SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

Stock code: 747

Annual Report 2010

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.

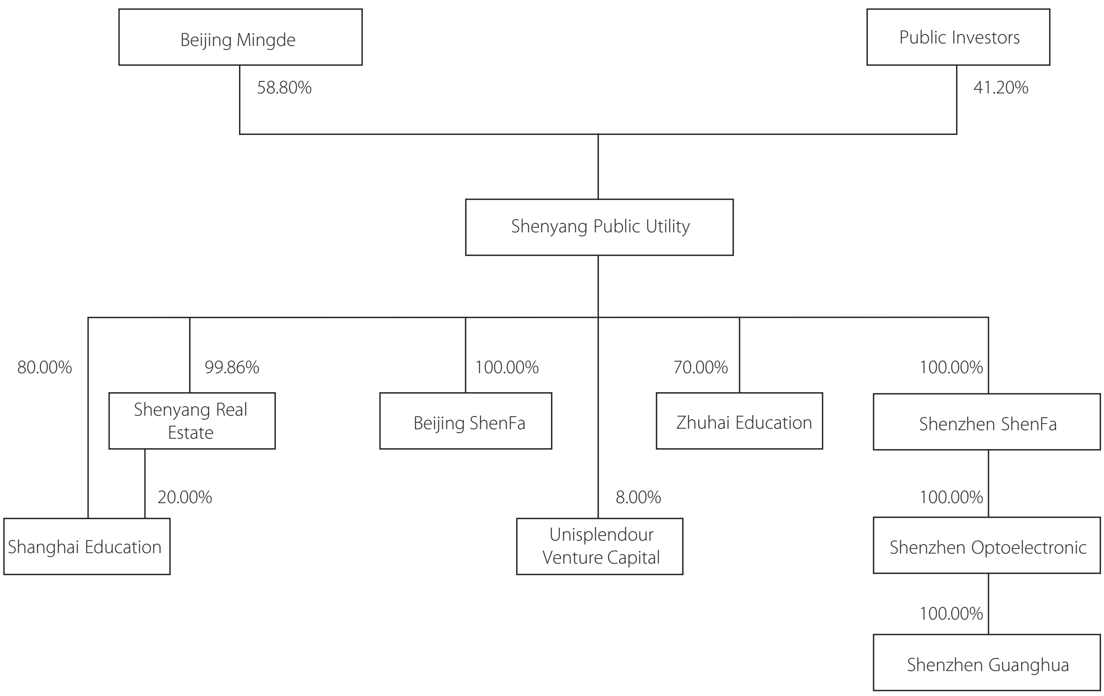
In December 1999, the Company issued 420,400,000 H shares of par value of RMB1.00 each at an issue price of HK$1.70 per share to international investors by way of placing a public offer. On 16 December 1999, the Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").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

2. CORPORATE STRUCTURE

As at 31 December 2010, 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;

Company Profile

Zhuhai Education: Zhuhai Beida Education Science Park Company Limited, in which the Company directly holds 70.00% equity interests, is an education investor in Zhuhai;

Shanghai Education: Shanghai Beida Jade Bird Education Investment Company Limited, in which the Company directly holds 80.00% equity interests and Shenyang Real Estate directly holds 20.00% equity interests while the Company holds 99.97% equity interests in total, is an education investor in Shanghai;

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;

Shenzhen Optoelectronic: Shenzhen Jade Bird Optoelectronic Co, Ltd, in which Shenzhen ShenFa holds 100.00% equity interests;

Shenzhen Guanghua: Shenzhen Jade Bird Guanghua Technology Company Limited (深圳市青島光華科技有限公司), in which Shenzhen Optoelectronic holds 100.00% equity interests.

Financial Highlights

1. FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2010 was approximately RMB20,682,000, representing an increase of 466.5% as compared with last year. The increase was attributable to the revenue generated from newly acquired investment properties during the Year.

- For the year ended 31 December 2010, the Company recorded profit of approximately RMB25,833,000, representing earnings per share of RMB2.53 cents.

- The Board resolved that no dividend would be declared for the year ended 31 December 2010.

2. SUMMARY OF CONSOLIDATED INCOME STATEMENT

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

	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**20,682**	3,651	39,617	7,116	16,465
Sales taxes on turnover	**(1,037)**	(198)	(2,179)	(436)	(1,126)
Cost of sales	**(1,775)**	(149)	(40,237)	(3,889)	(7,328)
Other income	**199**	805	16,329	576	3,108
Gain on disposal of subsidiaries	**1,510**	–	204,123	–	–
Net change in fair value of investment properties	**34,406**	(2,000)	(483)	(6,496)	17,086
Impairment loss recognised in respect of available-for-sales investment	**(3,200)**	(3,000)	–	–	–
Impairment loss recognised in respect of properties held for sale	**–**	–	(216,438)	–	–
Prepayments of land purchased transferred and profit on sales of other current assets	**–**	–	–	–	19,575
Administrative and other operating expenses	**(15,400)**	(14,039)	(32,191)	(24,184)	(29,279)
Finance costs	**(429)**	(798)	(17,876)	(23,577)	(34,149)
(Loss) profit before taxation	**34,956**	(15,728)	(49,335)	(50,890)	(15,648)
Income tax credit (expenses)	**(8,279)**	300	(73)	492	(13,518)
Profit (loss) for the year on discontinued operations	**–**	–	–	114,418	(9,293)
(Loss) profit for the year	**26,677**	(15,428)	(49,408)	64,020	(38,459)
Non-controlling interests	**844**	(454)	(855)	(2,199)	7,402
(Loss) profit attributable to owners of the Company	**25,833**	(14,974)	(48,553)	66,219	(45,861)
(Loss) earnings per share (cents)	**2.53**	(1.47)	(4.76)	6.49	(4.49)

Financial Highlights

3. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000	At 31 December 2007 RMB'000	At 31 December 2006 RMB'000
Property, plant and equipment, investment properties and prepaid lease payments on land use rights	**521,874**	313,194	305,256	516,979	729,068
Goodwill	**–**	–	–	–	–
Available-for-sale financial assets	**13,800**	17,000	20,000	20,000	20,000
Other long-term receivables	**–**	–	32,745	–	–
Total non-current assets	**535,674**	330,194	358,001	536,979	749,068
Current assets	**59,353**	256,208	294,802	581,591	752,813
Current liabilities	**(58,631)**	(99,333)	(67,008)	(564,201)	(926,989)
Net current assets (liabilities)	**722**	156,875	227,794	17,390	(174,176)
	536,396	487,069	585,795	554,369	574,892
Capital resources:					
Share capital	**1,020,400**	1,020,400	1,020,400	1,020,400	1,020,400
Reserves	**(560,769)**	(590,297)	(575,323)	(526,419)	(592,638)
Non-controlling interests	**40,429**	39,574	40,028	42,769	84,541
	500,060	469,677	485,105	536,750	512,303
Non-current liabilities	**33,105**	17,392	100,690	17,619	62,589
	536,396	487,069	585,795	554,369	574,892

Chairman's Statement

Dear shareholders,

As the Chairman of Shenyang Public Utility Holdings Company Limited, I am hereby pleased to present to you the 2010 report of the directors.

2010 was a very meaningful year for the Company. During the year, our continuous efforts for resumption eventually resulted in resumption of trading of our H Shares on 1 April 2010. Resumption of trading of shares greatly protected the interests of shareholders of our H Shares. It is a great comfort for me.

As the resumption work came to an end, assets and operating conditions of the Company also improved fundamentally. The Company disposed its equity interests in Beijing Diye which had an unclear ownership structure and the new acquired properties, located at Shenzhen Hi-tech Development Zone and Jianguo Road, Beijing respectively, contributed stable income and cash flow to the Company. Operation of the Company has entered into a new phase of steady development.

In 2010, the Company recorded earnings of RMB25,833,000 from its operation. Balance of bank loans was discharged during the year. A standard unqualified opinion on the Company's financial statements for 2010 was given by the auditor. All are evidences for significant improvement of financial condition of the Company.

Since resumption of trading, the Company has engaged compliance advisors and financial advisors to review its financial statements and announcements and has received valuable suggestions. Independent non-executive Directors and members of the Audit Committee under the Board also conducted internal review of financial statements of the Company and closely monitored daily operating conditions of the Company. Improvement of internal control measures and corporate governance structure will guarantee the healthy operation of the Company.

With respect to the external operating environment of the Company, as Mainland China and major economies in the world gradually shrugged off affects of the financial crisis, the real estate market of Mainland China saw increases in price and transaction volume, even significant improvements of property prices in certain major cities after 2009. In response to this, the Chinese central government introduced measures including loan quotas and purchase restriction to curb bubble existed in the real estate industry in some cities in 2010; meanwhile, the central bank of China also tightened its monetary policy through raising interest rate and reserve requirement of many times as consumer price continued to rise. However, the operating conditions of the Company was not affected by those measures and a stable income and cash flow conditions was maintained during 2010 due to assets of the Company principally comprising commercial properties and property assets used for technology research and development and education at prime locations locally, which resulted in steadily strong lease demand.

In 2011, the management of the Company will take steps to mitigate affects on our real estate business from measures imposed by the Chinese government, look for opportunities to diversify into various forms of real estate business such as industrial real estate, first-class land development and co-ordination, and utilize the existing financial resources of the Company in a prudent manner, so as to create more value for shareholders.

Shenyang Public Utility Holdings Company Limited
An Mu Zong
Chairman

Shenyang, PRC, 22 March 2011

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 has extensive experience in financial and investment management. Mr. Deng has been a non-executive director of the Company since 28 November 2005 and resigned the position of non-executive director on 10 May 2010.

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.

Mr. Bao Yi Qiang, born in May 1970. Mr. Bao graduated from Anhui Finance & Trade College (安徽財貿學院) in July 1992 majoring in auditing. Mr. Bao is a certified public accountant in the People's Republic of China. He was a project manager of auditing in Zhonglei Certified Public Accountants and currently serves as deputy general manager of Beijing Mingde. Mr. Bao has extensive experience in financial management and auditing. Mr. Bao has been a non-executive director and vice chairman of the Company since 25 June 2010 with a term expiring on 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 1952. 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.

SUPERVISORS:

Mr. Wang Xing Ye, born in June 1977, graduated from Government Management Faculty of Beijing University (北京大學) with a bachelor's degree in law. 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

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	**20,682**	3,651	39,617	7,116	16,465
(Loss) profit for the year from continuing operations	**26,677**	(15,428)	(49,408)	(50,398)	(29,166)
Profit (loss) for the year from discontinued operations	**–**	–	–	114,418	(9,293)
(Loss) profit for the year	**26,677**	(15,428)	(49,408)	64,020	(38,459)
Non-controlling interests	**844**	(454)	(855)	(2,199)	7,402
(Loss) profit attributable to owners of the Company	**25,833**	(14,974)	(48,553)	66,219	(45,861)
(Loss) earning per share (cents)	**2.53**	(1.47)	(4.76)	6.49	(4.49)

(2) Analysis of segment results

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
(Loss) profit before taxation	**34,956**	(15,728)	(49,335)	(50,890)	(15,648)
Of which:					
Property development	**3,713**	(921)	(11,544)	(5,113)	(17,178)
Education investment	**1,573**	968	2,552	(8,169)	(9,264)
Unallocated corporate income and expenses	**29,670**	(15,775)	(40,343)	(37,608)	10,794

(3) Analysis of segment turnover

	2010 RMB'000	% of total turnover	2009 RMB'000	% of total turnover	2008 RMB'000	% of total turnover	2007 RMB'000	% of total turnover	2006 RMB'000	% of total turnover
Total turnover	**20,682**	**100**	3,651	100	39,617	100	7,116	100	16,465	100
Of which:										
Continuing operations										
Property development	**17,682**	**85.49**	651	17.83	36,617	92.43	3,905	54.88	9,521	57.83
Education investment	**3,000**	**14.51**	3,000	82.17	3,000	7.57	3,211	45.12	6,370	38.69
Unallocated	**–**	**–**	–	–	–	–	–	–	574	3.48

Management Discussion and Analysis

Profit for the year

During the year ended 31 December 2010, the profit of the Group was approximately RMB26,677,000. The profit was mainly due to the revenue generated from newly acquired investment properties.

2. ANALYSIS OF THE REAL ESTATE DEVELOPMENT BUSINESS

Summary of operating results

	2010 RMB'000	2009 RMB'000 (restated)
Turnover	**17,682**	651
Loss before taxation	**3,713**	(921)

On 31 December 2008, the Company entered into the share transfer agreement with Beijing Zhong Yi Chong Yi Technology Development Company ("Zhong Yi"). Pursuant to the agreement, the Company has agreed to sell entire 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 resolution in respect of disposal of Beijing Diye was duly passed at the first extraordinary general meeting of the Company in 2010. The disposal of Beijing Diye has been completed with all conditions completed (please refer to the Company's announcement dated 12 February 2010 for further details).

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"). 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 ("Shenzhen Optoelectronic") (details of which were contained in the Company's announcement dated 16 September 2009). The resolution in respect of the acquisition was duly passed at the first extraordinary general meeting of the Company in 2010 (please refer to the Company's announcement dated 12 February 2010 for further details). The acquisition of property has been completed with all conditions completed. The property is located at Shenzhen Hi-tech Development Zone with a substantial number of potential customers in the zone. Currently, the occupancy rate of the property is 100%. During the Year, the Company had received rental income of approximately RMB9,175,000.

Management Discussion and Analysis

On 5 January 2009, the Company entered into the asset purchase agreement with Zhong Yi. 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). The resolution in respect of the acquisition was duly passed at the first extraordinary general meeting of the Company in 2010 (please refer to the Company's announcement dated 12 February 2010 for further details). The acquisition of property has been completed with all conditions completed. As the property is located at the prime area in Beijing, the existing tenants are banking and public utilities enterprises with strong financial background and stable income. Currently, the occupancy rate of the property is 100%. During the Year, the Company had received rental income of approximately RMB8,228,000.

The completion of the above three transactions contributed to a clear delineation of the Company' assets. The acquisition of property assets brought income of approximately RMB17,403,000 to the Company during the Year.

Business Prospects

As the property projects acquired by the Company were commercial real estate or property assets used for technology research and development and education with stable income and cash flow, the operation of the Company was not affected by the measures imposed by the PRC government to cool down the property market in 2010. Looking ahead, the Company will explore and seek opportunities in other real estate businesses such as industrial real estate, first-class land development and co-ordination, with an aim to creating value for shareholders.

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 2010 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.

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 2010**	At 31 December 2009
Gearing ratio	Total liabilities/total assets x 100%	**15.96%**	19.91%
Current ratio	Current assets/current liabilities	**1.01**	2.58
Quick ratio	(Current assets – inventories – properties held for sale)/current liabilities	**1.01**	0.63
Return on net assets ratio	Net profit(loss)/net assets x 100%	**5.33%**	(3.28%)
Sales profit margin	Net profit(loss)/turnover x 100%	**128.99%**	(422.57%)
Debt equity ratio	Total liabilities/total equity x 100%	**18.99%**	24.85%

(2) Overall position of the Group's assets

As at 31 December 2010, there was an increase in the total assets of the Group when compared with that of the previous year. The total assets of the Group increase to approximately RMB595,027,000 from approximately RMB586,402,000 representing an increase of approximately RMB8,625,000 or 1.47%.

	At 31 December		Changes in
	2010	2009	amount
	RMB'000	RMB'000	RMB'000
Total assets of which:			
Property, plant and equipment	**5,528**	5,674	(146)
Investment properties	**516,346**	307,520	208,826
Available-for-sale financial assets	**13,800**	17,000	(3,200)
Total current assets	**59,353**	256,208	(196,855)
	595,027	586,402	8,625

Management Discussion and Analysis

(3) Current assets of the Group

As at 31 December 2010, the current assets of the Group decreased by approximately RMB196,855,000 to approximately RMB59,353,000 as compared with approximately RMB256,208,000 in the previous year, representing a decrease of approximately 76.83%.

	At 31 December		Changes in
	2010	2009	amount
	RMB'000	RMB'000	RMB'000
Current assets of which:			
Properties held for sale	**–**	193,941	(193,941)
Trade receivable	**287**	–	287
Other receivables	**39,754**	36,731	3,023
Prepayments	**–**	2,000	(2,000)
Bank balances and cash	**19,312**	23,536	(4,224)
	59,353	256,208	(196,855)

(4) Bank borrowings of the Group

	2010	2009
	RMB'000	RMB'000
Unsecured bank borrowings	**–**	9,000
Carrying amount repayable:		
On demand or within one year	**–**	9,000

At 31 December 2009, bank borrowings of approximately RMB9,000,000 was guaranteed by Beijing Beida Jade Bird Company Limited ("Beida Jade Bird"), a former shareholder of Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang") in which Jade Bird Huaguang is a former holding company of SPUG. It carries floating interest of base rate of the People's Bank of China plus 10% and is repayable within one year from the end of the reporting period but contain a repayable on demand clause. The interest rate is ranging from 5.3% to 6.4% per annum.

Management Discussion and Analysis

(5) Equity attributable to owners of the Company

	At 31 December		Changes in
	2010	2009	amount
	RMB'000	RMB'000	RMB'000
Share capital	**1,020,400**	1,020,400	–
Share premium	**323,258**	323,258	–
Statutory surplus reserve	**103,481**	103,231	250
Accumulated losses	**987,508**	1,016,786	(29,278)

5. EMPLOYEES AND EMPLOYEES' EDUCATION LEVEL

As at 31 December 2010, the Group had 26 employees. During the year, the aggregate salaries and allowances and termination compensation paid to the employees amounted approximately RMB1,875,000 (2009: RMB2,429,000) and approximately RMB361,000 (2009: RMB24,000) 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 2010.

1. PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are development, sales and leasing of real estate.

An analysis of the Group's results by business segments for the year is set out in Note 8 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.

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.

Shenzhen Optoelectronic was incorporated at 7th Floor, Beida Jade Bird Building, South Hi-Tech Industrial Park, Nanshan District, Shenzhen, the PRC on 9 November 1992 with a registered capital of RMB10,650,000. Its principal operations are located in the PRC. The Company indirectly holds 100% equity interests in it. During the Year, no debt securities were issued by it.

Shenzhen Guanghua, a limited liability company with a registered capital of RMB500,000, was incorporated at Room 502A, Beida Jade Bird Building, Ke Yuan Road, South High Sci-tech Development Zone, Nanshan District, Shenzhen, the PRC on 20 December 2009. Its principal operations are located in the PRC. The Company indirectly 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 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. 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 29 to 30.

The Group's financial position as at 31 December 2010 is set out in the consolidated statement of financial position on pages 31 to 32.

The Group's cash flow for the year is set out in the consolidated statement of cash flows on pages 34 to 35.

Analysis of the results of the Group for the year is set out in the Management Discussion and Analysis section on pages 9 to 14.

5. INTERIM DIVIDEND

The board of directors of the Company resolved that no interim dividend was declared for the year 2010.

6. FINAL DIVIDEND

The board of directors of the Company resolved that no final dividend would be declared for the year 2010. Such resolution is subject to approval at the 2010 Annual General Meeting of the Company.

7. 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 33.

8. DONATION

During the year, the Group donated RMB3,000,000 to the China Youth Development Foundation.

9. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

10. SHARE CAPITAL

As at 31 December 2010, 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.

Report of the Directors

11. TAXATION

Details of taxation of the Group are set out in Note 14 to the consolidated financial statements.

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

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

12. 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.

13. 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.

14. DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company had no distributable reserves.

15. 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.

16. 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 72.80% of the Group's total sales for the year, of which sales to the largest customer RMB4,124,000 accounted for approximately 19.90% 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.

Report of the Directors

17. DIRECTORS AND SUPERVISOR

As at 31 December 2010, 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. Bao Yi Qiang, 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.

18. 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.

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

As at 31 December 2010, 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.

20. 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.

21. 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 12 to the consolidated financial statements respectively.

Report of the Directors

22. 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.

23. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, 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 March 2011, 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

24. MATERIAL CONTRACT

During the year, the Company did not have any new material contract.

25. PURCHASE, SALE OR REDEMPTION OF SHARES

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

26. SHARE OPTIONS

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

27. SIGNIFICANT EVENTS

(1) Resumption of Trading in H Shares

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.

(2) Disposal of 80% Equity Interests in Beijing Diye

The resolution in respect of disposal of 80% equity interests in Beijing Diye was duly passed at the first extraordinary general meeting of the Company in 2010 with all conditions completed. The disposal of Beijing Diye has been completed in March 2010, and Beijing Diye has ceased to be a subsidiary of the Company.

(3) Acquisition of Shenzhen Optoelectronic

The resolution in respect of acquisition of Shenzhen Optoelectronic was duly passed at the first extraordinary general meeting of the Company in 2010 with all conditions completed. The acquisition of Shenzhen Optoelectronic has been completed in March 2010, and Shenzhen Optoelectronic has become a subsidiary of the Company.

28. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS

(1) First Extraordinary General Meeting for 2010

On 12 February 2010, the Company convened the first extraordinary General Meeting for 2010, at which the resolution in respect of the disposal of 80% equity interests in Beijing Diye and the acquisition of the property located at 1st floor and 2nd floor, No.112, Jianguo Road, Chaoyang District, Beijing and 100% equity interests in Shenzhen Optoelectronic by the Group was being considered and approved (For further details please refer to the Company's announcement dated 12 February 2010).

(2) 2009 Annual General Meeting

On 25 June 2010, the Company convened the 2009 Annual General Meeting, at which the Company's 2009 report of the directors, consolidated financial statements, auditor's report, and the resolution in respect of profit allocation, dividend distribution and the appointment of Mr. Bao Yi Qiang as an non-Executive director were being considered and approved (For further details please refer to the Company's announcement dated 25 June 2010).

Report of the Directors

29. BANK BORROWINGS

Bank borrowings of the Group

	2010 **RMB'000**	2009 RMB'000
Unsecured bank borrowings	–	9,000
Carrying amount repayable:		
On demand or within one year	–	9,000

At 31 December 2009, bank borrowings of approximately RMB9,000,000 was guaranteed by Beijing Beida Jade Bird Company Limited ("Beida Jade Bird"), a former shareholder of Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang") in which Jade Bird Huaguang is a former holding company of SPUG. It carries floating interest of base rate of the People's Bank of China plus 10% and is repayable within one year from the end of the reporting period but contain a repayable on demand clause. The interest rate is ranging from 5.3% to 6.4% per annum.

30. TRUST DEPOSITS

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

31. RETIREMENT BENEFITS SCHEME

Details of the retirement scheme and the amount of contributions to the retirement benefits scheme are set out in Note 13 to the consolidated financial statements.

32. 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.

33. LOANS TO SENIOR MANAGEMENT

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

34. 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 2010 and discussed accounting policy and practice adopted by the Group and matters on financial reporting with the Group's auditor.

Report of the Directors

35. 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.

36. MATERIAL LITIGATION

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

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.

37. AUDITORS

At the 2009 annual general meeting of the Company held on 25 June 2010, 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 25 June 2010)

38. 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.

39. INDEPENDENT NON-EXECUTIVE DIRECTORS

As at 31 December 2010, Mr. Wong Kai Tat, 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)

Report of the Directors

40. 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 22 March 2011 (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, 22 March 2011

Corporate Governance Report

During the year, the Company has 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 2010, 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	3/3
Wang Zai Xing	Executive directors	3/3
Alex Chow Ka Wo	Executive directors	3/3
Wang Hui	Executive directors	3/3
Deng Yan Bin	Non executive directors	1/1
Bao Yi Qiang	Non executive directors	2/2
Lin Dong Hui	Non executive directors	2/3
Cai Lian Jun	Independent non executive directors	2/3
Wong Kai Tat	Independent non executive directors	2/3
Chan Ming Sun Jonathan	Independent non executive directors	3/3

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 31 December 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 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 2010 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:

	2010 **RMB'000**	2009 RMB'000
Audit services		
– Annual audit for the year ended 31 December 2010	**600**	500
– Others	**–**	1,247
	600	1,747

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 29 to 76, which comprise the consolidated statement of financial position as at 31 December 2010, and the 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 2010 and of the Group's profit 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.

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

Chan Chi Kei Ronald
Practising Certificate Number: P04255

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

22 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**20,682**	3,651
Sales taxes on turnover		**(1,037)**	(198)
Cost of sales		**(1,775)**	(149)
Other income	9	**199**	805
Gain on disposal of a subsidiary	35	**1,510**	–
Gain on disposal of an associate		**–**	400
Gain on disposal of property, plant and equipment		**–**	195
Depreciation		**(1,334)**	(1,716)
Staff costs		**(1,875)**	(2,429)
Impairment loss recognised in respect of available-for-sale investment		**(3,200)**	(3,000)
Net change in fair value of investment properties		**34,406**	(2,000)
Impairment loss recognised in respect of other receivables		**–**	(561)
Other operating expenses		**(12,191)**	(9,928)
Finance costs	10	**(429)**	(798)
Profit (loss) before taxation	11	**34,956**	(15,728)
Income tax (expense) credit	14	**(8,279)**	300
Profit (loss) for the year		**26,677**	(15,428)
Profit (loss) for the year attributable to:			
Owners of the Company		**25,833**	(14,974)
Non-controlling interests		**844**	(454)
		26,677	(15,428)
Earnings (loss) per share	15		
– Basic (cents)		**2.53**	(1.47)
– Diluted (cents)		**N/A**	N/A
Dividend	16	**–**	–

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 **RMB'000**	2009 RMB'000
Profit (loss) for the year	**26,677**	(15,428)
Other comprehensive income (expense)		
Exchange differences arising on translation	**–**	–
Total comprehensive income (expense) for the year	**26,677**	(15,428)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**25,833**	(14,974)
Non-controlling interests	**844**	(454)
	26,677	(15,428)

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Goodwill	17	–	–
Property, plant and equipment	18	5,528	5,674
Investment properties	19	516,346	307,520
Available-for-sale investment	20	13,800	17,000
Investment in an associate	21	–	–
		535,674	330,194
CURRENT ASSETS			
Properties held for sale	22	–	193,941
Trade receivables	23	287	–
Amount due from a former customer	24	–	–
Other receivables	25	39,754	36,731
Prepayments	25	–	2,000
Bank balances and cash	26	19,312	23,536
		59,353	256,208
CURRENT LIABILITIES			
Trade payables	27	5,742	5,735
Other payables and accruals		40,097	40,521
Receipts in advance	28	10,715	13,708
Provision	29	1,041	1,041
Bank borrowings	30	–	9,000
Amount due to a former shareholder	31	–	29,328
Tax payables		1,036	–
		58,631	99,333
NET CURRENT ASSETS		722	156,875
TOTAL ASSETS LESS CURRENT LIABILITIES		536,396	487,069

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**1,020,400**	1,020,400
Reserves		**(560,769)**	(590,297)
Equity attributable to owners of the Company		**459,631**	430,103
Non-controlling interests		**40,429**	39,574
TOTAL EQUITY		**500,060**	469,677
NON-CURRENT LIABILITIES			
Deferred taxation	33	**33,105**	17,392
Other non-current liabilities	34	**3,231**	–
		36,336	17,392
		536,396	487,069

The consolidated financial statements on pages 28 to 76 were approved and authorised for issue by the Board of Directors on 22 March 2011 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 2010

	Equity attributable to owners of the Company						
	Share capital RMB'000 (Note 32)	**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 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 expense for the year	–	–	–	(14,974)	(14,974)	(454)	(15,428)
At 31 December 2009 and 1 January 2010	1,020,400	323,258	103,231	(1,016,786)	430,103	39,574	469,677
Profit for the year and total comprehensive income for the year	–	–	–	25,833	25,833	844	26,677
Transfer	–	–	250	(250)	–	–	–
Acquisition of a subsidiary (Note 36)	–	–	–	3,695	3,695	–	3,695
Disposal of a subsidiary (Note 35)	–	–	–	–	–	11	11
At 31 December 2010	**1,020,400**	**323,258**	**103,481**	**(987,508)**	**459,631**	**40,429**	**500,060**

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.

(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 2009 and 31 December 2010.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**34,956**	(15,728)
Adjustments for:		
Interest income	**(153)**	(27)
Gain on disposal of an associate	**–**	(400)
Gain on disposal of a subsidiary	**(1,510)**	–
Gain on disposal of property, plant and equipment	**–**	(195)
Depreciation	**1,334**	1,716
Impairment loss recognised in respect of available-for-sale investments	**3,200**	3,000
Net change in fair value of investment properties	**(34,406)**	2,000
Impairment loss recognised in respect of other receivables	**–**	561
Finance costs	**429**	798
Operating cash flows before movements in working capital	**3,850**	(8,275)
Decrease (increase) in prepayments	**2,000**	(428)
Decrease (increase) in other receivables	**5,401**	(3,855)
Decrease in trade payables	**(502)**	(140)
Increase (decrease) in other payables and accruals	**9,983**	(75,810)
Increase in non-current liabilities	**3,231**	–
(Decrease) increase in receipts in advance	**(2,994)**	1,349
(Decrease) increase in amount due to a former shareholder	**(29,328)**	29,328
Cash used in operations	**(8,359)**	(57,831)
Income tax paid	**(199)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(8,558)**	(57,831)
INVESTING ACTIVITIES		
Interest received	**153**	27
Net cash inflow from disposal of a subsidiary	**84,407**	–
Purchase of investment properties	**(2,791)**	–
Purchase of property, plant and equipment	**(353)**	(50)
Proceeds on disposal of property, plant and equipment	**–**	385
Decrease in other receivables	**–**	80,000
Net cash outflow from acquisition of a subsidiary	**(67,653)**	–
NET CASH FROM INVESTING ACTIVITIES	**13,763**	80,362

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 **RMB'000**	2009 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**–**	9,000
Repayments of bank borrowings	**(9,000)**	(14,000)
Interest payment	**(429)**	(798)
NET CASH USED IN FINANCING ACTIVITIES	**(9,429)**	(5,798)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(4,224)**	16,733
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**23,536**	6,803
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**19,312**	23,536
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Bank balances and cash	**19,312**	23,536

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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.

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 41 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 was suspended on 15 December 2004. Trading in H-shares of the Company has been resumed on 1 April 2010.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
Hong Kong Accounting Standard ("HKAS") 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK-Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 3 (as revised in 2008) Business Combinations

The Group applies HKFRS 3 (as revised in 2008) Business Combinations in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS3 (as revised in 2008) is as follows:

a) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

b) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

c) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

d) HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

The application of other new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS3 (Revised in 2008), HKFRS7, HKAS1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company anticipate that the application of the amendments to HKAS 12 will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principle accounting policies are set out below.

3.1 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 subsidiaries are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.1 Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3.2 Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.2 Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.2 Business combinations *(Continued)*

Business combinations that took place prior to 1 January 2010 *(Continued)*

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3.3 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 is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

3.4 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.4 Investment in an associate *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of the Group's interest in the associate that are not realted to the Group.

3.5 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.

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.

3.6 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, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.6 Property, plant and equipment *(Continued)*

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.

3.7 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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.

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.

In the exceptional cases when an entity is compelled, for the reason that the fair value of the completed investment property cannot be determined reliably, to measure investment properties using the cost model in accordance with HKAS 16, the entity measures at fair value all its other investment properties, including investment property under construction. 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.

3.8 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.

Leasehold land

Payment for obtaining leasehold land is considered as operating lease payment. To the extent the allocation of the operating lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.9 Properties held for sale

Properties held for sale including properties under development 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 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.

3.10 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.

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.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.11 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.12 Retirement benefit costs

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

3.13 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.13 Taxation *(Continued)*

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.

3.14 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 trade receivables, amount due from a former customer, 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.14 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

3.14 Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified in accordance to the substance of the contractual arrangements entered into 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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 in its entirety, 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 is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 the 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 2009 and 2010 was approximately RMB5,674,000 and RMB5,528,000 respectively. The Group depreciates the property, plant and equipment on a straight line basis ranging from 8% to 16%, 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 years ended 31 December 2009 and 2010.

Estimated impairment 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.

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 fair value model. 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 fair value of the property 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 2010

5. 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 30, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in Note 32 and reserves as disclosed in the consolidated statement of changes in equity.

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 risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include available-for-sale investment, trade receivables, amount due from a former customer, 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 include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances as detailed in Note 26 and borrowings as detailed in Note 30. It is the Group's policy to keep its bank 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's cash flow interest rate risk is mainly concentrated on the fluctuation of the base rate of People's Bank of China arising from the Group's bank balances and bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2009: 100 basis points) increase or decrease in interest rates of the Peoples' Bank of China is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2009: 100 basis points) higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase or decrease by RMB193,000 (2009: loss for the year would increase or decrease by approximately RMB175,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, mainly trade receivables, other receivables and bank balances, as stated in the consolidated statement of financial position.

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 the recoverable amount of each individual trade debt at the end the 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.

The Group's concentration of credit risk by geographical locations is mainly in PRC.

The management of the Group considered that at the end of the reporting period, no significant concentration of credit risk of the total trade receivables were due from the Group for the year ended 31 December 2010 and 2009.

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

Liquidity risk

The following table details the Group's remaining contractual maturity for its 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. Specifically, bank borrowings with a repayment on demand clause are included in the earlier time band regardless of the probability of the banks choosing to exercise their rights. The maturity analyses for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate	On demand or within one year RMB'000	More than one year but less than two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2010					
Non-derivative financial liabilities					
Trade payables	–	5,742	–	5,742	5,742
Other payables and accruals	–	40,097	–	40,097	40,097
Other non-current liabilities	–	3,231	–	3,231	3,231
		49,070	–	49,070	49,070

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. 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 but less than two years RMB'000	Total undiscounted cash flows 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
		85,110	–	85,110	84,584

Fair value

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.

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

Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Available-for-sale investment	**13,800**	17,000
Loans and receivables (including cash and cash equivalents)		
Trade receivables	**287**	–
Other receivables	**39,754**	36,731
Bank balances and cash	**19,312**	23,536
	73,153	77,267
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**5,742**	5,735
Other payables and accruals	**40,097**	40,521
Bank borrowings	**–**	9,000
Amount due to a former shareholder	**–**	29,328
Other non-current liabilities	**3,231**	–
	49,070	84,584

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

7. 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:

	2010 **RMB'000**	2009 RMB'000
Development, sale, rental and management of properties	**17,682**	651
Education projects (rental income)	**3,000**	3,000
	20,682	3,651

8. Segment Information

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Specially, the Group's reportable segments under HKFRS 8 are as follows:

a) Property development – development, sale, rental and management of properties

b) Education projects – leasing of campus and equipment, investment and management of education projects

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

8. Segment Information *(Continued)*

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

	Property development		Education projects		Consolidated	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Turnover	**17,682**	651	**3,000**	3,000	**20,682**	3,651
Segment results	**3,713**	(921)	**1,573**	968	**5,286**	47
Gain on disposal of subsidiaries					**1,510**	–
Gain on disposal of an associate					**–**	400
Impairment loss recognised in respect of available-for-sale investment					**(3,200)**	(3,000)
Net change in fair value of investment properties					**34,406**	(2,000)
Finance costs					**(429)**	(798)
Interest income					**153**	27
Unallocated corporate income and expenses					**(2,770)**	(10,404)
Profit (loss) before taxation					**34,956**	(15,728)
Income tax (expense) credit					**(8,279)**	300
Profit (loss) for the year					**26,677**	(15,428)
Segment assets	**245,780**	229,768	**303,604**	302,758	**549,384**	532,526
Unallocated corporate assets					**45,643**	53,876
Total assets					**595,027**	586,402
Segment liabilities	**22,301**	21,476	**25,233**	27,233	**47,534**	48,709
Unallocated corporate liabilities					**47,433**	68,016
Total liabilities					**94,967**	116,725
Other information						
Additions to non-current assets	**175,812**	–	**112**	50	**175,924**	50
Depreciation	**470**	376	**841**	1,294	**1,311**	1,670
Unallocated depreciation					**23**	46
Total depreciation					**1,334**	1,716

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

8. Segment Information *(Continued)*

	Property development		Education projects		Consolidated	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Loss on disposal of property, plant and equipment	**–**	–	**–**	3	**–**	3
Unallocated gain on disposal of property, plant and equipment					**–**	(198)
Total gain on disposal of property, plant and equipment					**–**	(195)
Impairment loss recognised in respect of other receivables	**–**	270	**–**	1	**–**	271
Unallocated impairment loss recognised in respect of other receivables					–	290
Total impairment loss recognised in respect of other receivables					–	561

Geographical information

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

Information about major customers

Turnover from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2010 RMB'000	2009 RMB'000
Customer A[1]	**4,124**	–
Customer B[1]	**3,768**	–
Customer C[2]	**3,000**	3,000
Customer D[1]	**2,796**	–

1 Turnover from development, sale, rental and management of properties.
2 Turnover from education projects.

9. Other Income

	2010 RMB'000	2009 RMB'000
Interest income on financial assets stated at amortised cost	**153**	27
Sundry income	**46**	778
	199	805

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

10. Finance Costs

	2010 RMB'000	2009 RMB'000
Interest expenses on bank borrowings wholly repayable within one year	**429**	798

11. Profit (Loss) Before Taxation

	2010 RMB'000	2009 RMB'000
Profit (loss) before taxation is arrived at after charging (crediting):		
Directors' and supervisors' emoluments (Note 12)	**584**	679
Staff salaries, allowances and bonuses	**788**	1,319
Contributions to retirement and other benefits schemes	**503**	431
	1,875	2,429
Auditor's remuneration	**600**	500
Depreciation	**1,334**	1,716
Impairment loss recognised in respect of other receivables	**–**	561
Impairment loss recognised in respect of available-for-sale investment	**3,200**	3,000
Gain on disposal of property, plant and equipment	**–**	(195)
Net change in fair value of investment properties	**(34,406)**	2,000
Gain on disposal of an associate	**–**	(400)
Gain on disposal of a subsidiary	**(1,510)**	–
Gross rental income from investment properties	**20,682**	3,279
Less: Direct operating expenses from investment properties that generated rental income during the year	**–**	–
Direct operating expenses from investment properties that did not generate rental income during the year	**–**	–
	20,682	3,279

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

12. Directors', Supervisors' and Employees' Emoluments

	2010 RMB'000	2009 RMB'000
Fees		
Executive directors	**210**	182
Non-executive directors	**55**	74
Independent non-executive directors	**270**	242
Supervisors	**30**	28
	565	526
Other emoluments		
Salary allowances and benefits in kind	**17**	135
Contributions to retirement benefits schemes	**2**	18
	19	153
	584	679

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

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2009: Eleven) directors were as follows:

For the year ended 31 December 2010	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	120	–	–	120
Wang Hui	30	–	–	30
Sub-total	210	–	–	210
Non-executive directors				
Bao Yi Qiang (Note i)	15	–	–	15
Deng Yan Bin (Note ii)	10	–	–	10
Lin Dong Hu	30	17	2	49
Sub-total	55	17	2	74
Independent non-executive directors				
Cai Lian Jun	30	–	–	30
Wong Kai Tat	120	–	–	120
Chan Ming Sun Jonathan	120	–	–	120
Sub-total	270	–	–	270
Supervisors				
Wang Xing Ye	15	–	–	15
Lu Ming	15	–	–	15
Sub-total	30	–	–	30
Total	565	17	2	584

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For the year ended 31 December 2010

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

(a) Directors' emoluments *(Continued)*

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 iii)	106	–	–	106
Wang Hui (Note iv)	16	–	–	16
Sub-total	182	–	–	182
Non-executive directors				
Deng Yan Bin (Note ii)	30	–	–	30
Lin Dong Hui	30	135	18	183
Wang Hui (Note iv)	14	–	–	14
Sub-total	74	135	18	227
Independent non-executive directors				
Cai Lian Jun	30	–	–	30
Wong Kai Tat (Note iii)	106	–	–	106
Chan Ming Sun Jonathan (Note iii)	106	–	–	106
Lam Tsan Wing Alexander (Note iii and v)	–	–	–	–
Sub-total	242	–	–	242
Supervisors				
Wang Xing Ye	15	–	–	15
Lu Ming (Note iii)	13	–	–	13
Sub-total	28	–	–	28
Total	526	135	18	679

Notes:

i. Appointed on 25 June 2010

ii. Resigned on 10 May 2010

iii. Appointed on 12 February 2009

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

v. Resigned on 19 May 2009

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2009: four) were directors of the Company whose emoluments are included in the disclosures in Note 12(a) above. The emoluments of the remaining two (2009: one) individuals were as follows:

	2010 **RMB'000**	2009 RMB'000
Salary allowances and benefits in kind	**200**	96
Contributions to retirement benefits schemes	**2**	14
	202	110

Their emoluments were within the following bands:

	Number of individuals	
	2010	2009
Nil to RMB1,000,000	**2**	1

During the two years ended 2010 and 2009, 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 of approximately RMB8,000 from 13 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 2009 and 2010.

13. Retirement Benefits Scheme

The employees of the Group are members of state-managed retirement benefits schemes operated by the PRC government. The Group is required to contribute at a certain percentage on the total compensation paid to the Group's employees for the year to fund the retirement benefits. The rate of contributions for the current year is 25.5% (2009: 25.5%). The only obligation of the Group with respect to the retirement benefits schemes is to make such specified contributions.

14. Income Tax (Expense) Credit

	2010 **RMB'000**	2009 RMB'000
PRC enterprise income tax	**700**	–
Deferred taxation (Note 33)	**7,579**	300
	8,279	300

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and the PRC subsidiaries is 25% from 1 January 2008 onwards.

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For the year ended 31 December 2010

14. Income Tax (Expense) Credit *(Continued)*

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

	2010 **RMB'000**	2009 RMB'000
Profit (loss) before taxation	**34,956**	(15,728)
Income tax at applicable tax rates	**8,830**	(3,752)
Tax effect of expenses not deductible for tax purpose	**29**	1,525
Tax effect of income not taxable for tax purpose	**–**	(247)
Tax effect of tax losses not recognised	**1,072**	2,774
Tax effect of deductible temporary differences not recognised	**(1,652)**	–
Income tax (expense) credit	**8,279**	300

15. Earnings (Loss) Per Share

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB25,833,000 (2009: loss of RMB14,974,000) and the weighted average of 1,020,400,000 (2009: 1,020,400,000) ordinary shares of the Company in issue during the year.

No diluted earnings (loss) per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2009 and 2010.

16. Dividends

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

17. Goodwill

	RMB'000
Cost	
At 1 January 2009, 31 December 2009 and 31 December 2010	59,376
Accumulated impairment	
At 1 January 2009, 31 December 2009 and 31 December 2010	59,376
Carrying values	
At 31 December 2010	–
At 31 December 2009	–

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

18. Property, Plant and Equipment

	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost				
At 1 January 2009	16,505	1,282	3,179	20,966
Additions	50	–	–	50
Disposals/write-off	(1,081)	(261)	–	(1,342)
At 31 December 2009 and 1 January 2010	15,474	1,021	3,179	19,674
Additions	117	236	–	353
Acquisition of a subsidiary	216	1,319	–	1,535
Disposal of a subsidiary	(51)	(1,022)	–	(1,073)
At 31 December 2010	**15,756**	**1,554**	**3,179**	**20,489**
Accumulated depreciation and accumulated impairment				
At 1 January 2009	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 and 1 January 2010	10,076	745	3,179	14,000
Provided for the year	863	196	–	1,059
Acquisition of a subsidiary	176	483	–	659
Eliminated on disposal of a subsidiary	(49)	(708)	–	(757)
At 31 December 2010	**11,066**	**716**	**3,179**	**14,961**
Carrying values				
At 31 December 2010	**4,690**	**838**	**–**	**5,528**
At 31 December 2009	5,398	276	–	5,674

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:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

19. Investment Properties

Investment properties under the fair value model:

	RMB'000
At 1 January 2009	298,000
Net change in fair value of investment properties	(2,000)
At 31 December 2009 and 1 January 2010	296,000
Acquisition of a subsidiary (Note 36)	87,200
Additions	87,495
Net change in fair value of investment properties	34,406
At 31 December 2010	**505,101**

Investment properties under the cost model:

	RMB'000
At 1 January 2009	–
Transfer from property held for sale	11,794
Depreciation	(274)
At 31 December 2009 and 1 January 2010	11,520
Depreciation	(275)
At 31 December 2010	**11,245**

	RMB'000
Carrying values	
At 31 December 2010	**516,346**
At 31 December 2009	307,520

The investment properties classified by their nature were as follows:

	2010 **RMB'000**	2009 RMB'000
Campus (Note i and ii)	**298,000**	296,000
Car park (Note i and iii)	**11,246**	11,520
Properties (Note i and ii)	**207,100**	–
	516,346	307,520

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

19. Investment Properties *(Continued)*

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 and properties, it was measured by using the fair value model. The fair value of the Group's investment properties at 31 December 2009 and 2010 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. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

iii) For the car park, it was measured by 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 by using the cost model in accordance HKAS 16.

20. Available-for-Sale Investment

	RMB'000
Unlisted investment, at cost	
Cost	
At 1 January 2009, 31 December 2009 and 31 December 2010	20,000
Accumulated impairment	
At 1 January 2009	–
Provided for the year	3,000
At 31 December 2009 and 1 January 2010	3,000
Provided for the year	3,200
At 31 December 2010	**6,200**
Carrying values	
At 31 December 2010	**13,800**
At 31 December 2009	17,000

The amount represented 8% equity interests in Unisplendour Venture Capital, Inc. ("Unisplendour Venture"). Unisplendour Venture is an unlisted company established in the PRC and is engaged in investment in technology projects.

The available-for-sale investments are measured at cost less impairment at the end of the reporting period because there is no quoted market price available and the range of reasonable fair values estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

21. Investment In An Associate

	2010 **RMB'000**	2009 RMB'000
Cost		
At 1 January	–	200
Disposal	–	(200)
At 31 December	–	–
Accumulated impairment		
At 1 January	–	200
Eliminated on disposal	–	(200)
At 31 December	–	–
Share of post-acquisition result for the year	–	–

The amount represented 40% equity interests in Shenyang Development Property Management Company Limited ("Shenyang Property"). During the year ended 31 December 2009, Shenyang Property was disposed to an independent third party at a consideration of RMB400,000 and the consideration has been received as a deposit in Year 2008.

22. Properties Held for Sale

	RMB'000
Properties under development for sales	
Cost	
At 1 January 2009, 31 December 2009 and 1 January 2010	410,379
Disposal of a subsidiary	(410,379)
At 31 December 2010	–
Accumulated impairment	
At 1 January 2009, 31 December 2009 and 1 January 2010	216,438
Disposal of a subsidiary	(216,438)
At 31 December 2010	–
Carrying values	
At 31 December 2010	–
At 31 December 2009	193,941

The Group's properties held for sales were all located in PRC and under medium-term leases. During the year ended 31 December 2010, the Group has disposed the development right for the land, which acquired from the Municipal Government of Zhaoyang District of Beijing, together with the disposal of Beijing Diye Real Estate Development Company Limited ("Beijing Diye") at a total consideration of RMB200,000,000 (Note 35).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

23. Trade Receivables

	2010 RMB'000	2009 RMB'000
Trade receivables	925	200
Accumulated impairment	(638)	(200)
	287	–

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 the reporting period:

	2010 RMB'000	2009 RMB'000
0 – 30 days	56	–
31 – 60 days	97	–
61 – 90 days	52	–
91 – 120 days	37	–
Over 1 year	45	–
	287	–

Movement in impairment losses of trade receivables is as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	200	200
Acquisition of a subsidiary	438	–
At 31 December	638	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.

As at 31 December 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB231,000 (2009: Nil) which are past due as at the end of the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2010 RMB'000	2009 RMB'000
1 – 90 days past due	186	–
More than 365 days past due	45	–
	231	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

23. Trade Receivables *(Continued)*

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, directors of the Company believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's neither past due nor impaired trade receivables mainly represent sales made to creditworthy customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

24. Amount Due from a Former Customer

	2010 **RMB'000**	2009 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.

25. Other Receivables and Prepayments

	2010 **RMB'000**	2009 RMB'000
Other receivables	**39,754**	36,731
Prepayments	**–**	2,000
	39,754	38,731

26. Bank Balances and Cash

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 1.08% (2009: 0.36%) per annum during the year ended 31 December 2010. The bank balances are deposited with creditworthy banks with no recent history of default.

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For the year ended 31 December 2010

27. Trade Payables

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

	2010 RMB'000	2009 RMB'000
Over 2 years	**5,742**	5,735

28. Receipts in Advance

	2010 RMB'000	2009 RMB'000
Sales of properties	**10,715**	11,708
Other	**–**	2,000
	10,715	13,708

29. Provisions

	2010 RMB'000	2009 RMB'000
Analysed for reporting purposes as:	**10,715**	11,708
current liabilities	**1,041**	1,041

The provisions were derived from the delayed delivery of apartment to customers in one of the real estate development project of Shenyang Development Real Estate Company Limited ("SDRE"). Therefore SDRE was potentially liable to pay penalty charges to the buyers for unable to discharge the sales contracts on time.

30. Bank Borrowings

	2010 RMB'000	2009 RMB'000
Unsecured bank borrowings	**–**	9,000
Carrying amount of bank borrowings that are repayable within one year from the end of reporting period but contain a repayment on demand clause	**–**	9,000

At 31 December 2009, bank borrowings of approximately RMB9,000,000 was guaranteed by Beijing Beida Jade Bird Company Limited ("Beida Jade Bird"), a former shareholder of Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang") in which Jade Bird Huaguang is a former holding company of SPUG. It carries floating interest of base rate of the People's Bank of China plus 10% and is repayable within one year from the end of the reporting period but contain a repayable on demand clause. The interest rate is ranging from 5.3% to 6.4% per annum.

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31. Amount Due to a Former Shareholder

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

32. Share Capital

	Number of shares	Amount
		RMB'000
Authorised, issued and fully paid:		
At 31 December 2009 and 2010		
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

33. Deferred Taxation

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

	RMB'000
At 1 January 2009	(17,692)
Credited to consolidated income statement	300
At 31 December 2009 and 1 January 2010	(17,392)
Acquisition of subsidiary	(8,134)
Charged to consolidated income statement	(7,579)
At 31 December 2010	**(33,105)**

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 the reporting period, the Group had estimated unused tax losses of approximately RMB20,612,000 (2009: RMB16,324,000) 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.

34. Other Non-Current Liabilities

The amount is unsecured, interest-free and would not require for repayment before 2012.

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35. Disposal of a Subsidiary

The Group disposed its entire 80% equity interests in Beijing Diye at a total consideration of RMB200,000,000 on 1 February 2010.

The net liabilities of Beijing Diye at the date of disposal were as follows:

	Beijing Diye RMB'000
Net liabilities disposed of:	
Property, plant and equipment	316
Properties held for sale	193,941
Other receivables	310
Bank balances and cash	21,593
Trade payables	(20)
Other payables and accruals	(893)
Amounts due from group companies	17,865
Amounts due to group companies	(495,818)
Non-controlling interests	11
	(262,695)
Waiver of loans granted by group companies	461,185
Gain on disposal	1,510
Total consideration	**200,000**
Payment manner:	
Cash consideration	106,000
Other receivable	92,000
Deposit	2,000
	200,000
Net cash inflow arising from disposal:	
Cash consideration	106,000
Less: Bank balances and cash disposed	(21,593)
	84,407

36. Acquisition of a Subsidiary

Shenzhen Jade Bird Optoelectronics Company Limited ("JBMOE") Acquisition

On 5 January 2009, the Group and Beijing Tianqiao Beida Jade Bird Sci-tech Company Limited entered into an agreement ("JBMOE Acquisition Agreement") with the Beijing Beida Jade Bird Company Limited and Shenzhen Beida Jade Bird Sci-tech Company Limited ("JBMOE Vendors"), pursuant to which the Company agreed to purchase and the JBMOE Vendors agreed to sell their entire equity interests to JBMOE at a consideration of RMB80,000,000 ("JBMOE Acquisition"). The JBMOE Acquisition Agreement stipulates that a guarantee shall be provided by the JBMOE vendors that the annual rental income to be generated by JBMOE for two years following the JBMOE Acquisition shall be no less than RMB3,500,000.

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36. Acquisition of a Subsidiary *(Continued)*

Shenzhen Jade Bird Optoelectronics Company Limited ("JBMOE") Acquisition *(Continued)*

On 22 February 2010, the Group acquired entire equity interest of JBMOE, this acquisition has been accounted for using the purchase method. JBMOE is engaged in leasing and management of property. JBMOE is acquired so as to continue the expansion of the Group's leasing and management of property operation. Pursuant to JBMOE Acquisition Agreement, the results generated by JBMOE from 5 January 2009 to 22 February 2010 ("the Completion Period") would be attributable to the Group upon completion.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and the excess of fair value of net assets acquired over considerations at the date of acquisition are as follows:

	Carrying amount as at 5 January 2009 RMB'000	Net assets generated during the Completion Period RMB'000	Pre-acquisition carrying amount at the date of acquisition RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Assets and liabilities acquired					
Property, plant and equipment	1,064	(188)	876	–	876
Investment properties (Note 19)	34,431	(1,461)	32,970	54,230	87,200
Trade receivables, net of impairment	–	287	287	–	287
Other receivables	3,273	(2,923)	350	–	350
Bank balances and cash	3,537	7,810	11,347	–	11,347
Trade payables	(1,621)	1,092	(529)	–	(529)
Other payables and accrued charges	(7,105)	(62)	(7,167)	–	(7,167)
Tax payables	325	(860)	(535)	–	(535)
Deferred tax liabilities	–	–	–	(8,134)	(8,134)
Net identifiable assets and liabilities	33,904	3,695	37,599	46,096	83,695
Less: Net assets generated during the Completion Period which attributable to the Group upon completion					(3,695)
Adjusted net identifiable assets and liabilities					80,000
Fair value of the consideration for the acquisition:					
Bank balances and cash					79,000
Deposit					1,000
					80,000
Net cash outflow arising on acquisition					
Cash consideration					79,000
Less: Bank balances and cash acquired					(11,347)
					67,653

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37. Operation Lease Commitments

The Group as lessor

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

	2010 RMB'000	2009 RMB'000
Schoolhouse and equipment	**3,000**	3,000
Investment properties	**19,453**	–
	22,453	3,000

At the end of the reporting period, the Group has future minimum lease receipts under non-cancellable operating leases in respect of schoolhouse and related equipment and investment properties.

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

	2010 RMB'000	2009 RMB'000
Within one year	**13,476**	3,000
In the second to fifth years, inclusive	**8,977**	–
	22,453	3,000

The lease period was from one year to three years (2009: one year to four years).

38. Material Litigations

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

In December 2006, the assets of Beijing Beida Jade Bird Company Limited ("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.

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 in 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.

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39. Material Non-Cash Transactions

There is consideration of RMB84,704,000 in relation to acquisition of investment properties was settled by other receivables from Beijing Zhong Yi Chong Yi Technology Development Company during the year ended 31 December 2010.

40. Significant Connected Transactions

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("State-controlled entities"). In addition, the Group itself is part of a larger group of companies under Beijing Mingde Guangye Investment Consultant Company Limited ("Mingde"). Apart from the transactions with Mingde and fellow subsidiaries and other related parties disclosed below, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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 ex-shareholder of Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang") in which Jade Bird Huaguang is a ex-holding company of SPUG
Zhuhai School (Note c)	A branch of 北京北大教育投資有限公司 ("Beida Education Investment"), in which Beida Education Investment is a related company of Beida Jade Bird

Apart from the guarantees provided by certain connected parties for bank borrowings of the Group as disclosed in Note 31 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 2009 and 2010, 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	**2010 RMB'000**	2009 RMB'000
Other receivables		
– Zhuhai School	**–**	1,337
Amount due to a former controlling shareholder		
– Shenyang Public Utility Group Company Limited	**–**	29,328
Other payables and accruals		
– Beida Jade Bird (Note c)	**–**	3,968
– Zhuhai School	**4,474**	–

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

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41. Particulars of Subsidiaries

Particulars of the subsidiaries held by the Company at 31 December 2010 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
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%	–	Leasing and management of property
Shenzhen Jade Bird ShenFa Optoelectronic Company Limited	PRC	500	100.00%	–	Inactive
Shenzhen Jade Bird Optoelectronic Co. Ltd.	PRC	10,650	–	100.00%	Leasing and management of property
Shenzhen Jad Bird Guanghua Technology Company Limited	PRC	500	–	100.00%	Inactive

English name is for identification only

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 2010

42. Statement of Financial Position of the Company

	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**27**	50
Investments in subsidiaries	**122,770**	174,065
Available-for-sale financial assets	**13,800**	17,000
	136,597	191,115
CURRENT ASSETS		
Amounts due from subsidiaries	**145,102**	257,114
Other receivables	**30,764**	34,696
Prepayments	**–**	2,000
Bank balances and cash	**57**	186
	175,923	293,996
CURRENT LIABILITIES		
Receipts in advance	**–**	2,000
Other payables and accruals	**27,436**	36,690
Amounts due to subsidiaries	**109,622**	93,476
Amount due to a former controlling shareholder	**–**	29,328
	137,058	161,494
NET CURRENT ASSETS	**38,865**	132,502
TOTAL ASSETS LESS CURRENT LIABILITIES	**175,462**	323,617
CAPITAL AND RESERVES		
Share capital	**1,020,400**	1,020,400
Reserves	**(864,938)**	(696,783)
TOTAL EQUITY	**155,462**	323,617
NON-CURRENT LIABILITY		
Other non-current liabilities	**20,000**	–
	175,462	323,617