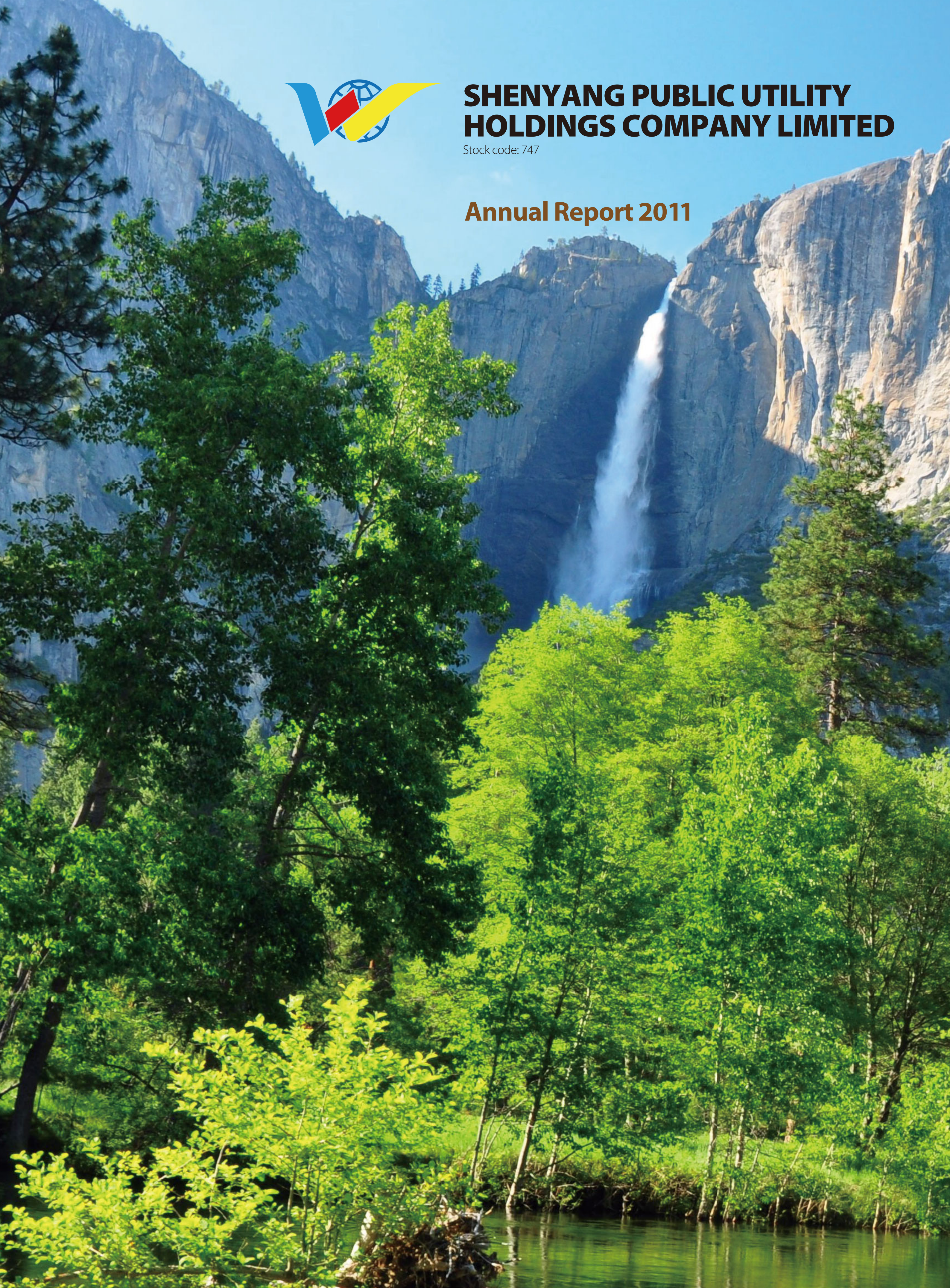
SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

Stock code: 747

Annual Report 2011



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Company Profile

1. THE FORMATION AND PRINCIPAL BUSINESSES OF THE COMPANY

Shenyang Public Utility Holdings Company Limited ("Shenyang Public Utility" or the "Company") was established in Shenyang, the People's Republic of China (the "PRC") on 2 July 1999 as a joint stock limited company by way of promotion, with Shenyang Public Utility Group Company Limited ("SPUG") acting as the sole promoter.

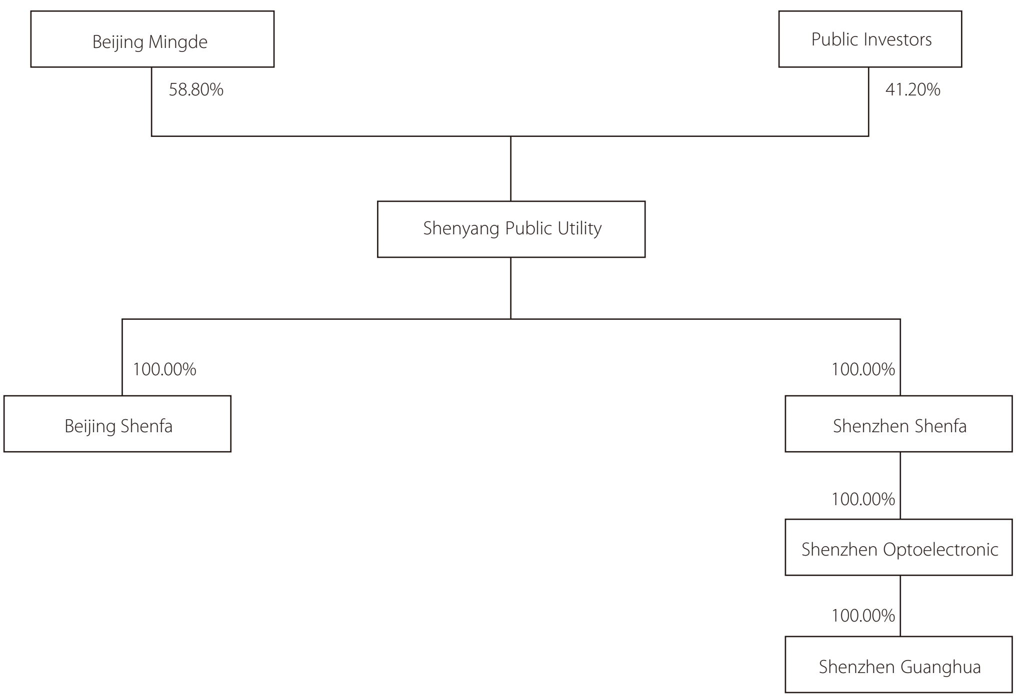
In December 1999, the Company issued 420,400,000 H shares of par value of RMB1.00 each at an issue price of HK$1.70 per share to international investors by way of placing and public offer. On 16 December 1999, the Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At present, the registered capital of the Company is RMB1,020,400,000.

In March 2009, 600,000,000 domestic shares of the Company held by SPUG were transferred to Beijing Mingde Guangye Investment Consultant Company Limited ("Beijing Mingde").

The Company and its subsidiaries (collectively known as the "Group") is a real estate developer. The Group is principally engaged in the development, sale and leasing of real estate.

2. CORPORATE STRUCTURE

As at 31 December 2011, the corporate structure of the Group is shown below:



Beijing Mingde: Beijing Mingde Guangye Investment Consultant Company Limited, a controlling shareholder holding 58.80% equity interests of the Company;

Company Profile

Beijing Shenfa: Beijing Shenfa Property Management Company Limited, in which the Company directly holds 100.00% equity interests;

Shenzhen Shenfa: Shenzhen Jade Bird Shenfa Optoelectronic Company Limited, in which the Company directly holds its 100.00% equity interests;

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

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

Note: During the year, the Group has certain subsidiaries in which equity interests have been disposed or which have been deregistered:

Shenyang Real Estate: Shenyang Development Real Estate Company Limited, in which the Company directly held 99.86% equity interests, is a real estate developer in Shenyang. During the year, the Company disposed of its entire equity interests in Shenyang Real Estate and Shenyang Real Estate ceased to be a subsidiary of the Company;

Zhuhai Education: Zhuhai Beida Education Science Park Company Limited, in which the Company directly held 70.00% equity interests, is an education investor in Zhuhai. During the year, the Company disposed of its entire equity interests in Zhuhai Education and Zhuhai Education ceased to be a subsidiary of the Company;

Shanghai Education: Shanghai Beida Jade Bird Education Investment Company Limited, in which the Company directly held 80.00% equity interests and Shenyang Real Estate directly held 20.00% equity interests while the Company held 99.97% equity interests in total, is an education investor in Shanghai. Shanghai Education has been deregistered during the year;

Unisplendour Venture Capital: Unisplendour Venture Capital, Inc. is an investee company in which the Company directly held 8.00% equity interests. During the year, the Company disposed of its entire equity interests in Unisplendour Venture Capital.

Financial Highlights

1. FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2011 was approximately RMB22,879,000 (2010: RMB17,682,000), an increase of 29.4% over last year. The increase was primarily attributable to increase in rental income generated from our properties during the Year.

- For the year ended 31 December 2011, the Company recorded profit of approximately RMB45,612,000 (2010: RMB25,833,000), representing an earnings per share of RMB4.47 cents (2010: RMB2.53 cents).

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

2. SUMMARY OF CONSOLIDATED INCOME STATEMENT

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

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**22,879**	17,682	3,651	39,617	7,116
Sales taxes on turnover	**(1,199)**	(872)	(198)	(2,179)	(436)
Cost of sales	**(1,901)**	(1,626)	(149)	(40,237)	(3,889)
Other income	**178**	151	805	16,329	576
Waived of debt of other payables	**25,065**	–	–	–	–
Gain on disposal of subsidiaries	**8,225**	1,510	–	204,123	–
Gain on deregistration of a subsidiary	**162**	–	–	–	–
Loss on disposal of available-for-sale investment	**(12,900)**	–	–	–	–
Net change in fair value of investment properties	**38,300**	32,406	(2,000)	(483)	(6,496)
Impairment loss recognised in respect of available-for-sales investment	**–**	(3,200)	(3,000)	–	–
Impairment loss recognised in respect of properties held for sale	**–**	–	–	(216,438)	–
Prepayments of land purchased transferred and profit on sales of other current assets	**–**	–	–	–	–
Administrative and other operating expenses	**(14,209)**	(14,243)	(14,039)	(32,191)	(24,184)
Finance costs	**–**	–	(798)	(17,876)	(23,577)
Profit (loss) before taxation	**64,600**	31,808	(15,728)	(49,335)	(50,890)
Income tax credit (expenses)	**(11,950)**	(7,979)	300	(73)	492
Profit (loss) for the year from continuing operations	**52,650**	23,829	(15,428)	(49,408)	64,020
(Loss) profit for the year on discontinued operations	**(11,740)**	2,848	–	–	114,418
Profit (loss) for the year	**40,910**	26,677	(15,428)	(49,408)	64,020
Non-controlling interests	**(4,702)**	844	(454)	(855)	(2,199)
Profit (loss) attributable to owners of the Company	**45,612**	25,833	(14,974)	(48,553)	66,219
(Loss) earnings per share (cents)	**4.47**	2.53	(1.47)	(4.76)	6.49

Financial Highlights

3. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000	At 31 December 2007 RMB'000
Property, plant and equipment, investment properties and prepaid lease payments on land use rights	**148,307**	521,874	313,194	305,256	516,979
Goodwill	**–**	–	–	–	–
Available-for-sale financial assets	**–**	13,800	17,000	20,000	20,000
Other long-term receivables	**–**	–	–	32,745	–
Deposit paid for acquisition of a subsidiary	**74,000**	–	–	–	–
Total non-current assets	**222,307**	535,674	330,194	358,001	536,979
Current assets	**346,662**	59,353	256,208	294,802	581,591
Current liabilities	**(49,745)**	(58,631)	(99,333)	(67,008)	(564,201)
Net current assets	**296,917**	722	156,875	227,794	17,390
	519,224	536,396	487,069	585,795	554,369
Capital resources:					
Share capital	**1,020,400**	1,020,400	1,020,400	1,020,400	1,020,400
Reserves	**(515,157)**	(560,769)	(590,297)	(575,323)	(526,419)
Non-controlling interests	**–**	40,429	39,574	40,028	42,769
	505,243	500,060	469,677	485,105	536,750
Non-current liabilities	**13,981**	33,105	17,392	100,690	17,619
	519,224	536,396	487,069	585,795	554,369

Chairman's Statement

Dear Shareholders:

As the Chairman of Shenyang Public Utility Holdings Company Limited, I am pleased to present to you the 2011 chairman statement.

Further to the introduction of action plans to cool down property market growth in 2010, the central government geared up its efforts in 2011 through administrative and fiscal measures such as tighter limits for home purchases, property prices and mortgage loans, expedited construction of social security houses, and a further tightened monetary policy. The effect of such regulating measures was felt in cities where purchase restrictions applied, as the authorities sought to ensure implementation in detail. During the year, the Company divested property assets with low investment returns while diversifying to the businesses of industrial real estate and primary land development and formation, following careful consideration of the business risks, it would be subject to strengthened government measures to regulate the property market.

In order to increase the return on equity and enhance the value for the Company as well as the shareholders, we disposed of our 70% equity interests in Zhuhai Education and 100% equity interests in Shenzhen Shenfa while acquiring 100% equity interests in Zhongfang Chaozhou Investment Development Company Limited (中房潮州投資開發有限公司) ("Zhongfang Chaozhou") during the year. Zhongfang Chaozhou is principally engaged in a project in progress, namely the development of the Jingnan Branch of Shenzhen (Chaozhou) Industrial Park for Business Migration (深圳(潮州)產業轉移工業園徑南分園). The land development project was approved by the Guangdong Provincial Government with a site area of approximately 4,500 mu, the land is designed to be a new industrial zone with complete ancillary facilities that will attract tenancies with industrial operations. Characterized by low risks and stable earnings in general, the project should contribute to the improvement of the Company's overall value. Moreover, The Company was in negotiation with a related party for an acquisition of 10% equity interests in Guangzhou Zhongzhan Investment Holdings Company Limited (廣州市中展投資控股有限公司) ("Guangzhou Zhongzhan"). Currently, the transactions concerned are in progress towards advanced stages.

Meanwhile, the Company disposed of its 8% equity interests in Unisplendour Venture and its 99.86% equity interests in Shenyang Development, with negative net asset value. In addition, a dormant Company, Shanghai Education, was deregistered in order to optimize our asset structure and the deployment of our management resources.

In view of the prospect of ongoing government measures to regulate the property market in 2012, the Company will speed up the conclusion of transactions underway while actively seeking further premium projects via Zhongfang Chaozhou, with a view to maximizing shareholders' value through diversification to different business formats in the real estate sector.

For and on behalf of the Board
Shenyang Public Utility Holdings Company Limited
An Mu Zong
Chairman

Shenyang, PRC, 30 March 2012

Profiles of the Management Team

EXECUTIVE DIRECTORS:

Mr. An Mu Zong, born in April 1964, graduated from Beihang University (北京航空學院) in June 1987. He was a vice-president of the Company. Mr. An has extensive experience in the development of real estate projects and corporate management. Mr. An has been an executive director of the Company since 28 November 2005. On 12 February 2009, Mr. An was elected chairman of the Company at the first meeting of the fourth session of the board of directors of the Company with effect from 12 February 2009 and up to 11 February 2012.

Mr. Wang Hui, born in May 1975, graduated from Peking University (北京大學) in June 2001, majoring in economics and obtained a master's degree in economics. Mr. Wang has worked in the Company since March 2002. Mr. Wang has profound experience in corporate operation, reorganization and mergers and acquisitions. Mr. Wang has been a non-executive director of the Company since 28 November 2005. On 12 February 2009, Mr. Wang was appointed as a non-executive director and chief executive officer of the Company at the first meeting of the fourth session of the board of directors of the Company, and was re-designated from a non-executive director to an executive director on 23 June 2009. The term was effected from 12 February 2009 and expiring on 11 February 2012.

Mr. Wang Zai Xing, born in November 1970, graduated from Beijing Forestry University (北京林業大學) in June 1993, majoring in statistics and obtained a bachelor's degree in statistics. Since March 1999, he has been a financial director and financial manager of Beijing Beida Jade Bird Company Limited. Mr. Wang has extensive experience in corporate reorganisation, asset appraisal and auditing. Mr. Wang has been an executive director of the Company since 28 November 2005. Mr. Wang Zai Xing was appointed as financial controller of the Company at the first meeting of the fourth session of the board of directors of the Company on 12 February 2009 with effect from 12 February 2009 and expiring on 11 February 2012.

Mr. Chow Ka Wo Alex, born in 1967. Mr. Chow holds a Bachelor of Arts degree in Applied Mathematics and Economics from the University of California at Berkeley and a Master of Arts degree in Economics from the Cornell University in the United States. He is the director of Karl Thomson Financial Advisory Limited, a subsidiary of Karl Thomson Holdings Limited (stock code: 0007). He has been responsible for the operation of the investment banking business of the group since March 2002. Mr. Chow was an executive director of Sino Katalytics Investment Corporation (stock code: 2324). Mr. Chow has been an executive director of the Company since 12 February 2009 and expiring on 11 February 2012.

NON-EXECUTIVE DIRECTORS:

Mr. Lin Dong Hui, born in December 1967, is an economist. Mr. Lin graduated from the China Academy of Social Science (中國社會科學院) in September 1998 with a master's degree in investment management. He worked as the head of the office of the board of directors of the Company, the head of the office of the president of the Company and a supervisor since 1999. Mr. Lin has been a non-executive director of the Company since 28 November 2005 and resigned the position of non-executive director on 9 August 2011.

Mr. Bao Yi Qiang, born in May 1970. Mr. Bao graduated from Anhui Finance & Trade College (安徽財貿學院) in July 1992 majoring in auditing. Mr. Bao is a certified public accountant in the People's Republic of China. He was a project manager of auditing in Zhonglei Certified Public Accountants and currently serves as deputy general manager of Beijing Mingde. Mr. Bao has extensive experience in financial management and auditing. Mr. Bao has been a non-executive director and vice chairman of the Company since 25 June 2010 with a term expiring on 11 February 2012.

Profiles of the Management Team

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Cai Lian Jun, born in December 1950, is a senior accountant. Since 1992, Mr. Cai had worked in the Management Committee of Beijing DaXing Industrial Development Zone (北京市大興工業開發區管理委員會) and served as the party secretary, head of management committee and general manager in Beijing DaXing Industrial Development Zone Operation General Corporation (北京市大興工業開發區經營總公司). He was the secretary of Industry Committee of Beijing Daxing District Committee (北京市大興區委工業工委書記) during the period from November 2001 to July 2004, Mr. Cai is currently retired. Mr. Cai has been an independent non-executive director of the Company since 28 November 2005 with a term commencing on 12 February 2009 and expiring on 11 February 2012.

Mr. Wong Kai Tat, born in 1952. Mr. Wong holds an LLB (Honours) degree from the University of Hong Kong, a bachelor's degree of business administration from the University of Iowa, U.S.A., a master of business administration degree from the University of Strathclyde, Scotland, a master of applied finance degree from Macquarie University, Australia, a master of corporate finance degree from Hong Kong Polytechnic University and an honorary doctor of law degree from Armstrong University in the U.S.A. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong was an executive director of Great World Company Holdings Ltd. (stock code: 8003) Mr. Wong is an independent non-executive director and the chairman of the audit committee of the Company with a term commencing on 12 February 2009 and expiring on 11 February 2012.

Mr. Chan Ming Sun Jonathan, born in 1973. Mr. Chan graduated with a Bachelor of Commerce degree in Accounting and Computer Information System from the University of New South Wales, Australia. He is a member of both the Hong Kong Institute of Certified Public Accountants and Certified Public Accountants, Australia. Mr. Chan is currently an associate director of Go-To-Asia Investment Limited, an independent non-executive director of capital VC limited (stock code: 2324) and an independent non-executive director of China Data Broadcasting Holdings Limited (stock code: 8016). Mr. Chan has been an independent non-executive director of the Company since 12 February 2009 and expiring on 11 February 2012.

SUPERVISORS:

Mr. Wang Xing Ye, born in June 1977, graduated from the Xian University of Technology with a bachelor's degree in economics in 1999 and graduated from Peking University of School of Government with a profession of political science and public administration in 2009. Mr. Wang is currently the manager of the Division of Listing Rules Compliance in Beijing Beida Jade Bird Universal Sci-Tech Company Limited and the Chairman of the Board of Supervisors of the Company. He has profound experience in investment and financing, asset and business reorganization.

Mr. Lu Ming, born in April 1973, graduated from Shenyang University of Technology with a bachelor's degree in electronic measurement technology in September 1996. During the period from September 1996 to May 1997, Mr. Lu worked in Shenyang Construction Investment Company. Mr. Lu has been working under the President's Office of the Company since May 1997. He is currently the senior manager of the President's Office and also the employee supervisor.

Management Discussion and Analysis

1. SUMMARY OF THE RESULTS

(1) Summary of the income statement

Consolidated profits

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**22,879**	17,682	3,651	39,617	7,116
Profit (loss) for the year from continuing operations	**52,650**	23,829	(15,428)	(49,408)	(50,398)
(Loss) profit for the year from discontinued operations	**(11,740)**	2,848	–	–	114,418
Profit (loss) for the year	**40,910**	26,677	(15,428)	(49,408)	64,020
Non-controlling interests	**(4,702)**	844	(454)	(855)	(2,199)
Profit (loss) attributable to owners of the Company	**45,612**	25,833	(14,974)	(48,553)	66,219
Earning (loss) per share (cents)	**4.47**	2.53	(1.47)	(4.76)	6.49

(2) Analysis of segment results

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Profit (loss) before taxation	**52,860**	34,956	(15,728)	(49,335)	(50,890)
Of which:					
Property development	**9,950**	3,713	(921)	(11,544)	(5,113)
Education investment	**745**	1,573	968	2,552	(8,169)
Unallocated corporate income and expenses	**42,165**	29,670	(15,775)	(40,343)	(37,608)

(3) Analysis of segment turnover

	2011 RMB'000	**% of total turnover**	2010 RMB'000	% of total turnover	2009 RMB'000	% of total turnover	2008 RMB'000	% of total turnover	2007 RMB'000	% of total turnover
Total turnover	**24,879**	**100**	20,682	100	3,651	100	39,617	100	7,116	100
Of which:										
Continuing operations										
Property development	**22,879**	**92**	17,682	85.49	651	17.83	36,617	92.43	3,905	54.88
Education investment	**2,000**	**8**	3,000	14.51	3,000	82.17	3,000	7.57	3,211	45.12
Unallocated	**-**	**-**	–	–	–	–	–	–	–	–

Management Discussion and Analysis

Operating Revenue of the Group

Turnover of the Group for the year ended 31 December 2011 was approximately RMB22,879,000 (2010: RMB17,682,000), an increase of 29.4% over last year. The increase was primarily attributable to increase in rental income generated from our properties during the Year.

Turnover from property leasing business for the year ended 31 December 2011 was approximately RMB22,879,000 (2010: RMB17,682,000).

Profit of the Group

Profit attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately RMB45,612,000 (2010: RMB25,833,000).

2. ANALYSIS OF THE REAL ESTATE DEVELOPMENT BUSINESS

Summary of operating results

	2011 RMB'000	2010 RMB'000
Turnover	**22,879**	17,682
Loss before taxation	**9,950**	3,713

Uncertainties over the real estate industry continue to elevate in 2011 as a result of the austerity policies imposed by the PRC government to cool down the property market. In order to enhance shareholders' returns, the Company has been seeking and identifying potential projects to expand our business.

On 11 May 2011, the Company entered into the share transfer 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"), pursuant to which, the Company agreed to acquire the 100% equity interests in Zhongfang Chaozhou from Tianjin Yongyang and Shenzhen Chuangzhan (please refer to the Company's announcement dated 11 May 2011 for further details).

Zhongfang Chaozhou, a company incorporated in Chaozhou, Guangdong, the PRC with limited liability on 29 October 2009, is primarily engaged in the business of real estate development and construction. At present, Shenzhen (Chaozhou) Industry Park for Industrial Transfer, Jingnan Branch* (深圳(潮州)產業轉移工業園徑南分園) Project is the principal construction-in-progress project of Zhongfang Chaozhou. The project has been approved by the Guangdong provincial government as a land development project, which the developer will construct an industrial park, with an area of approximately 4,500 mu, with sophisticated facilities and high management standard. The objective of the project is to attract industrial operators to relocate from the highly overcrowded and much sought after Pearl Delta region to this industrial park. As at 31 December 2011, the acquisition of Zhongfang Chaozhou by the Company is in progress and awaiting final completion.

Management Discussion and Analysis

On 23 May 2011, the Company entered into the sale agreement with Beijing Sihai Huaao 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 Shenfa, to Beijing Sihai. In view of the fact that the Company has identified an investment opportunity with high potential return as well as promoting the values of the Company and its shareholders, the management decided that the disposal of Shenzhen Shenfa would increase the cash resource of the Company for the development of the Zhongfang Chaozhou project and future investment opportunities (please refer to the Company's announcement dated 23 May 2011 for further details). As at 31 December 2011, the disposal is currently in progress and awaiting final completion.

Business Prospects

Effects of the realignment policies on the property market initiated by the PRC government since 2011 had not only surfaced and developed, but also increases in reserve ratios and interest rates by the central bank ramped up liquidity pressures on the real estate industry. The Company will hasten to complete the acquisition of Zhongfang Chaozhou to give us a linchpin to explore and expand into various business formats of real estate, namely, first class land development and coordination and industrial property, in our strive to create value for shareholders.

3. ANALYSIS OF THE EDUCATION INVESTMENT BUSINESS

On 26 April 2011, the Company entered into the sale agreement with Shanghai Buotou Zongrenzong Environmental Science and Technology Company Limited* (上海博投眾人眾環保科技有限公司) ("Shanghai Buotou"), pursuant to which, the Company agreed to sell the 70% equity interests in Zhuhai Education to Shanghai Buotou (please refer to the Company's announcement dated 26 April 2011 for further details). As at 31 December 2011, the disposal has been completed. Zhuhai Education ceased to be a subsidiary of the Company.

With an annual rental income of Zhuhai Education of approximately RMB2,000,000 and a fair market value of its property, as stated in the valuation report of an independent valuer, of approximately RMB281,640,000, the yield of Zhuhai Education was lower than the other projects of the Group. Accordingly, the management decided to realise its investment in Zhuhai Education for liquidity so as to identify other investment opportunities with higher returns to enhance the value of the Company and its shareholders.

Shanghai Education has been deregistered during the year.

Management Discussion and Analysis

4. ANALYSIS OF THE GROUP'S ASSETS AND FINANCIAL POSITION

(1) Financial statistics of the Group

Items	Basis	At 31 December 2011	At 31 December 2010
Gearing ratio	Total liabilities/total assets x 100%	**11.20%**	15.96%
Current ratio	Current assets/current liabilities	**6.97**	1.01
Quick ratio	(Current assets – inventories – properties held for sale)/current liabilities	**6.97**	1.01
Return on net assets ratio	Net profit(loss)/net assets x 100%	**8.10%**	5.33%
Sales margin	Net profit(loss)/turnover x 100%	**178.81%**	128.99%
Debt equity ratio	Total liabilities/total equity x 100%	**12.61%**	18.99%

(2) Overall position of the Group's assets

As at 31 December 2011, there was a decrease in the total assets of the Group when compared with that of the previous year. The total assets of the Group decrease to approximately RMB568,969,000 from approximately RMB595,027,000 representing a decrease of approximately RMB26,058,000 or 4.38%.

	At 31 December		Changes in
	2011	2010	amount
	RMB'000	RMB'000	RMB'000
Total assets of which:			
Property, plant and equipment	**7**	5,528	(5,521)
Investment properties	**148,300**	516,346	(368,046)
Available-for-sale financial assets	**–**	13,800	(13,800)
Deposit paid for acquisition of a subsidiary	**74,000**	–	74,000
Total current assets	**346,662**	59,353	287,309
	568,969	595,027	(26,058)

Management Discussion and Analysis

(3) Current assets of the Group

As at 31 December 2011, the current assets of the Group increased by approximately RMB287,309,000 to approximately RMB346,662,000 as compared with approximately RMB59,353,000 in the previous year, representing an increase of approximately 484.07%.

	At 31 December		Changes in
	2011	2010	amount
	RMB'000	RMB'000	RMB'000
Current assets of which:			
Properties held for sale	**–**	–	–
Trade receivable	**225**	287	(62)
Other receivables	**233,685**	39,754	193,931
Prepayments	**–**	–	–
Held for trading investment	**1,848**	–	1,848
Bank balances and cash	**5,187**	19,312	(14,125)
Assets classified as held for sale	**105,717**	–	105,717
	346,662	59,353	287,309

(4) Bank borrowings of the Group

As at 31 December 2011, the Group did not have any bank borrowings (2010: nil).

Management Discussion and Analysis

(5) Equity attributable to owners of the Company

	At 31 December		Changes in
	2011	2010	amount
	RMB'000	RMB'000	RMB'000
Share capital	**1,020,400**	1,020,400	–
Share premium	**323,258**	323,258	–
Statutory surplus reserve	**103,481**	103,481	–
Accumulated losses	**(941,896)**	(987,508)	45,612

5. EMPLOYEES AND EMPLOYEES' EDUCATION LEVEL

As at 31 December 2011, the Group had 18 (2010: 26) employees. During the year, the aggregate salaries and allowances paid to the employees from continuing operations amounted approximately RMB1,259,000 (2010: RMB1,666,000). The Group has not established any share option scheme for any of its senior management or employees.

Report of the Directors

The board of directors of the Company is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

1. PRINCIPAL ACTIVITIES

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

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

2. SUBSIDIARIES AND JOINT VENTURES

Beijing Shenfa, a limited liability company with a registered capital of RMB500,000, was incorporated at No. 18, Zhong Guan Cun East Road, Haidian District, Beijing, the PRC in December 2009. Its principal operations are located in the PRC. The Company holds 100% equity interests in it. During the Year, no debt securities were issued by it.

Shenzhen Shenfa, a limited liability company with a registered capital of RMB500,000, was incorporated at Room 502, Beida Jade Bird Building, Ke Yuan Road, High Sci-tech Development Zone, Shenzhen, the PRC in December 2009. Its principal operations are located in the PRC. The Company holds 100% equity interests in it. During the Year, no debt securities were issued by it.

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

Shenzhen Guanghua, a limited liability company with a registered capital of RMB500,000, was incorporated at Room 502A, Beida Jade Bird Building, Ke Yuan Road, South High Sci-tech Development Zone, Nanshan District, Shenzhen, the PRC on 20 December 2009. Its principal operations are located in the PRC. The Company indirectly holds 100% equity interests in it. During the Year, no debt securities were issued by it.

The subsidiaries disposed or deregistered during the year are as follows:

Shenyang Real Estate, a limited liability company with a registered capital of RMB250,000,000, was incorporated at No.1-4, 20A, Central Street, Shenyang Economic and Technological Development Zone, the PRC in June 2000. Its principal operations are located in the PRC. The Company holds 99.86% equity interests in it. During the Year, Shenyang Real Estate has not issued any debt securities and ceased to be a subsidiary of the Company.

Zhuhai Education, a limited liability company with a registered capital of RMB20,000,000, was incorporated at Zhuhai Beida Education Science Park, Qi'ao Island, Zhuhai, the PRC in May 2001. Its principal operations are located in the PRC. The Company holds 70.00% equity interests in it. During the Year, Zhuhai Education has not issued any debt securities and ceased to be a subsidiary of the Company.

Shanghai Education, a limited liability company with a registered capital of RMB100,000,000, was incorporated at No. 48, Xinxi Road, Zhu Jia Jiao Town, Qingpu District, Shanghai, the PRC in October 2002. Its principal operations are located in the PRC. The Company and Shenyang Real Estate holds 80.00% and 20.00% equity interests in it, respectively. During the Year, Shanghai Education has not issued any debt securities and has been deregistered.

3. OTHER INVESTMENTS

The Group made an investment in Unisplendour Venture in May 2000. Its registered capital is RMB250,000,000. The Group invested RMB20,000,000 and holds 8.00% equity interests in it. During the year, Unisplendour Venture has not issued any debt securities and the Company has disposed of its entire equity interests in Unisplendour Venture.

Report of the Directors

4. RESULTS, FINANCIAL POSITION AND ANALYSIS OF RESULTS

The Group's results for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 29 to 31.

The Group's financial position as at 31 December 2011 is set out in the consolidated statement of financial position on pages 32 to 33.

The Group's cash flow for the year is set out in the consolidated statement of cash flows on pages 35 to 36.

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

5. INTERIM DIVIDEND

The board of directors of the Company resolved that no interim dividend was declared for the year 2011.

6. FINAL DIVIDEND

The board of directors of the Company resolved that no final dividend would be declared for the year 2011. Such resolution is subject to approval at the 2011 Annual General Meeting of the Company.

7. RESERVES

Details of the reserves of the Group and the movements therein during the year are set out in the consolidated statement of changes in equity on page 34.

8. DONATION

During the year, the Group donated RMB1,810,000 to the China Youth Development Foundation (2010: RMB3,000,000).

9. PROPERTY, PLANT AND EQUIPMENT

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

10. SHARE CAPITAL

As at 31 December 2011, the authorised, issued and fully paid share capital of the Company is as follows:

Types of shares	Number of shares	Percentage
Domestic shares of RMB1 each	600,000,000	58.80%
H shares of RMB1 each	420,400,000	41.20%
Total	1,020,400,000	100%

There was no change in the share capital structure of the Company during the year.

Report of the Directors

11. TAXATION

Details of taxation of the Group are set out in Note 10 to the consolidated financial statements.

(1) The Group was subject to income tax rate is 25% during the year.

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

12. STAFF QUARTERS

Pursuant to the Regulations on Management of Housing Provident Fund stipulated by the PRC government and the document (Shenfangweihuifa (2000) No. 3) issued by Shenyang Municipal Government on 28 December 2000, contribution to housing fund was calculated base on the monthly income of the staff, of which the ratio of contribution by the Company was 8% from 1 June 2005 onwards.

13. MEDICAL INSURANCE

Since 1 January 2008, our contribution proportion for our employees' basic medical insurance has been 12% of the contribution bases which is the monthly salaries of our employees.

14. DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company had no distributable reserves.

15. FIVE-YEAR FINANCIAL HIGHLIGHTS

Highlights of the results and assets and liabilities of the Group during the year and the past four years are set out on pages 04 to 05.

16. MAJOR CUSTOMERS AND SUPPLIERS

In respect of the Group's continuing operations during the year, the Group's sales to its five largest customers accounted for approximately 55.13% of the Group's total sales for the year, of which sales to the largest customer RMB5,281,000 accounted for approximately 21.23% of the Group's total sales for the year. Since the sales of the year are mainly derived from properties leasing and property management, there is no purchase for operations occurred during the year.

None of the directors, their associates or any shareholder (who, to the knowledge of the directors, owns 5.00% or more of the share capital of the Company) had any interest in the above-mentioned five largest customers or five largest suppliers.

Report of the Directors

17. DIRECTORS AND SUPERVISORS

As at 31 December 2011, the 4th Session Directors and supervisors of the Company were as follows:

Directors: Mr. An Mu Zong, Mr. Wang Zai Xing, Mr. Chow Ka Wo Alex, Mr. Wang Hui are executive directors; Mr. Bao Yi Qiang is non-executive directors; Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr. Chan Ming Sun Jonathan are independent non-executive directors.

Supervisors: Mr. Wang Xing Ye and Mr. Lu Ming.

18. DIRECTORS' AND SUPERVISOR'S SERVICE CONTRACTS

The Company entered into service contracts with the Directors and supervisors of the 4th Session of the board of directors and board of supervisors on 12 February 2009. Each existing Director and supervisor shall act in accordance with his duties as required by the service contract. In the event of a breach of any provision of the service contract, the Company may immediately terminate the appointment of the director or supervisor by way of written notice.

Except for the Directors and the supervisors who have resigned in advance, all service contracts for the existing Directors and supervisors should expire on 11 February 2012. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without any payment of compensation, other than statutory compensation.

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

As at 31 December 2011, none of the Company's Directors or supervisor or chief executives had any interests and/or short positions in any shares, underlying shares or debentures in the Company or any of its associated corporations (within the meaning of Part XV in the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) or entered into any transaction thereof which are: (1) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (2) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, nor was there any benefit generated from sales of such shares, underlying shares or debentures in the Company or any of its associated corporations.

20. DIRECTORS' AND SUPERVISOR'S RIGHT TO PURCHASE SHARES

During the year, neither the Company nor its fellow subsidiaries or holding company made any arrangements for the directors, supervisor, chief executives or their spouses or their children under 18 years old to acquire benefits by means of the acquisition of the shares, securities or equity interests in the Company or associated corporations.

21. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements respectively.

Report of the Directors

22. DIRECTORS' AND SUPERVISOR'S INTERESTS IN BUSINESS CONTRACTS

During the year or as at the end of the financial period, none of the Company, its subsidiaries or its holding company has entered into any material contracts relating to the business of the Group in which any directors or supervisors of the Company had a direct or indirect material interest.

23. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, save as the Company's Directors, supervisor and chief executive, the register of members maintained by the Company pursuant to section 336 of the SFO showed that the following corporations and individuals had interests and /or short positions in the Company's shares, underlying shares, securities, equity derivatives and/or debentures:

	Beneficial owners	**Shares**	**Percentage of total issued share capital**
1	Beijing Mingyude Business and Trade Company Limited (note 1)	600,000,000 domestic shares (unlisted shares)	58.80%
2	李鵬 (note 2)	600,000,000 domestic shares	58.80%
3	申雲燮 (note 3)	600,000,000 domestic shares	58.80%
4	HKSCC Nominees Limited (note 4)	418,363,200 H shares (listed shares)	41.03%

Notes:

1. Beijing Mingyude Business and Trade Company Limited ("Mingyude") is a limited company established in the PRC which holds 90% equity interests in Beijing Mingde. Pursuant to Section of 316 of the Securities and Futures Ordinance ("SFO"), Mingyude is also deemed to be interested in the underlying shares of the Company held by Mingde Guangye.

2. 李鵬 is a PRC legal person who holds 10% equity interests in Beijing Mingde and 60% equity interests in Mingyude. Pursuant to Section 316 of the SFO, 李鵬 is also deemed to be interested in the underlying shares of the Company held by Beijing Mingde.

3. 申雲燮 is a PRC legal person who holds 40% interests in Mingyude, which holds 90% equity interests in the Beijing Mingde. Pursuant to Section 316 of the SFO, 申雲燮 is also deemed to be interested in the underlying shares of the Company held by Beijing Mingde.

4. As notified by HKSCC Nominees Limited, as at 31 December 2011, the following participants of CCASS had interests amounting to 5.00% or more of the total issued H shares of the Company as shown in the securities accounts in CCASS:

   (1) Bank of China (Hong Kong) Limited as nominee holds 54,040,000 H shares, representing 12.85% of the issued H shares of the Company.

   (2) Newpont Securities Limited as nominee holds 50,636,000 H shares, representing 12.04% of the issued H shares of the Company.

   (3) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 30,255,000 H shares, representing 7.19% of the issued H shares of the Company.

   (4) Prudential Brokerage Limited as nominee holds 23,410,000 H shares, representing 5.56% of the issued H shares of the Company.

Save as disclosed above, during the year, the Company has not been notified of any interests and/or short positions in shares, underlying shares, securities, equity derivatives and/or debentures of the Company which are required to be recorded in the register maintained in accordance with section 336 of the SFO.

Report of the Directors

24. MATERIAL CONTRACT

(1) Sale agreement in respect of the Disposal of 70% equity interests in Zhuhai Education

On 26 April 2011, the Company entered into the sale agreement with Shanghai Buotou, pursuant to which, the Company agreed to sell the 70% equity interests in Zhuhai Education to Shanghai Buotou (please refer to the Company's announcement dated 26 April 2011 for further details).

(2) Share acquisition agreement in respect of the Acquisition of 100% equity interests in Zhongfang Chaozhou

On 11 May 2011, the Company entered into the share acquisition agreement with Tianjin Yongyang and Shenzhen Chuangzhan, pursuant to which, the Company agreed to acquire the 100% equity interests in Zhongfang Chaozhou from Tianjin Yongyang and Shenzhen Chuangzhan (please refer to the Company's announcement dated 11 May 2011 for further details).

(3) Sale agreement in respect of the Disposal of 100% equity interests in Shenzhen Shenfa

On 23 May 2011, the Company entered into the sale agreement with Beijing Sihai, pursuant to which the Company agreed to sell the 100% equity interests in Shenzhen Shenfa to Beijing Sihai (please refer to the Company's announcement dated 23 May 2011 for further details).

25. PURCHASE, SALE OR REDEMPTION OF SHARES

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

26. SHARE OPTIONS

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

27. SIGNIFICANT EVENTS

(1) Disposal of 70% equity interests in Zhuhai Education

On 26 April 2011, the Company entered into the sale agreement with Shanghai Buotou, pursuant to which, the Company agreed to sell the 70% equity interests in Zhuhai Education to Shanghai Buotou (please refer to the Company's announcement dated 26 April 2011 for further details). The disposal has completed.

(2) Acquisition of 100% equity interests in Zhongfang Chaozhou

On 11 May 2011, the Company entered into the share acquisition agreement with Tianjin Yongyang and Shenzhen Chuangzhan, pursuant to which, the Company agreed to acquire the 100% equity interests in Zhongfang Chaozhou from Tianjin Yongyang and Shenzhen Chuangzhan (please refer to the Company's announcement dated 11 May 2011 for further details). The acquisition is in progress and awaiting for final completion.

(3) Disposal of 100% equity interests in Shenzhen Shenfa

On 23 May 2011, the Company entered into the sale agreement with Beijing Sihai, pursuant to which the Company agreed to sell the 100% equity interests in Shenzhen Shenfa to Beijing Sihai (please refer to the Company's announcement dated 23 May 2011 for further details). The disposal is in progress and awaiting for final completion.

Report of the Directors

(4) Disposal of 8% equity interests in Unisplendour Venture and 99.86% equity interests in Shenyang Real Estate

In September 2011, the Company disposed of the 8% equity interests in Unisplendour Venture and the 99.86% equity interests in Shenyang Real Estate. These two transactions did not constitute discloseable transactions as their assets and considerations were low. At present, Shenyang Real Estate is no longer a subsidiary of the Company and the Company currently does not hold any equity interests in Unisplendour Venture.

(5) Acquisition of 10% equity interests in Guangzhou Zhongzhan

Upon an initial negotiation with a related party by the Company, the Company acquired 10% equity interests in Guangzhou Zhongzhan for a consideration of RMB1,000,000. Guangzhou zhongzhan was incorporated in August 2011 with a registered capital of RMB10,000,000. The transaction has completed.

28. ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

(1) 2010 Annual General Meeting

On 23 June 2011, the 2010 annual general meeting of the Company was held, during which the 2010 report of the directors, consolidated financial statements, auditor's report, and the resolutions in respect of profit allocation and dividend distribution were considered and passed (please refer to the Company's announcement dated 23 June 2011 for further details).

(2) First Extraordinary General Meeting for 2011

On 14 July 2011, the first extraordinary general meeting for 2011 of the Company was held, during which the sale agreement in respect of the disposal of the 70% equity interests in Zhuhai Education entered into between the Company (as the vendor) and Shanghai Baotou (as the purchaser) on 26 April 2011, was considered and passed (please refer to the Company's announcement dated 14 July 2011 for further details).

(3) Second Extraordinary General Meeting for 2011

On 12 October 2011, the second extraordinary general meeting for 2011 of the Company was held, during which the purchase agreement in respect of the acquisition of the 100% equity interests in Zhongfang Chaozhou entered into between the Company (as the purchaser) and Tianjin Yongyang and Shenzhen Chuangzhan (as the vendors) on 11 May 2011, and the sale agreement in respect of the disposal of the 100% equity interests in Shenzhen Shenfa entered into between the Company (as the purchaser) and Beijing Sihai (as the vendor) on 23 May 2011, were considered and passed (please refer to the Company's announcement dated 12 October 2011 for further details).

29. BANK BORROWINGS

As at 31 December 2011, the Group did not have any bank borrowings (2010: nil).

30. TRUST DEPOSITS

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

31. RETIREMENT BENEFITS SCHEME

Details of the retirement scheme and the amount of contributions to the retirement benefits scheme are set out in Note 14 to the consolidated financial statements.

Report of the Directors

32. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the PRC which would require the Company to offer new shares to its existing shareholders on a pro rata basis.

33. LOANS TO SENIOR MANAGEMENT

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

34. AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan and Mr. Cai Lian Jun. Mr. Wong Kai Tat is the chairman of the Audit Committee. Mr. Wong Kai Tat has competent professional accounting qualification and expertise in financial management. The duties of the Audit Committee are to review the accounting policy and practice adopted by the Company, review the matters on internal control and financial reporting, provide recommendation on the appointment and removal of external auditors and consider their remuneration and terms of appointment.

The Audit Committee held two meetings during the year and has reviewed the annual results of the Group for the year ended 31 December 2011 and discussed accounting policy and practice adopted by the Group and matters on financial reporting with the Group's auditor.

35. CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors considers that the Company has adopted and been committed to comply with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

36. MATERIAL LITIGATION

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

37. AUDITORS

Lo and Kwong C.P.A. Company Limited ("Lo and Kwong") has resigned as the auditors of the Group with effect from 12 December 2011. For details, please refer to the Company's announcement dated 14 December 2011.

At the First Extraordinary General Meeting for 2012 of the Company held on 9 February 2012, the resolution to appoint ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI") as the Group's auditors was approved. Please refer to the Company's announcement dated 9 February 2012 for details.

Report of the Directors

38. PUBLICATION OF INFORMATION ON THE WEB-SITE OF THE STOCK EXCHANGE

Financial and other relevant information of the Company in accordance with the paragraphs 45(1)-45(3) of Appendix 16 to the Listing Rules will be available for publication on the web-site of the Stock Exchange in due course.

39. INDEPENDENT NON-EXECUTIVE DIRECTORS

As at 31 December 2011, Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan and Mr. Cai Lian Jun were appointed as the independent non-executive directors of the fourth session of the board of directors of the Company at the 2007 annual general meeting of the Company. Please refer to the announcement of the Company dated 12 February 2009 for details.

40. PUBLIC FLOAT

As far as the public information available to the Company is concerned and to the best of knowledge of the Directors and supervisor, at least 25.00% of the Company's issued share capital were held by members of the public as at 30 March 2012 (being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the relevant information contained).

By order of the Board
An Mu Zong
Chairman

Shenyang, the PRC, 30 March 2012

Corporate Governance Report

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

Board

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

On 31 December 2011, the Board of the Directors comprised eight directors, of which four were executive directors, one was non-executive director and three were independent non-executive directors. The Company disclosed the composition of the Board in all the communications according to the category of directors (including the chairman, executive director, non-executive director and independent non-executive director).

The directors of the Company (including non-executive directors) are appointed for specific term. According to the Articles of Association of the Company, directors are elected on the General Meeting with a service term of three years and are subject to re-election after the term expires. The appointment of all directors of the Company shall be approved by shareholders.

As at 31 December 2011, the Company has not established a nomination committee and the Board is responsible for filling a vacancy or adding new directors to the existing Board.

All the directors (including non-executive director and independent non-executive 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 recommendation to the Board. The Board considers that non-executive director 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 Company has appointed three independent non-executive directors and two of whom has appropriate qualifications in accounting. All independent non-executive directors have confirmed their independence to the Company and the Company considers that each independent non-executive director is independent.

Corporate Governance Report

Attendance Record of Board Meetings

Director	Position	Attendance/meetings
An Mu Zong	Executive directors	6/6
Wang Zai Xing	Executive directors	6/6
Alex Chow Ka Wo	Executive directors	4/6
Wang Hui	Executive directors	6/6
Bao Yi Qiang	Non executive directors	6/6
Lin Dong Hui	Non executive directors	2/4
Cai Lian Jun	Independent non executive directors	6/6
Wong Kai Tat	Independent non executive directors	5/6
Chan Ming Sun Jonathan	Independent non executive directors	3/6

During the Board meeting, the directors discussed and formulated policy and strategies for business of the Group, the corporate governance system and financial and internal control system as well as reviewed interim and annual results and other relevant material events. All directors were invited to the meeting in person and those who cannot attend the meeting himself/herself can attend the meeting via electronic media.

According to the Articles of Association, notice for Board meetings should be given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like discussed in the agenda. All applicable rules and regulations are followed in each meeting and detailed minutes of each meeting are prepared. After the meeting, the draft minutes are circulated to all directors for comment as soon as practicable.

Should a matter being considered involve a potential conflict of interest for a director, the director concerned will abstain from voting. Independent non-executive directors with no conflicts of interest will be present at meetings dealing with such issues. The Board's audit committee also adopts the practices used in the Board meetings.

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code"), laid out in Appendix 10 to the Listing Rules, to regulate transactions such as our directors' and supervisors' dealings in the Company's securities. The Company has also issued enquiry to each director and supervisor as to whether each of them has fully complied with or violated the Code. Each of the director and supervisor has confirmed that they have fully observed the Code during the financial year ended 31 December 2011.

Supervisory Committee

The supervisory committee now consists of two members, namely Mr. Wang Xing Ye and Mr. Lu Ming. Each supervisor effectively performs their supervisory duties relating to the Company's operations.

Audit Committee and its Accountability

The audit committee is made up of three independent non-executive directors, namely Mr. Wong Kai Tat, Mr. Chan Ming Sun and Mr. Cai Lian Jun.

The chairman of the committee is Mr. Wong Kai Tat, who has professional accounting qualifications and expertise in financial management. The duties of the audit committee include reviewing the accounting policies and practices adopted by the Group, reviewing internal control and financial reporting matters, making recommendations to the Board on appointing or removing external auditors, and considering their remuneration and terms of engagement.

The audit committee held two meetings during the year. Following Board practice, minutes of these meetings were circulated to all members for comment, approval and record as soon as practicable after each meeting. There was no disagreement between the Board and the audit committee regarding the selection and appointment of external auditors. The audit committee has reviewed the annual results for the year ended 31 December 2011 and discussed with the management and the Company's auditors the accounting policies and practices adopted and financial reporting matters of the year.

Corporate Governance Report

The attendance records of individual committee members are set out as below:

	Meetings attended/Total
Wong Kai Tat	2/2
Chan Ming Sun	2/2
Cai Lian Jun	2/2

Auditors' Remuneration

Lo and Kwong was the auditor of the Company in 2011. ZHONGLEI has acted as the auditor of the Company subsequent to the resignation of Lo and Kwong in December 2011. The remuneration in respect of the services provided by the Group's auditors is analysed as follows:

	2011 **RMB'000**	2010 RMB'000
Audit services		
– Annual audit for the year ended 31 December	**800**	600
– Others	**–**	–
	800	600

Internal Control

The Board is responsible for maintaining a system of effective internal control to protect the Group's assets and its shareholders' interests. The Board closely monitors the implementation of the Company's internal control, assessing its effectiveness based on discussions between the management of the Company and its auditor and the audit committee.

The Board believes the existing internal control system has been substantially established and effective during its implementation.

Investor and Shareholder Relations

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and shareholders through publishing interim reports, annual reports and announcements and the Company's website. Enquiries and suggestions from shareholders, investors, media and the general public are followed up by executive directors or appropriate management staff.

The hotline of the Company is 8624-24351041, and its fax number is 8624-24333228, through which the Company makes replies to the written or direct enquiries regarding all kinds of matters by shareholders and investors. The Company's website has been established to provide shareholders with relevant information.

Annual general meeting is an important channel for directors and shareholders to communicate with each other. The chairman of the Company himself presides over the annual general meeting to ensure the opinions of the directors can be passed directly to the Board. In an annual general meeting, the Board and chairman of the audit committee will participate in the questions raised by shareholders, and the chairman will come up with individual resolutions in respect of every event raised in the annual general meeting.

The proceedings of the annual general meeting are reviewed periodically to ensure that shareholders' rights are maintained. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 45 days prior to the date of the meeting.

Independent Auditor's Report

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF
SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED
瀋陽公用發展股份有限公司
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shenyang Public Utility Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 88, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)

Ho Yiu Hang, Ricky
Practising Certificate Number: P05494

Suites 313-317, 3/F., Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

30 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Turnover	7	**22,879**	17,682
Sales taxes on turnover		**(1,199)**	(872)
Cost of sales		**(1,901)**	(1,626)
Other income	9	**178**	151
Waived of debt of other payables		**25,065**	–
Gain on disposal of subsidiaries	35	**8,225**	1,510
Gain on deregistration of a subsidiary	36	**162**	–
Loss on disposal of available-for-sale investment	20	**(12,900)**	–
Depreciation		**(541)**	(493)
Staff costs		**(1,259)**	(1,666)
Impairment loss recognised in respect of available-for-sale investment	20	**–**	(3,200)
Net change in fair value of investment properties		**38,300**	32,406
Impairment loss recognised in respect of trade receivables		**(180)**	–
Other operating expenses		**(12,229)**	(12,084)
Profit before taxation		**64,600**	31,808
Income tax expense	10	**(11,950)**	(7,979)
Profit for the year from continuing operations		**52,650**	23,829
Discontinued operation	12		
(Loss) profit for the year from discontinued operation		**(11,740)**	2,848
Profit for the year	11	**40,910**	26,677
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		**52,678**	23,830
– from discontinued operation		**(7,066)**	2,003
		45,612	25,833
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(28)**	(1)
– from discontinued operation		**(4,674)**	845
		(4,702)	844
		40,910	26,677

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
Earnings per share from continuing and discontinued operations	15		
– Basic (RMB cents)		**4.47**	2.53
– Diluted (RMB cents)		**N/A**	N/A
Earnings per share from continuing operations			
– Basic (RMB cents)		**5.16**	2.34
– Diluted (RMB cents)		**N/A**	N/A
Dividends	16	**–**	–

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**40,910**	26,677
Other comprehensive income		
Exchange differences arising on translation	**–**	–
Total comprehensive income for the year	**40,910**	26,677
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**45,612**	25,833
Non-controlling interests	**(4,702)**	844
	40,910	26,677

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Goodwill	17	**–**	–
Property, plant and equipment	18	**7**	5,528
Investment properties	19	**148,300**	516,346
Available-for-sale investment	20	**–**	13,800
Deposit paid for acquisition of a subsidiary	21	**74,000**	–
		222,307	535,674
CURRENT ASSETS			
Properties held for sale	22	**–**	–
Trade receivables	23	**225**	287
Amount due from a former customer	24	**–**	–
Other receivables	25	**233,685**	39,754
Held for trading investment	26	**1,848**	–
Bank balances and cash	27	**5,187**	19,312
		240,945	59,353
Assets classified as held for sale	28	**105,717**	–
		346,662	59,353
CURRENT LIABILITIES			
Trade payables	29	**–**	5,742
Other payables and accruals		**1,836**	40,097
Receipts in advance	30	**30,067**	10,715
Other current liabilities	34	**2,231**	–
Provisions	31	**–**	1,041
Tax liabilities		**2,423**	1,036
		36,557	58,631
Liabilities classified as held for sale	28	**13,188**	–
		49,745	58,631
NET CURRENT ASSETS		**296,917**	722
TOTAL ASSETS LESS CURRENT LIABILITIES		**519,224**	536,396

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**1,020,400**	1,020,400
Reserves		**(515,157)**	(560,769)
Equity attributable to owners of the Company		**505,243**	459,631
Non-controlling interests		**–**	40,429
TOTAL EQUITY		**505,243**	500,060
NON-CURRENT LIABILITIES			
Deferred taxation	33	**13,981**	33,105
Other non-current liabilities	34	**–**	3,231
		13,981	36,336
		519,224	536,396

The consolidated financial statements on pages 29 to 88 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

An Mu Zhong
Director

Wang Zai Xing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Equity attributable to owners of the Company						
	Share capital RMB'000 (Note 32)	**Share premium RMB'000** (Note a)	**Statutory surplus reserve RMB'000** (Note b)	**Accumulated losses RMB'000**	**Total RMB'000**	**Non–controlling interests RMB'000**	**Total RMB'000**
At 1 January 2010	1,020,400	323,258	103,231	(1,016,786)	430,103	39,574	469,677
Profit for the year, representing total comprehensive income for the year	–	–	–	25,833	25,833	844	26,677
Transfer	–	–	250	(250)	–	–	–
Acquisition of a subsidiary (Note 37)	–	–	–	3,695	3,695	–	3,695
Disposal of subsidiaries (Note 35)	–	–	–	–	–	11	11
At 31 December 2010 and 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 (Note 35)	–	–	–	–	–	(35,727)	(35,727)
At 31 December 2011	**1,020,400**	**323,258**	**103,481**	**(941,896)**	**505,243**	**–**	**505,243**

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 2010 and 2011.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before taxation		
– from continuing operations	**64,600**	31,808
– from discontinued operation	**(11,740)**	3,148
Adjustments for:		
Interest income	**(161)**	(153)
Gain on change in fair value of held for trading investment	**(48)**	–
Gain on disposal of subsidiaries	**(12,070)**	(1,510)
Gain on deregistration of a subsidiary	**(162)**	–
Loss on disposal of property, plant and equipment	**8**	–
Loss on disposal of available-for-sale investment	**12,900**	–
Depreciation	**1,414**	1,334
Impairment loss recognised in respect of available-for-sale investment	**–**	3,200
Net change in fair value of investment properties	**(21,940)**	(34,406)
Waived of debt of other payables	**(25,065)**	–
Impairment loss recognised in respect of trade receivables	**180**	–
Finance costs	**–**	429
Operating cash flows before movements in working capital	**7,916**	3,850
Increase in trade receivables	**(496)**	–
Decrease in other receivables	**7,652**	5,401
Decrease in prepayments	**–**	2,000
Decrease in trade payables	**(48)**	(502)
(Decrease) increase in other payables and accruals	**(2,593)**	9,983
(Decrease) increase in non-current liabilities	**(1,000)**	3,231
Increase (decrease) in receipts in advance	**30,503**	(2,994)
Decrease in amount due to a former shareholder	**–**	(29,328)
Cash from (used in) operations	**41,934**	(8,359)
Income tax paid	**(713)**	(199)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**41,221**	(8,558)
INVESTING ACTIVITIES		
Interest received	**161**	153
Purchase of investment properties	**–**	(2,791)
Purchase of property, plant and equipment	**(8)**	(353)
Proceeds received from the disposal of property, plant and equipment	**8**	–
Purchase of held for trading investment	**(1,800)**	–
Increase in other long term receivables	**(6,350)**	–
Deposit paid for acquisition of a subsidiary	**(74,000)**	–
Net cash inflow from disposal of subsidiaries	**28,220**	84,407
Net cash outflow from deregistration of a subsidiary	**(1)**	–
Net cash outflow from acquisition of a subsidiary	**–**	(67,653)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(53,770)**	13,763

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
Repayments of bank borrowings	–	(9,000)
Interest payment	–	(429)
NET CASH USED IN FINANCING ACTIVITIES	–	(9,429)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,549)	(4,224)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	19,312	23,536
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6,763	19,312
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	5,187	19,312
Bank balances and cash classified as assets held for sale	1,576	–
	6,763	19,312

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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 functional currency of the Company and its subsidiaries (collectively known as the "Group").

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 43 to the consolidated financial statements. During the year, the Group has disposed of its education projects operation, which was classified as discontinued operation for the year ended 31 December 2011 (Note 12).

The Company's H-shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 December 1999. As requested by the Company, trading in H shares of the Company on the Stock Exchange was suspended on 15 December 2004. Trading in H-shares of the Company has been resumed on 1 April 2010.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the consolidated financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. The revised standard has no impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The revised standard has no financial impact on the Group. Details of the related party transactions, including the related comparative information, are included in Note 42 to the consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investment in Associates and Joint Ventures[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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 offsetting 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 amended offsetting disclosures are required 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.

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* to be 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.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that the application of these five standards would not have significant impact on amounts reported in the consolidated financial statements.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 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 the future accounting periods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

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

The principal accounting policies are set out below:

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. (effective from 1 January 2010 onwards)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Business combinations

Business combinations that took place on or after 1 January 2010

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Business combinations *(Continued)*

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

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

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

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

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position as an intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

3.4 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discounts.

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties had been completed reasonably assured. Deposit and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

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

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

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

3.6 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3.7 Investment properties

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

Investment properties measured using the fair value model

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Investment properties *(Continued)*

Investment properties measured using the cost model

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and on future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the different between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Leasehold land

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

3.9 Properties held for sale

Properties held for sale including properties under development for sale. They are included in current assets at the lower of cost and net realisable value. The costs of properties under development for sale consist of construction expenditures, amounts capitalised in respect of amortisation of upfront payments of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs. No depreciation is provided on properties under development for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period, Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

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

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

3.11 Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and decognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, when appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amount due from a former customer, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment loss on financial assets (see accounting policy on impairment loss on financial assets below).

Impairment on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, other current liabilities and other non-current liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.14 Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the cons ideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods.

Impairment loss recognised in respect of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. No impairment loss in respect of property, plant and equipment was recognised for the years ended 31 December 2011 and 2010.

Estimated impairment of trade and other receivables

The policy for the provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the collateral security. If the financial conditions of the borrowers of the Group deteriorate, resulting in impairment of their ability to make repayments, additional provision may be required. If the financial conditions of the borrowers of the Group, on whose account provision for impairment has been made, are improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

Estimate of fair value of investment properties

The Group's investment properties are stated at their fair values in the consolidated statement of financial position, which are assessed annually by management with reference to valuations performed by independent qualified professional valuers using the fair value model. This approach requires an estimate of the market value of the land parcel in the existing state by the comparison approach and an estimate of the fair value of the property and other site works, from which deductions are then made to allow for the age, condition, economic or functional obsolescence and environmental factors, changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of available-for-sale investment

In determining whether there is any objective evidence that impairment losses on available-for-sale investment has occurred, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investees' financial conditions. This requires a significant level of estimation of the management, which would affect the amount of the impairment losses.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Company's directors, the Group will balance its overall capital structure through the new share issues and share buy-back as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Held for trading investment	**1,848**	–
Available-for-sale investment	**–**	13,800
Loans and receivables (including cash and cash equivalents)	**239,097**	59,353
	240,945	73,153
Financial liabilities		
Financial liabilities measured at amortised cost	**4,067**	49,070

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include available-for-sale investment, trade receivables, amount due from a former customer, other receivables, held-for-trading investment, bank balances and cash, trade payables, other payables and accruals, other current liabilities and other non-current liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Policies *(Continued)*

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency and interest rates. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) *Currency risk*

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

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

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances as detailed in Note 27.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the base rate of People's Bank of China arising from the Group's bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease in interest rates of the Peoples' Bank of China is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2010: 100 basis points) higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would increase or decrease by approximately RMB52,000 (2010: profit for the year would increase or decrease by approximately RMB193,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Policies *(Continued)*

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, mainly trade receivables, other receivables and bank balances, as stated in the consolidated statement of financial position.

The Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The management of the Group considered that at the end of the reporting period, no significant concentration of credit risk of the total trade receivables were due from the Group for the year ended 31 December 2010 and 2011.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the PRC with high-credit ratings.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of bank balance and cash considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate	On demand or within one year RMB'000	More than one year but less than two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2011					
Non-derivative financial liabilities					
Other payables and accruals	–	1,836	–	1,836	1,836
Other current liabilities	–	2,231	–	2,231	2,231
	–	4,067	–	4,067	4,067

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For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

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

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 December 2011			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Held for trading investment	**–**	**1,848**	**–**	**1,848**

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For the year ended 31 December 2011

7. 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:

	2011 RMB'000	2010 RMB'000
Continuing operations		
Development, sale, rental and management of properties	**22,879**	17,682
Discontinued operation		
Education projects (rental income)	**2,000**	3,000
	24,879	20,682

8. SEGMENT INFORMATION

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

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

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

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

For the education projects, this segment was discontinued during the year ended 31 December 2011. Further details of discontinued operation under the education projects are set out in Note 12 to this consolidated financial statements.

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For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

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

	Continuing operations Property development		Discontinued operation Education projects		Total	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Turnover	**22,879**	17,682	**2,000**	3,000	**24,879**	20,682
Segment results	**9,950**	3,713	**745**	1,573	**10,695**	5,286
Gain on disposal of subsidiaries	**8,225**	1,510	**3,845**	–	**12,070**	1,510
Gain on deregistration of a subsidiary					**162**	–
Loss on disposal of available-for-sale investment					**(12,900)**	–
Impairment loss recognised in respect of available-for-sale investment					**–**	(3,200)
Net change in fair value of investment properties	**38,300**	32,406	**(16,360)**	2,000	**21,940**	34,406
Finance costs	**–**	–	**–**	(429)	**–**	(429)
Interest income	**130**	151	**31**	2	**161**	153
Unallocated corporate income and expenses					**20,732**	(2,770)
Profit before taxation					**52,860**	34,956
Income tax expense					**(11,950)**	(8,279)
Profit for the year					**40,910**	26,677
Segment assets	**266,057**	245,780	**–**	303,604	**266,057**	549,384
Unallocated corporate assets					**302,912**	45,643
Total assets					**568,969**	595,027
Segment liabilities	**29,893**	22,301	**–**	25,233	**29,893**	47,534
Unallocated corporate liabilities					**33,833**	47,433
Total liabilities					**63,726**	94,967
Other information						
Additions to non-current assets	**8**	175,812	**–**	112	**8**	175,924
Depreciation	**518**	470	**873**	841	**1,391**	1,311
Unallocated depreciation					**23**	23
Total depreciation					**1,414**	1,334
Loss on disposal of property, plant and equipment	**–**	–	**8**	–	**8**	–
Impairment loss recognised in respect of trade receivables	**180**	–	**–**	–	**180**	–
Unallocated impairment loss recognised in respect of available-for-sale investment	**–**	–	**–**	–	**–**	3,200
Unallocated loss on disposal of available-for-sale investment	**–**	–	**–**	–	**12,900**	–
Net change in fair value of investment properties	**(38,300)**	(32,406)	**16,360**	(2,000)	**(21,940)**	(34,406)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

Geographical information

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

Information about major customers

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

	2011 **RMB'000**	2010 RMB'000
Customer A[1]	**5,281**	4,124
Customer B[1]	**4,747**	3,768
Customer C[1]	**3,689**	2,796
Customer D[2]	**N/A[3]**	3,000

[1] Turnover from development, sale, rental and management of properties.

[2] Turnover from education projects.

[3] The corresponding turnover did not contribute over 10% of the total turnover of the Group in the respective year.

9. OTHER INCOME

	2011 **RMB'000**	2010 RMB'000
Continuing operations		
Interest income on financial assets stated at amortised cost	**130**	151
Change in fair value of held for trading investment	**48**	–
	178	151
Discontinued operation		
Interest income on financial assets stated at amortised cost	**31**	2
Sundry income	**38**	46
	69	48
	247	199

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10. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Continuing operations		
PRC enterprise income tax	**15,977**	700
Deferred taxation (Note 33)	**(4,027)**	7,279
	11,950	7,979
Discontinued operation		
PRC enterprise income tax	**4,090**	–
Deferred taxation (Note 33)	**(4,090)**	300
	–	300
	11,950	8,279

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

	Continuing operations		Discontinued operation		Total	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Profit (loss) before taxation	**64,600**	31,808	**(11,740)***	3,148	**52,860**	34,956
Income tax at applicable tax rates	**16,150**	8,358	**(2,935)**	472	**13,215**	8,830
Tax effect of expenses not deductible for tax purpose	**–**	4	**4,090**	25	**4,090**	29
Tax effect of income not taxable for tax purpose	**(9,576)**	–	**–**	–	**(9,576)**	–
Tax effect of deductible temporary differences not recognised	**(4,027)**	(1,652)	**(4,090)**	–	**(8,117)**	(1,652)
Tax effect of tax losses not recognised	**10,172**	1,269	**2,935**	–	**13,107**	1,269
Utilisation of tax losses previously not recognised	**(769)**	–	**–**	(197)	**(769)**	(197)
Income tax expense	**11,950**	7,979	**–**	300	**11,950**	8,279

* The loss before taxation included the amount of gain on disposal of Zhuhai Beida RMB3,845,000.

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11. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Total	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Profit for the year is arrived at after charging:						
Directors' and supervisors' emoluments (Note 13)	**543**	584	**–**	–	**543**	584
Staff salaries, allowances and bonuses	**547**	608	**120**	180	**667**	788
Contributions to retirement benefits schemes	**169**	474	**20**	29	**189**	503
	1,259	1,666	**140**	209	**1,399**	1,875
Auditor's remuneration	**858**	600	**3**	–	**861**	600

12. DISCONTINUED OPERATION

On 26 April 2011, the Company entered into a sale agreement to dispose of 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, details of the assets and liabilities disposed of, and the calculation of the gain on disposal, are disclosed in Note 35.

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

	2011 **RMB'000**	2010 RMB'000
(Loss) profit of education projects operation for the year	**(15,585)**	2,848
Gain on disposal of education projects operation (Note 35)	**3,845**	–
	(11,740)	2,848

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For the year ended 31 December 2011

12. DISCONTINUED OPERATION *(Continued)*

The results of the education projects operation included in the consolidated income statement are set out below. The comparative results and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2011 **RMB'000**	2010 RMB'000
Turnover	**2,000**	3,000
Sales taxes on turnover	**(113)**	(165)
Cost of sales	**(99)**	(149)
Other income	**69**	48
Loss on disposal of property, plant and equipment	**(8)**	–
(Loss) gain on change in fair value of investment properties	**(16,360)**	2,000
Depreciation	**(873)**	(841)
Staff costs	**(140)**	(209)
Other operating expenses	**(61)**	(107)
Finance costs	**–**	(429)
(Loss) profit before taxation	**(15,585)**	3,148
Income tax expense	**–**	(300)
(Loss) profit for the year from discontinued operation	**(15,585)**	2,848
Cash flows from discontinued operation:		
Net cash inflow from operating activities	**701**	10,449
Net cash inflow (outflow) from investing activities	**46**	(110)
Net cash outflow from financing activities	**–**	(9,429)
Net cash inflow	**747**	910

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13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to each of the nine (2010: ten) directors were as follows:

For the year ended 31 December 2011	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
Executive directors				
An Mu Zong	30	–	–	30
Wang Zai Xing	30	–	–	30
Chow Ka Wo Alex	120	–	–	120
Wang Hui	30	–	–	30
	210	–	–	210
Non-executive directors				
Bao Yi Qiang (Note i)	30	–	–	30
Lin Dong Hu (Note iii)	33	–	–	33
	63	–	–	63
Independent non-executive directors				
Cai Lian Jun	30	–	–	30
Wong Kai Tat	120	–	–	120
Chan Ming Sun Jonathan	120	–	–	120
	270	–	–	270
Sub-total	543	–	–	543
Supervisors				
Wang Xing Ye	–	–	–	–
Lu Ming	–	–	–	–
Sub-total	–	–	–	–
Total	543	–	–	543

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For the year ended 31 December 2011

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

For the year ended 31 December 2010	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
Executive directors				
An Mu Zong	30	–	–	30
Wang Zai Xing	30	–	–	30
Chow Ka Wo Alex	120	–	–	120
Wang Hui	30	–	–	30
	210	–	–	210
Non-executive directors				
Bao Yi Qiang (Note i)	15	–	–	15
Deng Yan Bin (Note ii)	10	–	–	10
Lin Dong Hu (Note iii)	30	17	2	49
	55	17	2	74
Independent non-executive directors				
Cai Lian Jun	30	–	–	30
Wong Kai Tat	120	–	–	120
Chan Ming Sun Jonathan	120	–	–	120
	270	–	–	270
Sub-total	535	17	2	554
Supervisors				
Wang Xing Ye	15	–	–	15
Lu Ming	15	–	–	15
Sub-total	30	–	–	30
Total	565	17	2	584

Notes:

i. Appointed on 25 June 2010

ii. Resigned on 10 May 2010

iii. Resigned on 9 August 2011

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13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in the disclosures in Note 13(a) above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and bonuses	**167**	200
Contributions to retirement benefits schemes	**24**	2
	191	202

Their emoluments were within the following bands:

	Number of individuals	
	2011	2010
Nil to RMB1,000,000	**2**	2

During the two years ended 31 December 2010 and 2011, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2010 and 2011.

14. RETIREMENT BENEFITS SCHEME

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

15. 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 RMB45,612,000 (2010: RMB25,833,000) and the weighted average of 1,020,400,000 (2010: 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 2010 and 2011.

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15. EARNINGS PER SHARE *(Continued)*

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 RMB52,678,000 (2010: RMB23,830,000) and the weighted average of 1,020,400,000 (2010: 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 2010 and 2011.

From discontinued operation

The calculation of the basic (loss) earnings per share of RMB0.69 cents (2010: RMB0.20 cents) attributable to owners of the Company is based on the loss for the year from discontinued operation attributable to owners of the Company of approximately RMB7,066,000 (2010: profit of approximately RMB2,003,000) and the weighted average of 1,020,400,000 (2010: 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 2010 and 2011.

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

17. GOODWILL

	RMB'000
Cost	
At 1 January 2010, 31 December 2010 and 1 January 2011	59,376
Deregistration of a subsidiary (Note 36)	(59,376)
At 31 December 2011	–
Accumulated impairment	
At 1 January 2010, 31 December 2010 and 1 January 2011	59,376
Eliminated on deregistration of a subsidiary	(59,376)
At 31 December 2011	–
Carrying values	
At 31 December 2011	–
At 31 December 2010	–

Goodwill arose on acquisition of a subsidiary, Shanghai Beida Jade Bird Education Investment Company Limited ("Shanghai Beida"). As Shanghai Beida ceased the business during the year ended 31 December 2005, a full impairment has been recognised in the consolidated income statement during the year ended 31 December 2005. Shanghai Beida has been deregistered during the year ended 31 December 2011, the goodwill arose on acquisition of Shanghai Beida has been eliminated during the year ended 31 December 2011.

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18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost				
At 1 January 2010	15,474	1,021	3,179	19,674
Additions	117	236	–	353
Acquisition of a subsidiary	216	1,319	–	1,535
Disposal of a subsidiary	(51)	(1,022)	–	(1,073)
At 31 December 2010 and 1 January 2011	15,756	1,554	3,179	20,489
Additions	8	–	–	8
Disposal	(61)	–	–	(61)
Disposal of subsidiaries	(15,213)	–	(3,179)	(18,392)
Deregistration of a subsidiary	(65)	–	–	(65)
Reclassified as held for sale	(224)	(1,554)	–	(1,778)
At 31 December 2011	**201**	**–**	**–**	**201**
Accumulated depreciation and accumulated impairment				
At 1 January 2010	10,076	745	3,179	14,000
Provided for the year	863	196	–	1,059
Acquisition of a subsidiary	176	483	–	659
Eliminated on disposal of a subsidiary	(49)	(708)	–	(757)
At 31 December 2010 and 1 January 2011	11,066	716	3,179	14,961
Provided for the year	873	267	–	1,140
Eliminated on disposal	(45)	–	–	(45)
Eliminated on disposal of subsidiaries	(11,530)	–	(3,179)	(14,709)
Eliminated on deregistration of a subsidiary	(65)	–	–	(65)
Reclassified as held for sale	(105)	(983)	–	(1,088)
At 31 December 2011	**194**	**–**	**–**	**194**
Carrying values				
At 31 December 2011	**7**	**–**	**–**	**7**
At 31 December 2010	4,690	838	–	5,528

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

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19. INVESTMENT PROPERTIES

Investment properties under the fair value model:

	RMB'000
At 1 January 2010	296,000
Acquisition of a subsidiary (Note 37)	87,200
Additions	87,495
Net change in fair value of investment properties – continuing operations	32,406
Net change in fair value of investment properties – discontinued operation	2,000
At 31 December 2010 and 1 January 2011	505,101
Disposal of subsidiaries (Note 35)	(281,641)
Reclassified as held for sale (Note 28)	(97,100)
Net change in fair value of investment properties – continuing operations	38,300
Net change in fair value of investment properties – discontinued operation	(16,360)
At 31 December 2011	**148,300**

Investment properties under the cost model:

	RMB'000
Cost	
At 1 January 2010, 31 December 2010	11,794
Disposal of subsidiaries (Note 35)	(11,794)
At 31 December 2011	**–**
Accumulated depreciation and accumulated impairment	
At 1 January 2010	274
Provided for the year	275
At 31 December 2010 and 1 January 2011	549
Provided for the year	274
Eliminated on disposal of subsidiaries (Note 35)	(823)
At 31 December 2011	**–**
Carrying values	
At 31 December 2011	**–**
At 31 December 2010	11,245

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19. INVESTMENT PROPERTIES *(Continued)*

	2011 RMB'000	2010 RMB'000
Investment properties represented by:		
Under fair value model	**148,300**	505,101
Under cost model	**–**	11,245
	148,300	516,346

The investment properties classified by their nature were as follows:

	2011 RMB'000	2010 RMB'000
Campus (Note i and ii)	**–**	298,000
Car park (Note i and iii)	**–**	11,245
Properties (Note i and ii)	**148,300**	207,101
	148,300	516,346

Notes:

i) The investment properties represent land and buildings situated in the PRC under medium-term land use rights.

All of the Group's properties interests held under operating lease to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties.

ii) At 31 December 2011, the properties were measured by using the fair value model. The fair value of the properties have been arrived at on the basis of a valuation carried out on that date by BMI Appraisal Limited, independent qualified professional valuers not connected with the Group. BMI Appraisal Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

At 31 December 2010, the campus and properties was measured by using the fair value model. The fair value of the campus and properties have been arrived at on the basis of a valuation carried out on that date by Malcolm & Associated Appraisal Limited, independent qualified professional valuers not connected with the Group. Malcolm & Associated Appraisal Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

iii) For the car park, it was measured by using the cost model. Since the comparable market transactions are infrequent and the alternative reliable estimates of fair value are not available when the Group first transfer the properties held for sales into investment properties. As such, the directors of the Company are of the opinion that the Group measures that investment properties by using the cost model in accordance HKAS 16.

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20. AVAILABLE-FOR-SALE INVESTMENT

	RMB'000
Unlisted investment, at cost	
Cost	
At 1 January 2010, 31 December 2010 and 1 January 2011	20,000
Disposal	(20,000)
At 31 December 2011	**–**
Accumulated impairment	
At 1 January 2010	3,000
Provided for the year	3,200
At 31 December 2010 and 1 January 2011	6,200
Eliminated on disposal	(6,200)
At 31 December 2011	**–**
Carrying values	
At 31 December 2011	**–**
At 31 December 2010	13,800

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

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

During the year ended 31 December 2011, the Group disposed of Unisplendour Venture to an independent third party at a consideration of RMB900,000 and a loss on disposal of RMB12,900,000 has been recognised in the consolidated income statement accordingly.

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21. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

Pursuant to the circular of the Company dated 23 September 2011, the Company has entered into an acquisition agreement ("Acquisition Agreement") with Tianjin Zhongfang Yongyang Property Company Limited and Shenzhen Zhongfang Chuangzhan Investment Group Company Limited (the "Vendors") for the acquisition of the entire issued share capital of Zhongfang Chaozhou Investment Development Company Limited at a consideration of RMB310,000,000 ("Zhongfang Chaozhou Acquisition"). At 31 December 2011, the balance of RMB74,000,000 represent a refundable deposit paid upon signing the Acquisition Agreement. The Zhongfang Chaozhou Acquisition was approved by the shareholders of the Company on 12 October 2011 and has not yet completed up to the date of this report.

22. PROPERTIES HELD FOR SALE

	RMB'000
Properties under development for sales	
Cost	
At 1 January 2010	410,379
Disposal of a subsidiary	(410,379)
At 31 December 2010 and 31 December 2011	–
Accumulated impairment	
At 1 January 2010	216,438
Eliminated on disposal of a subsidiary	(216,438)
At 31 December 2010 and 31 December 2011	–
Carrying values	
At 31 December 2011	**–**
At 31 December 2010	–

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

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23. TRADE RECEIVABLES

	2011 **RMB'000**	2010 RMB'000
Trade receivables	**225**	925
Less: Allowance for doubtful debts	**–**	(638)
	225	287

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2011 **RMB'000**	2010 RMB'000
0 – 30 days	**225**	56
31 – 60 days	**–**	97
61 – 90 days	**–**	52
> 90 days	**–**	82
	225	287

Included in the Group's trade receivables balance, none of the trade receivables which are past due as at the end of the reporting period for which the Group has not provided for impairment loss (2010: RMB231,000). The Group does not hold any collateral over these balances.

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

	2011 **RMB'000**	2010 RMB'000
Overdue by:		
31 to 60 days	**–**	97
61 to 90 days	**–**	52
> 90 days	**–**	82
	–	231

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23. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts:

	2011 **RMB'000**	2010 RMB'000
1 January	**638**	200
Impairment loss recognised during the year	**180**	–
Acquisition of a subsidiary	**–**	438
Disposal of subsidiaries	**(200)**	–
Reclassified as held for sales	**(618)**	–
31 December	**–**	638

Included in the allowance for doubtful debts of trade receivables are individually impaired trade receivables with an aggregated balances of nil (2010: RMB638,000) which are either in severe financial difficulties or due to long outstanding. The Group does not hold any collateral over these balances.

24. AMOUNT DUE FROM A FORMER CUSTOMER

	2011 **RMB'000**	2010 RMB'000
Shenyang Water General Corporation ("SWGC")	**96,656**	96,656
Accumulated impairment	**(96,656)**	(96,656)
	–	–

When the Group was engaged in production and sale of urban purified water business before July 2002, SWGC was its sole customer. The amount represented the outstanding balance on the purchase of water. Pursuant to the agreement entered between the Group and SWGC, the amount has to fully settle before 31 December 2005. However, SWGC had settled RMB400,000 only up to 31 December 2005. The directors of the Company are of the opinion that the outstanding balance is unable to recover and a full impairment has been recognised in the consolidated income statement in previous years.

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25. OTHER RECEIVABLES

	2011 **RMB'000**	2010 RMB'000
Other receivables	**233,685**	39,754

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 Otley 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. For details, please refer to Note 35.

26. HELD FOR TRADING INVESTMENT

	2011 **RMB'000**	2010 RMB'000
Currency funds at fair value	**1,848**	–

27. BANK BALANCES AND CASH

The bank balances and cash are denominated in RMB and deposited with banks in the PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances carry interest at average market rates of 0.37% (2010: 1.08%) per annum during the year ended 31 December 2011. The bank balances are deposited with creditworthy banks with no recent history of default.

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For the year ended 31 December 2011

28. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 23 May 2011, the Company entered into a sale agreement with Beijing Sihai Huaao Trading Company Limited, an independent third party, in respect of the disposal of 100% equity interests in Shenzhen Jade Bird Shenfa Guangdian Company Limited and its subsidiaries (the "Shenzhen Group") at a consideration of approximately RMB81,000,000. The principal activities of the Shenzhen Group are engaged in leasing and management of property. The assets and liabilities attributable to those businesses, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position accordingly.

The major classes of assets and liabilities classified as held for sale at 31 December 2011, which have been presented separately in the consolidated statement of financial position, are as follows:

	2011 **RMB'000**
Property, plant and equipment	**690**
Investment properties	**97,100**
Loan receivables	**6,350**
Other receivables	**1**
Bank balances and cash	**1,576**
Assets classified as held for sale	**105,717**
Trade payables	**529**
Other payables and accruals	**1,337**
Tax payables	**315**
Deferred taxation	**11,007**
Liabilities classified as held for sale	**13,188**

Notes to the Consolidated Financial Statements

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29. TRADE PAYABLES

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

	2011 **RMB'000**	2010 RMB'000
Over 2 years	**–**	5,742

30. RECEIPTS IN ADVANCE

	2011 **RMB'000**	2010 RMB'000
Sales of properties	**–**	10,715
Deposit received on disposal of subsidiaries (Note)	**30,000**	–
Other	**67**	–
	30,067	10,715

Note: It represents an non-refundable deposits of RMB30,000,000 received in respect of disposal of Shenzhen Group. The assets and liabilities of Shenzhen Group have reclassified as held for sales at 31 December 2011 (Note 28).

31. PROVISIONS

	2011 **RMB'000**	2010 RMB'000
Analysed for reporting purposes as:		
current liabilities	**–**	1,041

At 31 December 2010, the provisions of RMB1,041,000 were derived from the delayed delivery of apartment to customers in one of the real estate development project of Shenyang Development Real Estate Company Limited ("Shenyang Development"). Therefore, Shenyang Development was potentially liable to pay penalty charges to the buyers for unable to discharge the sales contracts on time. Since Shenyang Development was disposed during the year ended 31 December 2011 (Note 35), the provision has been eliminated upon disposal.

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For the year ended 31 December 2011

32. SHARE CAPITAL

	Number of shares	Amount RMB'000
Authorised, issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011		
Domestic shares of RMB1 each	600,000,000	600,000
H shares of RMB1 each	420,400,000	420,400
	1,020,400,000	1,020,400

33. DEFERRED TAXATION

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

	RMB'000
At 1 January 2010	(17,392)
Acquisition of subsidiary	(8,134)
Charged to consolidated income statement – continuing operations	(7,279)
Charged to consolidated income statement – discontinued operation	(300)
At 31 December 2010	(33,105)
Reclassified as held for sales	11,007
Credit to consolidated income statement – continuing operations	4,090
Credit to consolidated income statement – discontinued operation	4,027
At 31 December 2011	**(13,981)**

At the end of the reporting period, the Group had estimated unused tax losses of approximately RMB59,012,000 (2010: RMB21,400,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream.

34. OTHER CURRENT/NON-CURRENT LIABILITIES

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

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For the year ended 31 December 2011

35. Disposal of subsidiaries

Year ended 31 December 2011

Shenyang Development Real Estate Company Limited

On 16 December 2011, the Group had disposal of 99.86% equity interests of its subsidiary, Shenyang Development to an independent third party at a consideration of RMB100,000. The net liabilities of Shenyang Development at the date of disposal were as follows:

	Shenyang Development RMB'000
Net liabilities disposed of:	
Investment properties	**10,971**
Trade receivables	**378**
Bank balances and cash	**2**
Tax refundable	**41**
Trade payables	**(5,165)**
Other payables and accruals	**(2,142)**
Receipts in advance	**(11,151)**
Provisions	**(1,041)**
Net liabilities disposed of	**(8,107)**
Gain on disposal of a subsidiary:	
Consideration receivable	**100**
Net liabilities disposed of	**8,107**
Non-controlling interests	**18**
Gain on disposal	**8,225**
Payment manner:	
Deferred cash consideration (Note 25)	**100**
Net cash outflow arising on disposal:	
Cash consideration	**–**
Less: bank balances and cash disposed of	**(2)**
	(2)

35. Disposal of subsidiaries *(Continued)*

Year ended 31 December 2011 *(Continued)*

Zhuhai Beida Education Science Park Company Limited

On 1 September 2011, the Group had disposal of 70% equity interests of its subsidiary, Zhuhai Beida to an independent third party at a consideration of RMB231,084,000. The Group has discontinued its education projects operations upon the completion of the disposal of Zhuhai Beida (Note 12). The net assets of Zhuhai Beida at the date of disposal were as follows:

	Zhuhai Beida RMB'000
Net assets disposed of:	
Investment properties	281,641
Property, plant and equipment	3,683
Other receivables	500
Bank balances and cash	1,778
Other payables and accruals	(6,962)
Tax liabilities	(4,090)
Deferred taxation	(13,602)
Net assets disposed of	**262,948**
Gain on disposal of a subsidiary:	
Consideration received and receivable	231,084
Net assets disposed of	(262,948)
Non-controlling interests	35,709
Gain on disposal	**3,845**
Payment manner:	
Cash received	30,000
Deferred cash consideration (Note 25)	201,084
	231,084
Net cash inflow arising on disposal:	
Cash consideration	30,000
Less: bank balances and cash disposed of	(1,778)
	28,222

The gain on disposal of a subsidiary arising on the disposal of 70% equity interests of Zhuhai Beida is included in the loss for the year from discontinued operation in the consolidated income statement.

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For the year ended 31 December 2011

35. Disposal of subsidiaries *(Continued)*

Year ended 31 December 2010

Beijing Diye Real Estate Development Company Limited

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

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

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

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36. Deregistration of a Subsidiary

Year ended 31 December 2011

Shanghai Beida Jade Bird Education Investment Company Limited

On 14 June 2011, the Company deregistration of 100% equity interests of its subsidiary, Shanghai Beida Jade Bird Education Investment Company Limited. The net liabilities of Shanghai Beida Jade Bird Education Investment Company Limited at the date of deregistration were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Bank balances and cash	**1**
Other payables and accruals	**(163)**
Net liabilities disposed of	**(162)**
Gain on deregistration of a subsidiary:	
Net liabilities disposed of	**162**
Gain on deregistration	**162**

The gain on deregistration of a subsidiary arising on the deregistration of 100% equity interests Shanghai Beida Jade Bird Education Investment Company Limited is recognised in the consolidated income statement in accordance with HKFRS.

37. ACQUISITION OF A SUBSIDIARY

Year ended 31 December 2010

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

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

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

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37. ACQUISITION OF A SUBSIDIARY *(Continued)*

Year ended 31 December 2010 *(Continued)*

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

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

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

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38. OPERATING LEASE

The Group as lessor

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

	2011 RMB'000	2010 RMB'000
Schoolhouse and equipment	**2,000**	3,000
Investment properties	**22,879**	19,453
	24,879	22,453

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

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

	2011 RMB'000	2010 RMB'000
Within one year	**10,955**	13,476
In the second to fifth years, inclusive	**10,955**	8,977
	21,910	22,453

The lease period was from one year to two years (2010: one year to three years).

39. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitment:

	2011 RMB'000
Capital expenditure in respect of the acquisition of a subsidiary contracted for but not provided in the consolidated financial statements	**236,000**

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40. MATERIAL LITIGATIONS

During the year ended 31 December 2011 and 2010, the Group was not involved in any new litigation and the claim by Beijing Beida Jade Bird Company Limited ("Beida Jade Bird") against the Company with respect to outstanding guaranteed amount was settled.

In December 2006, the assets of Beida Jade Bird have been auctioned by the Court and the proceeds were applied to settle the guaranteed amount provided by Liaoning Hua Jin Hua Gong Group Company Limited ("Hua Jin Hua Gong") to the Company due to the litigation over the loan from Dalian Branch of Shenzhen Development Bank. In May 2007, Beida Jade Bird commenced legal action against the Company and Shenyang Public Utility Group Company Limited ("SPUG"), the guarantors, for the said amount. Up to 31 August 2008, the Company has repaid approximately RMB101,340,000 to Beida Jade Bird. The unpaid balance of the claim of Beida Jade Bird and the interest thereof amount to approximately RMB83,000,000.

Later, application was made by Beida Jade Bird to Beijing No. 1 Intermediate People's Court for the implementation of SPUG's assets. In February 2009, Beijing No. 1 Intermediate People's Court had entrusted an auctioneer to hold a legal auction in respect of the 58.8% equity interests held by SPUG in the Company. Beijing Mingde successfully bid for the equity interests. The proceeds were used in the guaranteed amount owed to Beida Jade Bird. As such, the guaranteed amount due to Beijing Jade Bird from the Company had been fully settled.

As a result of auction of the SPUG's assets to repay the Company's debts, the Company has an outstanding guaranteed amount due to SPUG of approximately RMB84,000,000. As of March 2010, the Company was financed such amount from various sources and repaid all outstanding guaranteed amount to SPUG.

41. MATERIAL NON-CASH TRANSACTIONS

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

42. SIGNIFICANT CONNECTED TRANSACTIONS

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

The identified connected party which has transaction with the Group is as follows:

Name of the Company	Relationships with the Company
Zhuhai School (Note a)	A branch of 北京北大教育投資有限公司 ("Beida Education Investment"), in which Beida Education Investment is a related company of Beida Jade Bird

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42. SIGNIFICANT CONNECTED TRANSACTIONS *(Continued)*

The principal connected party transactions in the ordinary course of business between the Group and connected parties are as follows:

(a) During the year ended 31 December 2010 and 2011, the Group received rental income of RMB3,000,000 and RMB2,000,000 from Zhuhai School for leasing of schoolhouse and related equipment. The lease period was from January 2003 to December 2013. Rental would negotiate on December on yearly basis.

(b) At the end of the reporting period, the balance of connected party is as follows:

Name of connected party	**2011 RMB'000**	2010 RMB'000
Other payables and accruals		
– Zhuhai School	**–**	4,474

43. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries held by the Company at 31 December 2011 are as follows:

Name of subsidiary	**Place of incorporation/ registration/ operation**	**Paid-up registered capital RMB'000**	**Percentage of effective equity interest held by the Company**		**Principal activities**
			Directly	**Indirectly**	
Beijing ShenFa Property Management Company Limited#	PRC	500	100.00%	–	Leasing and management of property
Shenzhen Jade Bird ShenFa Optoelectronic Company Limited#	PRC	500	100.00%	–	Inactive
Shenzhen Jade Bird Optoelectronic Co., Ltd.#	PRC	10,650	–	100.00%	Leasing and management of property
Shenzhen Jade Bird Guanghua Technology Company Limited#	PRC	500	–	100.00%	Inactive

English name is for identification only

All of the above subsidiaries are limited company which incorporated and operated in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2011 RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3**	27
Investments in subsidiaries	(a)	**500**	122,770
Available-for-sale investment		**–**	13,800
Deposit paid for acquisition of a subsidiary		**74,000**	–
		74,503	136,597
CURRENT ASSETS			
Amounts due from subsidiaries	(b)	**15,009**	145,102
Other receivables		**225,372**	30,764
Bank balances and cash		**2,543**	57
		242,924	175,923
Assets classified as held for sale		**500**	–
		243,424	175,923
CURRENT LIABILITIES			
Receipts in advance		**30,000**	–
Other payables and accruals		**1,602**	27,436
Other current liabilities		**19,000**	–
Amounts due to subsidiaries	(b)	**–**	109,622
Tax liabilities		**13,679**	–
		64,281	137,058
NET CURRENT ASSETS		**179,143**	38,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**253,646**	175,462
CAPITAL AND RESERVES			
Share capital		**1,020,400**	1,020,400
Reserves	(c)	**(766,754)**	(864,938)
TOTAL EQUITY		**253,646**	155,462
NON-CURRENT LIABILITY			
Other non-current liabilities		**–**	20,000
		253,646	175,462

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Investments in subsidiaries

	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**500**	344,650
Less: Accumulated impairment	**–**	(221,880)
	500	122,770

(b) The amounts due from (to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Reserves

	Share premium RMB'000 (Note i)	**Statutory surplus reserve RMB'000** (Note ii)	**Accumulated losses RMB'000**	**Total RMB'000**
At 1 January 2010	323,258	103,215	(609,043)	(182,570)
Loss for the year, representing total comprehensive expenses for the year	–	–	(682,368)	(682,368)
At 31 December 2010 and 1 January 2011	323,258	103,215	(1,291,411)	(864,938)
Profit for the year, representing total comprehensive income for the year	–	–	98,184	98,184
At 31 December 2011	**323,258**	**103,215**	**(1,193,227)**	**(766,754)**

Notes:

(i) 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.

(ii) 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.