瀋陽公用發展股份有限公司
Shenyang Public Utility Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 747)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

- Turnover for the Year was RMB39,617,000, representing an increase of 456.73% as compared with the last year. The increase was attributable to the pre-sale proceeds from sales of properties brought forward from prior years.
- During the year, loss attributable to equity holders of the Company was RMB54,638,000.
- The Board resolved that no dividend would be declared for the year ended 31 December 2008.

The board of directors (the "Board") of Shenyang Public Utility Holdings Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 (the "Year") together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATES INCOME STATEMENT
For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Continuous operations			
Turnover	5	**39,617**	7,116
Bank interests received		**33**	21
Other income		**16,296**	555
Cost of properties sold		**(40,237)**	(3,889)
Taxes on sales of properties		**(2,179)**	(436)
Staff costs		**(4,359)**	(5,545)
Depreciation and amortisation		**(12,216)**	(19,083)
Impairment loss on properties held for sale		**(216,438)**	–
Gain on disposal of subsidiaries		**204,123**	–
Impairment loss on investment in associate		**(200)**	–
Allowance for bad and doubtful debt		**(4,034)**	(94)
Other operating expenses		**(21,537)**	(10,238)
Finance costs	7	**(17,876)**	(23,577)
Loss before taxation	8	**(59,007)**	(55,170)
Taxation	9	**613**	613
Loss for the year on continuous operations		**(58,394)**	(54,557)
Discontinued operations			
Profit for the year on discontinued operations		**N/A**	166,876
(Loss) profit for the year on continuous and discontinued operations		**(58,394)**	112,319
Attributable to:			
Shareholders of the Company		**(54,638)**	115,657
Minority interests		**(3,756)**	(3,338)
		(58,394)	112,319
(Loss) earning per share	11		
– Basic			
Arising from continuous operations		**(RMB0.06)**	(RMB0.05)
Arising from discontinued operations		**N/A**	RMB0.16
Arising from continuous and discontinued operations		**N/A**	RMB0.11
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET STATEMENT
For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
NON CURRENT ASSETS			
Property and equipment		**19,200**	146,795
Investment properties		**248,342**	255,390
Prepaid lease payments on land use rights		**–**	86,752
Available-for-sale financial assets		**20,000**	20,000
Other long term receivable		**32,745**	–
		320,287	508,937
CURRENT ASSETS			
Properties held for sale		**205,735**	484,987
Inventories		**–**	341
Amount due from parent company		**–**	54,268
Prepaid lease payments on land use rights		**–**	2,564
Prepayments		**1,572**	3,039
Other receivables		**80,692**	31,914
Bank balances and cash		**6,803**	4,478
		294,802	581,591
CURRENT LIABILITIES			
Trade payables	*13*	**5,875**	43,080
Other payables and accruals		**33,333**	412,989
Receipts in advance		**12,759**	44,089
Provision for potential liabilities		**1,041**	2,043
Bank loans - repayable within one year		**14,000**	62,000
		67,008	564,201
NET CURRENT ASSETS		**227,794**	17,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**548,081**	526,327

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

NOTES:

1. GENERAL INFORMATION

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

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

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

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

2. ADOPTION OF GOING CONCERN BASIS

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

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

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

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

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

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

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

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

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

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

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

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods beginning on or after 1 July 2008.

5 Effective for annual periods beginning on or after 1 October 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the 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 principal accounting policies adopted are as follows:

Basis of Consolidation

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

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

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

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

Goodwill

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

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

Taxation

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

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

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

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

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

5. TURNOVER

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

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

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

6. SEGMENT INFORMATION

Business Segments

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

Principal activities are as follows:

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

There was no significant business transaction between the segments for both years.

Segment information about these businesses is presented below:

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

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

For the year ended 31 December 2008/as at 31 December 2008:

	Continuous operations			
	Property development, sale, rental and management	**Education projects**	**Other business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other Information				
Additions to properties and equipment, and investment properties				
– segment	–	4,628	–	4,628
– corporate				–
Depreciation and amortisation				
– segment	114	11,980	–	12,094
– corporate				122
Loss on disposal of property and equipment, and investment properties				
– segment	–	852	–	852
– corporate				–
Allowances for bad and doubtful debts				
– segment	2,987	–	–	2,987
– corporate				1,047
Impairment losses on properties held for sales				
– segment	216,438			216,438
– corporate				–

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

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

For the year ended 31 December 2007/as at 31 December 2007:

	Continuous operations				Discontinued operations	
	Property development, sale, rental and management *RMB'000*	Education projects *RMB'000*	Other business *RMB'000*	Sub-Total *RMB'000*	Cemetery development *RMB'000*	Total *RMB'000*
Other Information						
Additions to property and equipment, and investment properties						
– segment	49	5,771	–	5,820	1,910	7,730
– corporate				–		–
Depreciation and amortisation						
– segment	386	18,567	–	18,953	2,081	21,034
– corporate				126		126
Loss on disposal of property and equipment, and investment properties						
– segment	–	–	–	–	–	–
– corporate				–		–
Allowances for bad and doubtful debts						
– segment	–	94	–	94	–	94
– corporate				–		–

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

7. FINANCE COSTS

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

8. LOSS BEFORE TAXATION

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

9. TAXATION

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

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

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

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

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

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

10. DIVIDENDS

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

11. (LOSS) EARNING PER SHARE

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

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

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

Earnings figures are calculated as follows:

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

12. TRADE RECEIVABLES

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

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

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

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

Movement in allowance of receivables impairment is as follows:

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

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

13. TRADE PAYABLE

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

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

The directors of the Company consider that book value of accounts payable approximates to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

The court has sold certain assets and businesses of the Group by auction to repay our debts in view of the operational hardship encountered by the Group during the previous periods, resulting in the reduction in scale of operation of our real estate development and education investment businesses of the Group. During the year, the Group has substantially settled the proceedings of claims of Liaoning Hua Jin Hua Gong Group Company Limited, resolved the dispute between Shanghai Hanhua Property Management Company Limited and Shenyang Real Estate over the unpaid balance of construction payment and achieved steady progress in settling the proceedings of claims of Beijing Beida Jade Bird Company Limited against the Group. These actives aim at establishing a healthy operating environment for the Group. During the year, the Group continued to speed up the final stage improvement works and completion and inspection of uncompleted projects, and has achieved encouraging results. For example, we were ready to apply for the property ownership certificate of the "Water-Flowers City" project of Shenyang Real Estate. During the year, the Group has disposed of the shareholding in Building Management Company, the debt receivable from and 30% shareholding in Shenyang Education and 60% shareholding in Shenyang Property, and has deregistered Shenyang Business Information and Shenzhen Grand Scence with an aim to adjusting the business structure of the Company and recovering capital for the repayment of debts.

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

The Group will spare no effort to ensure the resumption of trading of the H Shares of the Company to protect our shareholder's interest and complete the adjustment to the business structure of the Group as soon as possible to put the operation of the Group on the right track.

BUSINESS REVIEW

Analysis of the Real Estate Development Business

During the period, the sales and the occupation arrangement of the phase two project of Shenyang Real Estate "Water-Flowers City" was completed in early section, with the completion and inspection and certificate registration are still under progress. Based on the ongoing effort of the Group, the relevant registration procedure of the phase two project of "Water-Flowers City" was completed in August 2008 and the registration procedure for property ownership certificate has been commenced.

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

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

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

ANALYSIS OF THE EDUCATION INVESTMENT BUSINESS

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

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

FINANCIAL REVIEW

Operating Revenue of the Group

Income of the Group in the Year was RMB3,617,000, representing an increase of 456.73%.

Income from property business for the period was RMB36,617,000, representing in increase of 837.70% as compared with the previous period. It is due to the pre-sale proceeds from sales of properties brought forward from prior years.

Education projects' income mainly comprises the rental income of Zhuhai Education Park of RMB3,000,000;

Profits of the Group

Loss attributable to equity holders of the Company amounted to RMB54,638,000.

Loss for the year found was mainly due to the Group is still in the process of re-structuring. New projects had not been introduced to the Group during the year.

Overall position of the Group's assets

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

Current assets of the Group

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

Bank borrowings of the Group

As at 31st December 2008, the Group's bank borrowings totalled RMB14,000,000 (2007: RMB62,000,000). Borrowings repayable within one year bear average interest at 6.9% per annum (2007: 8.1%).

EMPLOYEES AND EMPLOYEES' EDUCATION LEVEL

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

During the Year, the aggregate salaries and allowances and termination compensation paid to the employees amounted to RMB4,242,000 (2007: RMB7,440,000) and RMB117,000 (2007: 245,000). The Group has not established any share option scheme for any of its senior management or employees.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

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

   Nevertheless, if the sale and purchase agreement is not completed, the land use right of the land for such property development project must be obtained by way of public tender as a result of the change in the related land policy. If the Group ultimately succeeded in winning the tender of the land and completing the development, the recoverable amount of such project shall depend on the realisable value of the completed property in the future. If the Group did not participate in the public tender or it failed to obtain the land use right of the land in the tender, the recoverable amount of such project shall depend on the amount invested by the Group and such amount should be confirmed by the relevant authorities of the People's Republic of China ("PRC"). Based on our on-site investigation, no buildings were erected on the land nor had it been put on a public tender up to the date of this report. Due to insufficient evidence, we were not able to confirm whether the Group could successfully recover the development cost invested in such project in full or in the amount net of provision, and whether impairment provision of RMB216,438,000 should be made in respect of the development cost of RMB410,379,000 is sufficient.

2. On 1 June 2007, the Group pledged 80% equity interests of Beijing Diye to a creditor as a security for repayment of the debt of approximately RMB45,030,000. We acknowledged, in the process of company register checking, that Shenyang Development Real Estate Company Limited ("Shenyang Real Estate"), which originally held 80% equity interests of Beijing Diye, has been changed to that creditor. According to the "Agreement of Compensation and Pledge of Equity Interests"《代償及股權質押協議》 dated 1 June 2007 signed with that creditor offered by the Group, as Beijing Diye is a non-listed company and the corresponding PRC's industry and commerce departments do not accept the application for pledge of equity interests from non-listed company, the equity interests of Beijing Diye were first transferred to that creditor under mutual agreement. After the Group has fully repaid the related debts and interests, that creditor will transfer the equity interests of Beijing Diye back to the Group unconditionally. The equity interests of Beijing Diye have been transferred back to the Group in August 2008. As at the balance sheet date, the Group had regarded Beijing Diye as the Group's subsidiary and the assets and liabilities on 31 December 2008 and the full year's operating results of Beijing Diye have been included in these consolidated financial

statements. We were unable to obtain adequate information and were unable to carry out relevant procedures to satisfied ourselves that whether the Group has the ownership of Beijing Diye and control or material influence over Beijing Diye's operating and financial policies for the period from 1 January 2008 to 31 July 2008, and whether the corresponding operating results of Beijing Diye should end being consolidated into the Group's consolidated financial statements. Also, we cannot confirm whether the Group has incurred unrecorded liabilities, financial burdens and contingent liabilities due to the above.

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

Material fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in the consolidated financial statements concerning the adoption of the going concern basis in preparing such consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain financing and share capital restructuring plans and the debt restructuring result reached with the creditors including, the successful disposal of Beijing Diye for the total consideration of RMB200,000,000 and, among other things, the financial support from the new substantial shareholder. We consider that appropriate disclosures have been made in such consolidated financial statements concerning the relevant material uncertainty, but the inherent uncertainties surrounding the circumstances under which the Company might successfully continue to adopt the going concern basis are so extreme, we have disclaimed our opinion on material uncertainty relating to the going concern basis.

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

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

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

FINAL DIVIDEND

The board of directors of the Company resolved that no final dividend would be declared for the year of 2008.

SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 6 to this Announcement.

SIGNIFICANT EVENTS

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

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

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

(2) Release of the Pledge over the 80% equity interest in Beijing Diye

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

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

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

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

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

In June 2008, Building Management Company, the Company, Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin"), SPU and Beida Jade Bird entered into the Agreement of Settlement of Debts by Properties, pursuant to which the residential units in Cosmo International Mansion with a value of RMB24,300,000 were sequestrated to settle the RMB24,300,000 debts of the Company. The procedures of obtaining title certificates of these residential units is under progress. (Details please refer to the Company' announcements dated 26th September, 2008 and 24th March, 2009)

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

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

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

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

LITIGATION

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

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

In September 2008, Beida Jade Bird executed an undertaking to the Company and confirmed that it will not enforce to recover the debts from the Company within two years given the liquidity problem of the Company. SPU and Shenzhen Jingmei executed an undertaking to the Company and confirmed that they will not enforce to recover the debt from the Company within two years when they discharge the guarantee liabilities to the Beida Jade Bird and the assuming party given the liquidity problem of the Company. (Details please refer to the Company' announcement dated 26th September, 2008)

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

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

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

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

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

(3) The litigation commenced by No.6 Construction Work Company of No.4 Works Bureau of China Construction against Shenyang Real Estate for the unpaid balance of construction payment

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

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

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

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

(4) The litigation commenced by Shenyang Tianbei Construction Installation Work Company against Shenyang Real Estate for the unpaid balance of construction payment

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

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

WORK OF THE AUDIT COMMITTEE

As at 31st December 2008, the Audit Committee only comprises of an independent non-executive director, namely Mr. Cai Lian Jun. The Company established the third Audit Committee which comprises four members on 13th February 2009 (details are set out in the Company's announcement dated 12th February 2009).

The Audit Committee has reviewed the financial statements and the connected transactions of the Company.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

During the Year or as at the end of the Year, none of the Directors and substantial shareholders had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its jointly controlled entities was a party and in which a Director or Supervisor of the Company had a material interest or is substantially interested, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CORPORATE GOVERNANCE PRACTICES

Although the H Shares of the Company are currently suspended from trading, the Company will still endeavor to achieve a higher standard of corporate governance.

In 2008, the board of directors comprised six directors, of which two were executive directors, three were non-executive directors and one was an independent non-executive director. There is no financial, business and family relationship between the members of the board of directors.

Four board meetings were convened in 2008 and all the directors had attended all of the board meetings.

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

SECURITIES TRACTIONS OF DIRECTORS

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

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

21st April, 2009, Shenyang, the PRC

As at the date of this announcement, the directors of the Company are as follows:

Executive directors: Mr. An Mu Zong, Mr. Wang Zai Xing and Mr. Chow Ka Wo Alex

Non executive directors: Mr. Deng Yan Bin, Mr. Lin Dong Hui and Mr. Wang Hui

Independent non executive director: Mr. Cai Lian Jun, Mr. Lam Tsan Wing Alexander, Mr. Wong Kai Tat and Mr. Chan Ming Sun Jonathan