



SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

Stock code: 747

INTERIM REPORT 2010

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The board of directors (“the Board”) of Shenyang Public Utility Holdings Company Limited (“the Company”) is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (“the Group”) for the six months ended 30th June 2010 (“the Period”). The consolidated results, the consolidated cash flow statement, the consolidated statement of changes in equity for the Period and the consolidated balance sheet of the Group as at 30th June 2010 are all unaudited and prepared in condensed accounts form together with some selected explanatory notes to the accounts are set out on page 20 to 32 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the turnover of the Group amounted to approximately RMB7,897,000, representing an increase of approximately 264.42% as compared with that of the corresponding period (“the Corresponding Period”) for the six months ended 30th June 2009 (“the 2009 Period”); profit after taxation and minority interests amounted to approximately RMB38,896,000 and earnings per share was approximately RMB0.038.

I. Review of the Group’s Major Business

The Group is a real estate developer and service provider of property lease and management. It is principally engaged in the development and sale of real estate and leasing and management of property. The Company’s subsidiaries, Shenyang Development Real Estate Company Limited (“Shenyang Real Estate”) is a real estate developer in Shenyang. Beijing Shenfa Property Management Company Limited (“Beijing Shenfa”) and Shenzhen Jade Bird Optoelectronic Company Ltd (“JBMOE”) are service providers of property lease and property management in Beijing and Shenzhen respectively. The Company’s subsidiaries, Zhuhai Beida Education Science Park Company Limited (“Zhuhai Education”) and Shanghai Beida Jade Bird Education Investment Company Limited (“Shanghai Education”), are service providers of property lease in Zhuhai and Shanghai respectively.

1. Analysis of Real Estate Development Business

On 31st 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 rationalizing the Group's business structure and procuring the resumption of trading of shares. Pursuant to the agreement, the Company has agreed to sell 80% equity interests in Beijing Diye Real Estate Development Company Limited ("Beijing Diye") to Zhong Yi (details of this share transfer were provided in the announcement of the Company dated 10 August 2009). The 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 28th December 2009 ("Circular"), and the resolution as set out in the Circular were duly passed on 12th February 2010.

During the Period, the disposal of Beijing Diye has been completed with all conditions complied as stated in the announcement dated 31st March 2010.

2. Property leasing and management business

On 5th 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 JBMOE (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 and the resolution as set out in the Circular were duly passed on 12th February 2010. During the Period, the acquisition of property has been completed with all conditions complied as stated in the announcement dated 31st March 2010. During the Period, the Company has received rental income of RMB4,956,000.

On 5th 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 of 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 People Republic of China ("PRC") from Zhong Yi (details of which were contained in the Company's announcement dated 9th November 2009). As the property is located at the prime area in Beijing, and the existing tenants are banking and telecom 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 and the resolution as set out in the Circular were duly passed on 12th February 2010. During the Period, the acquisition of property has been completed with all conditions complied as stated in the announcement dated 31st March 2010. During the Period, the Company has received rental income of RMB1,302,000.

During the Period, Zhuhai Beida Subsidiary Experiment School ("Zhuhai School") has paid Zhuhai Education a rental fee amounting to RMB1,500,000. During the spring semester 2009, Zhuhai School has 1,270 students. At present, Zhuhai Education covers a gross floor area of 71,000 square meters.

II. The Group's Liquidity and Financial Resources

1. Borrowing Level and Analysis at the Balance Sheet Date

As at 30th June 2010, the Group's bank borrowings totalled RMB9,000,000 (as at 31st December 2009: RMB9,000,000). Abovementioned borrowings are not secured and bear interest at 6.9% per annum.

	As at 30th June 2010 (RMB'000)	As at 31st December 2009 (RMB'000)
Bank borrowings repayable as follows:		
Within one year	9,000	9,000
In the second year	—	—
	9,000	9,000

During the Period, there is no default of principle and interests payment of bank borrowings by the Group.

2. Bills payable

During the Period, the Company has no bills payable.

3. Financial Indicators and Basis of Calculation

Financial Indicators	Basis of Calculation	As at 30th June 2010	As at 31st December 2009
Gearing ratio	Total liabilities/ total assets x 100%	13.60%	19.91%
Return on net assets ratio	Net profit/net assets x 100%	7.68%	(3.28%)
Sales profit margin	Net profit/sales x 100%	494.62%	(422.57%)

III. Capital Structure of the Group

1. Capital Structure of the Group

Items	As at 30th June 2010		As at 31st December 2009	
	Amount (RMB'000)	Percentage of Total Capital	Amount (RMB'000)	Percentage of Total Capital
Share capital	1,020,400	200.58%	1,020,400	217.26%
Share premium	323,258	63.54%	323,258	68.83%
Statutory surplus reserve	103,231	20.29%	103,231	21.98%
Accumulated profits	(977,890)	(192.22%)	(1,016,786)	(216.49%)
Minority interests	39,738	7.81%	39,574	8.43%
Total capital	<u>508,737</u>	<u>100%</u>	<u>469,677</u>	<u>100%</u>

IV. Significant Investments Held

As at 30th June 2010, the Group held 8% equity interest in Unisplendour Venture Capital, Inc., ("Unisplendour Venture Capital") with investment cost of RMB20,000,000 (31st December 2009: RMB17,000,000). During the Period, Unisplendour Venture Capital has recorded a loss of RMB2,634,000, representing an increase in loss of RMB73,000 as compared with that of the Corresponding Period.

V. Changes in the Composition of the Group

During the previous period, the Company entered into the share transfer agreement with Zhong Yi. 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 10th August 2009). During the Period, the disposal of Beijing Diye has been completed, and Beijing Diye has ceased to be a subsidiary of the Company.

VI. Number of Employees, Emoluments, Training Schemes and Share Option Schemes

As at 30th June 2010, the Group employed a total of 11 employees (including the directors of the Company) and emoluments for the Period amounted to approximately RMB487,000 (Corresponding Period: RMB1,053,000) in total. The Group has entered into employment contract with all employees, and offered them with different emoluments according to their positions. The Group also made contributions to endowment insurance, basic medical insurance and housing reserves for all the employees in accordance with the relevant laws of the PRC. To date, the Group has not adopted any share option scheme for any of its senior managements or employees.

VII. Details of the Group's Assets Secured/Pledged

During the Period, no additional asset of the Group was secured or pledged.

VIII. Taxation

During the Period, no provision for Hong Kong Profits Tax had been made as the Group's income neither arose in nor was derived from Hong Kong. During the Period, the Group was subject to income tax at the prevailing tax rate of 15%–25% in the PRC.

IX. Currency Risks

According to the "Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks (I-6)" periodically promulgated by the State Administration of Foreign Exchange of the PRC in 2010, the exchange rate of the Hong Kong dollar to Renminbi experienced slight fluctuations during the Period. In addition, the conversion of the Company's deposits denominated in Hong Kong dollar was basically completed. Accordingly, the Company does not have any currency risk.

X. Share Capital Structure

During the Period, there was no change in the share capital structure of the Company. As at 30th June 2010, the share capital structure of the Company was as follows:

Types of Shares	Number of Shares	Percentage to Total Issued Share Capital
Domestic shares	600,000,000	58.80%
H shares	420,400,000	41.20%
Total share capital	<u>1,020,400,000</u>	<u>100%</u>

XI. SIGNIFICANT CONNECTED TRANSACTIONS

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

The connected parties that have entered into transactions with the Group are as follows:

Name of company	Relationships with the Company
Shenyang Public Utility Group Company Limited ("SPU")	The former holding company of the Company
Beida Jade Bird	The controlling shareholders of Beijing Beida Hi-Tech Industry Investment Company Limited ("Beida Hi-Tech"), which is the shareholder of SPU
Zhuhai School	A branch of Beijing Beida Education Investment Company Limited ("Beida Education Investment"), which is a connected company of Beida Jade Bird

Apart from the connected parties disclosed in the unaudited condensed consolidated financial statements, the significant connected transactions between the Group and the connected parties and the balance arising therefrom are summarised as follows:

- a. During the Period, the Group received rental income of RMB1,500,000 (corresponding period in 2009: RMB1,500,000) from Zhuhai School for leasing of campus and equipment. Lease period is from January 2003 to December 2013 and rental fee was negotiated in December each year.

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

Breakdown	At 30th June 2010 RMB'000	At 31st December 2009 RMB'000
Trade receivables		
Zhuhai School	—	1,337
	<u> </u>	<u> </u>
Other payables and accrual expenses		
Beida Jade Bird	—	3,968
SPU	—	29,328
	<u> </u>	<u> </u>

c. Since March 2009, Beida Jade Bird is no longer an indirect shareholder of the Company. Thus, Beida Jade Bird and Zhuhai School are no longer connected parties of the Company as of 30th June 2010.

XII. Material Litigation

During the Period, there is no new material litigation involving the Group. Litigation reported in prior period had already been settled, or further development was achieved for those litigation.

During the previous period, the assets of SPU were sold through auction by the court in China to repay the Company's debts, so the Company has an outstanding guaranteed amount due to SPU 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 SPU.

XIII. Resumption of trading of H shares

On 22nd June 2009, The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") informed the Company in the decision letter that the Company was granted an approval from the Listing Appeal Committee to resume trading in its H Shares in the Stock Exchange subject to all conditions as set out in the decision letter have been complied with to the satisfaction of the listing division before 28th February 2010 (details of which were contained in the Company's announcement dated 26th 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 31st March 2010 (details of which were contained in the Company's announcement dated 1st March 2010).

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

XIV. Prospects of the Second Half of 2010

1. To improve our standard of management, as well as to enhance the operation efficiency of the enterprise.
2. To improve the corporate governance structure and to ensure a stable and compliant operation.
3. To identify new investment opportunities and profit drivers, and make efforts to raise the value of shareholders.

REPORT OF THE DIRECTORS

I. **Interests and/or Short Positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares, Securities, Equity Derivatives and/or Debentures of the Company and/or the Company's Associated Corporations**

1. As at 30th June 2010, none of the directors, supervisors or chief executives of the Company, in respect of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong:
 - (1) held any interests and/or short positions in the shares, underlying shares, securities, equity derivatives and/or debentures as shown in the register maintained in accordance with section 352 of the SFO; and
 - (2) held any interests and/or short positions in the shares, underlying shares, securities, equity derivatives and/or debentures which are required to notify the Company and the Hong Kong Stock Exchange in accordance with the Model Code for Securities Transactions by Directors of Listed Companies.
2. During the Period, none of the directors or supervisors of the Company is a director or employee of another company which held interests in the shares, underlying shares, securities, equity derivatives and/or debentures of the Company which are required to notify the Company and the Stock Exchange in accordance with division 2 and 3 of Part XV of the SFO.
3. No contracts of significance in relation to the Group's business to which the Company or any of its fellow subsidiaries or holding companies was a party and in which any of the Company's directors or supervisors had a material interest, whether directly or indirectly.

II. Substantial Shareholders

As at 30th June 2010, save as the Company's directors, supervisors and chief executives, the register of holders required to be 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 to Total Issued Share Capital
1	Beijing Mingde Guangye Investment Consultant Company Limited ("Mingde Guangye")	600,000,000 Domestic shares (unlisted shares)	58.80%
2	Beijing Mingyude Business and Trade Company Limited ("Mingyude") (Note 1)	600,000,000 Domestic shares	58.80%
3	李鵬 (Note 2)	600,000,000 Domestic shares	58.80%
4	申雲變 (Note 3)	600,000,000 Domestic shares	58.80%
5	HKSCC Nominees Limited (Note 4)	418,749,990 H shares (listed shares)	41.04%

Notes:

- Mingyude is a limited company established in the PRC which holds 90% equity interest in Mingde Guangye. Pursuant to section 316 of the SFO, Mingyude is regarded as holding interests in the shares of the Company held by Mingde Guangye.
- 李鵬 is a PRC legal person who holds 10% equity interest in Mingde Guangye and 60% equity interest in Mingyude, which holds 90% equity interest in Mingde Guangye. Pursuant to section 316 of the SFO, 李鵬 is regarded as holding interests in the shares of the Company held by Mingde Guangye.
- 申雲變 is a PRC legal person who holds 40% equity interest in Mingyude, which holds 90% equity interest in Mingde Guangye. Pursuant to section 316 of the SFO, 申雲變 is regarded as holding interests in the shares of the Company held by Mingde Guangye.
- As notified by HKSCC Nominees Limited, as at 30th June 2010, the following participants in the central clearance system had interests amounting to 5.00% or more of the total issued H shares of the Company as shown in the securities accounts in the central clearance system:

- (1) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 54,099,000 H shares, representing approximately 12.86% of the issued H shares of the Company;

- (2) Bank of China (Hong Kong) Limited as nominee holds 34,062,000 H shares, representing approximately 8.10% of the issued H shares of the Company;
- (3) Prudential Brokerage Limited as nominee holds 23,796,000 H shares, representing approximately 5.66% 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.

III. Independent Non-Executive Directors

During the Period, Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr. Chan Ming Sun were the independent non-executive directors of the Company.

IV. Audit Committee

During the Period, the third session of audit committee of the Company comprised Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr. Chan Ming Sun, who are all independent non-executive directors. Mr. Wong Kai Tat is the chairman of the audit committee.

The audit committee has reviewed the interim financial statement for 2010 of the Company, reviewed the internal control of the Company and the three transactions in relation to the resumption. The audit committee considers the audited financial statement for the year is in compliance with the relevant accounting standards and legal requirements and appropriate disclosure has been made.

V. Annual General Meetings and Extraordinary General Meetings

(1) First Extraordinary General Meeting for 2010

On 12th February 2010, the Company convened the first extraordinary general meeting for 2010, at which the resolutions in respect of the disposal of 80% shareholding in Beijing Diye, the acquisition of the property located at 1st floor and 2nd floor, No.112, Jianguo Road and the acquisition of JBMOE were being considered and approved (for details please refer to the Company's announcement dated 12th February 2010).

(2) 2009 Annual General Meeting

On 25th June 2010, the Company convened the 2009 annual general meeting, at which the Company's 2009 report of the directors, financial statements, auditor's report, and the resolutions in respect of profit allocation and dividend distribution and appointment new directors were being considered and approved (for details please refer to the Company's announcement dated 25th June 2010).

VI. Dividend

During the Period, no dividend was paid. The Board of the Company resolved not to declare any interim dividend in 2010.

VII. Purchase, Sale or Redemption of Shares

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

VIII. Share Options

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

IX. Publication of Further Information on the Website of the Hong Kong Stock Exchange

The Company will publish its interim results report on the Hong Kong Stock Exchange's website at an appropriate time as required by paragraph 46 of Appendix 16 to the Listing Rules of the Stock Exchange ("Listing Rules").

X. Company Information

Legal address:	No.1-4, 20A, Central Street Shenyang Economic and Technological Development Zone Shenyang, the PRC
Place of business:	Jinmao International Apartment 14/F No.1 Xiao Dong Road, Da Dong District, Shenyang the PRC
Postal code:	110041
Tel:	8624-24351041
Fax:	8624-24333288
Website:	www.sygyfz.com.cn

CORPORATE GOVERNANCE REPORT

During the Period, the Company has committed to comply with the PRC Company Law, the relevant provisions of the "Code on Corporate Governance Practice" ("Code") as set out in Appendix 14 to the Listing Rules and other relevant laws and regulations and has endeavored 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 30th June 2010, the Board 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, independent non-executive director and non-executive director).

During the Period ,Mr. Deng Yan Bin was resigned as non-executive director on 10 May 2010. Mr. Bao Yi Qiang was appointed as non-executive director on 25 June 2010 and was elected as Vice Chairman of the Company.

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 the 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.

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 the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Group. The Board also 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.

Attendance record of board meetings

Director	Position	Attendance/ Total meetings
An Mu Zong	Executive director	3/3
Wang Zai Xing	Executive director	3/3
Chow Ka Wo Alex	Executive director	3/3
Wang Hui	Executive director	3/3
Deng Yan Bin ⁽¹⁾	Non executive director	1/1
Lin Dong Hui	Non executive director	2/3
Bao Yi Qiang ⁽²⁾	Non executive director	2/2
Wong Kai Tat	Independent non executive director	2/3
Cai Lian Jun	Independent non executive director	2/3
Chan Ming Sun Jonathan	Independent non executive director	3/3

Notes:

(1) Mr. Deng Yan Bin resigned as non-executive director on 10 May 2010.

(2) Mr. Bao Yi Qiang was appointed as non-executive director on 25 June 2010.

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 cannot 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 to discuss 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. Directors, non-executive directors and 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 has confirmed that they have fully observed the Code during the financial year ended 30th June, 2010.

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 the 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 interim results report for 2010 and discussed with the management and the Company's auditors the accounting policies and practices adopted and financial reporting matters of the year.

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

Name of committee member	Meetings attended/ Total meetings
Wong Kai Tat	1/2
Chan Ming Sun	2/2
Cai Lian Jun	2/2

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 was 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 on 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 8624-24333288, through which the Company makes replies to the written and directory enquiries regarding all kinds of matters raised 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 shareholders 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2010

	Notes	Six months ended 30th June	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Turnover	3	7,897	2,167
Cost of properties sold		(1,277)	(793)
Taxes on sales of properties		(379)	(83)
Gross profit		6,241	1,291
Other operating expenses		(2,459)	(2,492)
Finance costs		(192)	(524)
Profit/(loss) before taxation		3,590	(1,725)
Taxation	4	(389)	–
Profit/(loss) after taxation		3,201	(1,725)
Gain on disposal of subsidiaries		1,468	–
Purchase of subsidiaries		37,391	–
Expenditure on donation		(3,000)	–
Total profit/(loss)		39,060	(1,725)
Of which:			
Profit/(loss) attributable to shareholders of the Company		38,896	(1,788)
Profit/(loss) attributable to minority interests		164	63
Profit/(loss) per share – basic (fen)	6	3.83	(0.2)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	Notes	Six months ended	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Profit/(loss)	3	39,060	(1,725)
Other consolidated income		-	-
Exchange differences arising on translation		-	-
Total comprehensive income		39,060	(1,725)
Of which:			
Profit/(loss) attributable to shareholders of the Company		38,896	(1,788)
Profit/(loss) attributable to minority interests		164	63

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2010

		As at 30th June 2010 (Unaudited) RMB'000	As at 31st December 2009 (Audited) RMB'000
	Notes		
Non-current assets			
Plant and equipment		4,057	5,674
Investment properties		515,583	307,520
Prepaid lease payments on land use rights		–	–
Available-for-sale financial assets		17,000	17,000
Other non-current assets		–	–
		536,640	330,194
Current assets			
Properties held for sale		–	193,941
Inventories		333	–
Accounts receivable	7	214	–
Amount due from the holding company		–	–
Prepaid lease payments on land use rights		–	–
Prepayments		–	2,000
Other receivables	8	35,838	36,731
Bank balances and cash		15,791	23,536
		52,176	256,208
Current liabilities			
Accounts payable	9	5,906	5,735
Receipts in advance		11,828	13,708
Other payables and accrued charges		34,912	69,849
Income tax payable		–	–
Bank loans – due within one year	10	9,000	9,000
Expected liabilities		1,041	1,041
		62,687	99,333
Net current assets/(liabilities)		(10,511)	156,875
Total assets less current liabilities		526,129	487,069

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30th June 2010

		As at 30th June 2010 (Unaudited) RMB'000	As at 31st December 2009 (Audited) RMB'000
	Notes		
Equity			
Share capital		1,020,400	1,020,400
Reserves		(551,401)	(590,297)
Shareholders' equity		468,999	430,103
Minority interests		39,738	39,574
Total equity		508,737	469,677
Non-current liabilities			
Bank loans – due after one year		–	–
Deferred taxation	11	17,392	17,392
		526,129	487,069

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2010

Equity attributable to shareholders of the Company

	Share capital	Share premium	Statutory		Accumulated profits	Minority interests	Total
			surplus reserve	public welfare reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2009	1,020,400	323,258	103,231	–	(1,001,812)	40,028	485,105
Profit/(loss) for the Period	–	–	–	–	(1,788)	63	(1,725)
At 30th June 2009	<u>1,020,400</u>	<u>323,258</u>	<u>103,231</u>	<u>–</u>	<u>(1,003,600)</u>	<u>40,091</u>	<u>483,380</u>
At 1st January 2010	1,020,400	323,258	103,231	–	(1,016,786)	39,574	469,677
Profit/(loss) for the Period	–	–	–	–	38,896	164	39,060
At 30th June 2010	<u>1,020,400</u>	<u>323,258</u>	<u>103,231</u>	<u>–</u>	<u>(977,890)</u>	<u>39,738</u>	<u>508,737</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2010

	30th June 2010 (Unaudited) RMB'000	30th June 2009 (Unaudited) RMB'000
Net cash generated from (used in) operating activities	4,775	(1,213)
Net cash generated from (used in) investing activities	(12,328)	2,000
Net cash generated from (used in) financing activities	(192)	(441)
Increase/(decrease) in cash and cash equivalents	(7,745)	346
Cash and cash equivalents at the beginning of the Period	23,536	6,803
Cash and cash equivalents at the end of the Period	15,791	7,149
Analysis of cash and cash equivalents at the end of the Period as follow:		
Bank balances and cash	15,791	7,149

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2010

1. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The standards are effective for accounting periods beginning on or after 1st January 2005. The accounts have been prepared under historical cost convention, except for certain financial instruments which are measured at their fair values.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed financial statements include provision for bad or doubtful debts, provision for taxation, provision for asset impairment and fair values of financial assets at fair value through profit or loss.

2. Adoption of Going Concern Basis

The Group recorded a net profit of RMB39,060,000 for the half year ended 30th June 2010. The management of the Company has taken the following measures:

- (i) Carry out debt restructuring with its creditors. Up to the date of approval of these consolidated financial statements, the Group has reached agreements with its creditors in respect of debt restructuring and the court litigations have been discharged. Therefore, these consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern;
- (ii) The management of the Company is considering to strengthen the capital base of the Company and provide immediate cash flow through various financing activities and capital restructuring, including, but not limited to, private placement of the Company's shares; and
- (iii) The management of the Company continues to take action to strengthen cost control in respect of various administrative and other operating expenses, and is actively seeking new investment and business opportunities to pursue profitable businesses that would bring positive cash flow.

The management of the Company believes that, in light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. The management of the Company is of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. Turnover and Segment Information

Lease and management businesses: lease of campus and equipment; lease of office building and lease of parking space.

For the six months ended 30th June 2010 (Unaudited)

	Lease of property RMB'000	Others projects RMB'000	Consolidated RMB'000
Turnover	<u>7,897</u>	<u>-</u>	<u>7,897</u>
Segment results	<u>3,782</u>	<u>-</u>	<u>3,782</u>
Unallocated corporate expenses			<u>-</u>
Profit/(loss) from operations			<u>3,782</u>
Finance costs			<u>(192)</u>
Gain on disposal of a subsidiary			<u>1,468</u>
Gain on acquisition of a subsidiary			<u>37,391</u>
Expenditure on donation			<u>(3,000)</u>
Profit/(loss) before taxation			<u>39,449</u>
Taxation			<u>(389)</u>
Profit/(loss) after taxation			<u>39,060</u>

For the six months ended 30th June 2009 (Unaudited)

	Property development	Education projects	Cemetery development	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	667	1,500	–	–	2,167
Segment results	(313)	209	–	–	(104)
Unallocated corporate expenses					(1,097)
Operating profit/(loss)					(1,021)
Finance costs					(524)
Gain on disposal of a subsidiary					–
Profit/(loss) before taxation					(1,725)
Taxation					–
Profit/(loss) after taxation					(1,725)

4. TAXATION

	Six months ended 30th June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Taxation of the Company and its subsidiaries comprises		
– PRC enterprise income tax	389	–
– Deferred taxation	–	–
	389	–

* "PRC" represents the People's Republic of China.

No provision for Hong Kong Profits Tax had been made as the Group's income neither arose in nor was derived from Hong Kong.

5. DIVIDENDS

The Board resolved not to declare any dividend for the current interim period.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company for the Period of RMB38,896,000 and 1,020,400,000 shares in issue during the Period.

No diluted earning/loss per share are presented as the Company has no dilutive potential shares outstanding for both periods.

7. ACCOUNTS RECEIVABLE

As at the balance sheet date, the Group's accounts receivable mainly represent the rental receivable for leasing of properties. The Group normally allows a credit period of 30 days during the Period (2009: 30 days) for leasing of properties.

An aged analysis of accounts receivable of the Group at the balance sheet date is set out as follows:

	At	At
	30th June 2010	31st December 2009
	RMB'000	RMB'000
0-30 days	-	-
31-60 days	-	-
61-365 days	414	200
1-2 years	-	-
Over 2 years	-	-
	<hr/>	<hr/>
Provision for bad debts	(200)	(200)
	<hr/>	<hr/>
Net amount of accounts receivable	214	-
	<hr/> <hr/>	<hr/> <hr/>

The management considered the carrying amount of accounts receivable approximate their fair value.

8. OTHER RECEIVABLES

Other receivables are unsecured, interest free and have no fixed repayment terms.

The management considered the carrying amount of other receivables approximates their fair value.

9. ACCOUNTS PAYABLE

An aged analysis of accounts payable of the Group at the balance sheet date is set out as follows:

	At 30th June 2010 RMB'000	At 31st December 2009 RMB'000
0–30 days	–	–
31–60 days	–	–
61–365 days	–	–
1–2 years	–	–
Over 2 years	5,906	5,735
	5,906	5,735

The management considered the carrying amount of accounts payable approximates their fair value.

10. BANK LOANS

During the Period, the Group has no new bank loans. The outstanding amount was a loan provided by Bank of Communications to Zhuhai Education amounting to RMB9,000,000.

11. DEFERRED TAXATION

	Fair value adjustment on business combination RMB'000
At 1st January 2009	17,692
Credited to income statement for the Period	–
At 30th June 2009	17,692
Credited to income statement for the Period	(300)
At 1st January 2010	17,392
Credited to income statement	–
At 30th June 2010	17,392

12. SHARE CAPITAL

	At	At
	30th June	31st December
	2010	2009
	RMB'000	RMB'000
Registered, issued and fully paid:		
600,000,000 domestic shares of RMB1.00 each	600,000	600,000
420,400,000 H-shares of RMB1.00 each	420,400	420,400
	1,020,400	1,020,400

There were no movements in the share capital of the Company in both the current period and corresponding period last year.

13. SIGNIFICANT CONNECTED TRANSACTIONS

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

The connected parties that have entered into transactions with the Group are as follows:

Name of company	Relationships with the Company
SPU	The former controlling shareholder of the Company
Beida Jade Bird	The controlling shareholders of Beida Hi-Tech, which is the shareholder of SPU
Zhuhai School	A branch of Beida Education Investment, which is a connected company of Beida Jade Bird

Apart from the connected parties disclosed in the unaudited condensed consolidated financial statements, the significant connected transactions between the Group and the connected parties and the balance arising therefrom are summarised as follows:

- (a) During the Period, the Group received rental income of RMB1,500,000 (corresponding period in 2009: RMB1,500,000) from Zhuhai School for leasing of campus and equipment. Lease period is from January 2003 to December 2013 and rental fee was negotiated in December each year.

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

Breakdown	At	At
	30th June	31st December
	2010	2009
	RMB'000	RMB'000
Trade receivables		
Zhuhai School	-	1,337
	<u> </u>	<u> </u>
Other payables and accrual expenses		
Beida Jade Bird	-	3,968
SPU	-	29,328
	<u> </u>	<u> </u>

(c) Since March 2009, Beida Jade Bird is no longer an indirect shareholder of the Company. Thus, Beida Jade Bird and Zhuhai School are no longer connected parties of the Company as of 30th June 2010.

14. CONTINGENT LIABILITIES

During the Period, there was no new contingent liability.

15. ASSETS SECURED/PLEDGED

During the Period, there was no new asset secured/pledged.

By order of the Board of
Shenyang Public Utility Holdings Company Limited
An Mu Zong
Chairman