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 2008

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 RMB38,117,000, representing a year on year increase of approximately 799.41%. Property business contracted during the Period, while education business remained stable.
- Profit attributable to shareholders of the Company amounted to approximately RMB138,094,000.
- The Board resolved that no dividend would be declared for the interim period ended 30th June 2008.

INTERIM RESULTS

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 2008 with the comparative figures for the corresponding period in 2007 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

		Six months ended 30th June	
		2008	2007
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**38,117**	4,238
Other operating income		**2,110**	–
Cost of properties sold		**(38,866)**	(4,910)
Taxes on sales of properties		**(83)**	(176)
Other operating expenses		**(7,376)**	(15,064)
Loss from operations		**(6,098)**	(15,912)
Finance costs		**(13,739)**	(6,756)
Gain on disposal of subsidiaries		**157,909**	–
Profit/loss before taxation		**138,072**	(22,668)
Taxation	*4*	**–**	(463)
Profit/loss after taxation		**138,072**	(23,131)
Profit/loss attributable to:			
Shareholders of the Company		**138,094**	(22,518)
Minority interests		**(22)**	(613)
		138,072	(23,131)
Earnings (loss) per share – basic	*6*	**RMB 0.135**	RMB (0.02)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2008

	Note	As at 30th June 2008 (Unaudited) *RMB'000*	As at 31st December 2007 (Audited) *RMB'000*
Non-current assets			
Plant and equipment		**11,308**	146,795
Investment properties		**254,977**	255,390
Prepaid lease payments on land use rights		**–**	86,752
Available-for-sale financial assets		**20,000**	20,000
Other non-current assets		**255**	
		286,540	508,937
Current assets			
Properties held for sale		**441,400**	484,987
Inventories		**–**	341
Accounts receivable	*7*	**1,500**	–
Amount due from the holding company		**54,268**	54,268
Prepaid land lease payments		**–**	2,564
Prepayments		**1,064**	3,039
Other receivables	*8*	**280,816**	31,915
Bank balances and cash		**380**	4,478
		779,428	581,592
Current liabilities			
Accounts payable	*9*	**32,391**	43,080
Receipts in advance		**24,373**	44,089
Other payables and accrued charges		**322,783**	411,821
Tax payables		**–**	1,168
Bank loans – repayable within one year	*10*	**20,000**	62,000
Potential liabilities		**2,043**	2,043
		401,590	564,201
Net current assets		**377,838**	17,391
Total assets less current liabilities		**664,378**	526,328

	Note	As at 30th June 2008 (Unaudited) RMB'000	As at 31st December 2007 (Audited) RMB'000
Equity			
Share capital		**1,020,400**	1,020,400
Reserves		**(412,912)**	(550,984)
Shareholders' equity		**607,488**	469,416
Minority interests		**34,335**	34,357
Total equity		**641,823**	503,773
Non-current liabilities			
Deferred taxation	*11*	**22,555**	22,555
		664,378	526,328

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2008

	Equity attributable to shareholders of the Company						
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare reserve	Accumulated profits	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2007	1,020,400	323,258	103,582	–	(1,093,482)	35,931	389,689
Loss for the Period	–	–	–	–	(22,518)	(613)	(23,131)
At 30th June 2007	1,020,400	323,258	103,582	–	(1,116,000)	35,318	366,558
At 1st January 2008	1,020,400	323,258	103,582	–	(977,824)	34,357	503,773
Profit for the Period	–	–	–	–	138,072	(22)	138,050
At 30th June 2008	1,020,400	323,258	103,582	–	(839,752)	34,335	641,823

NOTES

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 net profit for the year of RMB138,072,000 for the financial year ended 30th June 2008. 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, 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 two 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.

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

For the six months ended 30th June 2008 (Unaudited)

	Property development *RMB'000*	**Education projects** *RMB'000*	**Cemetery development** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Turnover	**36,617**	**1,500**	**–**	**–**	**38,117**
Segment results	**(843)**	**(2,367)**	**–**	**–**	**(3,210)**
Unallocated corporate expenses					**(3,248)**
Profit/(Loss) from operations					**(6,458)**
Finance costs					**(13,379)**
Gain on disposal of a subsidiary					**157,909**
Profit before taxation					**138,072**
Taxation					**–**
Profit after taxation					**138,072**

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

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

4. TAXATION

	Six months ended 30th June	
	(Unaudited)	(Unaudited)
	2008	2007
	RMB'000	*RMB'000*
Taxation comprises :		
The Company and its subsidiaries		
– PRC enterprise income tax	**–**	(463)
– Deferred taxation	**–**	–
	–	(463)

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

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

5. DIVIDENDS

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

6. EARNINGS PER SHARE

The calculation of earnings per share for the period is based on the earnings attributable to shareholders of the Company for the period of RMB138,094,000 (loss for the six months ended 30th June 2007: RMB22,518,000) and the number of 1,020,400,000 shares (2007: 1,020,400,000 shares) in issue during the period.

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

7. ACCOUNTS RECEIVABLE

As at the balance sheet date, the Group's accounts receivables mainly represent the rental receivable for leasing of campus and equipment.

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

	At 30th June 2008 *RMB'000*	At 31st December 2007 *RMB'000*
0-30 days	**250**	–
31-60 days	**250**	–
61-365 days	**1,000**	–
1-2 years	**–**	–
Over 2 years	**12,518**	12,518
	14,018	12,518
Provision for bad debts	**(12,518)**	(12,518)
Net amount of accounts receivables	**1,500**	–

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 PAYABLE

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

	At 30th June 2008 *RMB'000*	At 31st December 2007 *RMB'000*
0-90 days	**–**	–
91-180 days	**–**	–
180-365 days	**–**	–
1-2 years	**–**	–
Over 2 years	**32,391**	43,080
	32,391	43,080

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

10. BANK LOANS

During the period, the bank loans of RMB42,000,000 due on 17th May 2008 have been transferred due to the transfer of Shenyang Education Park. The Group has no new bank loans.

11. DEFERRED TAXATION

	Fair value adjustment on business combination *RMB'000*
At 1st January 2007	23,168
Credited to income statement	–
At 30th June 2007	23,168
Credited to income statement	(613)
At 1st January 2008	22,555
Credited to income statement for the period	–
At 30th June 2008	22,555

12. SHARE CAPITAL

	At 30th June 2008 ***RMB'000***	At 31st December 2007 *RMB'000*
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
	1,020,400	1,020,400

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

13. CONTINGENT LIABILITIES

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.

14. 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the turnover of the Group amounted to approximately RMB38,117,000, representing an increase of approximately 799.41% as compared with that of the corresponding period ("the Corresponding Period") for the six months ended 30th June 2007 ("the 2007 Period"); profit after taxation and minority interests amounted to approximately RMB138,094,000; and earnings per share was approximately RMB0.135.

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 Grand Scence Investment Development Company Limited ("Shenzhen Grand Scence") 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.

During the Period, Shenyang Education, Shenyang Business Information and Shenyang Property ceased to be the subsidiaries of the Company.

Analysis of 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 and completion and inspection of Building Management Company "Cosmo International Mansion" was the primary focus. In June 2008, Building Management Company entered the Agreement of Settlement of Debts by Properties with the Company and relevant parties, pursuant to which the parties agreed to settled the debt of RMB24,300,000 of the Company by the properties of Cosmo International Mansion with a value of RMB24,300,000. The transfer procedures of these properties are under processing.

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.

Analysis of Education Investment Business

During the Period, Zhuhai School has paid Zhuhai Education a rental fee amounting to RMB1,500,000. The senior middle school of Zhuhai School has been included in the list of public school by Bureau of Education of Zhuhai Municipality. The number of students at school in the fall semestar 2008 has reached 990.

FINANCIAL REVIEW

Operating Revenue

Income of the Group in the Period was approximately RMB38,117,000, representing an increase of approximately 799.41%. Profit attributable to shareholders of the Company amounted to RMB138,094,000.

Income from property business in the Period increased by RMB36,617,000 over the previous year. It is principally because of the recognition of the sales proceeds of those properties held for sale that the occupation arrangement was made and real estate title certificate was obtained;

Income of Education projects mainly comprises the rental income of Zhuhai Education Park of RMB1,500,000;

Profits

Profit attributable to shareholders of the Company amounted to approximately RMB138,094,000.

The profit in the Period is mainly due to the gain from the disposal of the Company's equity interest in Shenyang Education Park of approximately RMB160 million.

Borrowing Level and Analysis at the Balance Sheet Date

As at 30th June 2008, the Group's bank borrowings totaled RMB20,000,000 (As at 31st December 2007: RMB62,000,000). Abovementioned borrowings are not secured and bear interest at 9.71% per annum.

Bank borrowings payable as follows	**As at 30th June 2008** ***(RMB'000)***	As at 31st December 2007 *(RMB'000)*
Within one year	**20,000**	62,000
The second year	**–**	–
	20,000	62,000

During the Period, the Group did not default in paying the principle and interests of bank borrowings.

Bills payable

During the Period, the Company has no bills payable.

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

As at 30th June 2008, the Group employed a total of 39 employees (excluding the directors of the Company) and provided them with emoluments totaling approximately RMB3,005,840 during the Period (2007 Period: RMB2,721,430). 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.

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%–25% in the PRC.

PROSPECTS OF THE SECOND HALF OF THE YEAR

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

1. To reorganize existing assets and businesses, increase its efforts in receivables recovering, and maximize the use of assets;

2. To seek new investors for the Company and introduce new businesses with development potential;

3. To carry on the compliance work of pro-period such as information disclosure so as to lay a foundation for the resumption of trading of the Company.

4. To actively accelerate the resumption of trading of the Company's H shares and protect the interest of public shareholders;

5. To actively accelerate the reorganization of the Company, so as to lay a solid foundation for the sustainable and healthy development of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTIONS

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

DIVIDEND

During the Period, no dividend was paid. The Board resolved not to declare any interim dividend in 2008.

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

Due to the suspension of trading and litigation, the Company has not fully 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.

AUDIT COMMITTEE

In the extraordinary general meeting held on 28th November 2005, Mr. Choy Shu Kwan, Wilson, Mr. Cui Yan and Mr. Cai Lian Jun were elected as the independent non-executive directors of the Company and form the Audit Committee. Since Mr. Choy Shu Kwan, Wilson and Mr. Cui Yan have resigned as independent non-executive directors in 2007, the Audit Committee of the Company currently only comprises of Mr. Cai Lian Jun.

On 17th September 2008, Mr. Lam Tsan Wing Alexander, Mr. Wong Kai Tat and Mr. Chan Ming Sun Jonathan (together as the "Committee Members") were appointed by the Company as the members of the resumption application committee to expedite the implementation of the resumption proposal. The Committee Members will be appointed as the independent non-executive directors of the Company and will form a new Audit Committee upon the trading of the Company's shares resumed. (Details please refer to the Company' announcement dated 6th October 2008)

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