Higher People's Court of Liaoning Province issued the [Civil Judgement (2005) Liao Min San Chu Zi No.26] 民事判決書(2005)遼民三初字第26號, pursuant to which SPU was liable to repay the sum of RMB161,380,000 together with interest and other fees arising from the legal action in the total sum of RMB1,624,330 to Hua Jin Hua Gong within 10 days from the effective date of the Judgement. Beijing Diye and Beida Jade Bird undertook to repay the above-mentioned amounts for SPU ; Shenyang Pollon also undertook to repay the above-mentioned amounts for SPU, but they reserved the right to recover the loss from SPU after the assumption of liability as guarantors by Beijing Diye and Beida Jade Bird and compensation responsibility by Shenyang Pollon , respectively.

On 16 July 2007, the Higher People's Court of Liaoning Province issued the [Civil Execution Order (2006) Liao Zhi Er Zi No.53] 民事裁定書(2006)遼執二字第53號, pursuant to which RMB55,000 from SPU, RMB195,000 from Beijing Diye and the sale proceeds of Beida Jade Bird and Shenyang Pollon's property from appraisal and auction were enforcedly sequestrated by the Court to settle Hua Jin Hua Gong's claim(after deduction of the preferred creditors). The amount received by Hua Jin Hua Gong covered the claim of RMB161,380,000, the interest in the sum of RMB22,000,000 and other fees arising from the legal action in the sum of RMB3,388,730.

As a result, the judgment debt payable to Hua Jin Hua Gong has been fully settled.

Pursuant to the letter of confirmation issued by Beijing Diye Real Estate Development Company Limited, the assistance of RMB195,000 due to Beijing Diye has been offset by its debt owed to the Company, whereby Beijing Diye has agreed not to claim against the Company for the above assistance.

Pursuant to a settlement agreement signed between the Company and Shenyang Pollon Finance Building Management Company Limited, the assistance of approximately RMB33,000,000 due to Shenyang Pollon, being the proceeds of assets from the said auction, will be offset by its debt owed to the Company, whereby Shenyang Pollon Finance Building Management Company Limited has agreed not to claim against the Company for the above assistance in judicial or other ways.

(c) Further legal action from Beida Jade Bird against the Company, Shenyang Public Utility Group Company Limited ("SPUG") and Shenzhen Jingmei Industrial Development Limited ("Shenzhen Jingmei")

In the course of the legal action initiated by Hua Jin Hua Gong for the sum of RMB161,380,000, SPUG and Shenzhen Jingmei provided another guarantee of not more than RMB91,910,000 to Beida Jade Bird. As mentioned above, the sale proceeds of Beida Jade Bird's assets from an auction were applied to settle Hua Jin Hua Gong's claim. On 14 May 2007, Beida Jade Bird commenced legal action against SPUG and Shenzhen Jingmei for its payment to Hua Jin Hua Gong. On 13 June 2007, Beijing Intermediate People's Court issued the [Civil Judgement (2007) Yi Zhong Min Chu Zi No.1843] 民事判決書(2007)一中民初字第1843號 and handed down judgment, under which SPUG and Shenzhen Jingmei were liable to pay off the claim of Beida Jade Bird together with the relavant interest. Up to 31 August 2008, SPU has repaid approximately RMB101,340,000 to Beida Jade Bird. The unpaid balance of the claim of Beijing Jade Bird and the interest amount to approximately RMB82,000,000.

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(c) Further legal action from Beida Jade Bird against the Company, Shenyang Public Utility Group Company Limited ("SPUG") and Shenzhen Jingmei Industrial *(Continued)*

According to the letter of undertaking issued by Beida Jade Bird on 17 September 2008, Beida Jade Bird undertook that it would not require Shenyang Public Utility to make repayment in cash within 24 months from 17 September 2008.

According to the letter of undertaking issued by Shenyang Public Utility Group Company Limited on 18 September 2008, Shenyang Public Utility Group Company Limited undertook that it would not require SPU to make repayment in cash within 24 months from 18 September 2008 if Shenyang Public Utility Group Company Limited repaid corresponding debts on behalf of SPU.

(d) The two loan disputes between the Company and Shenyang Branch of Guangdong Development Bank ("Guangdong Development Bank") and subsequent lawsuits with Hua Jin Hua Gong

(i) The dispute on the loan of RMB29,000,000 between the Company and Guangdong Development Bank

On 26 December 2005, Guangdong Development Bank commenced a legal action in respect of the dispute on the loan of RMB29,000,000 against the Company (as the borrower) and Hua Jin Hua Gong, SPU, Beida Jade Bird and Liaoning Huajin Tongda Chemicals Co., Ltd. ("Huajin Tongda") (as the guarantors).

On 18 February 2006, Shenyang Intermediate People's Court issued the Civil Judgement [2006] Shen Zhong Min (3) He Chu Zi No.34 (《判決書》(2006)瀋中民三合初字第34號), pursuant to which, (1) the Company was liable to repay the principal of RMB29,000,000 within 10 days from the date of judgement; (2) the Company was liable to pay the interest of the loan amounting to RMB179,916; (3) Guangdong Development Bank lawfully enjoyed priority in compensation in respect of the two time deposits of the Company amounting to RMB10,302,700 which were the pledge of the pledge guarantee set by the Company for the allowance of RMB29,000,000; (4) SPUG, Hua Jin Hua Gong, Huajin Tongda and Beida Jade Bird were entitled to recover the amount from the Company after they jointly undertook joint responsibility and joint repayment responsibility for the repayment obligation mentioned in (1) and (2); and (5) the Company also undertook to pay the legal fee of RMB155,010 and a property custody fee of RMB145,520.

On 6 April 2006, Guangdong Development Bank sequestrated RMB70,000,000 and RMB80,000,000 from the accounts of the Company and Hua Jin Hua Gong respectively. Among above-mentioned amount, RMB10,300,000 was used to repay the principal of the loan of RMB20,000,000, and the balance was used to repay another loan of RMB171,000,000. Thus the outstanding amount of the loan of RMB29,000,000 was RMB18,700,000.

In August 2007, Shenyang Intermediate People's Court sequestrated RMB56,462,000 from the account of Hua Jin Hua Gong to settle the outstanding principal and interest of the loan of RMB29,000,000.

As a result, the principal and interest of the loan of RMB29,000,000 has been fully recovered by Guangdong Development Bank.

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(d) The two loan disputes between the Company and Shenyang Branch of Guangdong Development Bank ("Guangdong Development Bank") and subsequent lawsuits with Hua Jin Hua Gong *(Continued)*

(ii) The loan dispute of RMB171,000,000 between the Company and Guangdong Development Bank

In January 2006, Guangdong Development Bank commenced another legal action for the dispute on the loan of RMB171,000,000 in the Higher People's Court of Liaoning Province against the Company (as borrower) and Hua Jin Hua Gong, SPU, Beida Jade Bird and Liaoning Huajin Tongda Chemicals Co. Ltd. ("Huajin Tongda") (as guarantors).

During the litigation, Guangdong Development Bank applied to the Higher People's Court of Liaoning Province to withdraw the claim.The Higher People's Court of Liaoning Province issued the [2006] Liao Min San Chu Zi No.31, Civil Execution Order (2006)遼民三初字第31號《民事裁定書》to approve the withdrawal of the claim from Guangdong Development Bank.

Pursuant to [Civil Mediation Agreement (2006) Shen Zhong Min Er Fang Chu Zi No.190]民事調解書(2006)瀋中民二房初字第190號issued by Shenyang Intermediate People's Court of Liaoning Province, during the litigation, Guang Dong Development Bank repaid the principal and interest of the loan by the principal and interest of the pledged deposits of the Company which amounted to RMB63,389,000, in which RMB60,192,000 was repaid for the principal of the loan, RMB3,197,000 were used for the repayment of interest and compound interest respectively on 6th April 2006, and Guang Dong Development Bank recovered RMB60,730,000 as the principal of the loan and RMB88,000 of interest from a deposit of RMB80,000,000 of Hua Jin Hua Gong in the Guang Dong Development Bank. And Guang Dong Development Bank also took the remaining RMB19,183,000 of the above RMB80,000,000 as settlement of the principal of the loan on 12 April 2006. As a result, the remaining outstanding principal was RMB30,896,000.

On 12 May 2006, Guangdong Development Bank commenced legal action against the Company, Hua Jin Hua Gong, SPU, Beida Jade Bird and Huajin Tongda for the outstanding amount of RMB30,896,000 in Shenyang Intermediate People's Court.

On 31 January 2007, Shenyang Intermediate People's Court issued the Civil Judgement [2006]Shen Zhong Min (3) He Chu Zi No.234 (2006)瀋中民三合初字第234號《民事判決書》, pursuant to which (1) the Company was liable to repay the outstanding amount of RMB30,896,000 and the interest of RMB2,221,000 to Guangdong Development Bank within 10 days from the date of judgment; (2) Beida Jade Bird and SPU were jointly liable to pay off the amount payable; (3) Huajin Tongda and Hua Jin Hua Gong jointly guaranteed the repayment of the outstanding amount mentioned in (1) but only limited to RMB50,000,000 and RMB51,300,000 respectively; and (4) the Company, Hua Jin Hua Gong, SPU, Beida Jade Bird and Huajin Tongda undertook to pay the legal expense of RMB164,000 and the custody fee of RMB160,000.

In August 2007, Shenyang Intermediate People's Court sequestrated RMB56,462,000 from the account of Hua Jin Hua Gong to settle the outstanding amount of RMB30,896,000 and all the principal and interest of the loan.

As a result, Guangdong Development Bank has recovered all the principal and interest of the loan of RMB171,000,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(e) The claim for RMB80,000,000 from Hua Jin Hua Gong after the loan disputes between the Company and Guangdong Development Bank

RMB80, 000,000 was sequestrated from the account of Hua Jin Hua Gong in settlement of the RMB171,000,000 loan for the Company. On 12 April 2006, Hua Jin Hua Gong made a claim against the Company, SPU and Beida Jade Bird to recover the sum of RMB80,000,000.

Higher People's Court of Liaoning Province issued the [Civil Mediation Agreement (2006) Liao Min San Chu Zi No.43] 民事調解書(2006)遼民三初字第43號 in respect of the settlement.

In June 2006, Hua Jin Hua Gong entered into a compromise agreement with the Company, SPU and Beida Jade Bird, pursuant to which (1) the Company was liable to pay off RMB80,000,000 and the interest incurred before 25 November 2006; (2) in the event that the Company was unable to pay off the sum, each of SPUG and Beida Jade Bird would pay one-third of the outstanding balance and the Company shall repay the remaining one-third; and the Company was liable to pay the legal expense of RMB410,000 and the custody fee of RMB401,000

Owing to the fact that the Company, SPU and Beida Jade Bird did not implement the repayment voluntarily, the Railway Transport Intermediate Court of Shenyang (瀋陽鐵路運輸法院) held an judicial sale on 29 December 2007, through which the 95% equity interest in Shenzhen Jingmei held by the Company was disposed of. Subsequently the total sum of the principal, interest, legal expense and execution fee amounting to RMB83,540,000 was repaid to Hua Jin to fully settle the amount of RMB80,000,000 and the interest owed to Hua Jin .

On 10 March 2008, the Railway Transport Intermediate Court of Shenyang (瀋陽鐵路運輸法院) issued the [Civil Execution Order (2007) Shen Tie Zhi Zi No.3-1]民事裁定書(2007)瀋鐵執指字第3-1號 and confirmed the completion of execution and the conclusion of the lawsuit.

RMB56,462,000 was sequestrated from the account of Hua Jin respectively in settlement of the RMB29,000,000 loan and the RMB171,000,000 loan payable by the Company. In September 2007, Hua Jin commenced a legal action against the Company, SPU and Beida Jade Bird to recover the sum of RMB56,462,000.

On 17 October 2007, Hua Jin reached a settlement with the Company, SPU, Beida Jade Bird, Shenyang Pollon and Beijing Mingyude Business and Trade Company Limited ("Beijing Mingyude") in respect of the dispute about guarantee recourse. The Higher People's Court of Liaoning Province issued the [Civil Mediation Agreement (2007) Liao Min San Chu Zi No.36] 民事調解書(2007)遼民三初字第36號 relating to this settlement, pursuant to which (1) the sum of RMB56,462,000 as an assistant amount for fulfilling its guarantee responsibility and the remaining interest incurred from the date of making assistant payment to the date of actual repayment caculated at then prevailing loan interest rate for circulating fund issued by the People's Bank of China are payable by the Company to Hua Jin; (2) Hua Jin agrees the Company to repay the aggregate debt of RMB56,462,000.

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(e) The claim for RMB80,000,000 from Hua Jin Hua Gong after the loan disputes between the Company and Guangdong Development Bank *(Continued)*

The Company was liable to repay RMB32,160,000 before 30 November 2007 and to repay RMB24,300,000 before 25 December 2007; (3) Beida Jade Bird and SPUG continue to jointly guaranteed the debt of RMB56,460,000 payable by the Company to Hua Jin, and in the event that Hua Jin was unable to recover the sum, each of the Beida Jade Bird and SPU would pay one-third of the outstanding amount; (4) Mingyude guaranteed the debt of RMB32,160,000 payable by the Company, and pledged the time deposit certificate of RMB32,000,000 as a guarantee; Shenyang Pollon guaranteed the debt of RMB24,300,000 payable by the Company; (5) If the Company did not implemented the repayment on time and Mingyude and Shenyang Pollon did not fulfilled the guarantee responsibility on the agreed term, the Company shall be liable to repay the plaintiff Hua Jin based on the aggregate debt of RMB56,462,000; (6) after above-mentioned guarantors fulfilled the guarantee responsibility, they are entitled to recover the debt from the Company at the amount they made repayment on behalf of the Company; (7) each of Hua Jin and the Company was liable to pay for the legal fee of RMB162,000 and a custody fee of RMB5,000.

In November 2007, Mingyude repaid RMB32,160,000 to Hua Jin Hua Gong for the Company.

In August 2008, the Company repaid RMB32,160,000 and the interest to Mingyude.

(f) The claim for RMB56,462,000 by Hua Jin after the loan disputes between the Company and Guangdong Development Bank

On 20 June 2008, Shenyang Pollon signed the Agreement of Settlement of Debts by Properties with Hua Jin Hua Gong, the Company, Beida Jade Bird and SPUG, pursuant to which RMB24,300,000 worth of 69 residential units of Cosmo International Mansion owned by Shenyang Pollon were sequestrated to settle Hua Jin Hua Gong's claim. The transfer of ownership of Cosmo International Mansion to Hua Jin Hua Gong is still ongoing.

According to the Agreement signed by the Company and Shenyang Pollon, Shenyang Pollon and the Company agreed unanimously to settle the debts by eliminating debts by properties in respect of the situation that Shenyang Pollon repaied the debt of RMB24,300,000 to Hua Jin Hua Gong for the Company by settlement of debts by properties, and Shenyang Pollon guaranteed not to recover the above amounts through law or other ways compulsorily.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(g) According to the information provided by the Company, there are 2 cases of material lawsuits involved with a subsidiary of the Company, Shenyang Development Real Estate Company Limited ("Shenyang Development") occurred within PRC mainland from the suspension date to the date of issuing the legal opinion, which include:

(i) The dispute in relation to a construction contract amongst Shenyang Development, No.6 Construction Work Company of No. 4 Works Bureau of China Construction ("China Construction) and the guarantor Shanghai Hanhua Property Management Company Limited ("Shanghai Hanhua")

After the mediation of Shenyang Intermediate People's Court, all parties involved had voluntarily reached a mediation agreement pursuant to which, Shenyang Intermediate People's Court issued the Civil Mediation of (2006) Liao Zhong Min (2) Fang Chu Zi No. 129 and the Civil Execution Order of (2006) Shen Zhong Min (2) Fang Chu Zi No. 129 to confirm the main contents of the mediation agreement are as follows: (1) both parties have agreed that Shenyang Development shall pay the construction cost and interest totaling RMB5,831,000 by two instalments; (2) the legal fee and custody fee shall be borne by Shenyang Development and China Construction equally; and if the guarantor shall not implement the repayment on time, Shenyang Development shall pay all the litigation fees; (3) a sum of RMB2,000,000 shall be paid to China Construction before 14 February 2007; and a sum of RMB3,831,000 and litigation fee shall be paid to China Construction before 10 April 2007. If the guarantor failed to make the repayment on time, Shenyang Development shall pay half of the interest forgone by China Construction; (4) the guarantor Shanghai Hanhua guaranteed the payment of the above amount by Shenyang Development to China Construction. If Shenyang Development fails to make payment as per the term provided in Clause 2 of the agreement, the guarantor shall make the payment accordingly. If the guarantor fails to perform its responsibility after the due date, China Construction may apply for compulsory execution of the guarantee pursuant to a Civil Mediation Agreement delivered by the Court in accordance with the law; (5) the three parties of the agreement have agreed that, if the guarantor shall obtain all the title of debts requested by China Construction towards Shenyang Development in the litigation, and the right of custody over the assets of Shenyang Development involved in the litigation; (6) after performance of its responsibility, the guarantor shall have the right of recourse against Shenyang Development in accordance with Article 31 of the Law of Guarantee of the People's Republic of China and shall have the right to apply for compulsory execution of the Civil Mediation issued by the Court in accordance with the applicable law.

The guarantor Shanghai Hanhua shall perform its responsibility by making all payments on behalf of Shenyang Development.

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(g) According to the information provided by the Company, there are 2 cases of material lawsuits involved with a subsidiary of the Company, Shenyang Development Real Estate Company Limited ("Shenyang Development") occurred within PRC mainland from the suspension date to the date of issuing the legal opinion, which include: *(Continued)*

(i) The dispute in relation to a construction contract amongst Shenyang Development, No.6 Construction Work Company of No. 4 Works Bureau of China Construction ("China Construction) and the guarantor Shanghai Hanhua Property Management Company Limited ("Shanghai Hanhua") *(Continued)*

The litigation was handled and mediated by the Intermediate People's Court of Shenyang and all parties involved had reached a reconciliation agreement voluntarily, pursuant to which, the Court issued a Civil Mediation Agreement《民事調解書》(2006) Liao Zhong Min Er Fang Chu Zi No. 190 as follows, inter alias: (1) both parties agreed that the Company shall pay to Shenyang Tianbei the construction fee and interest totaling RMB17,000,000 by two instalments. The legal fee, custody fee and audit fee totaling RMB281,000 shall be borne by Shenyang Development and Shenyang Tianbei equally in the amount of RMB140,000. Shenyang Development shall pay such amount to Shenyang Tianbei on or before 20 July 2007. Shenyang Tianbei and Shenyang Development have no other dispute over the petition by Shenyang Tianbei; (2) Shenyang Development shall pay RMB4,130,000 and RMB12,870,000 to Shenyang Tianbei on or before 28 June 2007 and 6 July 2007 respectively; (3) Shanghai Hanhua, the Guarantor, has agreed to assume the responsibility of Shenyang Development to pay RMB4,130,000 to Shenyang Tianbei pursuant to Article 2 of the agreement, and Beijing Mingyude, the Guarantor, has agreed to assume the responsibility of Shenyang Development to pay RMB12,870,000 to Shenyang Tianbei pursuant to Article 2 of the agreement. If Shenyang Development fails to make payment on or before the due dates as stated in Article 2 of the agreement, the Guarantors shall assume the payment responsibility from the due dates as stated in Article 2 of the agreement for two years;

(ii) The dispute of a construction contract amongst Shenyang Development and Shenyang Tianbei Construction Installation work Company ("Shenyang Tianbei"), Shanghai Hanhua (the Guarantor), Beijing Mingyude Business and Trade Company Limited ("Beijing Mingyude")

(4) Shenyang Tianbei has agreed to return all project files and relevant information for completion examination of the projects involved in the litigation, as well as to deliver vacant possession all 6 residential units and one shop in "Shui Xie Hua Du"（水榭花都）currently occupied by it to Shenyang Development within 3 days upon receipt of RMB4,130,000 as provided in Article 2 of the agreement; (5) Shenyang Tianbei has agreed to issue receipt and tax vouchers to Shenyang Development within 15 days upon receipt of RMB12,870,000 as required in Article 2 of the agreement. Shenyang Tianbei shall also assign a designated person to assist Shenyang Development to complete the registration and examination of the projects with the related authorities (the registrars). Shenyang Tianbei has agreed to submit its consent to the Court for the release of the confiscated and frozen assets of Shenyang Development and assist Shenyang Development to finish the relief of the assets; (6) if Shenyang Tianbei fails to perform its responsibilities as provided in Article 4 and 5 of the agreement in time, Shenyang Development may apply to the competent court for compulsory performance of the responsibilities of Shenyang Tianbei as provided in Article 4 and 5 in the agreement; (7) the four parties to the agreement have agreed that, after the execution of the agreement, if the Guarantors have paid all of the debts as stated in Article 2 of the agreement on behalf of Shenyang Development, the Guarantors shall have the right of recourse against Shenyang Development in an amount equal to the debts repaid to Shenyang Tianbei and obtain the custodian rights of Shenyang Tianbei over the assets of Shenyang Development; and (8) after performance of their responsibilities, the Guarantors shall have the right of recourse against Shenyang Development in accordance with Article 31 of the Law of Guarantee of the People's Republic of China and shall have the right to apply for compulsory execution of the Civil Mediation issued by the Court in respect to the litigation in accordance with the applicable law.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

38. LITIGATIONS AND SEQUESTRATION OF ASSETS *(Continued)*

(g) According to the information provided by the Company, there are 2 cases of material lawsuits involved with a subsidiary of the Company, Shenyang Development Real Estate Development Company Limited ("Shenyang Development") occurred within PRC mainland from the suspension date to the date of issuing the legal opinion, which include: *(Continued)*

(ii) The dispute of a construction contract amongst Shenyang Development and Shenyang Tianbei Construction Installation work Company ("Shenyang Tianbei"), Shanghai Hanhua (the Guarantor), Beijing Mingyude Business and Trade Company Limited ("Beijing Mingyude") *(Continued)*

The Guarantors, Shanghai Hanhua and Beijing Mingyude, had performed their responsibilities as provided in the above civil mediation agreement by making payments of RMB4,130,000 and RMB12,870,000 respectively on behalf of Shenyang Development.

According to a Confirmation Letter《確認函》issued by Shanghai Hanhua, the RMB4,130,000 paid by Shanghai Hanhua for Shenyang Development has been settled. Shanghai Hanhua will not invoke a claim against Shenyang Development to pay the claim in cash.

According to the engagement letter of settlement business by China Merchants Bank（招商銀行結算業務委託書）(NO0013645688) and the entrustment payment notice provided by the Company, the Company had paid RMB46,799,130 to Beijing Mingyude in July 2008 by way of entrustment payment, RMB13,567,000 of which was for the RMB12,870,000 that Beijing Mingyude had paid for the Company as a guarantor and the interest accrued.

(iii) The petition for execution of right of recourse by Shanghai Hanhua, the execution applicant, against Shenyang Development, the enforcee

As Shanghai Hanhua has performed its guarantee responsibility by repaying to Shenyang Development pursuant to Civil Mediation Agreement (2006) Liao Zhong Min (2) Fang Chu Zi No. 129, Shanghai Hanhua applied to the Intermediate People's Court of Shenyang for compulsory execution of Civil Mediation Agreement (2006) Liao Zhong Min (2) Fang Chu Zi No.129. Both parties had reached a settlement agreement to settle all the debts by transferring the entire equity interest in Shenyang Development Beida Education Science Park Company Limited held by Shenyang Development, the enforce, at a value of RMB5,866,000. In this respect, the parties had executed a Share Settlement Agreement.

On 19 November 2007, Shanghai Hanhua, the execution applicant, applied to the Intermediate People's Court of Shenyang for the closure of the litigation. The Intermediate People's Court of Shenyang issued a Civil Order (Execution) (2007) Shen Fa Zhi Ji No.577 on 15 January 2008, which approved the Share Settlement Agreement between the parties allowed the transfer of equity interest. The execution of the Civil Mediation Agreement of Intermediate People's Court of Shenyang (2006) Liao Zhong Min (2) Fang Chu Ji No. 129 was completed.

(h) In 2008, there were a number of new litigation cases regarding to the claims from individual customers and contractors against Shenyang Development, Pollon Finance and Shenyang Business Information of which the amount of total claims was uncertain up to the date of this report. The directors of the Company are of their opinion that the captioned contingent liabilities arising from the litigations of Pollon Finance and Shenyang Business Information were released as their equity interests were transferred in 2008.

39. POST BALANCE SHEET EVENT

(a) According to the sale and purchase agreement dated 31 December 2008, the entire interest, that is 80% of Beijing Diye, will be disposed to a third party for a total consideration of RMB200,000,000. The agreement is subject to the approval of the resumption status of the company and the approval of the disposal by the shareholders of the company.

Particulars of its assets and liabilities, as at 31 December 2008 are as follows:

	RMB'000
Assets	
Property and equipment	427
Properties held for sale	193,941
Bank balances and cash	6,532
	200,900
Liabilities	
Trade payables	20
Other payables and accrual expenses	880
Internal amounts due to the Group's companies	461,184
	462,084

(b) On 5 January 2009, the Company as purchaser signed a sale and purchase agreement of which the Company will purchase a property in Beijing for a total consideration of RMB93,000,000 from a third party. The property comprises the first and second floors of an 18-storey commercial building in Beijing and the gross floor area of the property is approximately 3,808.27 square meter. The agreement is subject to the approval of the resumption of listing status of the Company, the approval of the purchase by the shareholders of the Company and the completion of the sale of the entire interest held by the Company in Beijing Diye.

(c) On 5 January 2009, the Company singed a sale and purchase agreement with third parties for the sale and purchase of Shenzhen Jade Bird Optoelectroice Company which owns a property comprising a 7-storey building located in the Shenzhen for a total consideration of RMB83,000,000. The gross floor area of the property is approximately 12,508.18 square meter. The agreement is subject to the approval of the resumption of listing status of the Company, the approval of the purchase by the shareholders of the Company and the completion of the sale of the entire interest held by the Company in Beijing Diye.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

39. POST BALANCE SHEET EVENT *(Continued)*

(d) Change of Substantial Shareholder

On 26 February 2009, the Company received a copy of [[2007] Yi Zhong Zhi Zi No.1192-3, *Civil Judgment*,] 民事裁定書(2007)一中執字第1192-3 號 issued by the Intermediate People's Court of Beijing (the "Court") on 24 February 2009 (the "Judgment"). The Judgment indicated that the 600,000,000 domestic shares of the Company (representing approximately 58.8% equity interest of the issued share capital of the Company as at the date of this announcement) held by Shenyang Public Utility Group Company Limited ("SPU") (the "Domestic Shares") were put under an auction pursuant to the Court's order dated 13 February 2009. The Domestic Shares are then being transferred to Beijing Mingde Guangye Investment Consultant Company Limited (北京明德廣業投資咨詢有限公司) ("Beijing Mingde Guangye") at a consideration of RMB102,520,000, representing RMB0.17 per Domestic Share as a result of the aforesaid auction.

The Judgment indicated that on 10 July 2007, Beijing Beida Jade Bird Company Limited ("Beida Jade Bird") transferred its creditor's right for its claim against SPU and Shenzhen Jingmei to Beijing Teli. The Domestic Shares were sequestrated by the Court on 21 July 2008.

The Judgment indicated that due to the fact that the SPU and Shenzhen Jingmei did not implement the required relevant repayment, Beijing Teli applied to the Court to dispose the Domestic Shares by an auction. The Domestic Shares were put under an auction pursuant to the Court's order on 13 February 2009. The Domestic Shares are being transferred to Beijing Mingde Guangye at a consideration of RMB102,520,000, representing RMB0.17 per Domestic Share as a result of the aforesaid auction.

Trading in the H Shares was suspended with effect on 23 December 2004 and has remained suspended pending the release of announcement relating to the outstanding financial statements of the Company and the submission of a viable resumption proposal to demonstrate, among other things, that the Company (i) complies with Rule 13.24 of the Listing Rules; (ii) has in place adequate financial reporting system and internal control procedures; and (iii) has sufficient working capital for the operation to seek its approval for the resumption of trading in the H Shares. Further announcement will be made in this regard in compliance with the Listing Rules. Trading in the shares of the Company will remain suspended until further notice.

Beijing Mingde Guangye has indicated in a letter to the Company on 26 February 2009 that it fully supports the resumption of trading of H-shares of the Company.

40. CONNECTED TRANSACTIONS

Connected parties include the Group's subsidiaries, holding companies and its subsidiaries, other state-owned enterprise and its subsidiaries that directly or indirectly controlled by the PRC government, other companies that our company may control or impose substantial influence on its financial and operational decisions, and entities and companies that are controlled and affected by the key management and family members of our company, our Group or its holding companies.

The identified connected parties of the Group are as follows:

Name of company	Relationships with the Company
SPU	The parent company of the Company
Beida Hi-Tech	A shareholder of SPU
Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang")	The holding company of Beida Hi-Tech
Beida Jade Bird	A shareholder of Jade Bird Huaguang
Beijing Tianqiao Beida Jade Bird Technology Company Limited ("Beijing Tianqiao")	A shareholder of Jade Bird Huaguang
Beijing Beida Education Investment Company Limited ("Beida Education Investment")	A subsidiary of Beida Jade Bird
Zhuhai School	A branch of Beida Education Investment
珠海科教	A subsidiary of Beida Education Investment
北京特利投資管理有限公司	A subsidiary of Beida Jade Bird
深圳青鳥光電有限公司("深圳青鳥光電")	A subsidiary of Beida Jade Bird
Huajin Company	Other state-owned enterprise
Beijing Peking University Resource Group Co., Ltd. ("Peking University Resource")	Other state-owned enterprise

Apart from the guarantees provided by certain connected parties for bank borrowings of the Group as stated in Note 30, principal connected party transactions in the ordinary course of business between the Group and connected parties are as follows:

(a) During the year, the Group received rental income of RMB3,000,000 (2007: RMB3,000,000) from Zhuhai School for leasing of campus with related equipment. The lease period was from January 2003 to December 2013. Rents have been determined until December 2009 and the subsequent rents would be otherwise negotiated by the parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

40. CONNECTED TRANSACTIONS *(Continued)*

(b) As at balance sheet date, the balances of connected parties are as follows:

Name of connected party	2008 RMB'000	2007 RMB'000
Other payables and accrual expenses		
Beida Jade Bird	–	126,924
北京特利	–	23,729
Huajin Company	–	78,155
Beijing Tianqiao	–	5,400
Zhuhai School	**3,999**	20,328

(c) Non-current liabilities

	2008 RMB'000	2007 RMB'000
Beida Jade Bird	**82,998**	–

(d) Compensation for the key management

	2008 RMB'000	2007 RMB'000
Short term benefits	–	226

Remuneration of directors and the key management is determined by the Administrative Resources and the Remuneration Committee based on personal performance and market trend.

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries, as at 31 December 2008 are as follows:

Name of subsidiary	Class of shares held	Paid-up registered capital RMB'000	Percentage of effective equity interest held by the Company Directly	Indirectly	Principal activities
Shenyang Development Real Estate	Ordinary share	250,000	100%	–	Development and sale of properties
Beijing Diye	Ordinary share	30,000	–	100%	Development and sale of properties
Shanghai Beida Jade Bird Education Investment Company Limited	Ordinary share	100,000	80%	20%	Closed
Zhuhai Beida Education Science Park Company Limited	Ordinary share	20,000	70%	–	investment and management of education projects

(a) The above list only includes the information about principal subsidiaries which are considered by the directors of the Company to be able to affect results or assets of the Group. In the opinion of the directors, to present the information about all the subsidiaries would be too redundant.

(b) All subsidiaries of the Group are companies with limited liabilities incorporated in PRC and are operated in PRC.

(c) None of the subsidiaries owned any debt securities that were intermittently effective as at balance sheet date or any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

42. BALANCE SHEET OF THE COMPANY

	2008 RMB'000	2007 RMB'000
NON CURRENT ASSETS		
Property and equipment	**283**	531
Investment in subsidiaries	**95,151**	598,622
Available-for-sale financial assets	**20,000**	20,000
Other long term receivable	**32,744**	–
	148,178	619,153
CURRENT ASSETS		
Amount due from parent company	**–**	58,224
Amounts due from subsidiaries	**405,152**	745,505
Other receivables	**80,474**	44,660
Other current assets	**–**	1,000
Bank balances and cash	**171**	3,264
	485,797	852,653
CURRENT LIABILITIES		
Other payables and accrued charges	**29,238**	142,760
Amounts due to subsidiaries	**93,486**	272,324
	122,724	415,084
NET CURRENT ASSET	**363,073**	437,569
TOTAL ASSETS LESS CURRENT LIABILITIES	**511,251**	1,056,722
CAPITAL AND RESERVES		
Share capital	**1,020,400**	1,020,400
Reserves	**(592,147)**	36,322
TOTAL EQUITY	**428,253**	1,056,722
NON CURRENT LIABILITY		
Other non-current liabilities	**82,998**	–
TOTAL EQUITY AND NON CURRENT LIABILITIES	**511,251**	1,056,722

Company Information

Legal address

No.1–4, 20A, Central Street
Shenyang Economic and Technological Development Zone
the PRC

Place of business in the PRC

Jinmao International Apartment
14/F, Da Dong District
Shenyang
the PRC
Postal code: 110041
Tel: 8624-24351041
Fax: 8624-24333288
Website: www.sygyfz.com.cn

H share registrar and transfer office

Hong Kong Registrars Limited
Rooms 1901–5
19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRC legal adviser

Kaiwen Law Firm 19th Floor
Winland International Conference Center
No. 7 Financial street
Xicheng District
Beijing (Postal code: 100140)

International auditor

Lo and Kwong C.P.A. Company Limited
Certified Public Accountants
Suite 1304, 13/F, Shanghai Industrial Investment Building
60 Hennessy Road
Wanchai, Hong Kong