



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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2007**

FINANCIAL HIGHLIGHTS

- The Company's share were listed in the main board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") in December 1999, and the Company raised net proceeds of approximately HKD700 million.
- Income of the Group in the Period was RMB4,238,000, representing a year on year decrease of approximately 44.19%. Property business contracted during the Period, while education business remained stable and plots leasing business kept growing.
- Loss attributable to shareholders of the Company amounted to approximately RMB22,518,000, representing an increase in loss of approximately 86.5%.
- The Board resolved that no dividend would be declared for the interim period ended 30th June 2007.

The board of directors (“the Board”) of Shenyang Public Utility Holdings Company Limited (“the Company”) is pleased to present the unaudited interim results of the Company for the six months ended 30th June 2007, together with comparative figures for the corresponding period of 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2007

		Six months ended 30th June	
		2007	2006
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Turnover	3	4,238	7,594
Other operating income		–	30
Cost of properties sold		(4,910)	(5,930)
Taxes on sales of properties		(176)	(316)
Other operating expenses		(15,064)	(8,521)
Loss from operations		(15,912)	(7,143)
Finance costs		(6,756)	(6,833)
Loss before taxation		(22,668)	(13,976)
Taxation	4	(463)	(51)
Loss after taxation		(23,131)	(14,027)
Loss attributable to:			
Shareholders of the Company		(22,518)	(12,074)
Minority interests		(613)	(1,953)
		(23,131)	(14,027)
Loss per share – basic	6	RMB(0.02)	RMB(0.01)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2007

		As at 30th June 2007 (Unaudited) RMB'000	As at 31st December 2006 (Audited) RMB'000
Non-current assets			
Property and equipment		149,825	159,931
Investment properties		301,783	317,786
Prepaid land lease payments		91,880	89,319
Available-for-sale financial assets		20,000	20,000
		<u>563,488</u>	<u>587,033</u>
Current assets			
Properties held for sale		494,402	495,715
Inventories		–	469
Accounts receivable	7	2,899	1,192
Amount due from the holding company		55,296	55,296
Prepaid lease payments on land use rights		–	2,564
Prepayments		6,581	2,518
Other receivables	8	22,032	185,615
Tax receivables		–	–
Other current assets		1,363	–
Pledged bank deposits		–	–
Bank balances and cash		21,918	9,444
		<u>604,491</u>	<u>752,813</u>
Current liabilities			
Accounts payable	9	59,677	58,249
Investment costs payable		–	–
Other payables and accrued charges		430,426	540,283
Receipts in advance		141,482	65,356
Tax payables		–	1,159
Deferred income	10	–	62,096
Estimated liabilities		18,502	18,502
Bank loans – repayable within one year	11	78,190	181,344
		<u>778,252</u>	<u>926,989</u>
Long-term liabilities – repayable within one year		49,975	–
		<u>778,252</u>	<u>926,989</u>
Net current assets		<u>(173,761)</u>	<u>(174,176)</u>
		<u>389,727</u>	<u>412,857</u>

		As at 30th June 2007 (Unaudited) RMB'000	As at 31st December 2006 (Audited) RMB'000
Equity			
Share capital		1,020,400	1,020,400
Reserves		(689,159)	(666,642)
Equity attributable to shareholders of the Company		331,241	353,758
Minority interests		35,318	35,931
Total equity		366,559	389,689
Non-current liabilities			
Deferred taxation	12	23,168	23,168
		389,727	412,857

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2007 (Unaudited)

Equity attributable to shareholders of the Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Accumulated profits <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January 2006	<u>1,020,400</u>	<u>323,258</u>	<u>69,054</u>	<u>34,528</u>	<u>(1,016,777)</u>	<u>39,837</u>	<u>470,300</u>
Loss for the Period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(12,074)</u>	<u>(1,953)</u>	<u>(14,027)</u>
As at 30th June 2006	<u>1,020,400</u>	<u>323,258</u>	<u>69,054</u>	<u>34,528</u>	<u>(1,028,851)</u>	<u>37,884</u>	<u>456,273</u>
At 1st January 2007	<u>1,020,400</u>	<u>323,258</u>	<u>103,582</u>	<u>–</u>	<u>(1,093,482)</u>	<u>35,931</u>	<u>389,689</u>
Loss for the Period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(22,518)</u>	<u>(613)</u>	<u>(23,131)</u>
At 30th June 2007	<u>1,020,400</u>	<u>323,258</u>	<u>103,582</u>	<u>–</u>	<u>(1,116,000)</u>	<u>35,318</u>	<u>366,558</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2007

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

2. ADOPTION OF GOING CONCERN BASIS

The Group recorded a loss from continuing operations of RMB23,131,000 for the financial year ended 30th June 2007. 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.

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 on continuous operations and had overdue debts as at 30th June 2007, the management of the Company is of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is currently organised into three major operating divisions. 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; and investment and management of education projects.

Cemetery development – development and lease of tomb sets and niches for cremation urns.

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

For the six months ended 30th June 2007 (Unaudited)

	Property development <i>RMB'000</i>	Education projects <i>RMB'000</i>	Cemetery development <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Turnover	<u>–</u>	<u>2,000</u>	<u>2,053</u>	<u>185</u>	<u>4,238</u>
Segment results	<u>(868)</u>	<u>(973)</u>	<u>(6,806)</u>	<u>(5,873)</u>	<u>(14,520)</u>
Interest income					<u>(1,392)</u>
Unallocated corporate expenses					<u>(15,912)</u>
Operating loss					<u>(6,756)</u>
Finance costs					<u>(22,668)</u>
Loss before taxation					<u>–</u>
Taxation					<u>(463)</u>
Loss after taxation					<u>(23,131)</u>

For the six months ended 30th June 2006 (Unaudited)

	Property development <i>RMB'000</i>	Education projects <i>RMB'000</i>	Cemetery development <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Turnover	<u>1,977</u>	<u>2,000</u>	<u>612</u>	<u>3,005</u>	<u>7,594</u>
Segment results	<u>488</u>	<u>(879)</u>	<u>(2,856)</u>	<u>(901)</u>	<u>(4,148)</u>
Unallocated corporate expenses					<u>(2,995)</u>
Operating loss					<u>(7,143)</u>
Finance costs					<u>(6,833)</u>
Loss before taxation					<u>(13,976)</u>
Taxation					<u>(51)</u>
Loss after taxation					<u>(14,027)</u>

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

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
0-30 days	333	–
31-60 days	333	–
61-365 days	1,333	1,171
1-2 years	2,070	1,420
Over 2 years	11,417	11,189
	15,487	13,780
Provision for bad debts	(12,588)	(12,588)
Net amount of accounts receivables	2,899	1,192

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

8. OTHER RECEIVABLES

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

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

9. ACCOUNTS PAYABLES

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

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
0-90 days	–	–
91-180 days	–	–
180-365 days	–	–
1-2 years	–	–
Over 2 years	59,677	58,249
	59,677	58,249

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

10. DEFERRED INCOME

The land on which the cemetery business is situated in a leasehold land with a medium lease terms expiry until 10th May 2048. The Group 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 lessee when the legally binding contract is signed. Such rental income is recognized on a straight-line basis over the relevant lease terms. The rental income received but not yet recognized to income statement is classified as deferred income in the balance sheet.

11. BANK LOANS

During the period, the Group obtained new bank loans of RMB42,000,000 and repaid RMB93,180,000. The loans bear interest at market rates and are repayable within 1 year. Out of the outstanding amount, RMB8,190,000 was overdue. The bank loans were used as the Group's working capital.

12. DEFERRED TAXATION

	Fair value adjustment on business combination <i>RMB'000</i>
At 1st January 2006	23,781
Credited to income statement	(307)
At 30th June 2006	23,474
Credited to income statement	(306)
At 31st December 2006 and 1st January 2007	23,168
Credited to income statement for the period	(307)
As at 30th June 2007	<u>23,168</u>

13. SHARE CAPITAL

	At 30th June 2007 <i>RMB'000</i>	At 31st December 2006 <i>RMB'000</i>
Registered, issued and fully paid:		
600,000,000 State shares of RMB1.00 each	600,000	600,000
420,400,000 H shares of RMB1.00 each	420,400	420,400
	<u>1,020,400</u>	<u>1,020,400</u>

There were no movements in the share capital of the Company in both the current and the prior interim reporting periods.

14. CAPITAL COMMITMENTS

At the balance sheet date, there were capital commitments contracted but not provided for in the financial statements:

	At 30th June 2007 <i>RMB'000</i>	At 31st December 2006 <i>RMB'000</i>
Acquisition of fixed assets/construction costs	3,490	3,490
Acquisition of a parcel of land	—	—
	<u>3,490</u>	<u>3,490</u>

15. RELATED PARTY TRANSACTIONS

Related parties include the Group's subsidiaries, the Group's holding companies and their subsidiaries, other stated-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other corporations in which the Company is able to control or exercise significant influence in making financial and operating decisions, and under the control and influence of key management personnel of the Company, the Group and its holding companies as well as their close family members.

The related parties of the Group are as follows:

Name of company	Relationships with the Company
Shenyang Public Utility Group Company Limited ("SPU")	Holding company of the Company
Beijing Beida Hi-Tech Industry Investment Company Limited ("Beida Hi-Tech")	Shareholder of SPU
Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang")	Holding company of Beida Hi-Tech
Beijing Beida Jade Bird Company Limited ("Beida Jade Bird")	Shareholder of Jade Bird Huaguang
Beijing Tianqiao Beida Jade Bird Technology Company Limited ("Beijing Tianqiao")	Shareholder of Jade Bird Huaguang
Beijing Beida Education Investment Company Limited ("Beida Education Investment")	Subsidiary of Beida Jade Bird
Zhuhai Beida Subsidiary Experiment School ("Zhuhai School")	Branch of Beida Education Investment
Zhuhai Science and Education Ltd.	Subsidiary of Beida Education Investment
Beijing Teli Investment Management Ltd. ("Beijing Teli")	Subsidiary of Beida Jade Bird
Shenzhen Sangxia Computer and AI Development Ltd ("Shenzhen Sangxia")	Subsidiary of Beida Jade Bird
Shenyang Shenhai Hot Electricity Company Limited ("Shenhai Co-generation")	Former jointly controlled entity of the Company
Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin")	Other state-owned enterprise
Beijing Peking University Resource Group Company Limited	Other state-owned enterprise

In addition to the related party information shown elsewhere in the unaudited condensed financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties and the balances arising from related party transactions:

- a. During the period, the Group received rental income of RMB2,000,000 from Zhuhai School for leasing of campus with related equipment (2006 Period: RMB2,000,000).

- b. As at balance sheet date, the outstanding balances with related parties are as follows:

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
Name of related parties		
Amount due from holding company SPU	<u>55,296</u>	<u>55,296</u>
Accounts receivables		
Beijing Teli	–	24,030
Shenzhen Sangxia	2,125	2,125
Beida Jade Bird	<u>–</u>	<u>–</u>
Other payables and accrued charges		
Beida Jade Bird	186,482	66,088
Beijing Teli	300	109,130
Hua Jin	80,000	161,380
Beijing Tianqiao	5,400	5,400
Zhuhai School	18,121	23,577
Shenzhen Sangxia	<u>–</u>	<u>–</u>

- c. Compensation for the key management

	At 30th June 2007 RMB'000	At 31st December 2006 RMB'000
Short-term benefits	–	–
post-employment benefit	<u>111</u>	<u>268</u>
	<u>111</u>	<u>268</u>

The remuneration of directors and key executives is determined by the administration resources and remuneration committee having regard to the performance of individuals and market trends.

16. CONTINGENT LIABILITIES

- a. Pursuant to the agreement for the acquisition of equity interests in Shenzhen Jingmei Industrial Development Company Limited (“Jingmei Industrial”) and Shenzhen Xili Baoen Fu Di Cemetery Company Limited (“Xili Cemetery”) (collectively refers as “Cemetery Companies”) dated 31st December 2003, all claims and debts not relating to the operations of cemetery business would be transferred out of the Cemetery Companies and taken up by the former shareholder of Cemetery Companies (the “Former Shareholder”). In 2004, the Company entered into an agreement with the Former Shareholder that a total of the Cemetery Companies’ other payables of approximately RMB24,771,000 and other receivables of approximately RMB8,785,000 would be offset against the outstanding balances of approximately RMB14,886,000 owed to the Cemetery Companies by the Former Shareholder and that the net balance of RMB1,100,000 owed to the Former Shareholder was waived.

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

- b. The Group provided guarantee of RMB9,000,000 to the bank for 珠海科教's bank borrowings. The fair value of the guarantee did not account for as financial liabilities in Consolidated Balance Sheet as the management considered the fair value of this guarantee is insignificant.

17. SEQUESTRATION OF ASSETS/LITIGATIONS

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

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

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

As a result, the loan and interest thereof due to Shenzhen Development Bank had been fully settled.

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

Hua Jin then commenced legal action against the Company, Beida Jade Bird, Beijing Diye and Shenyang Pollon for a total sum of RMB161,380,000 it had paid to Shenzhen Development Bank Dalian branch for the Company as guarantor and the interest accrued. On 12th December 2005, the Higher People's Court of Liaoning Province issued the Civil Judgement (2005) Liao Min San Chu Zi No.26 民事判決書(2005)遼民三初字第26號, pursuant to which Shenyang Public Utility was liable to repay the sum of RMB161,380,000 together with interest and acceptance fee and custody fee of RMB1,624,330 to Hua Jin. Beida Jade Bird, Beijing Diye and Shenyang Pollon jointly guaranteed the repayment, and they reserved the right to recover the loss from SPU after the implementation of the liability of guarantee.

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

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

On 17th September 2008, Beijing Diye executed a confirmation whereby (1) Beijing Diye has agreed not to claim against the Company for the assistance of RMB195,000; and (2) the assistance of RMB195,000 will be eliminated as Beijing Diye is a 80% held subsidiary of the Company.

On 17th September 2008, a settlement agreement was signed between the Company and Shenyang Pollon whereby (1) Shenyang Pollon has agreed not to claim against the Company for the assistance of approximately RMB33,000,000, being the proceeds of assets from the said auction, from the date of the settlement agreement; (2) As Shenyang Pollon is a 99.99% held subsidiary of the Company, the assistance of RMB33,000,000 will be eliminated.

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

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

On 18th September 2008, an agreement was signed between Beida Jade Bird, Shenzhen Jingmei, SPU and the Company, whereby Beida Jade Bird has agreed not to claim against the Company for the assistance of RMB82,000,000 within two years from the date of the agreement.

(d) The two new loan disputes between the company and Guangdong Development Bank Shenyang branch (“Guangdong Development Bank”) and subsequent claims from Hua Jin

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

On 26th December 2005, Guangdong Development Bank commenced legal action for the RMB29,000,000 loan dispute against the Company as the borrower and Hua Jin, SPU, Beida Jade Bird and Liaoning Huajin Tongda Chemicals Co. Ltd. (“Huajin Tongda”), as the guarantors of the RMB29,000,000 loan.

On 18th February 2006, the Intermediate People’s Court of Shenyang issued the Civil Judgement (2006) Shen Zhong Min (3) He Chu Zi No.34《判決書》(2006) 瀋中民三合初字第34號, pursuant to which (1) the Company was liable to repay the principal of RMB29,000,000 within 10 days from the date of judgement; (2) the Company was liable to pay the interest of the loan amounting to RMB179,916; (3) SPU, Hua Jin and Huajin Tongda jointly guaranteed the repayment of the loan and interest mentioned in (1) and (2); (4) the Company also undertook to pay the legal fee of RMB155,010 and custody fee of RMB145,520.

On 6th April 2006, RMB70,000,000 and RMB80,000,000 were sequestered from the accounts of the Company and Hua Jin respectively in which RMB10,300,000 was repaid for the principal of the RMB29,000,000 loan and the remaining balance was used for the repayment of other RMB171,000,000 loan of Guangdong Development Bank (Please refer to section (ii) below). As such, the unpaid balances of the RMB29,000,000 loan was RMB18,700,000.

In August 2007, RMB56,461,629.47 was sequestered from the account of Hua Jin by the Intermediate People’s Court of Shenyang in settlement of the unpaid balance at RMB29,000,000.

As a result, the RMB29,000,000 loan has been fully repaid to Guangdong Development Bank.

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

In January 2006, Guangdong Development Bank commenced another legal action for the RMB171,000,000 loan dispute in the Higher People’s Court of Liaoning Province against the Company as borrower and Hua Jin, SPU, Beida Jade Bird and Huajin Tongda as guarantors of another loan in the sum of RMB171,000,000.

On 6th April 2006, RMB70,000,000 and RMB80,000,000 were sequestrated from the accounts of the Company and Hua Jin respectively by Guangdong Development Bank in settlement of the loan. As such, the unpaid balances of the RMB171,000,000 loan was RMB30,895,693.45.

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

On 12th May 2006, Guangdong Development Bank commenced legal action against the Company, Hua Jin, SPU, Beida Jade Bird and Huajin Tongda for the unpaid balance of RMB30,895,693.45 in Intermediate People's Court of Shenyang.

On 31st January 2007, the Intermediate People's Court of Shenyang issued the Civil Judgement (2006) Shen Zhong Min (3) He Chu Zi No.234 (2006) 瀋中民三合初字第234號《民事判決書》, pursuant to which (1) the Company was liable to repay the unpaid balance at RMB30,895,693.45 and the interest at RMB2,221,284.82 to Guangdong Development Bank within 10 days from the date of judgement; (2) Beida Jade Bird and SPU jointly guaranteed the payment; (3) Huajin Tongda and Hua Jin jointly guaranteed the repayment of the unpaid balance and interest mentioned in (1) but only limited to RMB50,000,000 and RMB51,300,000 respectively; and (4) the Company also undertook to pay the legal fee of RMB164,489 and custody fee of RMB160,520.

In August 2007, RMB56,461,629.47 was sequestrated from the account of Hua Jin by the Intermediate People's Court of Shenyang in settlement of the unpaid balance of RMB30,895,693.45 and the full amount of loan and interest thereof.

As a result, the RMB171,000,000 loan has been fully repaid to Guangdong Development Bank.

- (iii) *The claim of RMB80,000,000 from Hua Jin after the loan disputes between the Company and Guangdong Development Bank*

RMB80,000,000 was sequestrated from the account of Hua Jin in settlement of the RMB29,000,000 loan and the RMB171,000,000 loan for the Company. On 12th April 2006, Hua Jin commenced legal action against the Company, SPU and Beida Jade Bird to recover the sum of RMB80,000,000.

In June 2006, Hua Jin reached a settlement with the Company, SPU and Beida Jade Bird, pursuant to which (1) the Company was liable to pay off Hua Jin's claim of RMB80,000,000 together with interest before 25 November 2006; (2) in the event that the Company was unable to pay off the sum, each of the Company, SPU and Beida Jade Bird would pay one-third of the unpaid balance; the Company was liable to pay for the legal fee of RMB410,000 and custody fee of RMB400,520. The Higher People's Court of Liaoning Province issued the Civil Mediation Agreement (2006) Liao Min San Chu Zi No.43 民事調解書 (2006)遼民三初字第43號 relating to this settlement.

- (iv) *The claim of RMB80,000,000 from Hua Jin after the loan disputes between the Company and Guangdong Development Bank*

Owing to the fact that the Company, SPU and Beida Jade Bird did not implement the repayment, the Railway Transport Intermediate Court of Shenyang (瀋陽鐵路運輸法院) held an auction on 29th December 2007 in which the Company's 95% equity interest in Shenzhen Jingmei was disposed of. The proceeds from such auction in the sum of RMB83,540,000 was then applied to settle Hua Jin's RMB80,000,000 claim together with the interest thereof, acceptance fee and enforcement fee.

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

- (v) *The claim of RMB56,461,629.47 from Hua Jin after the loan disputes between the Company and Guangdong Development Bank*

RMB56,461,629.47 was sequestered from the account of Hua Jin in settlement of the RMB29,000,000 loan and the RMB171,000,000 loan for the Company. In September 2007, Hua Jin commenced legal action against the Company, SPU and Beida Jade Bird to recover the sum of RMB56,461,629.47.

On 17th October 2007, Hua Jin reached a settlement with the Company, SPU, Beida Jade Bird, Shenyang Pollon and Beijing Mingyude Business and Trade Company Limited (“Mingyude”). The Higher People’s Court of Liaoning issued the Civil Mediation Agreement (2007) Liao Min San Chu Zi No.36 民事調解書(2007)遼民三初字第36號 relating to this settlement, pursuant to which (1) the Company was liable to pay off Hua Jin’s claim of RMB56,460,000; (2) the Company would repay RMB32,160,000 of the claim before 30th November 2007 and in the event that the Company was unable to pay off the said amount, Mingyude would guarantee the repayment; (3) the Company was liable to repay RMB24,300,000 before 25th December 2007 and Shenyang Pollon would pledge its properties to Hua Jin to guarantee such repayment; (4) Beida Jade Bird and SPU jointly guaranteed the claim of RMB56,460,000, and in the event that the Company was unable to settle all the claim, each of SPU and Beida Jade Bird would pay one-third of the unpaid balance; (5) Hua Jin and the Company would equally share the legal fee of RMB162,054.07 and custody fee of RMB5,000.

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

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

On 20th June 2008, Shenyang Pollon signed the Agreement of Settlement of Debts by Properties (以房抵債協議) with Hua Jin, the Company, Beida Jade Bird and SPU, pursuant to which (1) RMB24,300,000 worth of 69 residential units of Cosmo International Mansion owned by Shenyang Pollon were sequestered to settle Hua Jin’s claim for the Company; (b) the assistance will be eliminated as the Company holds 99.99% interest in Shenyang Pollon.

The transfer of ownership of Cosmo International Mansion to Hua Jin is still ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the turnover of the Group amounted to approximately RMB4,238,000, representing a decrease of approximately 44.19% as compared with that of the corresponding period (“the Corresponding Period”) for the six months ended 30th June 2006 (“the 2006 Period”); loss after taxation and minority interests amounted to approximately RMB22,518,000, representing an increase in loss of approximately 86.5% as compared with that of the Corresponding Period; and loss per share was approximately RMB0.022, representing an increase in loss of approximately 57% as compared with that of the Corresponding Period.

Review of the Group’s Major Business

The Group is a real estate developer and an investor in education business. It is principally engaged in the development and sale of real estate and investment in and management of education. The Company’s subsidiaries, Shenyang Development Real Estate Company Limited (“Shenyang Real Estate”), Shenyang Pollon Finance Building Management Company Limited (“Building Management Company”) and Beijing Diye Real Estate Development Company Limited (“Beijing Diye”), are real estate developers in Shenyang and Beijing respectively. The Company’s subsidiaries, Shenyang Development Beida Education Science Park Company Limited (“Shenyang Education”), Zhuhai Beida Education Science Park Company Limited (“Zhuhai Education”) and Shanghai Beida Jade Bird Education Investment Company Limited (“Shanghai Education”), are investors in education business in Shenyang, Zhuhai and Shanghai respectively. The Company’s subsidiary, Shenyang Beida Jade Bird Business Information System Company Limited (“Shenyang Business Information”) is a developer of application software in Shenyang. The Company’s subsidiary, Shenzhen Jingmei Industrial Development Company Limited (“Jingmei Industrial”), is a developer of cemetery in Shenzhen through Shenzhen Xili Baoen Fu Di Cemetery Company Limited (“Xili Cemetery”). The Company’s subsidiary, Shenzhen Grand Science Investment Development Company Limited (“Shenzhen Grand Science”) is an industrial investor in Shenzhen. The Company’s subsidiary, Shenyang Development Property Management Company Limited (“Shenyang Property”) is a property management services provider in Shenyang.

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 of the phase two project of “Water-Flowers City” was finished in September 2008 and the registration of property title certificate was started.

During the Period, the last stage improvement of construction, completion and inspection and sales of Building Management Company “Cosmo International Mansion” was the primary focus.

The “Scenic Bay” of Beijing Diye did not make significant progress during the Year. Owing to the promulgation of Property Law, the resettlement problem of the land purposed for “Scenic Bay” cannot accomplish completely. As a result, the land failed to meet the requirements for sale. Beijing Diye is under negotiation with local authorities to seek a resolution.

Education Investment Business

During the Period, Zhuhai School has paid Zhuhai Education a rental fee amounting to RMB2,000,000. The number of students of Zhuhai School amounted to approximately 600.

Technology Investment Business

During the Period, Tsinghua Unisplendour Hi-Tech Venture Capital, Inc., (“Unisplendour Hi-Tech”) recorded a loss of RMB2,174,000 , representing a decrease in loss of 4% as compared with that of the Corresponding Period.

Analysis of Cemetery Development Business

During the Period, Xili Cemetery realized a sales income of RMB22,900,000 and sold 307 plots.

FINANCIAL REVIEW

Operating Revenue

Income of the Group was approximately RMB4,238,000, representing a year on year decrease of approximately 44.19%. Loss attributable to shareholders of the Company amounted to RMB22,518,000, representing an increase in loss of 86.5% over 2006.

Property business further contracted during the Period and recorded no income;

Income of Education projects mainly comprises the rental income of Zhuhai Education Park of RMB2,000,000;

307 plots were leased during the Period, representing an increase of 93 plots over the corresponding period last year; the business recorded a sales income of RMB22,897,000 and a profit of RMB2,053,000, representing an increase of 235.46% over the corresponding period last year.

Profits

Loss attributable to shareholders of the Company amounted to approximately RMB22,518,000, representing an increase in loss of 86.5% over the corresponding period last year. It is mainly because of the decrease in income and the increase in operating expenses.

Borrowing Level and Analysis at the Balance Sheet Date

As at 30th June 2007, the Group’s bank borrowings totaled RMB128,165,000 (As at 31st December 2006: RMB181,344). Abovementioned borrowings bear interest at 5.3% to 7.3% per annum.

SIGNIFICANT INVESTMENTS HELD

As at 30th June 2007, the Group held 8.00% equity interest in THCI with investment cost of RMB20,000,000 (31st December 2006: RMB20,000,000). During the Period, THCI has recorded a loss of RMB2,174,000, representing a loss decrease of RMB91,000 as compared with that of the Corresponding Period.

NUMBER OF EMPLOYEES, EMOLUMENTS POLICIES, TRAINING SCHEMES AND SHARE OPTION SCHEMES

As at 30th June 2007, the Group employed a total of 99 employees and provided them with emoluments totaling approximately RMB2,721,430 during the Period (2006 Period: RMB3,210,240). The employees are offered different emoluments with respect to their different positions. The Group also made contributions to endowment insurance, basic medical insurance and housing reserves for all the employees in accordance with the relevant laws of the PRC. To date, the Group has not adopted any share option scheme for any of its senior management or employees.

DETAILS OF THE GROUP'S ASSETS SECURED/PLEDGED

From June to November 2007, the Company and Shenyang Real Estate have entered Assumption and Equity Pledge Agreement and Extension of Credit and Equity Pledge Supplementary Agreement with Beijing Mingyude Business and Trade Company Limited ("Mingyude"), 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 瀋陽天北建築安裝工程公司("天北建築") for Shenyang Real Estate and paid the debt due to Liaoning Hua Jin Hua Gong Group Company Limited ("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.

TAXATION

During the Period, no provision for Hong Kong Profits Tax had been made as the Group's income neither arose in nor was derived from Hong Kong. During the Period, the Group was subject to pay income tax at the prevailing tax rate of 15-33% in the PRC.

PROSPECTS OF THE SECOND HALF OF 2007

In the second half of the year, the Group's operation will focus on the following:

1. To actively negotiate with the Management Committee of Shenyang Economic and Technological Development Zone and settle the land issue of Shenyang Education properly.
2. To accelerate the settlement of existing litigations in order to resume the normal operation of the Company.

3. To actively accelerate the resumption of trading of the Company's H shares and protect the interest of public shareholders.
4. To actively accelerate the reorganization of the Company, so as to lay a solid foundation for the sustainable and healthy development of the Company.

DIVIDEND

During the Period, no dividend was paid. The Board resolved not to declare any interim dividend in 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES UNDER THE LISTING RULES

Due to the suspension of trading and litigation, the Company has not complied with the Code on Corporate Governance Practices as set out in the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the Period. The Directors will be committed to ensuring the Group to comply with the principles and provisions of the Code on Corporate Governance Practices in general.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

During the Period, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") 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. Each of the director or supervisor has replied to the Company in writing confirming that he/she 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
Wang Hui
Director

24th October, 2008, Shenyang, the PRC

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

Executive directors: Mr. An Mu Zong and Mr. Wang Zai Xing

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

Independent non executive director: Mr. Cai Lian Jun