SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

Stock code: 747

Annual Report 2009

Contents

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 2 July 1999 as a joint stock limited company by way of promotion, with Shenyang Public Utility Group Company Limited ("SPUG") acting as the sole promoter.

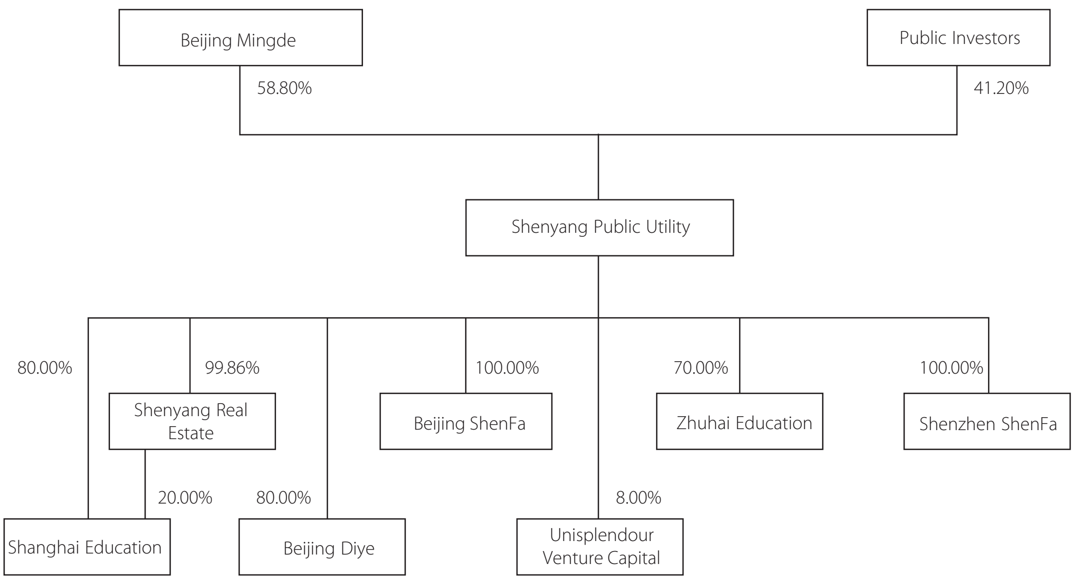
In December 1999, the Company issued 420,400,000 H shares of par value of RMB1.00 each at an issue price of HK$1.70 per share to international investors by way of placing a public offer. On 16 December 1999, the Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").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

In March 2009, 600,000,000 domestic shares of the Company held by SPUG were transferred to Beijing Mingde Guangye Investment Consultant Company Limited ("Beijing Mingde").

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

2. CORPORATE STRUCTURE

As at 31 December 2009, the corporate structure of the Group is shown below:



Beijing Mingde: Beijing Mingde Guangye Investment Consultant Company Limited, a controlling shareholder holding 58.80% equity interests 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;

Company Profile

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 directly holds 80.00% equity interests, is a real estate developer in Beijing;
Unisplendour Venture Capital:	Unisplendour Venture Capital, Inc. is an investee company in which the Company directly holds 8.00% equity interests;
Beijing ShenFa:	Beijing ShenFa Property Management Company Limited, in which the Company directly holds 100.00% equity interests;
Shenzhen ShenFa:	Shenzhen Jade Bird ShenFa Optoelectronic Company Limited, in which the Company directly holds 100% equity interests.

Financial Highlights

1. FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2009 was approximately RMB3,651,000, representing a decrease of 90.78% as compared with last year. The decrease was attributable to the fact that basically no income from properties sales was recognized in 2009.
- Loss attributable to owners of the Company for the year ended 31 December 2009 was approximately RMB14,974,000.
- Loss per share has substantially narrowed from RMB4.76 cents for the year ended 31 December 2008 to RMB1.47 cents for the year ended 31 December 2009.
- The Board resolved that no dividend would be declared for the year ended 31 December 2009.
- Trading in the H shares of the Company was suspended since 15 December 2004 and was resumed at 9:30 a.m. on 1 April 2010.

2. SUMMARY OF CONSOLIDATED INCOME STATEMENT

The financial highlights of the Group for the last five years are set out as follows:

	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)	(restated)
Turnover	**3,651**	39,617	7,116	16,465	91,221
Other income	**805**	16,329	576	3,108	245
Total income	**4,456**	55,946	7,692	19,573	91,466
Finance costs	**(798)**	(17,876)	(23,577)	(34,149)	(42,995)
Impairment loss recognised in respect of properties held for sale	**–**	(216,438)	–	–	–
Gain on disposal of subsidiaries	**–**	204,123	145,978	–	–
Prepayments of land purchased transferred and profit on sales of other current assets	**–**	–	–	19,575	–
(Loss) profit before taxation	**(15,728)**	(49,335)	(50,890)	(15,648)	(1,223,594)
Income tax credit (expenses)	**300**	(73)	492	(13,518)	17,242
Profit (loss) for the year	**–**	–	114,418	(9,293)	–
(Loss) profit for the year	**(15,428)**	(49,408)	64,020	(38,459)	(1,206,352)
Non-controlling interests	**(454)**	(855)	(2,199)	7,402	(57,684)
(Loss) profit attributable to owners of the Company	**(14,974)**	(48,553)	66,219	(45,861)	(1,148,668)
(Loss) earnings per share (cents)	**(1.47)**	(4.76)	6.49	(4.49)	(112.57)

Financial Highlights

3. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000 (restated)	At 31 December 2007 RMB'000 (restated)	At 31 December 2006 RMB'000 (restated)	At 31 December 2005 RMB'000 (restated)
Property, plant and equipment, investment properties and prepaid lease payments on land use rights	**313,194**	305,256	516,979	729,068	745,983
Goodwill	**–**	–	–	–	–
Available-for-sale financial assets	**17,000**	20,000	20,000	20,000	20,000
Other long-term receivables	**–**	32,745	–	–	–
Total non-current assets	**330,194**	358,001	536,979	749,068	765,983
Current assets	**256,208**	294,802	581,591	752,813	918,489
Current liabilities	**(99,333)**	(67,008)	(564,201)	(926,989)	(1,074,881)
Net current assets (liabilities)	**156,875**	227,794	17,390	(174,176)	(156,392)
	487,069	585,795	554,369	574,892	609,591
Capital resources:					
Share capital	**1,020,400**	1,020,400	1,020,400	1,020,400	1,020,400
Reserves	**(590,297)**	(575,323)	(526,419)	(592,638)	(546,777)
Non-controlling interests	**39,574**	40,028	42,769	84,541	77,139
	469,677	485,105	536,750	512,303	550,762
Non-current liabilities	**17,392**	100,690	17,619	62,589	58,829
	487,069	585,795	554,369	574,892	609,591

Chairman's Statement

Dear shareholders,

It is a great honor and pleasure for me to be elected as Chairman of the new Board of the Company. I would like to express my gratitude to all the shareholders and members of the Board for their trust and for giving me this precious opportunity to make contributions for the Group. In this Chairman's Statement, I would like to share with you the performance of the Group in the last year and its development in the future.

2009 is a crucial year for the resumption and reorganization of the Company. Significant progress has been achieved since the Company initiated its resumption process. However, the Listing (Review) Committee of the Stock Exchange turned down our application for the resumption of trading in October 2008, in which is a set-back for the resumption work. Upholding its responsibility to all the shareholders, the Company submitted an appeal to the Listing (Appeals) Committee of the Stock Exchange while executing the resumption and reorganization work. In 22 June 2009, the Listing (Appeals) Committee of the Stock Exchange finally approved the conditional resumption of trading of the Company.

After a hard work of several months, the Company has eventually satisfied all 13 conditions for the resumption of trading set out by the Stock Exchange, and H shares resumed trading on 1 April 2010. Following the completion of the resumption and reorganization, the ownership of the assets of the Company became more defined, the income and cash flows remained stable, while liabilities decreased significantly, and the overall operating condition was greatly improved. The prices of H shares are now higher than that recorded prior to the suspension. It is a great comfort for me that the shareholders are eventually repaid after the unremitting efforts of the Company. I would like to give my heartfelt thanks to all the staff, directors and supervisors. It is with their efforts that the Company has resumed trading and could develop on the basis of a solid foundation. I would also like to give my gratitude to all the shareholders, customers and partners for their trust and support.

To promote the resumption work, the Company reorganized its existing businesses and disposed of the projects that require a large amount of subsequent investment or would not be able to deliver income and profit in short term. A resolution regarding the disposal of 30% equity interests and the receivable of Shenyang Development Beida Education Science Park Company Limited was approved in the first extraordinary general meeting of the Company in 2009. The Company approved the resolution in relation to the disposal of 80% equity interests of Beijing Diye in its first extraordinary general meeting in 2010. The Company has also disposed of the remaining 40% equity interests of Shenyang Development Property Management Company Limited. The completion of the above mentioned disposals enabled the Company to focus its resources on the business reorganization and to improve its financial position remarkably.

The Company acquired a property located at 1st floor and 2nd floor, No.112, Jianguo Road, Chaoyang District, Beijing, PRC with gross floor area of approximately 3,500 square meters to meet the requirement of resumption. As the property is located at the prime area in Beijing, and the existing tenants are banking and public utilities enterprises with strong financial background and stable income, it is expected that the acquisition of the property will bring stable cash income to the Company. In addition, the Company also acquired a property located at Keyuan Road, Shenzhen Hi-tech Development Zone with gross floor area of approximately 12,500 square meters by way of acquisition of a company. As the property is located at Shenzhen Hi-tech Development Zone with strong and stable rental demand, it is expected that the acquisition of the property will generate stable cash income for the Company. The two acquisitions were approved at the Company's first extraordinary general meeting in 2010 held on 12 February 2010. The two acquisitions will generate stable income and cash flow and lay a stable foundation for the future development of the Company.

A good corporate governance system is an essential element of the sustainable development of a company. The Company held several annual general meetings and extraordinary general meetings during the year and obtained required shareholders' approval. A new Board was set up at the general meeting with new-elected chairman and Audit Committee, while new president and compliance officer were also appointed. The Auditor, Board and Audit Committee have reviewed the 2008 Financial Report and issued the 2008 Annual Report and the 2009 Interim Report in a timely manner. During the processes of carrying out the three transactions and mandatory unconditional general offer that related to the resumption of trading, the board, in particularly the non-executive Directors and independent non-executive Directors, have reviewed the relevant transaction conditions and made valuable suggestions. The financial advisors and lawyers appointed by the Company offered valuable suggestions to the Company on the resumption application and mandatory unconditional general offer. In particular, Partners Capital International Limited was appointed by the Company in March 2010 as the compliance advisor and is responsible for the enhancement of the internal control. All the above measures will enable the Company to establish an effective corporate governance system to guarantee the future sustainable development of the Company.

The successful resumption will bring development opportunities as well as challenges to the Company. All members of the Board and I will try our best to meet the challenges by improving our management and profitability and identifying new investment opportunities and profit drivers to create value for Shareholders. 2010 is the first year after the resumption of trading and is the beginning of a new decade, I am convinced that we will write a new chapter in the development of the Company in2010.

Shenyang Public Utility Holdings Company Limited
An Mu Zong
Chairman

Shenyang, PRC, 21 April 2010

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 28 November 2005. On 12 February 2009, 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 12 February 2009 and up to 11 February 2012.

Mr. Wang Hui, born in May 1975, graduated from Peking University (北京大學) in June 2001, majoring in economics and obtained 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 28 November 2005. On 12 February 2009, Mr. Wang was appointed as a non-executive director and chief executive officer of the Company at the first meeting of the fourth session of the board of directors of the Company, and was re-designated from a non-executive director to an executive director on 23 June 2009. The term was effected from 12 February 2009 and will be expired on 11 February 2012.

Mr. Wang Zai Xing, born in November 1970, graduated from Beijing Forestry University (北京林業大學) in June 1993, majoring in statistics and obtained 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. Mr. Wang has extensive experience in corporate reorganisation, asset appraisal and auditing. Mr. Wang has been an executive director of the Company since 28 November 2005. Mr. Wang Zai Xing was appointed as financial controller of the Company at the first meeting of the fourth session of the board of directors of the Company on 12 February 2009 with effect from 12 February 2009 and will be expired on 11 February 2012.

Mr. Chow Ka Wo Alex, born in 1967. Mr.Chow holds a Bachelor of Arts degree in Applied Mathematics and Economics from the University of California at Berkeley and a Master of Arts degree in Economics from the Cornell University in the United States. He is the director of Karl Thomson Financial Advisory Limited. He is responsible for the operation of the investment banking business of the group of Karl Thomson Holdings Limited's (stock code:0007) since joining that company in March 2002. Mr. Chow is an executive director of the Company since 12 February 2009 with a term expiring on 11 February 2012.

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 28 November 2005 with effect from 12 February 2009 and up to 11 February 2012.

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 28 November 2005 with effect from 12 February 2009 and up to 11 February 2012.

Profiles of the Management Team

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 an independent non-executive director of the Company since 28 November 2005 with a term commencing on 12 February 2009 and expiring on 11 February 2012.

Mr. Wong Kai Tat, born in 1954. Mr. Wong holds an LLB (Honours) degree from the University of Hong Kong, a bachelor's degree of business administration from the University of Iowa, U.S.A., a master of business administration degree from the University of Strathclyde, Scotland, a master of applied finance degree from Macquarie University, Australia, a master of corporate finance degree from Hong Kong Polytechnic University and an honorary doctor of law degree from Armstrong University in the U.S.A. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong is an independent non-executive director and the chairman of the audit committee of the Company with a term commencing on 12 February 2009 and expiring on 11 February 2012.

Mr. Chan Ming Sun Jonathan, born in 1973. Mr. Chan graduated with a Bachelor of Commerce degree in Accounting and Computer Information System from the University of New South Wales, Australia. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia. He is currently the associate director of Go-To-Asia Investment Limited and independent non-executive director of Sino Katalytics Investment Corporation (stock code: 2324). Mr. Chan is an independent non-executive director of the Company with a term commencing on 12 February 2009 and expiring on 11 February 2012.

Mr. Lam Tsan Wing Alexander, born in 1953. Mr. Lam holds a Bachelor's of Science degree from Hong Kong Polytechnic University and a professional diploma in Surveying from Willeston College of Technology in the U.K. He was also a past chairman of the General Practice Division of the Hong Kong Institute of Surveyors. He is currently the managing director of ATWL International Consultancy Limited. Mr. Lam is a committee member of Tianjin Municipal Committee, the Chinese People's Political Consultative Conference. Mr. Lam is an independent non-executive director of the Company with a term commencing on 12 February 2009 and resigned the position of independent non-executive director on 19 May 2009.

SUPERVISORS:

Mr. Wang Xing Ye, born in June 1977, graduated from Beijing University (北京大學) with a bachelor's degree in economics. Mr. Wang is currently the manager of the Division 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 28 November 2005 with a term commencing on 12 February 2009 and expiring on 11 February 2012.

Mr. Lu Ming, born in April 1973. Mr. Lu graduated from Shenyang University of Technology with a bachelor's degree in electronic measurement technology in 1996. During the period from September 1996 to May 1997, Mr. Lu worked in Shenyang Construction Investment Company. Mr. Lu has been supervisor of the Company since 12 February 2009 with a term expiring on 11 February 2012.

Management Discussion and Analysis

1. SUMMARY OF THE RESULTS

(1) Summary of the income statement

Consolidated profits

	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000 (restated)	2006 RMB'000 (restated)	2005 RMB'000 (restated)
Turnover	**3,651**	39,617	7,116	16,465	91,221
(Loss) profit for the year from continuing operations	**(15,428)**	(49,408)	(50,398)	(29,166)	(1,206,352)
Profit (loss) for the year from discontinued operations	**–**	–	114,418	(9,293)	–
(Loss) profit for the year	**(15,428)**	(49,408)	64,020	(38,459)	(1,206,352)
Non-controlling interests	**(454)**	(855)	(2,199)	7,402	(57,684)
(Loss) profit attributable to owners of the Company	**(14,974)**	(48,553)	66,219	(45,861)	(1,148,668)
(Loss) earning per share (cents)	**(1.47)**	(4.76)	6.49	(4.49)	(112.57)

(2) Analysis of segment results

	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000 (restated)	2006 RMB'000 (restated)	2005 RMB'000 (restated)
(Loss) profit before taxation	**(15,728)**	(49,335)	(50,890)	(15,648)	(1,223,594)
Of which:					
Property development	**(921)**	(11,544)	(5,113)	(17,178)	(236,801)
Education investment	**968**	2,552	(8,169)	(9,264)	(306,751)
Unallocated corporate income and expenses	**(15,775)**	(40,343)	(37,608)	10,794	(680,042)

(3) Analysis of segment turnover

	2009 RMB'000	% of total turnover	2008 RMB'000 (restated)	% of total turnover	2007 RMB'000 (restated)	% of total turnover	2006 RMB'000 (restated)	% of total turnover	2005 RMB'000 (restated)	% of total turnover
Total turnover	**3,651**	**100**	39,617	100	7,116	100	16,465	100	91,221	100
Of which:										
Continuing operations										
Property development	**651**	**17.83**	36,617	92.43	3,905	54.88	9,521	57.83	77,040	84.45
Education investment	**3,000**	**82.17**	3,000	7.57	3,211	45.12	6,370	38.69	6,472	7.09
Unallocated	**–**	**–**	–	–	–	–	574	3.48	7,709	8.46

Management Discussion and Analysis

Loss for the year

During the year ended 31 December 2009, the loss of the Group was approximately RMB15,428,000. The loss was mainly due to the following:

1. As the acquisition of the properties located in 1st floor and 2nd floor, No.112, Jianguo Road, Beijing, the PRC and located in Keyuan Road East, Jingsi Road West, South Avenue of High-tech Industrial Park, Nanshan District, Shenzhen, the PRC has not yet completed at the end of financial period, the revenue for the year ended 31 December 2009 mainly derived by the rental income generated by Zhuhai Education of approximately RMB 3,000,000.

2. Legal and professional fee of approximately RMB8,482,000 in assisting the Company for the resumption of trading.

3. Depreciation of approximately RMB1,716,000.

4. Impairment loss recognised in respect of 8% investment in Unisplendour Venture Capital of approximately RMB3,000,000.

5. Net change in fair value of investment properties approximately of RMB2,000,000.

Other operating expenses

During the year ended 31 December 2009, other operating expenses of the Group was approximately of RMB9,9280,000, in which approximately RMB8,482,000 represented a legal and professional fee paid for different professional parties in assisting the Company for the resumption of trading.

2. ANALYSIS OF THE REAL ESTATE DEVELOPMENT BUSINESS

Summary of operating results

	2009	2008
	RMB'000	RMB'000 (restated)
Turnover	**651**	36,617
Loss before taxation	**(921)**	(11,544)

On 31 December 2008, the Company entered into the Share Transfer Agreement with Beijing Zhong Yi Chong Yi Technology Development Company ("Zhong Yi"), with a view to rationalize the Group's business structure and procure resumption of trading of shares. Pursuant to the agreement, the Company has agreed to sell 80% equity interests in Beijing Diye to Zhong Yi (details of this share transfer were provided in the announcement of the Company dated 10 August 2009). This transaction could improve the Company's cash flow and support the reorganization of the Company and the resumption of trading in the Company's share. Given that Beijing Diye has not acquired the proper title of the land, the disposal of Beijing Diye will contribute to a clearer delineation of the assets under the Group. Detail information has been set out in the Company's circular dated 28 December 2009 (the "Circular"), the resolution as set out in the Circular were duly passed on 12 February 2010. The disposal of Beijing Diye has been completed with all conditions complied as stated in the announcement dated 31 March 2010.

Management Discussion and Analysis

On 5 January 2009, the Company entered into the Share Transfer Agreement with Beijing Beida Jade Bird Company Limited ("Beida Jade Bird"), Shenzhen Beida Jade Bird Sci-tech Company Limited ("Shenzhen Jade Bird") and Beijing Tianqiao Beida Jade Bird Sci-tech Company Limited ("Beijing Tanqiao"), with an aim to rationalize the Group's business structure, procure the resumption of trading of the Company's shares, and to increase income and cash flow to the Company. Pursuant to the agreement, the Company agreed to purchase the Beida Jade Bird Building located at Keyuan Road in Shenzhen by way of acquisition of Shenzhen Jade Bird Optoelectronic Company Ltd (details of which were contained in the Company's announcement dated 16 September 2009). The property is located at Shenzhen Hi-tech Development Zone. It is expected that the property will generate stable cash and rental income for the Company. Detail information has been set out in the Company's Circular, the resolution as set out in the Circular were duly passed on 12 February 2010. The acquisition of property has been completed with all conditions complied as stated in the announcement dated 31 March 2010.

On 5 January 2009, the Company entered into the Asset Purchase Agreement with Zhong Yi, with an aim to rationalize the Group's business structure, procure the resumption of trading of the Company's shares, and increase income and cash flow to the Company. Pursuant to the agreement, it is agreed that the Company shall acquire the property located at 1st floor and 2nd floor, No.112, Jianguo Road, Chaoyang District, Beijing, the PRC from Zhong Yi (details of which were contained in the Company's announcement dated 9 November 2009). As the property is located at the prime area in Beijing, and the existing tenants are banking and public utilities enterprises with strong financial background and stable income, it is expected that the acquisition of the property will bring stable cash income for the Company. Detail information has been set out in the Company's Circular, the resolution as set out in the Circular were duly passed on 12 February 2010. The acquisition of property has been completed with all conditions complied as stated in the announcement dated 31 March 2010.

3. ANALYSIS OF THE EDUCATION INVESTMENT BUSINESS

The existing gross floor area of Zhuhai Education was approximately 71,000 sq meters. Zhuhai Beida Subsidiary Experiment School ("Zhuhai School") enrolled approximately 580 public school students and private school students for the 2009 autumn school term, while the total number of students in Zhuhai School was approximately 1,270. Zhuhai School has paid Zhuhai Education a rental fee amounting to approximately RMB3,000,000 during the year.

In 2008, the Group disposed the debt receivable from Shenyang Development Beida Education Science Park Company Limited ("Shenyang Education") amounting to approximately RMB256,600,000 and 30% shareholding in Shenyang Education in order to retrieve the preliminary investment and recover funds for the operation of the Group. The Group ceased to hold any equity interest in Shenyang Education thereafter. On 9 July 2009, the first extraordinary general meeting of the Company in 2009 ratified and approved that transaction. During the year, the Company received the proceed from the disposal of the debt receivable from Shenyang Education and this supports the Company's reorganization and resumption of trading. (Details please refer to the announcement of the Company dated 5 February 2009 and the results announcement of the EGM dated 9 July 2009).

Management Discussion and Analysis

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

(1) Financial statistics of the Group

Items	Basis	At 31 December 2009	At 31 December 2008 (restated)
Gearing ratio	Total liabilities/total assets x 100%	**19.91%**	25.69%
Current ratio	Current assets/current liabilities	**2.58**	4.40
Quick ratio	(Current assets – inventories – properties held for sale)/current liabilities	**0.63**	1.33
Return on net assets ratio	Net loss/net assets x 100%	**(3.28%)**	(10.19%)
Sales profit margin	Net loss/turnover x 100%	**(422.57%)**	(124.71%)
Debt equity ratio	Total liabilities/total equity x 100%	**24.85%**	34.57%

(2) Overall position of the Group's assets

As at 31 December 2009, there was a decrease in the total assets of the Group when compared with that of the previous year. The total assets of the Group decreased to approximately RMB586,402,000 from approximately RMB652,803,000 representing a decrease of approximately RMB66,401,000 or 10.17%.

	At 31 December		Changes in
	2009	2008	amount
	RMB'000	RMB'000 (restated)	RMB'000
Total assets of which:			
Property, plant and equipment	**5,674**	7,256	(1,582)
Investment properties	**307,520**	298,000	9,520
Available-for-sale financial assets	**17,000**	20,000	(3,000)
Other long term receivables	**–**	32,745	(32,745)
Total current assets	**256,208**	294,802	(38,594)
	586,402	652,803	(66,401)

Management Discussion and Analysis

(3) Current assets of the Group

As at 31 December 2009, the current assets of the Group decreased by approximately RMB38,594,000 to approximately RMB256,208,000 as compared with approximately RMB294,802,000 in the previous year, representing a decrease of approximately 13.09%.

	At 31 December		Changes in
	2009	2008	amount
	RMB'000	RMB'000 (restated)	RMB'000
Current assets of which:			
Properties held for sale	**193,941**	205,735	(11,794)
Prepayments	**2,000**	1,572	428
Other receivables	**36,731**	80,692	(43,961)
Bank balances and cash	**23,536**	6,803	16,733
	256,208	294,802	(38,594)

(4) Bank borrowings of the Group

As at 31 December 2009, the Group's bank borrowings totalled approximately RMB9,000,000 (2008: RMB14,000,000), in which, approximately of RMB9,000,000 (2008: RMB14,000,000) was guaranteed by Beida Jade Bird.

The bank borrowings bear variable interest at a base rate of the People's China Bank plus 10% (2008: base rate of the People's China Bank plus 20%) ranging from 5.3% to 6.4% (2008: 6.6% to 9.7%) per annum.

(5) Equity attributable to owners of the Company

	At 31 December		Changes in
	2009	2008	amount
	RMB'000	RMB'000 (restated)	RMB'000
Share capital	**1,020,400**	1,020,400	–
Share premium	**323,258**	323,258	–
Statutory surplus reserve	**103,231**	103,231	–
Accumulated losses	**1,016,786**	1,001,812	14,974

5. EMPLOYEES AND EMPLOYEES' EDUCATION LEVEL

As at 31 December 2009, the Group had 19 employees. During the year, the aggregate salaries and allowances and termination compensation paid to the employees amounted approximately RMB2,429,000 (2008: RMB4,359,000) and approximately RMB24,000 (2008: RMB117,000) respectively. 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 the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2009.

1. PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are the (i) development, sales and leasing of real estate and (ii) investment and management of education projects.

An analysis of the Group's results by business segments for the year is set out in Note 10 to the consolidated financial statements.

2. SUBSIDIARIES AND JOINT VENTURES

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.

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.

Beijing ShenFa, a limited liability company with a registered capital of RMB500,000, was incorporated at No. 18, Zhong Guan Cun East Road, Haidian District, Beijing, the PRC in December 2009. Its principal operations are located in the PRC. The Company holds 100% equity interests in it. During the Year, no debt securities were issued by it.

Shenzhen ShenFa, a limited liability company with a registered capital of RMB500,000, was incorporated at Room 502, Beida Jade Bird Building, Ke Yuan Road, High Sci-tech Development Zone, Shenzhen, the PRC in December 2009. Its principal operations are located in the PRC. The Company holds 100% equity interests in it. During the Year, no debt securities were issued by it.

3. OTHER INVESTMENTS

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

Report of the Directors

4. CHANGE OF CONTROLLING SHAREHOLDER AND MANDATORY UNCONDITIONAL GENERAL OFFER

On 13 February 2009, 58.8% equity interests held by SPUG in the Company were put under an auction ordered by the Intermediate People's Court of Beijing (the "Court"). Such shares were acquired by Beijing Mingde in the said auction (details of which were contained in the Company's announcement dated 24 March 2009). On 24 February 2009, the Company received a copy of [2007] Yi Zhong Zhi Zi No.1192-3, Civil Judgment （民事裁定書(2007) – 中執字第1192-3號） issued by the Court (the "Judgement"). The Judgment indicated that the 600,000,000 domestic shares of the Company should be vested with Beijing Mingde. The procedures of transfer of such shareholdings with the PRC's relevant registration department of administration of industry and commerce have been completed on 20 March 2009. Accordingly, Beijing Mingde has become the holder of 600,000,000 domestic shares of the Company, and thus is a controlling shareholder of the Company.

In accordance with the Code on Takeovers and Mergers, Beijing Mingde and parties acting in concert with it were required to make a mandatory unconditional general offer for all the outstanding Shares other than those already owned or agreed to be acquired by them. In August 2009, Beijing Mingde and Amazing Wealth Development Limited ("Amazing Wealth") have entered into an agreement in respect of the offer. Pursuant to the agreement, Amazing Wealth tendered an mandatory unconditional cash offer to acquire all the issued H shares of the Company at an offer price of HKD0.1939 per share (details of the offer was contained in the Company's composite document jointly issued with Amazing Wealth in respect of the mandatory unconditional cash offer dated 19 October 2009).

The offer closed at 4:00 p.m. on 9 November 2009. Valid acceptances in respect of 7,398,100 H shares (representing 0.73% of the entire issued shares of the Company and 1.76% of the entire H shares) was received (details of which were contained in the Company's announcement jointly issued with Amazing Wealth on 9 November 2009).

5. RESULTS, FINANCIAL POSITION AND ANALYSIS OF RESULTS

The Group's results for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 31 to 32.

The Group's financial position as at 31 December 2009 is set out in the consolidated statement of financial position on pages 33 to 34.

The Group's cash flow for the year is set out in the consolidated statement of cash flows on pages 36 to 37.

Analysis of the results of the Group for the year is set out in the Management Discussion and Analysis section on pages 9 to 13.

6. INTERIM DIVIDEND

The board of directors of the Company resolved that no interim dividend was declared for the year 2009.

7. FINAL DIVIDEND

The board of directors of the Company resolved that no final dividend would be declared for the year 2009. Such resolution is subject to approval at the 2009 Annual General Meeting of the Company.

Report of the Directors

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 35.

9. DONATION

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

10. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 20 to the consolidated financial statements.

11. SHARE CAPITAL

As at 31 December 2009, the authorised, issued and fully paid share capital of the Company is as follows:

Types of shares	Number of shares	Percentage
Domestic shares of RMB1 each	600,000,000	58.80%
H shares of RMB1 each	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 16 to the consolidated financial statements.

(1) The Group was subject to income tax rates ranging from 16.5% 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 28 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 1 June 2005 onwards.

Report of the Directors

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 30 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 1 October 2002 onwards.

15. DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company had no distributable reserves.

16. FIVE-YEAR FINANCIAL HIGHLIGHTS

Highlights of the results and assets and liabilities of the Group during the year and the past four years are set out on pages 4 to 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 92.50% of the Group's total sales for the year, of which sales to the largest customer RMB3,000,000 accounted for approximately 82.17% of the Group's total sales for the year. Since the sales of the year are mainly derived from properties leasing and property management, there is no purchase for operations occurred during the year.

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

As at 11 February 2009, the 3rd Session 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, of which, Mr. Cai Lian Jun is an independent non-executive director.

Supervisor: Mr. Wang Xing Ye.

As at 31 December 2009, the 4th Session Directors and supervisors of the Company were as follows:

Directors: Mr. An Mu Zong, Mr. Wang Zai Xing, Mr. Chow Ka Wo Alex, Mr. Wang Hui, Mr. Deng Yan Bin, Mr. Lin Dong Hui, Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr.Chan Ming Sun Jonathan. Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr.Chan Ming Sun Jonathan are independent non-executive directors.

Supervisors: Mr. Wang Xing Ye and Mr. Lu Ming.

Report of the Directors

19. DIRECTORS' AND SUPERVISOR'S SERVICE CONTRACTS

The Company entered into service contracts with the directors and supervisor of the 4th session of the board of directors and board of supervisors on 12 February 2009. 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 in advance, all service contracts for the existing directors and supervisor should expire on 11 February 2012. 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 terminable 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 31 December 2009, 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. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in Note 14 to the consolidated financial statements respectively.

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

During the year or as at the end of the financial period, 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.

Report of the Directors

24. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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	Beijing Mingyude Business and Trade Company Limited (note 1)	600,000,000 domestic shares (unlisted shares)	58.80%
2	李鵬 (note 2)	600,000,000 domestic shares	58.80%
3	申雲燮 (note 3)	600,000,000 domestic shares	58.80%
4	HKSCC Nominees Limited (note 4)	417,433,200 H shares (listed shares)	41.03%

Notes:

1. Beijing Mingyude Business and Trade Company Limited ("Mingyude") is a limited company established in the PRC which holds 90% equity interests in Beijing Mingde. Pursuant to Section of 316 of the Securities and Futures Ordinance ("SFO"), Mingyude is also deemed to be interested in the underlying shares of the Company held by Mingde Guangye.

2. 李鵬 is a PRC legal person who holds 10% equity interests in Beijing Mingde and 60% equity interests in Mingyude. Pursuant to Section 316 of the SFO, 李鵬 is also deemed to be interested in the underlying shares of the Company held by Beijing Mingde.

3. 申雲燮 is a PRC legal person who holds 40% interests in Mingyude, which holds 90% equity interests in the Beijing Mingde. Pursuant to Section 316 of the SFO, 申雲燮 is also deemed to be interested in the underlying shares of the Company held by Beijing Mingde.

4. As notified by HKSCC Nominees Limited, as at 15 April 2010, the following participants of CCASS had interests amounting to 5.00% or more of the total issued H shares of the Company as shown in the securities accounts in CCASS:

   (1) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 53,110,400 H shares, representing 12.63% of the issued H shares of the Company.

   (2) Bank of China (Hong Kong) Limited as nominee holds 31,994,000 H shares, representing 7.61% 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.

Report of the Directors

25. MATERIAL CONTRACT

(1) The Share Transfer Agreement entered into with Zhong Yi in respect of 80% shareholdings in Beijing Diye

On 31 December 2008, the Company entered into the Share Transfer Agreement with Zhong Yi, with an aim to rationalize the Group's business structure and procure resumption of trading of shares. Pursuant to the agreement, the Company has agreed to sell 80% equity interests in Beijing Diye to Zhong Yi (details of this share transfer were provided in the announcement of the Company dated 10 August 2009). This transaction could improve the Company's cash flow and support the reorganization of the Company and the resumption of trading in the Company's share. Given that Beijing Diye has not acquired the proper title of the land, the disposal of Beijing Diye will contribute to a clearer delineation of the assets under the Group. Detail information has been set out in the Company's circular dated 28 December 2009 (the "Circular"), the resolution as set out in the Circular were duly passed on 12 February 2010. The disposal of Beijing Diye has been completed with all conditions complied as stated in the announcement dated 31 March 2010.

(2) The Asset Purchase Agreement entered into with Zhong Yi in respect of the property located at 1st floor and 2nd floor, No.112, Jianguo Road, Beijing

On 5 January 2009, the Company entered into the Asset Purchase Agreement with Zhong Yi, with an aim to rationalizing the Group's business structure, procuring the resumption of trading of the Company's shares, and increasing income and cash flow to the Company. Pursuant to the agreement, it is agreed that the Company shall acquire the property located at 1st floor and 2nd floor, No.112, Jianguo Road, Chaoyang District, Beijing, the PRC from Zhong Yi (details of which were contained in the Company's announcement dated 9 November 2009). As the property is located at the prime area in Beijing, and the existing tenants are banking and public utilities enterprises with strong financial background and stable income, it is expected that the acquisition of the property will bring stable cash income for the Company. Detail information has been set out in the Company's Circular, the resolution as set out in the Circular were duly passed on 12 February 2010. The acquisition of property has been completed with all conditions complied as stated in the announcement dated 31 March 2010.

(3) The Share Transfer Agreement entered into with Beida Jade Bird and Shenzhen Jade Bird in respect of 100% equity interests in Shenzhen Jade Bird Optoelectronic Co, Ltd

On 5 January 2009, the Company entered into the Share Transfer Agreement with Beida Jade Bird, Shenzhen Jade Bird and Beijing Tanqiao, with an aim to rationalize the Group's business structure, procure the resumption of trading of the Company's shares, and to increase income and cash flow to the Company. Pursuant to the agreement, the Company agreed to purchase the Beida Jade Bird Building located at Keyuan Road in Shenzhen by way of acquisition of Shenzhen Jade Bird Optoelectronic Co, Ltd (details of which were contained in the Company's announcement dated 16 September 2009). The property is located at Shenzhen Hi-tech Development Zone. It is expected that the property will generate stable cash and rental income for the Company. Detail information has been set out in the Company's Circular, the resolution as set out in the Circular were duly passed on 12 February 2010. The acquisition of property has been completed with all conditions complied as stated in the announcement dated 31 March 2010.

Report of the Directors

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 10 years starting from 1 September 2003, which is renewable. For the three years ended 31 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 (2008: 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. The transaction will not be a connected transaction since Beida Jade Bird ceased to be an indirect shareholder of the Company.

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 and Conditional Resumption of Trading

In November 2008, in response to the decision of the Listing (Review) Committee that insisted on delisting of the Company shares, the Company submitted an application for review of the said decision to the Listing Appeals Committee. On 18 June 2009, the Appeals Committee held a meeting to hear and consider the application for appeal from the Company.

On 22 June 2009, the Stock Exchange informed the Company in writing that it was granted an approval to resume trading in its H shares on the Stock Exchange subject to all the conditions as set out in the Decision Letter have been complied with to the satisfaction of the Listing Division before 28 February 2010 (details of which were contained in the Company's announcement dated 26 June 2009).

In February 2010, due to extra time required for the compliance with the relevant conditions, an application was made to the Stock Exchange by the Company for an extension of time for compliance with the relevant resumption conditions. The Stock Exchange approved the said application and agreed to extend the time for satisfaction of resumption conditions to 31 March 2010 (details of which were contained in the Company's announcement dated 1 March 2010).

On 31 March 2010, the Company issued an announcement on the resumption of trading (details of which were contained in the Company's announcement dated 31 March 2010). On 1 April 2010, the trading of the Company's H shares resumed.

Report of the Directors

(2) Change of Controlling Shareholder and Mandatory Unconditional General Offer

On 13 February 2009, 58.8% equity interests held by SPUG in the Company were put under an auction ordered by the Court. Such shares were acquired by Beijing Mingde in the said auction (details of which were contained in the Company's announcement dated 24 March 2009). On 24 February 2009, the Company received a copy of [2007] Yi Zhong Zhi Zi No.1192-3, Civil Judgment （民事裁定書(2007) – 中執字第1192-3號） issued by the Court (the "Judgement"). The Judgment indicated that the 600,000,000 domestic shares of the Company should be vested with Beijing Mingde. The procedures of transfer of such shareholdings with the PRC's relevant registration department of administration of industry and commerce have been completed on 20 March 2009. Accordingly, Beijing Mingde has become the holder of 600,000,000 domestic shares of the Company, and thus is a controlling shareholder of the Company.

In accordance with the Code on Takeovers and Mergers, Beijing Mingde and parties acting in concert with it were required to make a mandatory unconditional general offer for all the outstanding Shares other than those already owned or agreed to be acquired by them. In August 2009, Beijing Mingde and Amazing Wealth have entered into an agreement in respect of the offer. Pursuant to the agreement, Amazing Wealth tendered an mandatory unconditional cash offer to acquire all the issued H shares of the Company at an offer price of HKD0.1939 per share (details of the offer was contained in the Company's composite document jointly issued with Amazing Wealth in respect of the mandatory unconditional cash offer dated 19 October 2009).

The offer closed at 4:00 p.m. on 9 November 2009. Valid acceptances in respect of 7,398,100 H shares (representing 0.73% of the entire issued shares of the Company and 1.76% of the entire H shares) was received (details of which were contained in the Company's announcement jointly issued with Amazing Wealth on 9 November 2009).

(3) Change of Directors and Supervisors

According to the Articles of Association of the Company, each term of service of the directors of the Company is fixed for three years, subject to re-election. The Third Session of the Board of Directors was established on 28 November 2005, which means the term of three years have expired. On 12 February 2009, the Company held the 2007 Annual General Meeting and elected the Forth Session of the Board of Directors and the Committee of Supervisors. Mr. An Mu Zong, Mr. Wang Zai Xing and Mr. Chow Ka Wo Alex were elected as executive directors of the Forth Session of the Board of Directors; Mr. Deng Yan Bin, Mr. Lin Dong Hui and Mr. Wang Hui were elected as non executive directors of the Forth Session of the Board of Directors; Mr. Wong Kai Tat, Mr. Chan Ming Sun, Mr. Cai Lian Jun and Mr. Lam Tsan Wing Alexander were elected as the independent non-executive directors of the Fourth Session of the Board of Directors. Mr. Lam Tsan Wing Alexander resigned the position of independent non-executive director on 19 May 2009, and Mr. Wang Hui was re-designated from a non-executive director to an executive director on 23 June 2009.

(4) Establishment of Beijing ShenFa

In December 2009, the Company established a wholly-owned subsidiary Beijing ShenFa in Beijing to hold the property located at 1st floor and 2nd floor, No. 112, Jianguo Road, Chaoyang District, Beijing.

(5) Establishment of Shenzhen ShenFa

In December 2009, the Company established a wholly-owned subsidiary Shenzhen Shenfa in Shenzhen to hold the equity interests in Shenzhen Jade Bird Optoelectronic Co, Ltd (深圳青鳥光電有限公司).

(6) Disposal of the 40% Equity Interest in Shenyang Development Property Management Company Limited

The Group disposed of its 40% equity interest in Shenyang Development Property Management Company Limited ("Shenyang Property") during the reporting period. Since the total investment amount in Shenyang Property and the transaction consideration were relatively low, the disposal did not constitute a disclosable transaction. As such, the Company ceased to have any equity interest in Shenyang Property.

Report of the Directors

30. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS

(1) 2005 Annual General Meeting

On 12 February 2009, the Company convened the 2005 Annual General Meeting, at which the Company's 2005 report of the directors, consolidated financial statements, auditor's report, and the resolution in respect of profit allocation and dividend distribution were being considered and approved (For further details please refer to the Company's announcement dated 12 February 2009).

(2) 2006 Annual General Meeting

On 12 February 2009, the Company convened the 2006 Annual General Meeting, at which the Company's 2006 report of the directors, consolidated financial statements, auditor's report, and the resolution in respect of profit allocation and dividend distribution were being considered and approved (For further details please refer to the Company's announcement dated 12 February 2009).

(3) 2007 Annual General Meeting

On 12 February 2009, the Company convened the 2007 Annual General Meeting, at which the Company's 2007 report of the directors, consolidated financial statements, auditor's report, and the resolutions in respect of profit allocation and dividend distribution, the succession of the board of directors and board of supervisors, reappointment of auditors, appointment of independent non-executive directors were being considered and approved (For further details please refer to the Company's announcement dated 12 February 2009).

(4) 2008 Annual General Meeting

On 9 July 2009, the Company convened the 2008 Annual General Meeting, at which the Company's 2008 report of the directors, consolidated financial statements, auditor's report, and the resolutions in respect of reappointment of auditors, profit allocation and dividend distribution were being considered and approved (For further details please refer to the Company's announcement dated 9 July 2009).

(5) First Extraordinary General Meeting for 2009

On 9 July 2009, the Company convened the first extraordinary General Meeting for 2009, at which the resolution in respect of the disposal of RMB256.6 million debt receivable from Shenyang Education and 30% shareholding in Shenyang Education by the Group was being considered and approved (For further details please refer to the Company's announcement dated 9 July 2009).

31. BANK BORROWINGS

Bank borrowings of the Group

As at 31 December 2009, the Group's bank borrowings totalled approximately RMB9,000,000 (2008: RMB14,000,000), in which, approximately of RMB9,000,000 (2008: RMB14,000,000) was guaranteed by Beida Jade Bird.

The bank borrowings bear variable interest at a base rate of the People's China Bank plus 10% (2008: base rate of the People's China Bank plus 20%) ranging from 5.3% to 6.4% (2008: 6.6% to 9.7%) per annum.

32. TRUST DEPOSITS

The Group did not have any deposit managed by trustees for the year.

Report of the Directors

33. RETIREMENT BENEFITS SCHEME

Details of the retirement scheme and the amount of contributions to the retirement benefits scheme are set out in Note 15 to the consolidated financial statements.

34. 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.

35. LOANS TO SENIOR MANAGEMENT

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

36. WORK OF THE AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, namely Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan and Mr. Cai Lian Jun. Mr. Wong Kai Tat is the chairman of the Audit Committee. Mr. Wong Kai Tat has competent professional accounting qualification and expertise in financial management. The duties of the Audit Committee include the review of the accounting policy and practice adopted by the Company, review the matters on internal control and financial reporting, provide recommendation on the appointment and removal of external auditors and consider their remuneration and terms of appointment.

The Audit Committee held two meetings during the year and has reviewed the annual results of the Group for the year ended 31 December 2009 and discussed accounting policy and practice adopted by the Group and matters on financial reporting with the Group's auditor.

37. PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the year, the Company and any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

38. THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors considers that the Company has adopted and been committed to comply with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

39. MATERIAL LITIGATION

During the year, the Group was not involved in any new litigation while progress was made in settling the claim by Beida Jade Bird against the Company with respect to outstanding guaranteed amount.

In December 2006, the assets of Beida Jade Bird have been auctioned by the Court and the proceeds were applied to settle the guaranteed amount provided by Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin Hua Gong") to the Company due to the litigation over the loan from Dalian Branch of Shenzhen Development Bank. In May 2007, Beida Jade Bird commenced legal action against the Company and SPUG, the guarantors, for the said amount. Up to 31 August 2008, the Company has repaid approximately RMB101,340,000 to Beida Jade Bird. The unpaid balance of the claim of Beida Jade Bird and the interest thereof amount to approximately RMB83,000,000.

Report of the Directors

Later, application was made by Beida Jade Bird to Beijing No. 1 Intermediate People's Court for the implementation of SPUG's assets. In February 2009, Beijing No. 1 Intermediate People's Court had entrusted an auctioneer to hold a legal auction in respect of the 58.8% equity interests held by SPUG in the Company. Beijing Mingde successfully bid for the equity interests. The proceeds were used to settle the guaranteed amount owned to Beida Jade Bird. As such, the guaranteed amount due to Beijing Jade Bird from the Company had been fully settled.

As a result of auction of the SPUG's assets to repay the Company's debts, the Company has an outstanding guaranteed amount due to SPUG of approximately RMB84,000,000. As of March 2010, the Company has financed such amount from various sources and repaid all outstanding guaranteed amount to SPUG.

40. AUDITORS

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

At the 2008 annual general meeting of the Company held on 9 July 2009, the resolution to reappoint Lo and Kwong C.P.A Company Limited as the Group's auditors was approved. (Details please refer to the Company's announcement dated 9 July 2009)

41. 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.

42. INDEPENDENT NON-EXECUTIVE DIRECTORS

On 12 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 12 February 2009)

Mr. Lam Tsan Wing Alexander resigned the position of independent non-executive director on 19 May 2009. (Details please refer to the Company's announcement dated 21 May 2009).

43. 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 21 April 2010 (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, 21 April 2010

Corporate Governance Report

Although the H Shares of the Company were suspended from trading during the year, the Company has still committed to comply the PRC Company Law, with the relevant provisions of the "Code on Corporate Governance Practice" ("Code") as set out in Appendix 14 of the Stock Exchange of Hong Kong Limited and other relevant laws and regulations and endeavor to achieve a higher standard of corporate governance.

Board

The Board shall be responsible for leading the Company and provided effective control over the Company to safeguard the interests of shareholders. The Board will formulate policy and strategies for every business segment of the Group while implementing internal control and monitoring the effectiveness. The execution of the Board's policy and strategies and the day-to-day management are delegated to the executive directors and the management.

On 31 December 2009, the Board of the Directors comprised nine directors, of which four were executive directors, two were non-executive directors and three were independent non-executive directors. The Company disclosed the composition of the Board in all the communications according to the category of directors (including the chairman, executive director, non-executive director and independent non-executive director).

The directors of the Company (including non-executive directors) are appointed for specific term. According to the Articles of Association of the Company, directors are elected on thr General Meeting with a service term of three years and are subject to re-election after the term expires. The appointment of all directors of the Company shall be approved by shareholders.

The Company didn't establish Nomination Committee and the Board is responsible for filling a vacancy or adding new directors to the existing Board.

All the directors (including non-executive director and independent non-executive director) have devoted reasonable time and effort in dealing with the affairs of the Company. Every non-executive director and independent non-executive director has appropriate academic and professional qualification and relevant management experience and will provide recommendation to the Board. The Board considers that non-executive directors and independent non-executive directors are capable of providing valuable and independent opinions on the aspects of the Company's strategy, performance, conflict of interests and management procedures, and hence the interests of shareholders are fully considered and safeguarded.

Being the chairman, Mr. An Mu Zong led and supervised the proceeding of the Board meetings to ensure that all directors are allowed to raise questions in the Board meeting and such questions will be properly addressed and that all directors will be provided with complete, appropriate and reliable information. To ensure the effective operation of the Board, all the significant matters shall be discussed in the Board and this helped develop good corporate governance practice and effective communication with shareholders.

Mr. Wang Hui, the Chief Executive Officer of the Company, is responsible for the execution of the financial policy, strategy, targets and plans adopted by the Board and the Chairman and the Chief Executive Officer shall have different responsibilities.

Pursuant to the requirements of Rule 13.3 of the Listing Rules, the Company has appointed three independent non-executive directors and two of whom has appropriate qualification on accounting. All independent non-executive directors have confirmed their independence to the Company and the Company considers that each independent non-executive director is independent.

Corporate Governance Report

Attendance record of board meetings

Director	Position	Attendance/meetings
An Mu Zong	Executive directors	5/5
Wang Zai Xing	Executive directors	5/5
Alex Chow Ka Wo	Executive directors	5/5
Wang Hui	Executive directors	5/5
Deng Yan Bin	Non executive directors	5/5
Lin Dong Hui	Non executive directors	5/5
Cai Lian Jun	Independent non executive directors	5/5
Wong Kai Tat	Independent non executive directors	4/5
Chan Ming Sun Jonathan	Independent non executive directors	5/5

During the directors meeting, the directors discussed and formulated policy and strategies for business of the Group, the corporate governance system and financial and internal control system as well as reviewed interim and annual results and other relevant material events. All directors were invited to the meeting in person and those who cannort attend the meeting himself/herself can attend the meeting via electronic media.

According to the Articles of Association, notice for Board meetings should be given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like discussed in the agenda. All applicable rules and regulations are followed in each meeting and detailed minutes of each meeting are prepared. After the meeting, the draft minutes are circulated to all directors for comment as soon as practicable.

Should a matter being considered involve a potential conflict of interest for a director, the director concerned will abstain from voting. Independent non-executive directors with no conflicts of interest will be present at meetings dealing with such issues. The Board's audit committee also adopts the practices used in the general Board meetings.

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code"), laid out in Appendix 10 to the Listing Rules, to regulate transactions such as our directors' and supervisors' dealings in the Company's securities. The Company has also issued enquiry to each director and supervisor as to whether each of them has fully complied with or violated the Code. Each of the director and supervisor has confirmed that they have fully observed the Code during the financial year ended 31st December 2009.

Supervisory Committee

The supervisory committee now consists of two members, namely Mr. Wang Xing Ye and Mr. Lu Ming. Each supervisor effectively performs their supervisory duties relating to the Company's operations.

Audit committee and its accountability

The audit committee is made up of three independent non-executive directors, namely Mr. Wong Kai Tat, Mr. Chan Ming Sun and Mr. Cai Lian Jun.

The chairman of the committee is Mr. Wong Kai Tat, who has professional accounting qualifications and expertise in financial management. The duties of the audit committee include reviewing the accounting policies and practices adopted by the Group, reviewing internal control and financial reporting matters, making recommendations to the Board on appointing or removing external auditors, and considering their remuneration and terms of engagement.

The audit committee held two meetings during the year. Following Board practice, minutes of these meetings were circulated to all members for comment, approval and record as soon as practicable after each meeting. There was no disagreement between the Board and the audit committee regarding the selection and appointment of external auditors. The audit committee has reviewed the annual results for the year ended 31 December 2009 and discussed with the management and the Company's auditors the accounting policies and practices adopted and financial reporting matters of the year.

Corporate Governance Report

The attendance records of individual committee members are set out as below:

	Meetings attended/Total
Wong Kai Tat	2/2
Chan Ming Sun	2/2
Cai Lian Jun	2/2

Auditors' Remuneration

Lo and Kwong C.P.A. Company Limited is the Group's auditor. The remuneration in respect of the services provided by the Group's auditors is analysed as follows:

	2009 **RMB'000**	2008 RMB'000
Audit services		
– Annual audit for the year ended 31 December 2009	**500**	700
– Others	**1,247**	800
Non-audit services	**–**	–
	1,747	1,500

Internal Control

The Board is responsible for maintaining a system of effective internal control to protect the Group's assets and its shareholders' interests. The Board closely monitors the implementation of the Company's internal control, assessing its effectiveness based on discussions between the management of the Company and its auditors and audit committee.

The Board believes the existing internal control system has been substantially established and effective during its implementation.

Investor and shareholder relations

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and shareholders through publishing interim reports, annual reports and announcements and the Company's website. Enquiries and suggestions from shareholders, investors, media and the general public are followed up by executive directors or appropriate management staff.

The hotline of the Company is 8624-24351041, and its fax number is 8624-24333228, through which the Company makes replies to the written or directory enquiries regarding all kinds of maters by shareholders and investors. The Company's website has been established to provide shareholders with relevant information.

Annual general meeting is an important channel for directors and shareholders to communicate with each other. The president of the Company himself presides over the Annual general meeting to ensure the opinions of the directors can be passed directly to the Board. In an annual general meeting, the Board and chairman of the audit committee will participate in the questions raised by the shareholders, and the chairman will come up with individual resolutions in respect of every event raised in the annual general meeting.

The proceedings of the annual general meeting are reviewed periodically to ensure that shareholders' rights are maintained. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 45 days prior to the date of the meeting.

Independent Auditor's Report

盧鄺會計師事務所有限公司
LO AND KWONG C.P.A. COMPANY LIMITED
AUDIT • TAX • BUSINESS ADVISORY

TO THE MEMBERS OF
SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED
瀋陽公用發展股份有限公司
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shenyang Public Utility Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 31 to 81, which comprise the consolidated statement of financial position as at 31 December 2009, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 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 accounting estimates that are reasonable in the 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.

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 audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER IN RELATION TO THE GOING CONCERN BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Without qualifying our opinion, we draw attention that the Group sustained continuous operating losses and incurred loss of approximately RMB15,428,000 for the year ended 31 December 2009. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis based on the considerations as set out in Note 2 to the consolidated financial statements, the validity of which primarily depends upon the financial support from the controlling shareholder to cover the Group's operating costs and to meet its financing commitments. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financial support.

LO AND KWONG C.P.A. COMPANY LIMITED
Certified Public Accountants

Lo Wah Wai
Practising Certificate Number: P02693

Suites 216–218, 2/F., Shui On Centre
6–8 Harbour Road, Wanchai
Hong Kong

21 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (restated)
Turnover	9	**3,651**	39,617
Sales taxes on turnover		**(198)**	(2,179)
Cost of sales		**(149)**	(40,237)
Other income	11	**805**	16,329
Gain on disposal of subsidiaries		**–**	204,123
Gain on disposal of an associate		**400**	–
Gain (loss) on disposal of property, plant and equipment		**195**	(851)
Depreciation		**(1,716)**	(2,061)
Staff costs		**(2,429)**	(4,359)
Impairment loss recognised in respect of available-for-sale financial assets		**(3,000)**	–
Net change in fair value of investment properties		**(2,000)**	(483)
Impairment loss recognised in respect of other receivables		**(561)**	(4,034)
Impairment loss recognised in respect of properties held for sale		**–**	(216,438)
Impairment loss recognised in respect of investment in an associate		**–**	(200)
Other operating expenses		**(9,928)**	(20,686)
Finance costs	12	**(798)**	(17,876)
Loss before taxation	13	**(15,728)**	(49,335)
Income tax credit (expenses)	16	**300**	(73)
Loss for the year		**(15,428)**	(49,408)
Loss for the year attributable to:			
Owners of the Company		**(14,974)**	(48,553)
Non-controlling interests		**(454)**	(855)
		(15,428)	(49,408)
Loss per share	18		
– Basic (cents)		**(1.47)**	(4.76)
– Diluted (cents)		**N/A**	N/A
Dividends	17	**–**	–

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (restated)
Loss for the year	**(15,428)**	(49,408)
Other comprehensive loss		
Exchange differences arising on translation	**–**	–
Total comprehensive loss for the year	**(15,428)**	(49,408)
Total comprehensive loss attributable to:		
Owners of the Company	**(14,974)**	(48,553)
Non-controlling interests	**(454)**	(855)
	(15,428)	(49,408)

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000 (restated)	At 1 January 2008 RMB'000 (restated)
NON-CURRENT ASSETS				
Goodwill	19	**–**	–	–
Property, plant and equipment	20	**5,674**	7,256	133,227
Investment properties	21	**307,520**	298,000	297,000
Prepaid lease payments on land use rights	22	**–**	–	86,752
Available-for-sale financial assets	23	**17,000**	20,000	20,000
Investment in an associate	24	**–**	–	–
Other long term receivables	25	**–**	32,745	–
		330,194	358,001	536,979
CURRENT ASSETS				
Prepaid lease payments on land use rights	22	**–**	–	2,564
Properties held for sale	26	**193,941**	205,735	484,987
Inventories		**–**	–	341
Trade receivables	27	**–**	–	–
Amount due from a former customer	28	**–**	–	–
Amount due from a former controlling shareholder	29	**–**	–	54,268
Prepayments		**2,000**	1,572	3,039
Other receivables		**36,731**	80,692	31,914
Bank balances and cash	30	**23,536**	6,803	4,478
		256,208	294,802	581,591
CURRENT LIABILITIES				
Trade payables	31	**5,735**	5,875	43,080
Other payables and accruals		**40,521**	33,333	412,989
Receipts in advance	32	**13,708**	12,759	44,089
Provision for potential liabilities	33	**1,041**	1,041	2,043
Bank borrowings	34	**9,000**	14,000	62,000
Amount due to a former shareholder	35	**29,328**	–	–
		99,333	67,008	564,201
NET CURRENT ASSETS		**156,875**	227,794	17,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**487,069**	585,795	554,369

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000 (restated)	At 1 January 2008 RMB'000 (restated)
CAPITAL AND RESERVES				
Share capital	38	**1,020,400**	1,020,400	1,020,400
Reserves		**(590,297)**	(575,323)	(526,419)
Equity attributable to owners of the Company		**430,103**	445,077	493,981
Non-controlling interests		**39,574**	40,028	42,769
TOTAL EQUITY		**469,677**	485,105	536,750
NON-CURRENT LIABILITIES				
Deferred taxation	36	**17,392**	17,692	17,619
Other non-current liabilities	37	**–**	82,998	–
		17,392	100,690	17,619
		487,069	585,795	554,369

The consolidated financial statements on pages 31 to 81 were approved and authorised for issue by the Board of Directors on 21 April 2010 and are signed on its behalf by:

An Mu Zhong
Director

Wang Zai Xing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Equity attributable to owners of the Company						
	Share capital RMB'000	**Share premium** RMB'000 (Note a)	**Statutory surplus reserve** RMB'000 (Note b)	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 31 December 2007 as originally stated	1,020,400	323,258	103,582	(977,825)	469,415	34,357	503,772
Effect of change in accounting policies (Note 4)	–	–	–	24,566	24,566	8,412	32,978
At 1 January 2008 as restated	1,020,400	323,258	103,582	(953,259)	493,981	42,769	536,750
Loss for the year and total comprehensive loss for the year	–	–	–	(48,553)	(48,553)	(855)	(49,408)
Disposal of subsidiaries	–	–	(351)	–	(351)	(1,886)	(2,237)
At 31 December 2008 and 1 January 2009	1,020,400	323,258	103,231	(1,001,812)	445,077	40,028	485,105
Loss for the year and total comprehensive loss for the year	–	–	–	(14,974)	(14,974)	(454)	(15,428)
At 31 December 2009	**1,020,400**	**323,258**	**103,231**	**(1,016,786)**	**430,103**	**39,574**	**469,677**

Notes:

(a) 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 issuance of H shares.

(b) Statutory Surplus Reserve

The Group is required to set aside 10% of its 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 a loss for the year, no appropriation was made.

(c) 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 Group did not have reserve available for distribution as at 31 December 2008 and 31 December 2009.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 **RMB'000**	2008 RMB'000 (restated)
OPERATING ACTIVITIES		
Loss before taxation	**(15,728)**	(49,335)
Adjustments for:		
Interest income	**(27)**	(33)
Gain on disposal of subsidiaries	**–**	(204,123)
Gain on disposal of an associate	**(400)**	–
(Gain) loss on disposal of property, plant and equipment	**(195)**	851
Depreciation	**1,716**	2,061
Impairment loss recognised in respect of available-for-sale financial assets	**3,000**	–
Net change in fair value of investment properties	**2,000**	483
Impairment loss recognised in respect of other receivables	**561**	4,034
Impairment loss recognised in respect of properties held for sale	**–**	216,438
Impairment loss recognised in respect of investment in an associate	**–**	200
Finance costs	**798**	17,876
Operating cash flows before movements in working capital	**(8,275)**	(11,548)
Decrease in properties held for sale	**–**	42,790
Decrease in amount due from a former controlling shareholder	**–**	54,268
(Increase) decrease in prepayments	**(428)**	1,467
Increase in other receivables	**(3,855)**	–
Decrease in trade payables	**(140)**	(18,318)
(Decrease) increase in other payables and accruals	**(75,810)**	60,897
Increase in receipts in advance	**1,349**	2,306
Decrease in provision for potential liabilities	**–**	(1,002)
Increase in amount due to a former shareholder	**29,328**	–
Cash generated (used in) from operations	**(57,831)**	130,860
Income tax paid	**–**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(57,831)**	130,860
INVESTING ACTIVITIES		
Interest received	**27**	33
Disposal of subsidiaries	**–**	8,503
Deposit received for a potential disposal of an associate	**–**	400
Purchase of property, plant and equipment	**(50)**	(1,521)
Sale proceeds from property, plant and equipment	**385**	–
Decrease (increase) in other receivables	**80,000**	(112,074)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**80,362**	(104,659)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (restated)
FINANCING ACTIVITIES		
New bank borrowings raised	**9,000**	14,000
Repayments of borrowings	**(14,000)**	(20,000)
Interest payment	**(798)**	(17,876)
NET CASH USED IN FINANCING ACTIVITIES	**(5,798)**	(23,876)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,733**	2,325
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**6,803**	4,478
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**23,536**	6,803
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Bank balances and cash	**23,536**	6,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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 address of the principal place of business of the Company is 14/F, Jinmao International Apartment, Da Dong District, Shenyang, the PRC. The address of the registered office of the Company is No. 1-4, 20A, Central Street, Shenyang Economic and Technological Development Zone, the PRC.

Shenyang Public Utility Group Company Limited ("SPUG") ceased to be the controlling shareholder of the Company upon SPUG disposed all of its equity interest of the Company to Beijing Mingde Guangye Investment Consultant Company Limited ("Beijing Mingde") on 20 March 2009 and Beijing Mingde became the controlling shareholder of the Company thereafter. Both SPUG and Beijing Mingde are limited company incorporated in the PRC. Details of the controlling shareholder change had been set out in Note 43 to the consolidated financial statement.

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as functional currency of the Company and its subsidiaries (collectively known as the "Group").

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 45 to the consolidated financial statements. There were no significant changes for the Group's principal activities during the year.

The Company's H shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 December 1999. As requested by the Company, trading in H shares of the Company on the Stock Exchange has been suspended since 15 December 2004. Subsequent to the end of reporting period, trading in H shares was resumed since 9:30 a.m. of 1 April 2010.

2. Basis of Preparation

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group as the Group sustained continuous operating losses and incurred loss of approximately RMB15,428,000 for the year ended 31 December 2009. In view of the substantial losses in consecutive years and the liquidity position of the Group, the directors of the Company have adopted the following measures with a view to maintain the Group's existence as a going concern and to improve the Group's overall financial and cash flow position:

- The directors of the Company are 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.

- The directors 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.

- The controlling shareholder of the Company has changed from SPUG to Beijing Mingde on 20 March 2009. Beijing Mingde has indicated in a letter to the Company on 20 April 2009 that they would fully support the resumption of trading of H shares of the Company and they would provide a fund up to HK$45,000,000 to the Company for working capital before 20 April 2011, if necessary.

- The directors of the Company are of the opinion that the completion of disposal of Beijing Diye, and acquisition of CY Acquisition and JBMOE Acquisition as disclosed in Note 41 to the consolidated financial statement would enhance the cash position and improve the financial position of the Group thereafter.

In the opinion of the directors of the Company, if the measures described above accomplish the expected results, the directors are satisfied that the Group will be able to have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 December 2009.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2. Basis of Preparation *(Continued)*

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Report Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), Amendments to Standards and Interpretations ("INT(s)") (hereinafter collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which become effective for the Group's financial year beginning on 1 January 2009.

Except as described below, the adoption of the New HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

i. HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

ii. HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see Note 10).

iii. Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods beginning on or after 1 February 2010.
6 Effective for annual periods beginning on or after 1 January 2010.
7 Effective for annual periods beginning on or after 1 January 2013.
8 Effective for annual periods beginning on or after 1 July 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Adoption of New and Revised Hong Kong Financial Report Standards ("HKFRSs")

(Continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under the Standard, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or INTs will have no material impact on the consolidated financial statements.

4. Summary of the Effects of the Changes in Accounting Policies

HKAS 40 "Investment property" requires an investment property to be accounted for using either the cost model or the fair value model. In previous years, the Group applied the cost model which requires investment properties to be stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. In current year, the Group decided to change from the cost model to the fair value model to account for its investment properties, which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the consolidated income statement for the period in which they arise.

The Group changed to adopt fair value model for the reasons stated below:

- The fair value model is a widely adopted method to account for investment properties. It can reflect the value of the business more objectively and enable the investors understand the financial conditions and results more comprehensively;

- The directors of the Company are of the view that the change in accounting method for investment properties can provide reliable and more relevant, comparable information of its investment properties on the Group's financial position and financial performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

4. Summary of the Effects of the Changes in Accounting Policies *(Continued)*

The change in accounting policy has been applied retrospectively to the Group's consolidated financial statements. The following is a summary of the impact to the Group's consolidated financial statements as a result of the above-mentioned change in accounting policy:

	For the year ended 31 December 2009 (Before the change) RMB'000	Adjustment RMB'000	For the year ended 31 December 2009 (After the change) RMB'000
Consolidated income statement (extracts)			
Net change in fair value of investment properties	–	(2,000)	(2,000)
Decrease in deferred tax liabilities relating to investment properties	613	(313)	300
Decrease in depreciation for investment properties	(4,121)	4,121	–
Effect on consolidated income statement	3,508	1,808	(1,700)
Loss for the year attributable to:			
Owners of the Company	(16,239)	1,265	(14,974)
Non-controlling interests	(997)	543	(454)
	(17,236)	1,808	(15,428)
Loss per share			
– Basic (cents)	(1.59)	0.12	(1.47)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

4. Summary of the Effects of the Changes in Accounting Policies *(Continued)*

	For the year ended 31 December 2008 (Before the change) RMB'000	Adjustment RMB'000	For the year ended 31 December 2008 (After the change) RMB'000
Consolidated income statement (extracts)			
Net change in fair value of investment properties	–	(483)	(483)
Decrease in deferred tax liabilities relating to investment properties	613	(686)	(73)
Decrease in depreciation for investment properties	(10,155)	10,155	–
Effect on consolidated income statement	(9,542)	8,986	(556)
Loss for the year attributable to:			
Owners of the Company	(54,638)	6,085	(48,553)
Non-controlling interests	(3,756)	2,901	(855)
	(58,394)	8,986	(49,408)
Loss per share			
– Basic (cents)	(5.35)	0.59	(4.76)

	At 31 December 2009 (Before the change) RMB'000	**Adjustment RMB'000**	**At 31 December 2009 (After the change) RMB'000**
Consolidated statement of financial position (extracts)			
Investment properties	**267,685**	**39,835**	**307,520**
Deferred taxation	**(21,329)**	**3,937**	**(17,392)**
Total effects on assets and liabilities	**246,356**	**43,772**	**290,128**
Accumulated losses	**(1,048,702)**	**31,916**	**(1,016,786)**
Non-controlling interests	**27,718**	**11,856**	**39,574**
Total effects on accumulated losses and equity	**(1,020,984)**	**43,772**	**(977,212)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

4. Summary of the Effects of the Changes in Accounting Policies *(Continued)*

	At 31 December 2008 (Before the change) RMB'000	Adjustment RMB'000	At 31 December 2008 (After the change) RMB'000
Consolidated statement of financial position (extracts)			
Property, plant and equipment	19,200	(11,944)	7,256
Investment properties	248,342	49,658	298,000
Deferred taxation	(21,942)	4,250	(17,692)
Total effects on assets and liabilities	245,600	41,964	287,564
Accumulated losses	(1,032,463)	30,651	(1,001,812)
Non-controlling interests	28,715	11,313	40,028
Total effects on accumulated losses and equity	(1,003,748)	41,964	(961,784)

	At 1 January 2008 (Before the change) RMB'000	Adjustment RMB'000	At 1 January 2008 (After the change) RMB'000
Consolidated statement of financial position (extracts)			
Property, plant and equipment	146,795	(13,568)	133,227
Investment properties	255,390	41,610	297,000
Deferred taxation	(22,555)	4,936	(17,619)
Total effects on assets and liabilities	379,630	32,978	412,608
Accumulated losses	(977,825)	24,566	(953,259)
Non-controlling interests	34,357	8,412	42,769
Total effects on accumulated losses and equity	(943,468)	32,978	(910,490)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at revalued amounts or fair values, as explained in the accounting policies below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. 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.

5.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entitles controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of 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, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling 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.

5.2 Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquire is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position as an intangible asset.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

5.4 Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of an associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long term interests that, in substance, form part of Group's net investment in an associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

5.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties had been completed reasonably assured. Deposit and installments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.5 Revenue recognition *(Continued)*

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.

Interest income from financial asset 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 on initial recognition.

5.6 Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Prior to 1 January 2009, properties that are being constructed or developed for future use as investment properties are included in construction in progress until construction or development is complete, at which time they are reclassified to and subsequently accounted for as investment properties. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. Upon adoption of amendments to HKAS 40, such properties should be classified as investment properties.

An item of property, plant 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 profit or loss in the period in which the item is derecognised.

5.7 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Starting from 1 January 2009, investment properties under construction are measured at fair value at the end of each reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.7 Investment properties *(Continued)*

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and on future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the different between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

There is a rebuttable presumption that an entity can reliably determine the fair value of the investment properties on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires the investment properties (or when the existing properties first become investment properties following the completion of construction or development, or after a change in use) that the fair value of the investment properties are not reliably determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative reliable estimates of fair value (for example, based on discounted cash flow projections) are not available. In such cases, an entity shall measure that investment properties using the cost model in HKAS 16.

The residual value of the investment properties shall be assumed to be zero. The entity shall apply HKAS 16 until disposal of the investment properties. In the exceptional cases when an entity is compelled, for the reason given in the previous paragraph, to measure the investment properties using the cost model in accordance with HKAS 16, it measures all its other investment properties at fair value. In these cases, although an entity may use the cost model for one investment property, the entity shall continue to account for each of the remaining properties using the fair value model.

5.8 Land use rights

Payment for obtaining land use rights is considered as operating lease payment. 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.

5.9 Properties under development for sale

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, land costs, professional fees, interest capitalised and other costs directly attributable to such properties incurred during the construction period. Net realisable value is determined by reference to management estimated based on prevailing market conditions. On completion, the properties are transferred to properties held for sale.

Properties under development expected to be completed within 12 months from the end of the reporting period are classified as current assets.

Properties under development expected to be completed beyond 12 months from the end of reporting period are classified as non-current assets.

5.10 Properties held for sale

Properties held for sale including properties under development for sale and completed properties for sale. They are included in current assets at the lower of cost and net realisable value. The costs of properties under development for sale and completed properties for sale consist of construction expenditures, amounts capitalised in respect of amortisation of upfront payments of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs. No depreciation is provided on properties under development for sale and completed properties for sale.

5.11 Inventories

Inventories comprise consumable supplies and spare parts held for consumption and usage 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 consolidated income statement upon consumption and usage.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.12 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 or 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 into one of the two categories, including available-for-sale ("AFS"), and loans and receivables. All regular way purchases or sales of financial assets are recognised and decognised 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.

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 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, when appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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 ("FVTPL"), loans and receivables or held-to-maturity investments.

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 investments, they are measured at cost less any identified impairment loss on financial assets (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other long term receivables, trade receivables, amount due from a former customer, amount due from a former controlling shareholder, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 affected.

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 re-organisation

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's 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, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in 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 other comprehensive income.

Financial liabilities and equities

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.12 Financial instruments *(Continued)*

Financial liabilities and equities *(Continued)*

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 (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis of which the interest expense is included in net gains or losses.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, bank borrowings, amount due to a former shareholder and other non-current liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5.13 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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

5.14 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 the respective 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.14 Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

5.15 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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. Significant Accounting Policies *(Continued)*

5.16 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 profit or loss on a straight-line basis over the term of the relevant lease. Initial 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

Operating lease payments are recognised as an expense 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.

5.17 Retirement benefit costs

Payments to defined contribution retirement benefit schemes, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged to profit or loss as an expense when employees have rendered service entitling them to the contributions.

5.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 5, 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

Critical judgement

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group as the Group sustained continuous operating losses and incurred loss of approximately RMB15,428,000 for the year ended 31 December 2009. In view of the substantial losses in consecutive years, the directors have adopted several measures as set out in Note 2 with a view to maintain the Group's existence as a going concern and to improve the Group's overall financial and cash flow position.

In the opinion of the directors of the Company, if the measures described in Note 2 accomplish the expected results, the directors are satisfied that the Group will be able to have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 December 2009.

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For the year ended 31 December 2009

6. Critical Accounting Judgments and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

The Group's carrying values of property, plant and equipment as at 31 December 2008 and 2009 was approximately RMB7,256,000 and RMB5,674,000 respectively. The Group depreciates the property, plant and equipment on a straight line basis at 2% to 20%, after taking into account of their estimated residual values, commencing from the date the asset is placed into productive use. The estimated useful life represents the number of years which the Group places the property, plant and equipment into production, reflecting the directors' estimate of the years that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The Group assesses annually the residual value and the useful life of the property, plant and equipment. If the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Impairment loss recognised in respect of property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amount exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The Group has assessed and reviewed annually for impairment loss whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment exceed its recoverable amount. No impairment loss was provided for the year ended 31 December 2008 and 2009.

Impairment loss recognised in respect of trade receivables and other receivables

The directors of the Company regularly review the recoverability and the aging of trade receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

In determining whether impairment loss of trade receivables and other receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific impairment 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.

Estimated net realisable value on properties held for sale

The Group's properties under development and properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase costs to completion or a decrease in net realisable value will decrease and this may result in a provision for properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

Estimate of fair value of investment properties

The Group's investment properties are stated at their fair values in the consolidated statement of financial position, which are assessed annually by management with reference to valuations performed by independent qualified professional valuers using the depreciated replacement costs method. This approach requires an estimate of the market value of the land parcel in the existing state by the comparison approach and an estimate of the new replacement cost of the properties and other site works, from which deductions are then made to allow for the age, condition, economic or functional obsolescence and environmental factors, changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

7. Capital Risk Management

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 disclosed in Note 34 to the consolidated financial statement, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. 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.

8. Financial Risk Management Objectives and Policies

The Group's major financial instruments include other long term receivable, trade receivables, amount due from a former customer, amount due from a former controlling shareholder, other receivables, bank balances and cash, trade payables, other payables and accruals, bank borrowings, amount due to a former shareholder and other non-current liabilities. 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

Currency risk refers to the risk associated with movements in foreign currency rates which affect Group's financial results and its cashflow. The directors of the Company consider that the Group is not exposed to significant foreign currency risk as the majority of its operations and transactions are in the PRC with their own functional currency of RMB.

In the opinion of the directors of the Company, as the currency risk is minimal, no sensitivity analysis is presented.

Interest rate risk

The Group exposed to cash flow interest rate risk mainly in relation to variable-rate borrowings (See Note 34). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group cash flow interest rate risk is mainly concentration on the fluctuation of the base rate of People's Bank of China arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. As at 31 December 2008 and 2009, a 100 and 100 basis point respectively, 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.

If interest rates had been 100 and 100 basis points higher or lower and all other variables were held constant, the Group's after-tax loss for year ended 31 December 2008 and 2009 would decrease or increase by approximately RMB140,000 and RMB90,000 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

8. 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 and 2009 in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

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 the end of each reporting period 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.

Liquidity risk

The Group is exposed to liquidity risk as at 31 December 2009 as the Group sustained continuous operating losses and incurred loss of approximately RMB15,428,000 for the year ended 31 December 2009. The Group has planned to implement several measures to improve its financial and cash flow position, details of which are set out in Note 2 to the consolidated financial statements.

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 interest rate	On demand or within one year RMB'000	More than one year less than two years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2009					
Non-derivative financial liabilities					
Trade payables		5,735	–	5,735	5,735
Other payables and accruals		40,521	–	40,521	40,521
Amount due to a former shareholder		29,328	–	29,328	29,328
Bank borrowings	5.84%	9,526	–	9,526	9,000
Other non-current liabilities		–	–	–	–
		85,110	–	85,110	84,584

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

8. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate	On demand or within one year RMB'000	More than one year less than two years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2008					
Non-derivative financial liabilities					
Trade payables		5,875	–	5,875	5,875
Other payables and accruals		33,333	–	33,333	33,333
Amount due to a former shareholder		–	–	–	–
Bank borrowings	6.90%	14,996	–	14,996	14,000
Other non-current liabilities		–	82,998	82,998	82,998
		54,204	82,998	137,202	136,206

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

The directors of the Company also consider that the carrying amounts of the long-term portion of liability approximate to their fair value as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

8. Financial Risk Management Objectives and Policies *(Continued)*

Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Other long term receivables	–	32,745
Trade receivables	–	–
Amount due from a former customer	–	–
Other receivables	36,731	80,692
Bank balances and cash	23,536	6,803
	60,267	120,240
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	5,735	5,875
Other payables and accruals	40,521	33,333
Bank borrowings	9,000	14,000
Amount due to a former shareholder	29,328	–
Other non-current liabilities	–	82,998
	84,584	136,206

9. Turnover

Turnover represents the amounts received and receivable for (i) development, sale, rental and management of properties less sale returns, discounts and sales related taxes and (ii) revenue from education projects. The Group's turnover for the year is as follows:

	2009 RMB'000	2008 RMB'000
Development, sale, rental and management of properties	651	36,617
Education projects (rental income)	3,000	3,000
	3,651	39,617

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For the year ended 31 December 2009

10. Segment Information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarised as follows:

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

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The chief operating decision maker considers the business from product perspective. From a product perspective, the chief operating decision maker assesses the performance of (i) property development (ii) education projects.

Since all of the Group's businesses were taken place in the PRC, no geographical segment information is used by chief operating decision maker for further evaluated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

10. Segment Information *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segment:

	Property development		Education projects		Consolidated	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Turnover	**651**	36,617	**3,000**	3,000	**3,651**	39,617
Segment results	**(921)**	(11,544)	**968**	2,552	**47**	(8,992)
Gain on disposal of subsidiaries					**–**	204,123
Gain on disposal of an associate					**400**	–
Impairment loss recognised in respect of available-for-sale financial assets					**(3,000)**	–
Net change in fair value of investment properties					**(2,000)**	(483)
Impairment loss recognised in respect of properties held for sale					**–**	(216,438)
Impairment loss recognised in respect of investment in an associate					**–**	(200)
Finance costs					**(798)**	(17,876)
Interest income					**27**	33
Unallocated corporate income and expenses					**(10,404)**	(9,502)
Loss before taxation					**(15,728)**	(49,335)
Income tax credit (expenses)					**300**	(73)
Loss for the year					**(15,428)**	(49,408)
Segment assets	**229,768**	214,237	**302,758**	304,695	**532,526**	518,932
Unallocated corporate assets					**53,876**	133,871
Total assets					**586,402**	652,803
Segment liabilities	**21,476**	23,034	**27,233**	32,709	**48,709**	55,743
Unallocated corporate liabilities					**68,016**	111,955
Total liabilities					**116,725**	167,698
Other information9						
Capital expenditure	**–**	–	**50**	1,521	**50**	1,521
Unallocated capital expenditure					**–**	–
Total capital expenditure					**50**	1,521

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

10. Segment Information *(Continued)*

	Property development		Education projects		Consolidated	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Depreciation	**376**	114	**1,294**	1,825	**1,670**	1,939
Unallocated depreciation					**46**	122
Total depreciation					**1,716**	2,061
Loss on disposal of property, plant and equipment	**–**	–	**3**	851	**3**	851
Unallocated gain on disposal of property, plant and equipment					**(198)**	–
Total (gain) loss on disposal of property, plant and equipment					**(195)**	851
Impairment loss recognised in respect of other receivables	**270**	2,987	**1**	–	**271**	2,987
Unallocated impairment loss recognised in respect of other receivables					**290**	1,047
Total impairment loss recognized in respect of other receivables					**561**	4,034

Information about major customers

Included in turnover approximately RMB3,377,000 (2008: RMB4,924,000) are revenues of approximately 92.50% (2008: 12.43%) which arose from sales to the Group's five largest customers.

11. Other Income

	2009 RMB'000	2008 RMB'000
Interest income on financial assets stated at amortised cost	**27**	33
Sundry income	**778**	16,296
	805	16,329

12. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest expenses on bank borrowings wholly repayable within one year	**798**	1,797
Other interest expenses	**–**	16,079
	798	17,876

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

13. Loss Before Taxation

	2009 RMB'000	2008 RMB'000
Loss before taxation is arrived at after charging (crediting):		
Directors' and supervisors' emoluments (Note 14)	**679**	195
Staff salaries, allowances and bonuses	**1,319**	3,492
Contributions to retirement and other benefits schemes	**431**	672
	2,429	4,359
Auditor's remuneration	**500**	700
Under provision on auditor's remuneration	**–**	800
Depreciation	**1,716**	2,061
Impairment loss recognised in respect of properties held for sale	**–**	216,438
Impairment loss recognised in respect of investment in an associate	**–**	200
Impairment loss recognised in respect of other receivables	**561**	4,034
Impairment loss recognised in respect of available-for-sale financial assets	**3,000**	–
(Gain) loss on disposal of property, plant and equipment	**(195)**	851
Net change in fair value of investment properties	**2,000**	483
Gain on disposal of an associate	**(400)**	–
Gain on disposal of subsidiaries	**–**	(204,123)
Rental income from investment properties, net	**(3,279)**	(3,000)

14. Directors', Supervisors' and Employees' Emoluments

	2009 RMB'000	2008 RMB'000
Fees:		
Executive Directors	**182**	60
Non-executive Directors	**74**	90
Independent non-executive Directors	**242**	30
Supervisors	**28**	15
	526	195
Other emoluments:		
Salary allowances and benefits in kind	**135**	–
Contributions to retirement benefits schemes	**18**	–
	153	–
	679	195

14. Directors', Supervisors' and Employees' Emoluments *(Continued)*

(a) Directors' emoluments

The emoluments paid or payable to the directors during the year are as follow:

For the year ended 31 December 2009	Fees RMB'000	Salary allowances and benefits in kind RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
Executive Directors				
An Mu Zong	30	–	–	30
Wang Zai Xing	30	–	–	30
Chow Ka Wo Alex (Note i)	106	–	–	106
Wang Hui (Note ii)	16	–	–	16
Sub-total	182	–	–	182
Non-executive Directors				
Deng Yan Bin	30	–	–	30
Lin Dong Hui	30	135	18	183
Wang Hui (Note ii)	14	–	–	14
Sub-total	74	135	18	227
Independent Non-executive Directors				
Cai Lian Jun	30	–	–	30
Wong Kai Tat (Note i)	106	–	–	106
Chan Ming Sun Jonathan (Note i)	106	–	–	106
Lam Tsan Wing Alexander (Note i and iii)	–	–	–	–
Sub-total	242	–	–	242
Supervisors				
Wang Xing Ye	15	–	–	15
Lu Ming (Note i)	13	–	–	13
Sub-total	28	–	–	28
Total	526	135	18	679

Notes:

i. Appointed on 12 February 2009

ii. Re-designated from a non-executive director to an executive director on 23 June 2009

iii Resigned on 19 May 2009

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

14. Directors', Supervisors' and Employees' Emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2008	Fees RMB'000	Salary allowances and benefits in kind RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
Executive Directors				
An Mu Zong	30	–	–	30
Wang Zai Xing	30	–	–	30
Sub-total	60	–	–	60
Non-executive Directors				
Deng Yan Bin	30	–	–	30
Lin Dong Hui	30	–	–	30
Wang Hui	30	–	–	30
Sub-total	90	–	–	90
Independent Non-executive Directors				
Cai Lian Jun	30	–	–	30
Supervisor				
Wang Xing Ye	15	–	–	15
Total	195	–	–	195

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2008: none) were directors of the Company whose emoluments are included in the disclosures in Note 14(a) above. The emoluments of the remaining one (2008: five) individuals were as follows:

	2009 RMB'000	2008 RMB'000
Salaries, allowance and benefits in kind	**96**	679
Contributions to retirement benefits schemes	**14**	100
	110	779

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For the year ended 31 December 2009

14. Directors', Supervisors' and Employees' Emoluments *(Continued)*

(b) Five highest paid individuals *(Continued)*

Their emoluments were within the following bands:

	Number of individuals	
	2009	2008
Nil to RMB1,000,000	**1**	5

During the year, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office. Apart from Lam Tsan Wing Alexander agreed to waive the fees from 12 February 2009 to 19 May 2009 for the year ended 31 December 2009, none of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2008 and 2009.

15. 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% (2008: 25.5%). The only obligation of the Group with respect to the retirement benefits schemes is to make such specified contributions.

16. Income Tax Credit (Expenses)

	2009	2008
	RMB'000	RMB'000
PRC enterprise income tax	**–**	–
Deferred taxation (Note 36)	**300**	(73)
	300	(73)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 the years ended 31 December 2008 and 2009.

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.

Zhuhai Education is registered in a special economic zone and is entitled to pay Enterprise Income tax at 15% and 20% in 2008 and 2009 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

16. Income Tax Credit (Expenses) *(Continued)*

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

	2009	2008
	RMB'000	RMB'000
Loss before taxation	**(15,728)**	(49,335)
Income tax at applicable tax rates	**(3,752)**	(13,914)
Tax effect of expenses not deductible for tax purpose	**1,525**	5,682
Tax effect of income not taxable for tax purpose	**(247)**	–
Tax effect of unrecognised tax losses	**2,774**	8,159
Income tax credit (expenses)	**300**	(73)

17. Dividends

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

18. Loss Per Share

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of RMB14,974,000 (2008: RMB48,553,000) and the weighted average of 1,020,400,000 (2008: 1,020,400,000) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2008 and 2009.

19. Goodwill

	RMB'000
Cost	
At 1 January 2008, 31 December 2008 and 31 December 2009	59,376
Accumulated impairment	
At 1 January 2008, 31 December 2008 and 31 December 2009	59,376
Carrying values	
At 31 December 2009	**–**
At 31 December 2008	–

Goodwill arose on acquisition of a subsidiary, Shanghai Beida Jade Bird Education Investment Company Limited ("Shanghai Beida"). As Shanghai Beida ceased the business during the year ended 31 December 2005, the directors of the Company are of the opinion that a full impairment has been recognised in the consolidated income statement during the year ended 31 December 2005.

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20. Property, Plant 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 2008 as restated	255,362	19,993	3,281	3,179	281,815
Transfer to investment properties	–	–	–	(1,483)	(1,483)
Additions	–	38	–	1,483	1,521
Disposals/write-off	(701)	–	(872)	–	(1,573)
Disposal of subsidiaries	(254,661)	(3,526)	(1,127)	–	(259,314)
At 31 December 2008 and 1 January 2009 as restated	–	16,505	1,282	3,179	20,966
Additions	–	50	–	–	50
Disposals/write-off	–	(1,081)	(261)	–	(1,342)
At 31 December 2009	**–**	**15,474**	**1,021**	**3,179**	**19,674**
Accumulated depreciation and accumulated impairment					
At 1 January 2008 as restated	134,029	9,100	2,280	3,179	148,588
Provided for the year	–	1,959	102	–	2,061
Eliminated on disposals/write-off	–	–	(722)	–	(722)
Eliminated on disposal of subsidiaries	(134,029)	(1,390)	(798)	–	(136,217)
At 31 December 2008 and 1 January 2009 as restated	–	9,669	862	3,179	13,710
Provided for the year	–	1,298	144	–	1,442
Eliminated on disposals/write-off	–	(891)	(261)	–	(1,152)
At 31 December 2009	**–**	**10,076**	**745**	**3,179**	**14,000**
Carrying values					
At 31 December 2009	**–**	**5,398**	**276**	**–**	**5,674**
At 31 December 2008	–	6,836	420	–	7,256

The above property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values, at the following rates:

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

All buildings are situated on the PRC land under medium term land use rights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

21. Investment Properties

	RMB'000
At 1 January 2008 as restated	297,000
Transfer from construction in progress	1,483
Net change in fair value of investment properties	(483)
At 31 December 2008 and 1 January 2009 as restated	298,000
Transfer from construction in progress	–
Transfer from property held for sale	11,794
Depreciation	(274)
Net change in fair value of investment properties	(2,000)
At 31 December 2009	**307,520**

The investment properties classified by their nature were as follows:

	2009 RMB'000	2008 RMB'000
Campus (Note i and ii)	**296,000**	298,000
Car park (Note i and iii)	**11,520**	–
	307,520	298,000

Notes:

(i) The investment properties represent land and buildings situated in the PRC under medium term land use rights.

All of the Group's properties interests held under operating lease to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties.

(ii) For the campus, it is measured using the fair value model. The fair value of the Group's investment properties at 31 December 2008 and 2009 have been arrived at on the basis of a valuation carried out on that date by Malcolm & Associated Appraisal Limited, independent qualified professional valuers not connected with the Group. Malcolm & Associated Appraisal Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

(iii) For the car park, it is measured using the cost model. Since the comparable market transactions are infrequent and the alternative reliable estimates of fair value are not available when the Group first transfer the properties held for sales into investment properties. As such, the directors of the Company are of the opinion that the Group measures that investment property using the cost model in accordance HKAS 16.

22. Prepaid Lease Payments on Land Use Rights

The amount represented the prepaid lease payments 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 ended 31 December 2008 as a result of disposal of subsidiaries. Details please refer to Note 39(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

23. Available-for-Sale Financial Assets

	2009 RMB'000	2008 RMB'000
Unlisted equity interest in PRC, at cost		
At 1 January	**20,000**	20,000
Accumulated impairment	**(3,000)**	–
At 31 December	**17,000**	20,000

The amount represented 8% equity interests in Unisplendour Hi-tech Venture Capital Inc. ("Unisplendour Hi-tech", formerly named as Tsinghua Unisplendour Hi-Tech Venture Capital, Inc.). Unisplendour Hi-tech is an unlisted company established in the PRC and is engaged in investment in technology projects.

As Unisplendour Hi-tech are not traded in an open market and there is no quoted market price, the directors of the Company are of the opinion that the fair value of available-for-sale financial assets cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The available-for-sale financial assets are stated at cost less any impairment losses, if any.

24. Investment in an Associate

	2009 RMB'000	2008 RMB'000
Cost		
At 1 January	**200**	–
Additions	**–**	200
Disposal	**(200)**	–
At 31 December	**–**	200
Accumulated impairment		
At 1 January	**200**	–
Impairment	**–**	200
Eliminated on disposal	**(200)**	–
At 31 December	**–**	200
Share of post-acquisition result	**–**	–

At 1 January 2008, Shenyang Development Property Management Company Limited ("Shenyang Property") was a wholly owned subsidiary of the Company.

During the year ended 31 December 2008, the Group has disposed 60% equity interests in Shenyang Property to an independent third party at a consideration of RMB600,000 (see Note 39(b)). Upon the disposal of 60% equity interests in Shenyang Property, Shenyang Property becomes an associate of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

24. Investment in an Associate *(Continued)*

During the year ended 31 December 2009, the Group has completed the disposal of the remaining 40% equity interests in Shenyang Property to an independent third party at a consideration of RMB400,000 received as deposit during the year ended 31 December 2008.

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

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 shares	200	1%	39%	Provision of property management services

The summarised financial information in respect of the Group's associate is set out below:

	2008 RMB'000
Total assets	2,240
Total liabilities	(4,177)
Net liabilities	(1,937)
Group's share of net liabilities of an associate	–
Turnover	3,904
Loss for the year	(895)
Group's share of result of an associate for the year	–

25. Other Long Term Receivables

The amounts are unsecured, interest free and payable over 1 year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

26. Properties Held for Sale

	2009 RMB'000	2008 RMB'000
Properties under development for sale		
Cost	**410,379**	410,379
Accumulated impairment	**(216,438)**	(216,438)
Net realisable value	**193,941**	193,941
Completed properties for sale		
Cost	**–**	11,794
Accumulated impairment	**–**	–
Net realisable value	**–**	11,794
Total	**193,941**	205,735

The Group's properties held for sale were all located in PRC and under medium-term leases.

At 31 December 2009, included in properties under development for sale was development cost of a property development project in Beijing of RMB193,941,000 (2008: RMB193,941,000). The development right for the land was acquired from the Municipal Government of Zhaoyang District of Beijing in previous years. Subsequent to the end of the reporting period, the Group disposed the above properties under development for sale together with the disposal of Beijing Diye Real Estate Development Company Limited at a consideration of RMB200,000,000 (see Note 41(a)).

At 31 December 2008, included in completed properties for sale was a project of "Water- Flowers City" located in Shenyang, the PRC with the book value of approximately RMB11,794,000. The properties have been started to pre-sales in 2003. Up to 31 December 2005, all the units were subscribed.

27. Trade Receivables

	2009 RMB'000	2008 RMB'000
Trade receivables	**200**	200
Accumulated impairment	**(200)**	(200)
	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

27. Trade Receivables *(Continued)*

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment losses at the end of reporting period:

	2009 **RMB'000**	2008 RMB'000
61 – 365 days	**–**	–
1 – 2 years	**–**	–
	–	–

Movement in impairment losses of trade receivables is as follows:

	2009 **RMB'000**	2008 RMB'000
At 1 January 2008, 31 December 2008 and 31 December 2009	**200**	200

The impairment recognised in respect of trade receivables is individually impaired. Impairment is made for debtors who are either been placed under liquidation or in severe financial difficulties.

None of the trade receivables that were past due but not impaired at 31 December 2008 and 2009.

28. Amount Due from a Former Customer

	2009 **RMB'000**	2008 RMB'000
Shenyang Water General Corporation ("SWGC")	**96,656**	96,656
Accumulated impairment	**(96,656)**	(96,656)
	–	–

When the Group was engaged in production and sale of urban purified water business before July 2002, SWGC was its sole customer. The amount represented the outstanding balance on the purchase of water. Pursuant to the agreement entered between the Group and SWGC, the amount has to fully settle before 31 December 2005. However, SWGC had settled RMB400,000 only up to 31 December 2005. The directors of the Company are of the opinion that the outstanding balance is unable to recover and a full impairment has been recognised in the consolidated income statement in previous years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

29. Amount Due from a Former Controlling Shareholder

The amount due from a former controlling shareholder represent amount due from SPUG. As disclosed in Note 43 to the consolidated financial statement, SPUG ceased to be the controlling shareholder of the Company on 20 March 2009.

30. Bank Balances and Cash

All the bank balances and cash are denominated in RMB and deposited with banks in the PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances carry interest at average market rates of 0.36% (2008: 0.36% to 0.81%) for the year ended 31 December 2009.

31. Trade Payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2009 **RMB'000**	2008 RMB'000
Over 2 years	**5,735**	5,875

32. Receipts in Advance

	2009 **RMB'000**	2008 RMB'000
Sales of properties	**11,708**	12,359
Other	**2,000**	400
	13,708	12,759

33. Provision for Potential Liabilities

	2009 **RMB'000**	2008 RMB'000
Default payment for sales of properties	**1,041**	1,041

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

34. Bank Borrowings

	2009 RMB'000	2008 RMB'000
Unsecured bank borrowings	**9,000**	14,000
Carrying amount repayable:		
On demand or within one year	**9,000**	14,000

At 31 December 2009, bank borrowings of approximately RMB9,000,000 (2008: RMB14,000,000) was guaranteed by Beijing Beida Jade Bird Company Limited ("Beida Jade Bird").

The bank borrowings bear variable interest at a base rate of the People's China Bank plus 10% (2008: base rate of the People's China Bank plus 20%) ranging from 5.3% to 6.4% (2008: 6.6% to 9.7%) per annum.

35. Amount Due to a Former Shareholder

The amount is unsecured, interest-free and repayable on demand.

36. Deferred Taxation

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

	RMB'000
At 1 January 2008 as restated	(17,619)
Charge to consolidated income statement	(73)
At 31 December 2008 and 1 January 2009 as restated	(17,692)
Credit to consolidated income statement	300
At 31 December 2009	(17,392)

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

At the end of reporting period, the Group had estimated unused tax losses of approximately RMB16,324,000 (2008: RMB57,692,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream. Such losses can be carried forward for five years from the year in which the respective loss arose.

37. Other Non-Current Liabilities

The amount represented a litigation claim from Beida Jade Bird which disclosed in Note 42 to the consolidated financial statements. The amount is unsecured, interest-free and would not require for repayment within 24 months from 17 September 2008.

38. Share Capital

	Number of shares	Amount RMB'000
Authorised:		
At 31 December 2008 and 2009		
Domestic shares of RMB1 each	600,000,000	600,000
H shares of RMB1 each	420,400,000	420,400
	1,020,400,000	1,020,400
Issued and fully paid:		
At 31 December 2008 and 2009		
Domestic shares of RMB1 each	600,000,000	600,000
H shares of RMB1 each	420,400,000	420,400
	1,020,400,000	1,020,400

39. Disposal and Deregistration of Subsidiaries

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

The net liabilities of Shenyang Pollon on the disposal date were as follows:

	Shenyang Pollon RMB'000
Net value of disposed assets and liabilities:	
Property, plant and equipment	5
Properties held for sale	23,257
Other receivables	720
Bank overdrafts	(1,642)
Trade payables	(16,250)
Other payables and accruals	(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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

39. Disposal and Deregistration of Subsidiaries *(Continued)*

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

The net liabilities of the Shenyang Property on the disposal date were as follows:

	Shenyang Property RMB'000
Net value of disposed assets and liabilities:	
Property, plant and equipment	142
Other receivables	8
Amounts due from group companies	9,034
Bank balances and cash	2,291
Other payables and accruals	(1,464)
Amounts due to group companies	(11,936)
	(1,925)
Non-controlling 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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

39. Disposal and Deregistration of Subsidiaries *(Continued)*

(c) The Group disposed all of its equity and debts interests in Shenyang Development Beida Education Science Park Company Limited ("Shenyang Education"), Shenyang Jade Bird School Foreign Language School ("Jade Bird School") and Shenyang Beida Jade Bird Business Information System Company Limited ("Shenyang Business Information") at a consideration of approximately RMB8,380,000 on 25 September 2008.

The net liabilities of these subsidiaries on the disposal date were as follows:

	Shenyang Education, Jade Bird School and Shenyang Business Information RMB'000
Net value of disposed assets and liabilities:	
Property, plant and equipment	122,950
Prepaid lease payments on land use rights	89,316
Inventories	342
Other receivables	2,576
Amounts due from group companies	8,210
Bank balances and cash	21
Trade payables	(2,637)
Other payables and accruals	(39,952)
Amounts due to group companies	(266,486)
Bank borrowings	(42,000)
	(127,660)
Statutory surplus reserve	(351)
Non-controlling 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 sale proceed received	8,359

Notes to the Consolidated Financial Statements

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39. Disposal and Deregistration of Subsidiaries *(Continued)*

(d) Shenzhen Grand Scene Investment Development Company Limited ("Shenzhen Grand Scene") was deregistered on 11 November 2008.

The net liabilities of Shenzhen Grand Scene on the disposal date were as follows:

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

40. Operation Lease Commitments

The Group as lessor

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

	2009 RMB'000	2008 RMB'000
Schoolhouse and equipment	**3,000**	3,000

At the end of reporting period, the Group has entered into agreements with Zhuhai Beida Subsidiary Experiment School ("Zhuhai School") to lease schoolhouse and related equipment. The lease period was from one years to four years (2008: one years to five years).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2009 RMB'000	2008 RMB'000
Within one year	**3,000**	3,000
In the second to fifth years, inclusive	**–**	–
	3,000	3,000

Since the rental would negotiate on December on yearly basis, the commitments in the second to fifth years cannot be reliably measured.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

41. Event After the Reporting Period

(a) As set out in the Company's announcement dated 10 August 2009, 16 September 2009 and 9 November 2009 in relation to the disposal of 80% equity interest in Beijing Diye Real Estate Development Company Limited ("Beijing Diye") at a cash consideration of RMB200 million (the "Disposal"), the proposed acquisition of entire equity interest in Shenzhen Jade Bird Optoelectronic Company Limited ("JBMOE") at a consideration of RMB80,000,000 ("JBMOE Acquisition") and the acquisition of the CY Property at a consideration of RMB93,000,000 ("CY Acquisition"). Details information has been set out in the Company's circular dated 28 December 2008 (the "Circular"), the resolution as set out in the Circular were duly passed on 12 February 2010. The Disposal, JBMOE Acquisition and CY Acquisition has been completed with all conditions complied as stated in the Company's announcement dated 31 March 2010.

(b) As set out in the Company's announcement dated 26 June 2009, 1 March 2010 and 31 March 2010 in relation to, amongst other things, the decisions from the Listing Appeals Committee regarding all conditions for the resumption of trading in the H-Shares of the Company (the "H-Shares"). The Company have complied all the conditions set out in the decision letter which issued by Listing Appeals Committee on 31 March 2010.

(c) As set out in the Company's announcement dated 1 April 2010, the H-Shares would resume for trading on the Stock Exchange with effect from 9:30 a.m. on 1 April 2010.

42. Material Litigation

During the year, the Group was not involved in any new litigation while progress was made in settling the claim by Beida Jade Bird against the Company with respect to outstanding guaranteed amount.

In December 2006, the assets of Beida Jade Bird have been auctioned by the Court and the proceeds were applied to settle the assistance provided by Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin Hua Gong") to the Company due to the litigation over the loan from Dalian Branch of Shenzhen Development Bank. In May 2007, Beida Jade Bird commenced legal action against the Company and SPUG, the guarantors, for the said amount. Up to 31 August 2008, the Company has repaid approximately RMB101,340,000 to Beida Jade Bird. The unpaid balance of the claim of Beida Jade Bird and the interest thereof amount to approximately RMB83,000,000.

Later, application was made by Beida Jade Bird to Beijing No. 1 Intermediate People's Court for the implementation of SPUG's assets. In February 2009, Beijing No. 1 Intermediate People's Court had entrusted an auctioneer to hold a legal auction in respect of the 58.8% equity interests held by SPUG in the Company. Beijing Mingde successfully bid for the equity interests. The proceeds were used to settle the guaranteed amount owed to Beida Jade Bird. As such, the guaranteed amount due to Beijing Jade Bird from the Company had been fully settled.

As a result of auction of the SPUG's assets to repay the Company's debts, the Company has an outstanding guaranteed amount due to SPUG of approximately RMB84,000,000. As of March 2010, the Company has financed such amount from various sources and repaid all outstanding guaranteed amount to SPUG.

43. Change of Controlling Shareholder

As set out in the Company's announcement dated 24 March 2009 and circular dated 19 October 2009, 600,000,000 domestic shares (representing approximately 58.8% equity interest of the issued share capital of the Company as at 16 October 2009) held by SPUG were put under an auction pursuant to order of the Intermediate People's Court of Beijing (the "Court") on 13 February 2009.

According to (2007) Yi Zhong Zhi Zi No.1192–3, Civil Judgment (民事裁定書(2007)一中執字第1192–3號 delivered by the Court on 24 February 2009, the Court ruled that the bidding of the Beijing Mingde for the domestic shares at the auction held on 13 February 2009 was legal and effective, and accordingly the domestic shares belong to the Beijing Mingde subject to certain registration procedures at relevant authorities in the PRC. The auction price for the 600,000,000 domestic shares was fully paid on 20 February 2009 and the transfer was registered with Shenyang Administration of Industry and Commerce (瀋陽市工商登記行政管理局) on 20 March 2009.

Notes to the Consolidated Financial Statements

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44. Significant 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 the 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 the Company, the Group or its holding companies.

The identified connected parties which have transaction with the Group are as follows:

Name of the Company	Relationships with the Company
SPUG	The former controlling shareholder of the Company
Beida Jade Bird (Note c)	A controlling shareholder of 北京北大高科技產業投資有限公司 ("Beida Hi-Tech"), in which Beida Hi-Tech is a shareholder of the SPUG
Zhuhai School (Note c)	A branch of Beijing Beida Education Investment Company Limited ("Beida Education Investment"), in which Beida Education Investment is a related company of Beida Jade Bird

Notes:

Apart from the guarantee provided by certain connected parties for bank borrowings of the Group as disclosed in Note 34 to the consolidated financial statements, principal connected party transactions in the ordinary course of business between the Group and connected parties are as follows:

(a) During the year ended 31 December 2008 and 2009, the Group received rental income of RMB3,000,000 and RMB3,000,000 from Zhuhai School for leasing of schoolhouse and related equipment. The lease period was from January 2003 to December 2013. Rental would negotiate on December on yearly basis.

(b) At the end of the reporting period, the balances of connected parties are as follows:

Name of connected party	2009 RMB'000	2008 RMB'000
Other receivables		
– Zhuhai School	**1,337**	–
Amount due to a former controlling shareholder		
– SPUG	**29,328**	–
Other payables and accruals		
– Beida Jade Bird	**3,968**	–
– Zhuhai School	**–**	3,999
Other non-current liabilities		
– Beida Jade Bird	**–**	82,998

(c) Beida Jade Bird and Zhuhai School ceased to be connected parties of the Company since Beida Jade Bird ceased to be an indirect shareholder of the Company on March 2009.

Notes to the Consolidated Financial Statements

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45. Particulars of Subsidiaries

Particulars of the subsidiaries held by the Company at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Paid-up registered capital RMB'000	Percentage of effective equity interest held by the Company Directly	Indirectly	Principal activities
Shenyang Development Real Estate Company Limited	PRC	250,000	99.86%	–	Development and sale of properties
Beijing Diye Real Estate Development Company Limited	PRC	30,000	80.00%	–	Development and sale of properties
Shanghai Beida Jade Bird Education Investment Company Limited	PRC	100,000	80.00%	19.97%	Ceased business
Zhuhai Beida Education Science Park Company Limited	PRC	20,000	70.00%	–	Investment and management of education projects
Beijing ShenFa Property Management Company Limited	PRC	500	100.00%	–	Inactive
Shenzhen Jade Bird ShenFa Optoelectronic Company Limited	PRC	500	100.00%	–	Inactive

All of the above subsidiaries are limited company which incorporated and operated in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

46. Statement of Financial Position of the Company

	At 31 December		At 1 January
	2009	2008	2008
	RMB'000	RMB'000	RMB'000
		(restated)	(restated)
NON-CURRENT ASSETS			
Property, plant and equipment	**50**	283	531
Investments in subsidiaries	**174,065**	171,883	328,338
Investment in an associate	**–**	–	–
Available-for-sale financial assets	**17,000**	20,000	20,000
Other long term receivables	**–**	32,744	–
	191,115	224,910	348,869
CURRENT ASSETS			
Amount due from a former controlling shareholder	**–**	–	58,224
Amounts due from subsidiaries	**257,114**	235,996	231,684
Other receivables	**34,696**	80,474	44,660
Prepayments	**2,000**	–	–
Other current assets	**–**	–	1,000
Bank balances and cash	**186**	171	3,264
	293,996	316,641	338,832
CURRENT LIABILITIES			
Investment cost payable	**–**	–	142,760
Receipts in advance	**2,000**	–	–
Other payables and accruals	**36,690**	29,238	–
Amounts due to subsidiaries	**93,476**	93,486	137,780
Amount due to a former controlling shareholder	**29,328**	–	–
	161,494	122,724	280,540
NET CURRENT ASSETS	**132,502**	193,917	58,292
TOTAL ASSETS LESS CURRENT LIABILITIES	**323,617**	418,827	407,161
CAPITAL AND RESERVES			
Share capital	**1,020,400**	1,020,400	1,020,400
Reserves	**(696,783)**	(684,571)	(613,239)
TOTAL EQUITY	**323,617**	335,829	407,161
NON-CURRENT LIABILITY			
Other non-current liabilities	**–**	82,998	–
	323,617	418,827	407,161

47. Comparative Figures

Certain comparative figures have been reclassified to conform to current year's presentation.

Company Information

Legal address	No.1–4, 20A, Central Street Shenyang Economic and Technological Development Zone the PRC
Place of business in the PRC	14/F, Jinmao International Apartment Da Dong District Shenyang the PRC Postal code: 110041 Tel: 8624-24351041 Fax: 8624-23333288 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
Auditor	Lo and Kwong C.P.A. Company Limited *Certified Public Accountants* Suites 216–218, 2/F., Shui On Centre 6–8 Harbour Road, Wanchai Hong Kong