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**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 ANNUAL RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2012**

**FINANCIAL HIGHLIGHTS**

- Turnover for the year ended 31 December 2012 was approximately RMB10,160,000 (2011: RMB22,879,000), a decrease of 55.59% over last year. The decrease was primarily attributable to the fall in rental income from properties as a result of the disposal of properties and the fact that our real estate development business is still in the input stage and therefore no income could be recognised.
- For the year ended 31 December 2012, the Company recorded profit of approximately RMB27,126,000 (2011: RMB40,910,000), representing an earnings per share of RMB2.66 cents (2011: RMB4.47 cents).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

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 2012 (the “Year”), together with the comparative figures for the financial year ended 31 December 2011, which have been reviewed by the audit committee (the “Audit Committee”) of the Company.

# **CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2012*

|                                                            |              | <b>2012</b>           | 2011           |
|------------------------------------------------------------|--------------|-----------------------|----------------|
|                                                            | <i>Notes</i> | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| <b>Continuing operations</b>                               |              |                       |                |
| <b>Turnover</b>                                            | 3            | <b>10,160</b>         | 22,879         |
| Sales taxes on turnover                                    |              | <b>(554)</b>          | (1,199)        |
| Cost of sales                                              |              | <b>(792)</b>          | (1,901)        |
| Other income                                               | 5            | <b>121</b>            | 178            |
| Waived of debt of other payables                           |              | –                     | 25,065         |
| Fair value change in contingent consideration              |              | <b>30,500</b>         | –              |
| (Loss) gain on disposal of subsidiaries, net               |              | <b>(1,547)</b>        | 8,225          |
| Gain on deregistration of a subsidiary                     |              | –                     | 162            |
| Fair value loss on step acquisition of a subsidiary        |              | <b>(48)</b>           | –              |
| Loss on disposal of available-for-sale investment          |              | –                     | (12,900)       |
| Depreciation                                               |              | <b>(100)</b>          | (541)          |
| Staff costs                                                |              | <b>(1,540)</b>        | (1,259)        |
| Fair value change of investment properties, net            |              | <b>800</b>            | 38,300         |
| Impairment loss recognised in respect of trade receivables |              | –                     | (180)          |
| Other operating expenses                                   |              | <b>(3,997)</b>        | (12,229)       |
| Finance costs                                              | 6            | –                     | –              |
| <b>Profit before tax</b>                                   | 8            | <b>33,003</b>         | 64,600         |
| Income tax expense                                         | 7            | <b>(5,877)</b>        | (11,950)       |
| <b>Profit for the year from continuing operations</b>      |              | <b>27,126</b>         | 52,650         |
| <b>Discontinued operation</b>                              | 9            |                       |                |
| Loss for the year from discontinued operation              |              | –                     | (11,740)       |
| <b>Profit for the year</b>                                 |              | <b>27,126</b>         | 40,910         |

|                                                                         | <i>Notes</i> | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|-------------------------------------------------------------------------|--------------|-------------------------------|------------------------|
| <b>Profit (loss) for the year attributable to owners of the Company</b> |              |                               |                        |
| – from continuing operations                                            |              | <b>27,126</b>                 | 52,678                 |
| – from discontinued operation                                           |              | <u>–</u>                      | <u>(7,066)</u>         |
|                                                                         |              | <b><u>27,126</u></b>          | <b><u>45,612</u></b>   |
| <b>Loss for the year attributable to non-controlling interests</b>      |              |                               |                        |
| – from continuing operations                                            |              | –                             | (28)                   |
| – from discontinued operation                                           |              | <u>–</u>                      | <u>(4,674)</u>         |
|                                                                         |              | <u>–</u>                      | <u>(4,702)</u>         |
|                                                                         |              | <b><u>27,126</u></b>          | <b><u>40,910</u></b>   |
| <b>Earnings per share from continuing and discontinued operations</b>   | <i>10</i>    |                               |                        |
| – Basic (RMB cents)                                                     |              | <b><u>2.66</u></b>            | <u>4.47</u>            |
| – Diluted (RMB cents)                                                   |              | <b><u>N/A</u></b>             | <u>N/A</u>             |
| <b>Earnings per share from continuing operations</b>                    |              |                               |                        |
| – Basic (RMB cents)                                                     |              | <b><u>2.66</u></b>            | <u>5.16</u>            |
| – Diluted (RMB cents)                                                   |              | <b><u>N/A</u></b>             | <u>N/A</u>             |
| <b>Dividends</b>                                                        |              | <u>–</u>                      | <u>–</u>               |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2012*

|                                                               | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|---------------------------------------------------------------|-------------------------------|------------------------|
| <b>Profit for the year</b>                                    | <b>27,126</b>                 | 40,910                 |
| <b>Other comprehensive income</b>                             |                               |                        |
| Exchange differences arising on translation                   | —                             | —                      |
| <b>Total comprehensive income for the year</b>                | <b>27,126</b>                 | <b>40,910</b>          |
| <b>Total comprehensive income (expenses) attributable to:</b> |                               |                        |
| Owners of the Company                                         | <b>27,126</b>                 | 45,612                 |
| Non-controlling interests                                     | —                             | (4,702)                |
|                                                               | <b>27,126</b>                 | <b>40,910</b>          |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2012*

|                                              |              | <b>2012</b>           | 2011           |
|----------------------------------------------|--------------|-----------------------|----------------|
|                                              | <i>Notes</i> | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| <b>NON-CURRENT ASSETS</b>                    |              |                       |                |
| Property, plant and equipment                |              | <b>598</b>            | 7              |
| Investment properties                        |              | –                     | 148,300        |
| Available-for-sale investment                |              | –                     | –              |
| Goodwill                                     |              | <b>75,888</b>         | –              |
| Deposit paid for acquisition of a subsidiary |              | –                     | 74,000         |
|                                              |              | <b>76,486</b>         | 222,307        |
| <b>CURRENT ASSETS</b>                        |              |                       |                |
| Properties under development                 |              | <b>1,035,531</b>      | –              |
| Trade receivables                            | <i>11</i>    | –                     | 225            |
| Amount due from a former customer            |              | –                     | –              |
| Prepayments, deposits and other receivables  | <i>12</i>    | <b>64,740</b>         | 233,685        |
| Held for trading investment                  |              | –                     | 1,848          |
| Bank balances and cash                       |              | <b>32,890</b>         | 5,187          |
|                                              |              | <b>1,133,161</b>      | 240,945        |
| Assets classified as held for sale           |              | –                     | 105,717        |
|                                              |              | <b>1,133,161</b>      | 346,662        |

|                                              |       | 2012           | 2011           |
|----------------------------------------------|-------|----------------|----------------|
|                                              | Notes | RMB'000        | RMB'000        |
| <b>CURRENT LIABILITIES</b>                   |       |                |                |
| Trade payables                               | 13    | 378,680        | –              |
| Other payables and accruals                  |       | 8,172          | 1,836          |
| Advanced proceeds received from customers    |       | 270,000        | –              |
| Receipts in advance                          |       | –              | 30,067         |
| Other borrowings                             |       | 13,843         | –              |
| Other current liabilities                    |       | –              | 2,231          |
| Tax liabilities                              |       | 4,049          | 2,423          |
|                                              |       | <u>674,744</u> | <u>36,557</u>  |
| Liabilities classified as held for sale      |       | <u>–</u>       | <u>13,188</u>  |
|                                              |       | <u>674,744</u> | <u>49,745</u>  |
| <b>NET CURRENT ASSETS</b>                    |       | <u>458,417</u> | <u>296,917</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <u>534,903</u> | <u>519,224</u> |
| <b>CAPITAL AND RESERVES</b>                  |       |                |                |
| Share capital                                |       | 1,020,400      | 1,020,400      |
| Reserves                                     |       | (488,297)      | (515,157)      |
| Equity attributable to owners of the Company |       | 532,103        | 505,243        |
| Non-controlling interests                    |       | <u>–</u>       | <u>–</u>       |
| <b>TOTAL EQUITY</b>                          |       | <u>532,103</u> | <u>505,243</u> |
| <b>NON-CURRENT LIABILITIES</b>               |       |                |                |
| Deferred taxation                            |       | –              | 13,981         |
| Other borrowings                             |       | 2,800          | –              |
|                                              |       | <u>2,800</u>   | <u>13,981</u>  |
|                                              |       | <u>534,903</u> | <u>519,224</u> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

|                                                                                             | Equity attributable to owners of the Company |                     |                           |                    |                |          | Non-controlling interests | Total          |
|---------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|---------------------------|--------------------|----------------|----------|---------------------------|----------------|
|                                                                                             | Share capital                                | Share premium       | Statutory surplus reserve | Accumulated losses | Sub-total      |          |                           |                |
|                                                                                             | RMB'000                                      | RMB'000<br>(Note a) | RMB'000<br>(Note b)       | RMB'000            | RMB'000        | RMB'000  |                           | RMB'000        |
| At 1 January 2011                                                                           | 1,020,400                                    | 323,258             | 103,481                   | (987,508)          | 459,631        | 40,429   |                           | 500,060        |
| Profit (loss) for the year, representing total comprehensive income (expenses) for the year | –                                            | –                   | –                         | 45,612             | 45,612         | (4,702)  |                           | 40,910         |
| Disposal of subsidiaries                                                                    | –                                            | –                   | –                         | –                  | –              | (35,727) |                           | (35,727)       |
| At 31 December 2011 and 1 January 2012                                                      | 1,020,400                                    | 323,258             | 103,481                   | (941,896)          | 505,243        | –        |                           | 505,243        |
| Profit for the year, representing total comprehensive income for the year                   | –                                            | –                   | –                         | 27,126             | 27,126         | –        |                           | 27,126         |
| Disposal of a subsidiary                                                                    | –                                            | –                   | (266)                     | –                  | (266)          | –        |                           | (266)          |
| At 31 December 2012                                                                         | <u>1,020,400</u>                             | <u>323,258</u>      | <u>103,215</u>            | <u>(914,770)</u>   | <u>532,103</u> | <u>–</u> |                           | <u>532,103</u> |

Notes:

## (a) Share premium

Share premium comprises surplus between the value of net assets acquired and the nominal value of state shares issued as a result of the incorporation of the Company as a joint stock limited company and the share premium from the issuance of H-shares.

## (b) Statutory surplus reserve

The Group is required to set aside 10% of its profit after taxation prepared in accordance with the PRC accounting regulations to the statutory surplus reserve until the balance reaches 50% of their respective paid up capital or registered capital, where further appropriation will be at the directors' recommendation. Such reserve can be used to reduce any losses incurred or to increase the capital.

## (c) Distributable reserve

Pursuant to the relevant PRC regulations, distributable reserve shall be the lower of the accumulated distributable profits determined in accordance with PRC accounting standards and regulations as stated in the PRC statutory audited financial statements and the accumulated distributable profits determined in accordance with accounting principles generally accepted in Hong Kong. The Group did not have any reserve available for distribution as at 31 December 2012 and 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2012*

## 1. GENERAL INFORMATION

Shenyang Public Utility Holdings Company Limited (the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”). The address of the principal place of business of the Company is 14/F, Jinmao International Apartment, No. 1 Xiao Dong Road, Da Dong District, Shenyang, the PRC. The address of the registered office of the Company is No. 1-4, 20A, Central Street, Shenyang Economic and Technological Development Zone, the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”) which is the same as the functional currency of the Company and its subsidiaries (collectively known as the “Group”).

The Company is an investment holding company and the principal activities of its subsidiaries are property development.

The Company’s H-shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 December 1999.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”)

In the current year, the Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

|                       |                                                                          |
|-----------------------|--------------------------------------------------------------------------|
| Amendments to HKFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendments to HKFRS 7 | Financial Instruments: Disclosures-Transfers of Financial Assets         |
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets                              |

### **Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets**

In December 2010, the HKICPA amended HKAS 12 *Income taxes* to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The directors consider the Group’s business model is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the presumption is rebutted and related deferred tax is not remeasured upon the adoption of this amendment. There are no significant impact on the Group’s results of operations and financial position.

There are no other amended standards or interpretations that are effective for the first time for the consolidated financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

The Group has not early applied the following new or revised HKFRSs and HKASs that have been issued but are not yet effective:

|                                                     |                                                                                                                                       |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKFRS 1                               | Government Loans <sup>2</sup>                                                                                                         |
| Amendments to HKFRS 7                               | Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>                                                      |
| HKFRS 9                                             | Financial Instruments <sup>4</sup>                                                                                                    |
| Amendments to HKFRS 9 and HKFRS 7                   | Mandatory effective date of HKFRS 9 and transition disclosure <sup>4</sup>                                                            |
| HKFRS 10                                            | Consolidated Financial Statements <sup>2</sup>                                                                                        |
| HKFRS 11                                            | Joint Arrangements <sup>2</sup>                                                                                                       |
| HKFRS 12                                            | Disclosure of Interests in Other Entities <sup>2</sup>                                                                                |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12       | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities <sup>3</sup>                                                                                                      |
| HKFRS 13                                            | Fair Value Measurement <sup>2</sup>                                                                                                   |
| Amendments to HKAS 1                                | Presentation of Items of Other Comprehensive Income <sup>1</sup>                                                                      |
| HKAS 19 (2011)                                      | Employee Benefits <sup>2</sup>                                                                                                        |
| HKAS 27 (2011)                                      | Separate Financial Statements <sup>2</sup>                                                                                            |
| HKAS 28 (2011)                                      | Investments in Associates and Joint Ventures <sup>2</sup>                                                                             |
| Amendments to HKAS 32                               | Offsetting Financial Assets and Financial Liabilities <sup>3</sup>                                                                    |
| HK (IFRIC*) – Int 20                                | Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>                                                                |
| Amendments to HKFRSs                                | Annual Improvements 2009-2011 Cycle <sup>2</sup>                                                                                      |

\* IFRIC represents the International Financial Reporting Interpretations Committee.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015.

## **Annual Improvements to HKFRSs 2009 - 2011 Cycle issued in June 2012**

The *Annual Improvements to HKFRSs 2009 - 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

### **Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities**

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

### **HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

### **HKFRS 13 Fair Value Measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

### 3. TURNOVER

Turnover represents the amounts received and receivable for (i) development, sale, rental and management of properties less sale returns and discounts, and (ii) revenue from education projects. The Group's turnover for the year is as follows:

|                                                        | <b>2012</b><br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|--------------------------------------------------------|-------------------------------|------------------------|
| <b>Continuing operations</b>                           |                               |                        |
| Development, sale, rental and management of properties | <b>10,160</b>                 | 22,879                 |
| <b>Discontinued operation</b>                          |                               |                        |
| Education projects (rental income)                     | <u>–</u>                      | <u>2,000</u>           |
|                                                        | <b><u>10,160</u></b>          | <b><u>24,879</u></b>   |

### 4. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

The operating segments regarding the education projects were discontinued during the year ended 31 December 2011.

**(a) Segment revenues and results**

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

|                                | Continuing operations |         | Discontinued operation |          | Total         |          |
|--------------------------------|-----------------------|---------|------------------------|----------|---------------|----------|
|                                | Property development  |         | Education projects     |          |               |          |
|                                | 2012                  | 2011    | 2012                   | 2011     | 2012          | 2011     |
|                                | RMB'000               | RMB'000 | RMB'000                | RMB'000  | RMB'000       | RMB'000  |
| <b>Turnover</b>                | <b>10,160</b>         | 22,879  | –                      | 2,000    | <b>10,160</b> | 24,879   |
| Segment profit (loss)          | <b>36,812</b>         | 56,475  | –                      | (11,770) | <b>36,812</b> | 44,705   |
| Interest income                |                       |         |                        |          | 121           | 161      |
| Unallocated corporate income   |                       |         |                        |          | –             | 25,226   |
| Unallocated corporate expenses |                       |         |                        |          | (3,930)       | (17,232) |
| Profit before tax              |                       |         |                        |          | <b>33,003</b> | 52,860   |
| Income tax expense             |                       |         |                        |          | (5,877)       | (11,950) |
| <b>Profit for the year</b>     |                       |         |                        |          | <b>27,126</b> | 40,910   |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the result by each segment without allocation of central administration costs and directors' emoluments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

**(b) Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

|                                   | Continuing operations |         | Discontinued operation |         | Total            |         |
|-----------------------------------|-----------------------|---------|------------------------|---------|------------------|---------|
|                                   | Property development  |         | Education projects     |         |                  |         |
|                                   | 2012                  | 2011    | 2012                   | 2011    | 2012             | 2011    |
|                                   | RMB'000               | RMB'000 | RMB'000                | RMB'000 | RMB'000          | RMB'000 |
| Segment assets                    | <b>1,041,612</b>      | 266,057 | –                      | –       | <b>1,041,612</b> | 266,057 |
| Unallocated corporate assets      |                       |         |                        |         | <b>168,035</b>   | 302,912 |
| <b>Total assets</b>               |                       |         |                        |         | <b>1,209,647</b> | 568,969 |
| Segment liabilities               | <b>671,443</b>        | 29,893  | –                      | –       | <b>671,443</b>   | 29,893  |
| Unallocated corporate liabilities |                       |         |                        |         | <b>6,101</b>     | 33,833  |
| <b>Total liabilities</b>          |                       |         |                        |         | <b>677,544</b>   | 63,726  |

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets; and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

**(c) Other segment information**

Amounts included in the measure of segment profit or loss or segment assets:

|                                                            | Continuing operations |          | Discontinued operation |         | Unallocated |          | Total    |          |
|------------------------------------------------------------|-----------------------|----------|------------------------|---------|-------------|----------|----------|----------|
|                                                            | Property development  |          | Education projects     |         |             |          |          |          |
|                                                            | 2012                  | 2011     | 2012                   | 2011    | 2012        | 2011     | 2012     | 2011     |
|                                                            | RMB'000               | RMB'000  | RMB'000                | RMB'000 | RMB'000     | RMB'000  | RMB'000  | RMB'000  |
| Addition to non-current assets ( <i>Note</i> )             | 29                    | 8        | -                      | -       | -           | -        | 29       | 8        |
| Fair value change in contingent consideration              | (30,500)              | -        | -                      | -       | -           | -        | (30,500) | -        |
| Fair value loss on step acquisition of a subsidiary        | 48                    | -        | -                      | -       | -           | -        | 48       | -        |
| Depreciation of property, plant and equipment              | 97                    | 244      | -                      | 873     | 3           | 23       | 100      | 1,140    |
| Depreciation of investment property                        | -                     | 274      | -                      | -       | -           | -        | -        | 274      |
| Loss on disposal of property, plant and equipment          | -                     | -        | -                      | 8       | -           | -        | -        | 8        |
| Loss on disposal of available-for-sale investment          | -                     | -        | -                      | -       | -           | 12,900   | -        | 12,900   |
| Loss (gain) on disposal of subsidiaries, net               | 1,547                 | (8,225)  | -                      | (3,845) | -           | -        | 1,547    | (12,070) |
| Gain on deregistration of a subsidiary                     | -                     | -        | -                      | -       | -           | (162)    | -        | (162)    |
| Fair value change of investment properties, net            | (800)                 | (38,300) | -                      | 16,360  | -           | -        | (800)    | (21,940) |
| Impairment loss recognised in respect of trade receivables | -                     | 180      | -                      | -       | -           | -        | -        | 180      |
| Waived of debt of other payables                           | -                     | -        | -                      | -       | -           | (25,065) | -        | (25,065) |

*Note:* It represents the non-current assets exclude financial instruments

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

|                    | Continuing operations |         | Discontinued operation |         | Unallocated |         | Total   |         |
|--------------------|-----------------------|---------|------------------------|---------|-------------|---------|---------|---------|
|                    | Property development  |         | Education projects     |         |             |         |         |         |
|                    | 2012                  | 2011    | 2012                   | 2011    | 2012        | 2011    | 2012    | 2011    |
|                    | RMB'000               | RMB'000 | RMB'000                | RMB'000 | RMB'000     | RMB'000 | RMB'000 | RMB'000 |
| Interest income    | 101                   | 103     | -                      | 31      | 20          | 27      | 121     | 161     |
| Income tax expense | 1,828                 | 11,950  | -                      | -       | 4,049       | -       | 5,877   | 11,950  |

## Revenue from major services

The following is an analysis of the Group's revenue from continuing operations from its major services:

|                                     | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|-------------------------------------|------------------------|------------------------|
| Rental and management of properties | <u>10,160</u>          | <u>22,879</u>          |

## Geographical information

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

## Information about major customers

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

|                         | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|-------------------------|------------------------|------------------------|
| Customer A <sup>1</sup> | 3,601                  | 5,281                  |
| Customer B <sup>1</sup> | 3,165                  | 4,747                  |
| Customer C <sup>1</sup> | N/A <sup>2</sup>       | 3,689                  |

<sup>1</sup> Turnover from development, sale, rental and management of properties.

<sup>2</sup> The corresponding turnover did not contribute over 10% of the total turnover of the Group in respective year.

## 5. OTHER INCOME

|                                                     | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|-----------------------------------------------------|------------------------|------------------------|
| <b>Continuing operations</b>                        |                        |                        |
| Interest income                                     | 121                    | 130                    |
| Change in fair value of held for trading investment | <u>–</u>               | <u>48</u>              |
|                                                     | <u>121</u>             | <u>178</u>             |
| <b>Discontinued operation</b>                       |                        |                        |
| Interest income                                     | –                      | 31                     |
| Sundry income                                       | <u>–</u>               | <u>38</u>              |
|                                                     | <u>–</u>               | <u>69</u>              |
|                                                     | <u>121</u>             | <u>247</u>             |

## 6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

|                                                            | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|------------------------------------------------------------|------------------------|------------------------|
| Interest expense on other borrowings                       | 3,373                  | –                      |
| Less: Interest capitalised in properties under development | <u>(3,373)</u>         | <u>–</u>               |
|                                                            | <u>–</u>               | <u>–</u>               |

Finance costs capitalised during the year arising from the other borrowings which are specific for properties under development.

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2011: Nil).

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

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2011: 25%) on the assessable profits of the Group in Mainland China.

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

No provision for the PRC LAT has been made as the Group had no sale of properties during the year ended 31 December 2012 (2011: Nil).

|                               | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| <b>Continuing operations</b>  |                        |                        |
| PRC enterprise income tax     | 5,677                  | 15,977                 |
| Deferred taxation             | <u>200</u>             | <u>(4,027)</u>         |
|                               | <u>5,877</u>           | <u>11,950</u>          |
| <b>Discontinued operation</b> |                        |                        |
| PRC enterprise income tax     | –                      | 4,090                  |
| Deferred taxation             | <u>–</u>               | <u>(4,090)</u>         |
|                               | <u>–</u>               | <u>–</u>               |
|                               | <u>5,877</u>           | <u>11,950</u>          |

The income tax expense for the years can be reconciled to the profit (loss) before tax from continuing and discontinued operations per the consolidated income statement as follows:

|                                                               | Continuing operations |         | Discontinued operation |           | Total         |         |
|---------------------------------------------------------------|-----------------------|---------|------------------------|-----------|---------------|---------|
|                                                               | 2012                  | 2011    | 2012                   | 2011      | 2012          | 2011    |
|                                                               | RMB'000               | RMB'000 | RMB'000                | RMB'000   | RMB'000       | RMB'000 |
| <b>Profit (loss) before tax</b>                               | <b>33,003</b>         | 64,600  | –                      | (11,740)* | <b>33,003</b> | 52,860  |
| Income tax at applicable tax rates                            | 8,251                 | 16,150  | –                      | (2,935)   | 8,251         | 13,215  |
| Tax effect of expenses not deductible for tax purpose         | 19,828                | –       | –                      | 4,090     | 19,828        | 4,090   |
| Tax effect of income not taxable for tax purpose              | (7,825)               | (9,576) | –                      | –         | (7,825)       | (9,576) |
| Tax effect of deductible temporary differences not recognised | 200                   | (4,027) | –                      | (4,090)   | 200           | (8,117) |
| Tax effect of tax losses not recognised                       | 176                   | 10,172  | –                      | 2,935     | 176           | 13,107  |
| Utilisation of tax losses previously not recognised           | (14,753)              | (769)   | –                      | –         | (14,753)      | (769)   |
| Income tax expense                                            | <b>5,877</b>          | 11,950  | –                      | –         | <b>5,877</b>  | 11,950  |

\* The loss before tax included the amount of gain on disposal of Zhuhai Beida Education Science Park Company Limited of approximately RMB3,845,000.

## 8. PROFIT BEFORE TAX

|                                                                                                          | Continuing operations |          | Discontinued operation |         | Total          |          |
|----------------------------------------------------------------------------------------------------------|-----------------------|----------|------------------------|---------|----------------|----------|
|                                                                                                          | 2012                  | 2011     | 2012                   | 2011    | 2012           | 2011     |
|                                                                                                          | RMB'000               | RMB'000  | RMB'000                | RMB'000 | RMB'000        | RMB'000  |
| Profit before tax is arrived at after charging (crediting):                                              |                       |          |                        |         |                |          |
| Directors', supervisors' and chief executives remuneration                                               | 605                   | 543      | –                      | –       | 605            | 543      |
| Staff salaries, wages and other benefits                                                                 | 638                   | 547      | –                      | 120     | 638            | 667      |
| Contributions to retirement benefits schemes                                                             | 297                   | 169      | –                      | 20      | 297            | 189      |
| Total staff costs                                                                                        | <b>1,540</b>          | 1,259    | –                      | 140     | <b>1,540</b>   | 1,399    |
| Depreciation of property, plant and equipment                                                            | 100                   | 267      | –                      | 873     | 100            | 1,140    |
| Depreciation of investment property                                                                      | –                     | 274      | –                      | –       | –              | 274      |
| Loss on disposal of property, plant and equipment                                                        | –                     | –        | –                      | 8       | –              | 8        |
| Impairment loss recognised in respect of trade receivables                                               | –                     | 180      | –                      | –       | –              | 180      |
| Auditor's remuneration                                                                                   | 1,042                 | 858      | –                      | 3       | 1,042          | 861      |
| Gross rental income from investment properties                                                           | (10,160)              | (22,879) | –                      | (2,000) | (10,160)       | (24,879) |
| Less:                                                                                                    |                       |          |                        |         |                |          |
| Direct operating expense incurred for investment properties that generated rental income during the year | 792                   | 1,915    | –                      | 99      | 792            | 2,014    |
|                                                                                                          | <b>(9,368)</b>        | (20,964) | –                      | (1,901) | <b>(9,368)</b> | (22,865) |

## 9. DISCONTINUED OPERATION

On 26 April 2011, the Company entered into a sale agreement to dispose a subsidiary, Zhuhai Beida Education Science Park Company Limited (“Zhuhai Beida”), which carried out all of the Group’s education projects operation. The disposal was effected in order to generate cash flows for the expansion of the Group’s other businesses. The disposal was completed on 1 September 2011.

The loss for the year from the discontinued operation is analysed as follows:

|                                                       | 2011<br>RMB’000 |
|-------------------------------------------------------|-----------------|
| Loss of education projects operation for the year     | (15,585)        |
| Gain on disposal of education projects operation      | <u>3,845</u>    |
|                                                       | <u>(11,740)</u> |
|                                                       | 2011<br>RMB’000 |
| <b>Turnover</b>                                       | 2,000           |
| Sales taxes on turnover                               | (113)           |
| Cost of sales                                         | (99)            |
| Other income                                          | 69              |
| Loss on disposal of property, plant and equipment     | (8)             |
| Fair value change of investment properties, net       | (16,360)        |
| Depreciation                                          | (873)           |
| Staff costs                                           | (140)           |
| Other operating expenses                              | <u>(61)</u>     |
| <b>Loss before tax</b>                                | (15,585)        |
| Income tax expense                                    | <u>–</u>        |
| <b>Loss for the year from discontinued operations</b> | <u>(15,585)</u> |
| <b>Cash flows from discontinued operation:</b>        |                 |
| Net cash inflow from operating activities             | 701             |
| Net cash inflow from investing activities             | <u>46</u>       |
| <b>Net cash inflow</b>                                | <u>747</u>      |

## 10. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB27,126,000 (2011: RMB45,612,000) and the weighted average of 1,020,400,000 (2011: 1,020,400,000) ordinary shares of the Company in issue during the year.

No diluted earnings per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2012 and 2011.

### From continuing operations

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the year from continuing operations attributable to owners of the Company of approximately RMB27,126,000 (2011: RMB52,678,000) and the weighted average of 1,020,400,000 (2011: 1,020,400,000) ordinary shares of the Company in issue during the year.

No diluted earnings per share has been presented as there was no dilutive potential ordinary share for the years ended 31 December 2012 and 2011.

### From discontinued operation

For the year ended 31 December 2011, the calculation of the basic loss per share RMB0.69 cents attributable to owners of the Company is based on the loss for the year from discontinued operations attributable to owners of the Company of approximately RMB7,066,000 and the weighted average of 1,020,400,000 ordinary shares of the Company in issue during the year ended 31 December 2011.

No diluted earnings per share has been presented as there was no dilutive potential ordinary share for the year ended 31 December 2011.

## 11. TRADE RECEIVABLES

|                                    | 2012<br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Trade receivables                  | —                      | 225                    |
| Less: Allowance for doubtful debts | —                      | —                      |
|                                    | <u>—</u>               | <u>225</u>             |

The Group allows an average credit period of 30 days (2011: 30 days) to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

|             | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|-------------|-------------------------------|------------------------|
| 0 - 30 days | <u>–</u>                      | <u>225</u>             |

Included in the Group's trade receivables balance, none of the trade receivables which are past due but not impaired as at the end of the reporting period (2011: Nil). The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

|                                            | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|--------------------------------------------|-------------------------------|------------------------|
| At 1 January                               | –                             | 638                    |
| Impairment loss recognised during the year | –                             | 180                    |
| Disposal of subsidiaries                   | –                             | (200)                  |
| Reclassified as held for sales             | <u>–</u>                      | <u>(618)</u>           |
| At 31 December                             | <u>–</u>                      | <u>–</u>               |

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                                                | <b>2012</b><br><b>RMB'000</b> | 2011<br><i>RMB'000</i> |
|------------------------------------------------|-------------------------------|------------------------|
| Prepayments                                    | <b>3,676</b>                  | –                      |
| Deposits                                       | <b>69</b>                     | –                      |
| Other receivables ( <i>Note (i) and (ii)</i> ) | <u><b>60,995</b></u>          | <u>233,685</u>         |
|                                                | <u><b>64,740</b></u>          | <u>233,685</u>         |

*Note:*

- (i) At 31 December 2012, included in other receivables, are the consideration receivables from Xinjiang Dingxin Huayu Equity Investment Company Limited and Xingjiang Shengshi Xintian Equity Investment Company Limited in respect of the disposal of 100% equity interests of its subsidiary, Beijing ShenFa Property Management Company Limited (“Beijing ShenFa”) amounting to approximately RMB60,686,000.

- (ii) At 31 December 2011, included in other receivables, are the consideration receivables from a) Shanghai Buotou Zongrenzong Environmental Science and Technology Company Limited in respect of the disposal of 70% equity interests of its subsidiary, Zhuhai Beida Education Science Park Company Limited amounting to approximately RMB201,084,000; and b) Beijing Teli Investment Management Company Limited in respect of the disposal of 99.86% equity interests of its subsidiary, Shenyang Development Real Estate Company Limited amounting to approximately RMB100,000.

### 13. TRADE PAYABLES

Trade payables represented accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group.

The following is an aged analysis of trade payables at the end of the reporting period:

|                | <b>2012</b><br><i>RMB'000</i> | 2011<br><i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Within 90 days | <b>117,683</b>                | –                      |
| Over 90 days   | <b>260,997</b>                | –                      |
|                | <hr/> <b>378,680</b> <hr/>    | <hr/> – <hr/>          |

### EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the independent auditor's report, but wishes to draw attention to the readers of the consolidated financial statements by adding an other matter paragraph as follows:

#### “OTHER MATTER

Without qualifying our opinion, we draw attention to Note 40(b) to the consolidated financial statements which mentioned that the Company has entered an agreement with Tianjin Zhongfang Yongyang Property Company Limited and Shenzhen Zhongfang Chuangzhan Investment Group Company Limited (collectively referred to as the “Vendors”) dated 8 June 2012 to waive certain conditions precedent as mentioned in the Company's circular dated 23 September 2011. Hence, the board of directors of the Company determined that the acquisition of Zhongfang Chaozhou Investment Development Company Limited (“Zhongfang Chaozhou”) was completed on 8 June 2012, which was the date of obtaining control of the board of directors of Zhongfang Chaozhou.”

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The PRC government's austerity policies over the property market continued to influence the real estate industry in 2012. Despite the various uncertainties in the external environment, the Company seeks to explore business models that are in line with the principal operating direction and less affected by the austerity measures, so as to enhance the shareholders' value.

During the financial year ended 31 December 2012 (the "Year"), the Company has disposed the entire equity interest of Beijing Shenfa Property Management Company Limited ("Beijing Shenfa") and acquired Guangzhou Zhongzhan Investment Holdings Company Limited\* (廣州市中展投資控股有限公司) ("Guangzhou Zhongzhan"). The acquisition of Zhongfang Chaozhou Investment Development Company Limited\* (中房潮州投資開發有限公司) ("Zhongfang Chaozhou") and the disposal of Shenzhen Jade Bird Shenfa Optoelectronic Company (深圳青鳥藩發光電有限公司) performed by the Company in the prior period has been completed in the Year.

During the Year, the business performances for both Zhongfang Chaozhou and Guangzhou Zhongzhan have been improved.

#### **1. Analysis of Real Estate Development Business**

##### **1) Acquisition of Zhongfang Chaozhou Investment Development Company Limited\* (中房潮州投資開發有限公司)**

On 11 May 2011, the Company entered into the Acquisition Agreement (the "Acquisition Agreement") with Tianjin Zhongfang Yongyang Property Company Limited\* (天津中房雍陽置業有限公司) ("Tianjin Yongyang") and Shenzhen Zhongfang Chuangzhan Investment Group Company Limited\* (深圳市中房創展投資集團有限公司) ("Shenzhen Chuangzhan") (the "Vendors"), pursuant to which, the Company agreed to acquire the entire equity interest in Zhongfang Chaozhou from Tianjin Yongyang and Shenzhen Chuangzhan (the "Acquisition") (please refer to the Company's circular published on 25 September 2011 (the "Circular") for further details).

Due to the delay in obtaining the registration of the change of business of Zhongfang Chaozhou from the PRC government, the Acquisition could not be completed before the financial year ended 31 December 2011 as originally expected by the Company and the Vendors. On 8 June 2012, the Company has obtained the registration procedures in connection with the change of the Shareholder of Zhongfang Chaozhou and on the same day, the Company has entered into an agreement with the Vendors to waive item (i) and (ii) of the vendor's guarantees as mentioned in the Acquisition Agreement. Therefore, the completion of the Acquisition had been delayed until 8 June 2012. Upon completion, Zhongfang Chaozhou has become a wholly-owned subsidiary of the Company.

As mentioned in the Circular, Zhongfang Chaozhou is working on a land development project in Chaozhou (the “Project”). Phase one of the Project was originally targeted to be finished by November 2011. However, the progress of the Project has been delayed for about five months due to the various reasons, including the adjustments on the construction design, the delay in the transfer of land and bad weather condition.

Zhongfang Chaozhou has obtained all necessary licenses for the Project as mentioned under the Acquisition Agreement. The Project owner, Chaozhou Jinshan Investment and Development Company Limited (“Chaozhou Jinshan”) has transferred a total of 3500 mu to Zhongfang Chaozhou for further construction and develop.

The construction of the first phase and the second phase of the Project has been preliminarily completed. Since there are still details to be finalized with respect to the total of 3,000 mu of constructed land of the first phase and second phase in order to reach the acceptance standard as agreed under the build transfer cooperation agreement, the transfer of such constructed land is yet to be completed. Chaozhou Jinshan only agreed to prepay RMB420 million (the “Prepayment”) to settle part of the payment to Zhongfang Chaozhou. Zhongfang Chaozhou is required to complete the remaining construction in first phase and second phase so as to fully comply with the acceptance standard. Chaozhou Jinshan will fully settle the outstanding payment to Zhongfang Chaozhou together with a project premium of 18% upon the acceptance standard was fully met. As at 28 March 2013, Zhongfang Chaozhou has received a Prepayment amounted to approximately RMB260 million from Chaozhou Jinshan.

According to the Acquisition Agreement, the Vendors agreed to make the compensation on the profit guarantee if Zhongfang Chaozhou achieves a net profit of less than RMB30 million for the year ended 31 December 2011. However, the profit guarantee has not been exercised given the facts that the Acquisition has not been completed before the financial year ended 31 December 2011 and the delay in completion of Acquisition is mainly due to the unforeseen external factors which were out of the expectation of both parties, the Vendors and the Company acknowledged that the profit guarantee as stated in the Acquisition Agreement shall be postponed to the financial year ending 31 December 2012. In accordance to the audited financial statements of Zhongfang Chaozhou for the year ended 31 December 2012 issued by the PRC auditor, Zhongfang Chaozhou has failed to meet the Profit Guarantee. Therefore, the Vendors was obliged to compensate approximately RMB30,500,000 to the Company. The compensation amount of approximately RMB30,500,000 has been received by the Company.

According to the management of Zhongfang Chaozhou, Zhongfang Chaozhou is currently working on the third phase of the Project where approximately 1500 mu land will be constructed. Due to the reasons for the delay of the Project as mentioned above, the whole Project is targeted to be completed by the end of 2013.

2) *Acquisition of Guangzhou Zhongzhan Investment Holdings Company Limited\** (廣州市中展投資控股有限公司) (“Guangzhou Zhongzhan”)

On 17 May 2012, the Company entered into an acquisition agreement with Zhongtou Chuangye (Beijing) Investment Holdings Company Limited\* (中投創業(北京)投資控股有限公司) (“Zhongtou Chuangye”) and Shenzhen Zhongzhan Chuangzhan Investment Development Company Limited\* (深圳市中展創展投資發展有限公司) (“Shenzhen Zhongzhan”), pursuant to which, the Company acquired the 90% equity interests in Guangzhou Zhongzhan from Zhongtou Chuangye and Shenzhen Zhongzhan (please refer to the Company’s announcement published on 17 May 2012 (the “Announcement”) for further details).

The conditions precedent to the acquisition agreement in relation to the acquisition of Guangzhou Zhongzhan had been completely fulfilled and the acquisition has been completed on 13 June 2012. Therefore, Guangzhou Zhongzhan has become a wholly-owned subsidiary of the Company. The integrated housing project engaged by Guangzhou Zhongzhan (the “Xiangsongju Project”) (香頌居項目) has been operated smoothly. As mentioned in the Announcement, the Xiangsongju Project will include the government indemnificatory houses, residential apartments and commercial properties. The construction of the government indemnificatory houses is expected to be completed by the end of 2013 while the other parts of the project are expected to be completed by the end of 2014.

During the Year, the Xiangsongju Project has finished the construction of major structures of approximately 25,000 sq. meter. The actual completed investment amounted to over RMB0.2 billion, which accounted for about 30% of the total investment. During the Year, the Guangzhou Zhongzhan has already obtained the State-owned Land Use Rights Certificates (國有土地使用證), the planning permit for construction use land (建設用地規劃許可證) and Construction Works Planning Permit (建設工程規劃許可證) for the Xiangsongju Project.

As of March 2013, the Construction Works Commencement Permit (建築工程施工許可證) for the Xiangsongju Project has been obtained.

## 2. Analysis of Property Leasing and Management Business

### 1) *Disposal of Beijing Shenfa Property Management Company Limited (“Beijing Shenfa”)* (北京瀋發物業管理有限公司)

On 13 June 2012, the Company entered into a share transfer agreement with Xinjiang Dingxin Huayu Equity Investment Company Limited\* (新疆鼎新華域股權投資有限公司) (“Dingxin Huayu”) and Xinjiang Shengshi Xintian Equity Investment Company Limited\* (新疆盛世新天股權投資有限公司) (“Shengshi Xintian”), pursuant to which, the Company agreed to sell the 100% equity interests in Beijing Shenfa to Dingxin Huayu and Shengshi Xintian (please refer to the Company’s announcement published on 13 June 2012 for further details).

The disposal of Beijing Shenfa helped the Company realize its gains in property appreciation. The proceeds from the disposal will enhance the financial position of the Group and will provide additional capital resources to promote the projects of Zhongfang Chaozhou and Guangzhou Zhongzhan, which will facilitate the creation of value for shareholders.

On 23 August 2012, the second extraordinary general meeting for 2012 of the Company approved the resolution proposing the disposal of 100% equity interests in Beijing Shenfa. Changes in equity interests of Beijing Shenfa have been completed during the Year.

From 1 January 2012 to 23 August 2012, the property held by Beijing Shenfa had received rental income of RMB7,303,000 with an occupancy rate of 100%.

### 2) *Disposal of Shenzhen Jade Bird Optoelectronic Company Limited\*(深圳青鳥光電有限公司)* (“Shenzhen Optoelectronic”)

On 23 May 2011, the Company entered into a share transfer agreement with Beijing Sihai Huao Trading Company Limited\* (北京四海華澳貿易有限公司) (“Beijing Sihai”), pursuant to which, the Company agreed to sell the 100% equity interests in Shenzhen Jade Bird Shenfa Guangdian Company Limited\* (深圳青鳥瀋發光電有限公司) (“Shenzhen Shenfa”), which in turn holds 100% equity interests in Shenzhen Optoelectronic, to Beijing Sihai. The procedures of the registration of the change of business of Shenzhen Shenfa has been completed and the Company has fully received the consideration during the Year. The transaction has been completed and Shenzhen Shenfa and Shenzhen Optoelectronic ceased to be the subsidiaries of the Company.

## ***Business Prospects***

Looking forward, the Company will accelerate the construction progress of the third phase of Zhongfang Chaozhou's Project. We will speed up the completion and inspection of the first and second-phase construction work, and shall endeavor to receive the remaining repurchase payment and profit at the soonest possible time. The construction progress of the Xiangsongju Project of Guangzhou Zhongzhan will also be accelerated, while we will strive to gain collections from sales proceeds.

The Company will enhance the corporate management, exercise a stringent control over costs and increase the operating benefits to improve our profitability as well as maximizing the returns for shareholders.

## **FINANCIAL REVIEW**

### **Operating Revenue of the Group**

Turnover for the Year was approximately RMB10,160,000. (2011: RMB22,879,000), a decrease of 55.59% over last year. The decrease is primarily attributable to the fall in rental income from properties as a result of the disposal of properties and the fact that our real estate development business is still in the input stage and therefore no income could be recognised.

### **Profit of the Group**

Profit attributable to owners of the Company amounted to approximately RMB27,126,000 (2011: RMB45,612,000).

### **Total assets of the Group**

As at 31 December 2012, there was an increase the total assets of the Group over the previous year. The total assets of the Group increased to approximately RMB1,209,647,000 from approximately RMB568,969,000, an increase of approximately RMB640,678,000 or 112.60%.

### **Current assets of the Group**

As at 31 December 2012, the current assets of the Group increased by approximately RMB786,499,000 to approximately RMB1,133,161,000 from approximately RMB346,662,000 in the previous year, an increase of approximately 226.88%.

## **Bank borrowings of the Group**

As at 31 December 2012, the Group did not have any bank borrowings (2011: Nil).

## **EMPLOYEES AND EMPLOYEES' SALARIES AND ALLOWANCE**

As at 31 December 2012, the Group had 56 (2011: 18) employees. During the Year, the aggregate salaries and allowances paid to the employees from continuing operations amounted to approximately RMB1,540,000 (2011: RMB1,259,000). The Group has not established any share option scheme for any of its senior management or employees.

## **FINAL DIVIDEND**

The board of directors of the Company does not recommend the payment of a final dividend for 2012 (2011: nil).

## **SCOPE OF WORK OF ZHONGLEI (HK) CPA COMPANY LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, ZHONGLEI (HK) CPA Company Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by ZHONGLEI (HK) CPA Company Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGLEI (HK) CPA Company Limited on the preliminary announcement.

## **SIGNIFICANT EVENTS**

### *(1) Acquisition of 100% equity interests in Guangzhou Zhongzhan*

On 17 May 2012, the Company entered into an acquisition agreement with Zhongtou Chuangye and Shenzhen Zhongzhan, pursuant to which, the Company acquired the 90% equity interests in Guangzhou Zhongzhan from Zhongtou Chuangye and Shenzhen Zhongzhan (please refer to the Company's announcement published on 17 May 2012 for further details).

The conditions precedent to the acquisition agreement in relation to the acquisition of Guangzhou Zhongzhan had been completely fulfilled and the acquisition has been completed on 13 June 2012.

(2) *Establishment of Beijing Shen Shang Investment & Consulting Company Limited\** (北京沈商投資諮詢有限公司)

On 12 October 2012, Beijing Shen Shang Investment & Consulting Company Limited\* (北京沈商投資諮詢有限公司) was established by the Company with the registered capital of RMB1,000,000. Its registered address is 14 Fuqian Street, Beixiaoying Town, Shunyi District, Beijing, The PRC. The Company held its entire equity interest. The scope of business includes investment consultation, investment management, corporate image planning, hotel management, undertaking display demonstration, parliamentary services and trading consultancy. In the Year, this company is not engaged in any actual businesses.

(3) *Establishment of Shenzhen Shen Wu Investment & Development Company Limited\** (深圳市沈物投資發展有限公司)

On 24 September 2012, Shenzhen Shen Wu Investment & Development Company Limited\* (深圳市沈物投資發展有限公司) was established by the Company with the registered capital of RMB1,000,000. Its registered address is Room 208, 2/F, Block A and B, An Ye Xin Yuan, Yanfang Road, Luohu, Shenzhen, The PRC (中國深圳市羅湖區延芳路安業馨園A、B棟2樓208號). The Company held its entire equity interest. The scope of business includes investment holding, domestic trading and economic intelligence consultancy. In the Year, this company is not engaged in any actual businesses.

(4) *Changes in controlling shareholders and General Offer*

On 21 September 2012, the Board was informed by Beijing Mingde Guangye Investment Consultant Company Limited\* (北京明德廣業投資諮詢有限公司) (“Beijing Mingde”), the then controlling shareholder of the Company, that it had entered into the conditional sale and purchase agreement (the “Sale and Purchase Agreement”) with Shenzhen Jinma Asset Management Company Limited\* (深圳市金馬資產管理有限公司) (the “Controlling Shareholder”), pursuant to which Beijing Mingde agreed to sell, and the Controlling Shareholder agreed to purchase, the sale shares (i.e. 600,000,000 Domestic Shares) at a consideration of RMB105 million (or approximately HKD128.39 million), which was equivalent to RMB0.175 (or approximately HKD0.214) per sale shares.

Pursuant to the Sale and Purchase Agreement, completion of the Sale and Purchase Agreement was subject to the satisfaction of the conditions precedent therein, including, among other things, completion of amendments to the articles of association of the company and the registration procedures with Shenyang Administration for Industry and Commerce (瀋陽市工商行政管理局) in connection with the change in the shareholder of the Domestic Shares. The change in the Shareholder of the Domestic Shares was registered with Shenyang Administration of Industry and Commerce (瀋陽市工商行政管理局) on 10 December 2012. Completion took place on 14 December 2012 upon satisfaction of all the conditions of the Sale and Purchase Agreement.

In accordance with Rule 26.1 of the Takeovers Code, the Controlling Shareholder and parties acting in concert with it, as a result of the Acquisition, are required to make a mandatory unconditional general offer for all the outstanding H Shares other than those already owned or agreed to be acquired by the Controlling Shareholder and parties acting in concert with it (the “Offer”). Since the Controlling Shareholder, a company established in the PRC, has not carried out the necessary application procedures nor has it obtained the approvals from the relevant authorities in relation to overseas investments under the relevant rules and regulations in the PRC, the Controlling Shareholder and Sky Earth Limited (the “Offeror”) formed a consortium for the purpose of the Offer. The Offeror became a party acting in concert with the Controlling Shareholder and will make the Offer, whereby the H Shares acquired pursuant to the Offer will be owned by the Offeror.

On 20 December 2012, the Company and the Offeror jointly issued the composite offer and response document in relation to the Offer. The Offer was closed on 11 January 2013.

## **ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS**

### *(1) First Extraordinary General Meeting for 2012*

On 9 February 2012, the first extraordinary general meeting for 2012 of the Company was held, during which the resolutions in respect of the appointment of ZHONGLEI (HK) CPA Company Limited as the auditor of the Company and the resolution of re-election of the Board of Directors and Board of Supervisors, were considered and passed (please refer to the Company’s announcement dated 9 February 2012 for further details).

*(2) 2011 Annual General Meeting*

On 27 June 2012, the 2011 annual general meeting of the Company was held, during which the report of the directors, consolidated financial statements, independent auditor's report, and the resolutions in respect of profit allocation and dividend distribution for the financial year ended 31 December 2011 were considered and passed (please refer to the Company's announcement dated 27 June 2012 for further details).

*(3) Second Extraordinary General Meeting for 2012*

On 23 August 2012, the second extraordinary general meeting for 2012 of the Company was held, during which the resolution of the disposal of 100% equity interests in Beijing Shenfa to Dingxin Huayu and Shengshi Xintian, was considered and passed (please refer to the Company's announcement dated 23 August 2012 for further details).

*(4) Third Extraordinary General Meeting for 2012*

On 20 November 2012, the third extraordinary general meeting for 2012 of the Company was held, during which the resolution in respect of the amendment on the Articles of Association of the Company, was considered and passed (please refer to the Company's announcement dated 20 November 2012 for further details).

## **MATERIAL LITIGATION**

During the Year, the Group was not involved in any new litigation.

## **WORK OF THE AUDIT COMMITTEE**

The Audit Committee comprised three independent non-executive directors, namely, Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan and Mr. Cai Lian Jun, of which Mr. Wong Kai Tat is the chairman. Mr. Wong Kai Tat has competent professional accounting qualifications and expertise in financial management. The duties of the Audit Committee include the review of the accounting policies and practices adopted by the Company, review of internal control and financial reporting matters, provide recommendations to the board on the appointments and removals of external auditors and consider their remunerations and terms of appointment.

During the Year, two meetings of the Audit Committee were held. The audited consolidated financial statements and results of the Group for the year ended 31 December 2012 were reviewed, and the accounting policies and practices adopted by the Group and financial reporting matters were discussed with the Group's auditor.

## **COMPETING BUSINESS AND CONFLICTS OF INTERESTS**

During the Year or as at the end of the Year, none of the Directors and substantial shareholders of the Group had any competing business or conflicts of interests 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 during the Year or as at the end of the Year.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Year, neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

During the Year, the Company has committed to comply with the relevant provisions of the "Code on Corporate Governance Practice" (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other relevant laws and regulations and strive to achieve a higher standard of corporate governance.

The Board shall be responsible for leading the Company and provided effective control over the Company to safeguard the interests of shareholders. The Board will formulate policies and strategies for every business segment of the Group while implementing internal control and monitoring their effectiveness. The execution of the Board's policies and strategies and the day to day management are delegated to the executive directors and the management.

On 31 December 2012, the Board of the Company comprised ten directors, of which four were executive directors, two were non-executive directors and four were independent non-executive directors. The Company disclosed the composition of the Board in all the communications according to the category of directors (including the chairman, executive director, non-executive director and independent non-executive director).

All directors (including non-executive directors and independent non-executive directors) have devoted reasonable time and effort in dealing with the affairs of the Company. Every non-executive director and independent non-executive director has appropriate academic and professional qualifications and relevant management experience and will provide recommendations to the Board. The Board considers that non-executive directors and independent non-executive directors are capable of providing valuable and independent opinions on the aspects of the Company's strategy, performance, conflict of interests and management procedures, and hence the interests of shareholders are fully considered and safeguarded.

Pursuant to the requirements of Rule 13.3 of the Listing Rules (the "Listing Rules"), during the year, the Company has appointed four independent non-executive directors and two of whom has appropriate qualifications on accounting. All independent non-executive directors have confirmed their independence to the Company and the Company considers that each independent non- executive director is independent.

The Board is responsible for maintaining the effectiveness of the internal control system to safeguard the assets of the Group and the interests of shareholders. The Board has also closely monitored the implementation of the internal control mechanism and evaluated its implementation in accordance with the discussion with the Company's management, auditor and members of the Audit Committee.

## SECURITIES TRANSACTIONS OF DIRECTORS

During the Year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules to govern the trading in the Company’s securities by 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 Model Code. Each of the directors and supervisors has replied the Company in writing confirming that each of them has fully observed the Model Code and no violation of the Model Code has occurred.

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

Shenyang, PRC, 28 March 2013

*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,  
Mr. Chow Ka Wo Alex and Mr. Wang Hui*

*Non-executive directors:* *Mr. Bao Yi Qiang and Ms. Zhang Lei Lei*

*Independent non-executive directors:* *Mr. Cai Lian Jun, Mr. Wong Kai Tat,  
Mr. Chan Ming Sun Jonathan and Mr. Wei Jie Sheng*

\* *For identification purpose only*