SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED

Stock code: 747

Annual Report 2012

Contents

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.

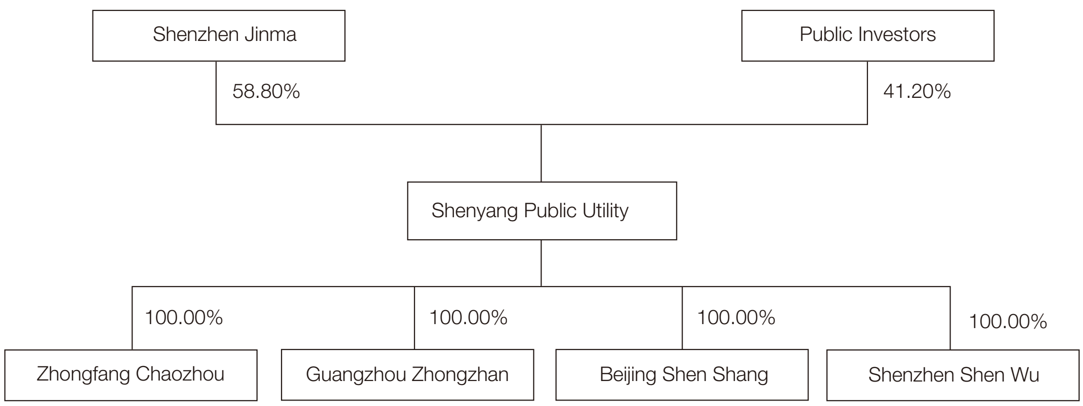
In March 2009, 600,000,000 domestic shares of the Company held by SPUG were transferred to Beijing Mingde Guangye Investment Consultant Company Limited ("Beijing Mingde").

On 10 December 2012, 600,000,000 domestic shares of the Company held by Beijing Mingde were transferred to Shenzhen Jinma Asset Management Company Limited ("Shenzhen Jinma").

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 2012, the corporate structure of the Group is shown below:



Company Profile

Shenzhen Jinma:	Shenzhen Jinma Asset Management Company Limited, a controlling shareholder holding 58.80% equity interests of the Company (the "Controlling Shareholder");
Zhongfang Chaozhou:	Zhongfang Chaozhou Investment Development Company Limited, in which the Company directly holds 100.00% equity interests;
Guangzhou Zhongzhan:	Guangzhou Zhongzhan Investment Holdings Company Limited, in which the Company directly holds 100.00% equity interests;
Beijing Shen Shang:	Beijing Shen Shang Investment and Consulting Company Limited, in which the Company directly holds 100.00% equity interests;
Shenzhen Shen Wu:	Shenzhen Shen Wu Investment Development Company Limited, in which the Company directly holds 100.00% equity interests;

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

Beijing Shenfa:	Beijing Shenfa Property Management Company Limited, in which the Company directly holds 100.00% equity interests; the Company has disposed the entire equity interest in this company during the year, as a result of which, Beijing Shenfa is no longer a subsidiary of the Company.
Shenzhen Shenfa:	Shenzhen Jade Bird Shenfa Optoelectronic Company Limited, in which the Company directly holds 100.00% equity interests; the Company has disposed the entire equity interest in this company in the previous year and the disposal transaction has been completed during the year, as a result of which, Shenzhen Shenfa is no longer a subsidiary of the Company.
Shenzhen Optoelectronic:	Shenzhen Jade Bird Optoelectronic Co, Ltd, in which Shenzhen ShenFa holds its 100.00% equity interests; since the Company has completed the disposal of Shenzhen Shenfa during the year, Shenzhen Optoelectronic is no longer a subsidiary of the Company.
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; since Shenzhen Optoelectronic is no longer a subsidiary of the Company, Shenzhen Guanghua is no longer a subsidiary of the Company either.

Financial Highlights

1. FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2012 was approximately RMB10,160,000 (2011: RMB22,879,000), a decrease of 55.59% over last year. The decrease was primarily attributable to the fall in rental income from properties as a result of the disposal of properties and the fact that our real estate development business was still in the input stage and therefore no income could be recognised.

- For the year ended 31 December 2012, the Company recorded profit of approximately RMB27,126,000 (2011: RMB40,910,000), representing an earnings per share of RMB2.66 cents (2010: RMB4.47 cents).

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

2. SUMMARY OF CONSOLIDATED INCOME STATEMENT

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

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**10,160**	22,879	17,682	3,651	39,617
Sales taxes on turnover	**(554)**	(1,199)	(872)	(198)	(2,179)
Cost of sales	**(792)**	(1,901)	(1,626)	(149)	(40,237)
Other income	**121**	178	151	805	16,329
Waived of debt of other payables	**–**	25,065	–	–	–
Fair value change in contingent consideration	**30,500**	–	–	–	–
(Loss) gain on disposal of subsidiaries	**(1,547)**	8,225	1,510	–	204,123
Loss on disposal of available-for-sale investment	**–**	162	–	–	–
Fair value loss on step acquisition of a subsidiary	**(48)**	–	–	–	–
Gain on deregistration of a subsidiary	**–**	(12,900)	–	–	–
Fair value change of investment properties, net	**800**	38,300	32,406	(2,000)	(483)
Impairment loss recognised in respect of available-for-sale investment	**–**	–	(3,200)	(3,000)	–
Impairment loss recognised in respect of properties held for sale	**–**	–	–	–	(216,438)
Administrative and other operating expenses	**(5,637)**	(14,209)	(14,243)	(14,039)	(32,191)
Finance costs	**–**	–	–	(798)	(17,876)
Profit (loss) before tax	**33,003**	64,600	31,808	(15,728)	(49,335)
Income tax (expenses) credit	**(5,877)**	(11,950)	(7,979)	300	(73)
Profit (loss) for the year from continuing operations	**27,126**	52,650	23,829	(15,428)	(49,408)
(Loss) profit for the year on discontinued operations	**–**	(11,740)	2,848	–	–
Profit (loss) for the year	**27,126**	40,910	26,677	(15,428)	(49,408)
Non-controlling interests	**–**	(4,702)	844	(454)	(855)
Profit (loss) attributable to owners of the Company	**27,126**	45,612	25,833	(14,974)	(48,553)
Earnings (loss) per share (cents)	**2.66**	4.47	2.53	(1.47)	(4.76)

3. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
Property, plant and equipment, investment properties and prepaid lease payments on land use rights	**598**	148,307	521,874	313,194	305,256
Goodwill	**75,888**	–	–	–	–
Available-for-sale financial assets	**–**	–	13,800	17,000	20,000
Other long-term receivables	**–**	–	–	–	32,745
Deposit paid for acquisition of a subsidiary	**–**	74,000	–	–	–
Total non-current assets	**76,486**	222,307	535,674	330,194	358,001
Current assets	**1,133,161**	346,662	59,353	256,208	294,802
Current liabilities	**(674,744)**	(49,745)	(58,631)	(99,333)	(67,008)
Net current assets	**458,417**	296,917	722	156,875	227,794
Total assets less current liabilities	**534,903**	519,224	536,396	487,069	585,795
Capital and reserves:					
Share capital	**1,020,400**	1,020,400	1,020,400	1,020,400	1,020,400
Reserves	**(488,297)**	(515,157)	(560,769)	(590,297)	(575,323)
Non-controlling interests	**–**	–	40,429	39,574	40,028
Total equity	**532,103**	505,243	500,060	469,677	485,105
Non-current liabilities	**2,800**	13,981	33,105	17,392	100,690
	534,903	519,224	536,396	487,069	585,795

Chairman's Statement

Dear Shareholders:

As the Chairman of Shenyang Public Utility Holdings Company Limited, I am pleased to present to you the 2012 chairman statement.

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

At the beginning of the year, the Company completed the procedures for the registration of the change of business of Zhongfang Chaozhou which was acquired by the Company in the prior year, the consideration of the transaction has been paid and the transaction has been completed. Despite the delay in the Zhongfang Chaozhou project caused by the factors in relation to, among others, weather and the change of the construction plan, the Company still made certain progress in respect of the Zhongfang Chaozhou project. The construction of the first phase of 1,000 mu of land and the second phase of 2,000 mu of land of the Zhongfang Chaozhou project has been preliminarily completed, and part of the development costs has been recovered from the construction party. Currently, Zhongfang Chaozhou is engaged in the construction of the third phase of 1,500 mu of land, which is expected to be completed by the end of 2013.

In 2012, the Company acquired the entire equity interest of Guangzhou Zhongzhan in aggregate. The Guangzhou Zhongzhan project is a comprehensive real estate project that covers indemnificatory housing of the government, residential units and commercial properties. Recently, Guangzhou Zhongzhan has obtained the construction permit, and the project is in the process of construction.

Given that the Zhongfang Chaozhou project and the Guangzhou Zhongzhan project that the Company currently engaged in are both real estate projects in cooperation with the local government or supported by the local government, and the risks associated with such projects are under our control, the management is confident in the resolution of the difficulties and obstacles encountered in respect of the projects under the support of the local government to gain earnings from such projects as soon as possible.

The Company disposed the entire interest of Shenzhen Optoelectronic in the prior year, and disposed the entire interest of Beijing Shenfa during the year. The Company has received the consideration for the disposal of the entire interest of Shenzhen Optoelectronic in full and part of the consideration for the disposal of the equity interests of Beijing Shenfa during the year, the proceeds from which provided support for the Zhongfang Chaozhou project and the Guangzhou Zhongzhan project. The Company is expected to collect the outstanding consideration for the disposal of Beijing Shenfa and complete the disposal of Beijing Shenfa in the near future.

In terms of the structure of the corporate governance, the Company established a remuneration committee and a nomination committee in February 2012 to improve on the corporate governance.

In 2013, the Company will accelerate the progress of the Zhongfang Chaozhou project and the Guangzhou Zhongzhan project, and strive to recover the remaining construction cost and obtain the agreed profit from the Zhongfang Chaozhou project and to earn sales proceeds from the Guangzhou Zhongzhan project as soon as possible. The Company will enhance the corporate management, carry out strict control over the cost and improve the operational efficiency to improve its profitability to create return for the shareholders.

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

Shenyang, PRC, 28 March 2013

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 2012, Mr. An was elected chairman of the Company at the first meeting of the fifth session of the board of directors of the Company with effect from 12 February 2012 and up to the date of the annual general meeting in 2014.

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 2012, Mr. Wang was appointed as an executive director and chief executive officer of the Company at the first meeting of the fifth session of the board of directors of the Company. The term was effected from 12 February 2012 and expiring on the date of the annual general meeting in 2014.

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 fifth session of the board of directors of the Company on 12 February 2012 with effect from 12 February 2012 and expiring on the date of the annual general meeting in 2014.

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 Hoifu Energy Group 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 the date of the annual general meeting in 2014.

NON-EXECUTIVE DIRECTORS:

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. Mr. Bao has extensive experience in financial management and auditing. Mr. Bao has been a non-executive director of the Company since 25 June 2010. The term of office for all directors in this session will expire on 21 February 2015.

Ms. Zhang Lei Lei, born in July 1978. Ms. Zhang graduated with a bachelor's degree in accounting from the Anhui Finance & Trade College (安徽財貿學院) in July 2000. From 2002 until now, Ms. Zhang has been working as the officer of Land and Real Estate Research Center, China Development Institute (中國綜合開發研究院); and the general manager of Investment Department and the director of Beijing Qian Jing Real Estate Investment Company Limited (北京前景置地投資有限公司). Ms. Zhang has extensive experience in the negotiation, investment, development and management of large consolidated real estate projects. Ms. Zhang has been a non-executive director of the Company since 12 February 2012 with a term expiring on 11 February 2015.

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 expiring on the date of the annual general meeting in 2014.

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 the date of the annual general meeting in 2014.

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), an independent non-executive director of FinTronics Holdings Company Limited (stock code: 706) 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 the date of the annual general meeting in 2014.

Mr. Wei Jie Sheng, born in October 1962. Mr. Wei graduated from Guangdong Provincial Committee Party School (廣東省委黨校) with a postgraduate degree in economics. Mr. Wei worked as an assistant to the director of Shantou Trading Committee (汕頭市貿易委員會) from July 1998 to July 2002, a deputy general manager of Shenzhen CITIC Real Estate Development Company Limited from August 2002 to May 2004. Mr. Wei also worked in Shenzhen Changcheng Investment Holding Co., Ltd from June 2004 to December 2004 and promoted to be a deputy general manager of Shenzhen Changcheng Investment Holding Co., Ltd from December 2004 until now. Mr. Wei has profound experience in corporate operations management and property development business. Mr. Wei has been an independent non-executive director of the Company since 12 February 2012 with the current term expiring on 11 February 2015.

Profiles of the Management Team

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. He was conferred a master's degree in software engineering by the Northeastern University in January 2013. 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.

Ms. Qian Fang Fang, born in March 1983, graduated from the Northwest University of professional accounting with a bachelor's degree in management in 2006, and was conferred a master's degree in management in 2008. Since 2009 to 2011, Ms. Qian had worked in various positions, such as an accountant of Shanghai Greenchem Trading Co., Ltd, a funding manager of Shenzhen Hillton Optoelectronics Co., Ltd. Ms. Qian has profound experience in capital management, cost management and corporate accounting practices.

Management Discussion and Analysis

1. SUMMARY OF THE RESULTS

(1) Summary of the income statement

Consolidated profits

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**10,160**	22,879	17,682	3,651	39,617
Profit (loss) for the year from continuing operations	**27,126**	52,650	23,829	(15,428)	(49,408)
(Loss) profit for the year from discontinued operations	**–**	(11,740)	2,848	–	–
Profit (loss) for the year	**27,126**	40,910	26,677	(15,428)	(49,408)
Non-controlling interests	**–**	(4,702)	844	(454)	(855)
Profit (loss) attributable to owners of the Company	**27,126**	45,612	25,833	(14,974)	(48,553)
Earning (loss) per share (cents)	**2.66**	4.47	2.53	(1.47)	(4.76)

(2) Analysis of segment results

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Profit (loss) before tax	**33,003**	52,860	34,956	(15,728)	(49,335)
Of which:					
Property development	**36,812**	56,475	3,713	(921)	(11,544)
Education investment	**–**	(11,771)	1,573	968	2,552
Unallocated corporate income and expenses	**(3,930)**	7,995	29,670	(15,775)	(40,343)

(3) Analysis of segment turnover

	2012 RMB'000	% of total 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
Total turnover	**10,160**	**100**	24,879	100	20,682	100	3,651	100	39,617	100
Of which:										
Property development	**10,160**	**100**	22,879	92	17,682	85.49	651	17.83	36,617	92.43
Education investment	**-**	**-**	2,000	8	3,000	14.51	3,000	82.17	3,000	7.57

Operating Revenue of the Group

Turnover of the Group for the year ended 31 December 2012 was approximately RMB10,160,000 (2011: RMB22,879,000), a decrease of 55.59% over last year. The decrease was primarily attributable to the fall in rental income from properties as a result of the disposal of properties and the fact that our real estate development business was still in the input stage and therefore no income could be recognised.

Turnover from property leasing business for the year ended 31 December 2012 was approximately RMB10,160,000 (2011: RMB22,879,000).

Profit of the Group

Profit attributable to owners of the Company for the year ended 31 December 2012 amounted to approximately RMB27,126,000 (2011: RMB45,612,000).

2. ANALYSIS OF THE REAL ESTATE DEVELOPMENT BUSINESS

Summary of operating results

	2012 RMB'000	2011 RMB'000
Turnover	**10,160**	22,879
Profit before tax	**36,812**	56,475

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

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

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

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

Zhongfang Chaozhou has obtained all necessary licenses for the Project as mentioned under the Acquisition Agreement. The Project owner, Chaozhou Jinshan Investment and Development Company Limited ("Chaozhou Jinshan") has transferred a total of 3,500 mu to Zhongfang Chaozhou for further construction and development.

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

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

According to the management of Zhongfang Chaozhou, Zhongfang Chaozhou is currently working on the third phase of the Project where there will be contruction on approximately 1,500 mu land. Due to the reasons for the delay of the Project as mentioned above, the whole Project is targeted to be completed by the end of 2013.

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

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

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

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

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

3. ANALYSIS OF PROPERTY LEASING AND MANAGEMENT BUSINESS

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

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

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

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

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

2) Disposal of Shenzhen Jade Bird Shenfa Optoelectronic Company Limited*(深圳青鳥瀋發光電有限公司)

On 23 May 2011, the Company entered into a share transfer 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 Jade Bird Shenfa Guangdian Company Limited* (深圳青鳥瀋發光電有限公司) ("Shenzhen Shenfa"), which in turn holds 100% equity interests in Shenzhen Optoelectronic, to Beijing Sihai. The procedures of the registration of the change of business of Shenzhen Shenfa has been completed and the Company has fully received the consideration during the Year. The transaction has been completed and Shenzhen Shenfa and Shenzhen Optoelectronic ceased to be the subsidiaries of the Company.

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

(1) Financial statistics of the Group

Items	Basis	At 31 December 2012	At 31 December 2011
Gearing ratio	Total liabilities/total assets x 100%	**56.01%**	11.20%
Current ratio	Current assets/current liabilities	**1.68**	6.97
Quick ratio	(Current assets – inventories – properties held for sale)/current liabilities	**0.15**	6.97
Return on net assets ratio	Net profit(loss)/net assets x 100%	**5.10%**	8.10%
Sales margin	Net profit(loss)/turnover x 100%	**266.99%**	178.81%
Debt equity ratio	Total liabilities/total equity x 100%	**127.33%**	12.61%

(2) Overall position of the Group's assets

As at 31 December 2012, there was an increase in the total assets of the Group when compared with that of the previous year. The total assets of the Group increase to approximately RMB1,209,647,000 from approximately RMB568,969,000 representing an increase of approximately RMB640,678,000 or 112.6%.

	At 31 December		Changes in
	2012	2011	amount
	RMB'000	RMB'000	RMB'000
Total assets of which:			
Property, plant and equipment	**598**	7	591
Investment properties	**–**	148,300	(148,300)
Available-for-sale financial assets	**–**	–	–
Goodwill	**75,888**		75,888
Deposit paid for acquisition of a subsidiary	**–**	74,000	(74,000)
Total current assets	**1,133,161**	346,662	786,499
	1,209,647	568,969	640,678

(3) Current assets of the Group

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

	At 31 December		Changes in
	2012	2011	amount
	RMB'000	RMB'000	RMB'000
Current assets of which:			
Properties under development	**1,035,531**	–	1,035,531
Trade receivable	**–**	225	(225)
Prepayments, deposits and other receivables	**64,740**	233,685	(168,945)
Held for trading investment	**–**	1,848	(1,848)
Bank balances and cash	**32,890**	5,187	27,703
Assets classified as held for sale	**–**	105,717	(105,717)
	1,133,161	346,662	786,499

(4) Bank borrowings of the Group

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

(5) Equity attributable to owners of the Company

	At 31 December		Changes in
	2012	2011	amount
	RMB'000	RMB'000	RMB'000
Share capital	**1,020,400**	1,020,400	–
Share premium	**323,258**	323,258	–
Statutory surplus reserve	**103,215**	103,481	(266)
Accumulated losses	**(914,770)**	(941,896)	27,126

5. EMPLOYEES AND EMPLOYEES' EDUCATION LEVEL

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

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 2012.

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

Zhongfang Chaozhou, a company with a registered capital of RMB100,000,000, was incorporated at the right side of entrance hall on the first floor of the Administrative Committee Building, Northeast of Chaozhou Avenue, Chaozhou, Guangdong Province in the PRC (中國廣東省潮州市潮州大道北端東側管委會大樓一層大廳右側) in October 2009. Its principal operations are located in the PRC. The Company holds 100% equity interests in Zhongfong Chaozhou. During the year, no debt securities were issued.

Guangzhou Zhongzhan, a company with a registered capital of RMB10,000,000, was incorporated at Zhonggangmiao, Tianhe Community, Sanlian Village, Licheng Street, Zengcheng, Guangzhou, Guangdong Province in the PRC (中國廣東省廣州市增城荔城街三聯村天合社中崗廟) on 16 August 2011. Its principal operations are located in the PRC. The Company holds 100% equity interests in Guangzhou Zhongzhan. During the year, no debt securities were issued.

Beijing Shen Shang, a company with a registered capital of RMB1,000,000, was incorporated at 14 Fuqian Street, Beixiaoying Town, Shunyi District, Beijing, in the PRC on 12th October, 2012. Its principal operations are located in the PRC. The Company holds 100% equity interests in Beijing Shen Shang. During the year, no debt securities were issued.

Shenzhen Shen Wu, a company with a registered capital of RMB1,000,000, was incorporated at Room 208, 2nd/F, Block A and B, An Ye Xin Yuan, Yanfang Road, Luohu, Shenzhen, in the PRC on 24th September, 2012. Its principal operations are located in the PRC. The Company holds 100% equity interests in Shenzhen Shen Wu. During the year, no debt securities were issued.

The subsidiaries disposed during the year or previous years are as follows:

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 were located in the PRC. The Company held 100% equity interests in it. During the Year, no debt securities were issued, and it is no longer a subsidiary of the Company.

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 were located in the PRC. The Company held 100% equity interests in it. During the Year, no debt securities were issued, and it is no longer a subsidiary of the Company.

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 were located in the PRC. The Company indirectly held 100% equity interests in it. During the Year, no debt securities were issued, and it is no longer a subsidiary of the Company.

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 were located in the PRC. The Company indirectly held 100% equity interests in it. During the Year, no debt securities were issued, and it is no longer a subsidiary of the Company.

3. 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 33 to 35.

The Group's financial position as at 31 December 2012 is set out in the consolidated statement of financial position on pages 36 to 37.

The Group's cash flow for the year is set out in the consolidated statement of cash flows on pages 39 to 40.

Analysis of the results of the Group for the year is set out in the Management Discussion and Analysis section on pages 10 to 15.

4. INTERIM DIVIDEND

The board of directors of the Company resolved that no interim dividend was declared for the year 2012.

5. FINAL DIVIDEND

The board of directors of the Company resolved that no final dividend would be declared for the year 2012. Such resolution is subject to approval at the 2012 Annual General Meeting of the Company.

6. 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 38.

7. DONATION

During the year, the Group did not make any charity donation (2011: RMB1,810,000).

8. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 19 to the consolidated financial statements.

9. SHARE CAPITAL

As at 31 December 2012, 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.

10. TAXATION

Details of taxation of the Group are set out in Note 12 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.

11. STAFF QUARTERS

Pursuant to the Regulations on Management of Housing Provident Fund stipulated by the PRC government and the Notification in relation to the adjustment towards the ratio of contribution to the Housing Provident Fund of the Municipality (Shenzhugong (2008) No. 10) issued by the Shenyang Municipal Government, contribution to housing fund was calculated base on the monthly income of the staff, of which the ratio of contribution by the Company was 12% from 1 January 2008 onwards.

12. MEDICAL INSURANCE

Our contribution proportion for our employees' basic medical insurance has been 8.6% of the contribution base which is the total salaries of the staff under employment of the relevant units in last year.

13. DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company had no distributable reserves.

14. 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.

15. 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 85.10% of the Group's total sales for the year, of which sales to the largest customer RMB3,601,000 accounted for approximately 35.40% 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.

16. DIRECTORS AND SUPERVISORS

As at 31 December 2012, the 5th 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 and Ms. Zhang Lei Lei are non-executive directors; Mr. Cai Lian Jun, Mr. Wei Jie Sheng, Mr. Wong Kai Tat and Mr. Chan Ming Sun Jonathan are independent non-executive directors.

Supervisors: Mr. Wang Xing Ye, Mr. Lu Ming and Ms. Qian Fang Fang.

17. DIRECTORS' AND SUPERVISOR'S SERVICE CONTRACTS

The Company entered into or renewed the service contracts with the Directors and supervisors of the 5th Session of the board of directors and board of supervisors on 9 February 2012. 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 2015 or the date of the annual general meeting in 2014. 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.

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

As at 31 December 2012, 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.

19. 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.

20. 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 15 to the consolidated financial statements respectively.

21. 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.

22. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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	Shenzhen Jinma Asset Management Company Limited (i.e. Shenzhen Jinma)	600,000,000 domestic shares	58.80%
2	馬鐘鴻 (note 1)	600,000,000 domestic shares	58.80%
3	林偉成 (note 2)	600,000,000 domestic shares	58.80%
4	HKSCC Nominees Limited (note 3)	418,551,200 H shares (listed shares)	41.02%

Notes:

1. 馬鐘鴻 is a PRC legal person who holds 90% equity interests in Shenzhen Jinma. Pursuant to Section 316 of the SFO, 馬鐘鴻 is also deemed to be interested in the underlying shares of the Company held by Shenzhen Jinma.

2. 林偉成 is a PRC legal person who holds 10% equity interests in Shenzhen Jinma. Pursuant to Section 316 of the SFO, 林偉成 is also deemed to be interested in the underlying shares of the Company held by Shenzhen Jinma.

3. As notified by HKSCC Nominees Limited, as at 31 December 2012, 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) Newpont Securities Limited as nominee holds 58,022,000 H shares, representing 13.80% of the issued H shares of the Company.

   (2) Bank of China (Hong Kong) Limited as nominee holds 54,296,000 H shares, representing 12.91% of the issued H shares of the Company.

   (3) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 34,798,000 H shares, representing 8.27% of the issued H shares of the Company.

   (4) Prudential Brokerage Limited as nominee holds 24,152,000 H shares, representing 5.74% 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.

23. MATERIAL CONTRACT

(1) Acquisition Agreement on the Acquisition of 90% equity interests in Guangzhou Zhongzhan

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

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

(2) Equity Transfer Agreement on the Disposal of 100% equity interests in Beijing Shenfa

On 13 June 2012, the Company entered into an equity transfer agreement with Dingxin Huayu and Shengshi Xintian, pursuant to which, the Company agreed to dispose 100% equity interest in Beijing Shenfa to Dingxin Huayu and Shengshi Xintian (please refer to the Company's announcement published on 13 June 2012 for further details).

24. PURCHASE, SALE OR REDEMPTION OF SHARES

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

25. SHARE OPTIONS

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

26. SIGNIFICANT EVENTS

(1) Acquisition of 90% equity interests in Guangzhou Zhongzhan

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

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

(2) Disposal of 100% equity interests in Beijing Shenfa

On 13 June 2012, the Company entered into an equity transfer agreement with Dingxin Huayu and Shengshi Xintian, pursuant to which, the Company agreed to dispose 100% equity interest in Beijing Shenfa to Dingxin Huayu and Shengshi Xintian (please refer to the Company's announcement published on 13 June 2012 for further details). The change in the shareholdings of Beijing Shenfa has been completed.

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

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

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

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

(5) Changes in controlling shareholders and general offer

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

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

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

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

(6) Amendments to the Articles of the Company

In September 2012, in view of the acquisition of 600,000,000 Domestic Shares of the Company by Shenzhen Jinma from the Company's former controlling shareholder, Beijing Mingde, the Company proposed certain amendments to the Articles for the purpose of effecting the transfer of the Sale Shares and complying with the relevant laws and regulations in the PRC. Such amendments had been approved at the third extraordinary general meeting for 2012 of the Company held on 20 November 2012. For details on such amendments, please refer to the circular of the Company dated 12 October 2012.

Save as disclosed above, there has been no material changes in the Company's constitutional documents for the year ended 31 December 2012.

27. ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

(1) First Extraordinary General Meeting for 2012

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

(2) 2011 Annual General Meeting

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

(3) Second Extraordinary General Meeting for 2012

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

(4) Third Extraordinary General Meeting for 2012

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

28. BANK BORROWINGS

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

29. TRUST DEPOSITS

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

30. RETIREMENT BENEFITS SCHEME

Details of the retirement scheme and the amount of contributions to the retirement benefits scheme are set out in Note 16 to the consolidated financial statements.

31. 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.

32. LOANS TO SENIOR MANAGEMENT

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

33. 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 to the Board 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 2012 and discussed accounting policy and practice adopted by the Group and matters on financial reporting with the Group's auditor.

34. CORPORATE GOVERNANCE CODE

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

35. MATERIAL LITIGATION

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

36. AUDITORS

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.

37. 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.

38. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year, Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan, Mr. Cai Lian Jun and Mr. Wei Jie Sheng were appointed as the independent non-executive directors of the fifth session of the board of directors of the Company at the first extraordinary general meeting of the Company in 2012. Please refer to the announcement of the Company dated 9 February 2012 for details.

39. 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 28 March 2013 (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, 28 March 2013

Corporate Governance Report

During the year, the Company has committed to comply with the PRC Company Law, and the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other relevant laws and regulations and endeavor to achieve a higher standard of corporate governance.

The Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the "CG Code"), which took effect on 1 April 2012.

The Company had fully complied with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It had also fully complied with the CG Code during the period from 1 April 2012 to 31 December 2012, except for the following deviations:

Certain executive directors, non-executive directors and independent non-executive directors of the Company were unable to attend the extraordinary general meetings held on 9 February 2012, 23 August 2012 and 20 November 2012 respectively as provided for in code provision A.6.7 due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2012.

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 2012, the Board of the Directors comprised ten directors, of which four were executive directors, two were non-executive directors and four were independent non-executive directors. The Company disclosed the composition of the Board in all the communications according to the category of directors (including the chairman, executive director, non-executive director and independent non-executive director). The members are as follows:

Chairman:	Mr. An Mu Zong
Executive directors:	Mr. An Mu Zong, Mr. Wang Hui, Mr. Wang Zai Xing and Mr. Chow Ka Wo Alex
Non-executive directors:	Mr. Bao Yi Qiang and Ms. Zhang Lei Lei
Independent non-executive directors:	Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan, Mr. Cai Lian Jun and Mr. Wei Jie Sheng

The directors of the Company (including non-executive directors) are appointed for specific term. According to the Articles 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.

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.

The roles of chairman and chief executive officer were taken up by Mr. An Mu Zong (Chairman) and Mr Wang Hui (Chief Executive Officer). The roles of chairman and chief executive officer were separate and were taken up by two persons.

Pursuant to the requirements of Rule 13.3 of the Listing Rules, the Company has appointed four 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.

ATTENDANCE RECORD OF BOARD MEETINGS

As at 31 December 2012, the Board held nine board meetings and the attendance of each director at such meetings is as follows:

Director	Position	Attendance/meetings
An Mu Zong	Executive directors	9/9
Wang Zai Xing	Executive directors	9/9
Chow Ka Wo Alex	Executive directors	9/9
Wang Hui	Executive directors	9/9
Bao Yi Qiang	Non executive directors	9/9
Zhang Lei Lei[1]	Non executive directors	8/9
Cai Lian Jun	Independent non executive directors	9/9
Wong Kai Tat	Independent non executive directors	9/9
Chan Ming Sun Jonathan	Independent non executive directors	8/9
Wei Jie Sheng[2]	Independent non executive directors	7/9

1 She attended eight meetings in person and one meeting was presented by her alternative director Mr. Wang Hui.

2 He attended seven meetings in person and one meeting was presented by his alternative director Mr. Wang Hui and Ms. Zhang Lei Lei respectively.

During the Board meetings, 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, 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.

ATTENDANCE RECORD OF GENERAL MEETINGS

As at 31 December 2012, the Company held four general meetings and the attendance record of each director at such meetings is as follows:

Director	Position	Attendance/meetings
An Mu Zong	Executive directors	3/4
Wang Zai Xing	Executive directors	4/4
Chow Ka Wo Alex	Executive directors	3/4
Wang Hui	Executive directors	4/4
Bao Yi Qiang	Non executive directors	1/4
Zhang Lei Lei[1]	Non executive directors	0/3
Cai Lian Jun	Independent non executive directors	2/4
Wong Kai Tat	Independent non executive directors	2/4
Chan Ming Sun Jonathan	Independent non executive directors	1/4
Wei Jie Sheng[2]	Independent non executive directors	0/3

1 Since Ms. Zhang Lei Lei served as the director, the Company held three general meetings.

2 Since Mr. Wei Jie Sheng served as the director, the Company held three general meetings.

During the year, the directors had participated in the continual training so as to reinforce the knowledge and understanding of the Group's culture and operation. Such training generally covers areas including a brief introduction to the corporate structure, business and governance practices. All directors had submitted the record on relevant training sessions they had attended to the Company from April 2012.

SUPERVISORY COMMITTEE

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

NOMINATION COMMITTEE

On 12 February 2012, the Company established a nomination committee, the members of which are Mr. An Mu Zong (executive director), Mr. Wei Jie Sheng and Mr. Cai Lian Jun (independent non-executive directors), and the chairman of which is Mr. An Mu Zong. The nomination committee is primarily responsible for reviewing the structure and composition of the Board and making recommendation on the appointment of directors and is accountable to the Board.

During the year, the nomination committee held two meetings to review the structure, size and composition of the Board to ensure that Company's development needs are satisfied with the professional knowledge, the expertise and the experience equipped by the members of the Board.

The attendance record of the nomination committee is as follows:

Director	Attendance/meetings
Mr. An Mu Zong	2/2
Mr. Wei Jie Sheng	2/2
Mr. Cai Lian Jun	2/2

REMUNERATION COMMITTEE

On 12 February 2012, the Company established a remuneration committee, the members of which are Mr. Cai Lian Jun and Mr. Chan Ming Sun Jonathan (independent non-executive directors) and Mr. Bao Yi Qiang (non-executive directors) and the chairman of which is Mr. Cai Lian Jun. The remuneration committee is responsible for making recommendation to the Board on the remuneration policy and structure of directors and senior management and the formulation of regulated and transparent remuneration policy. The remuneration committee will review and approve the remuneration proposal for the members of senior management against the direction and target set by the Board and make proposal to the Board on the remuneration package of the directors and senior management. The remuneration will also review and approve the compensation arrangement for the dismissal of directors on the ground of misconduct.

During the year, the remuneration committee held one meeting to review the remuneration policy and structure of the Company and the remuneration package of the directors and members of senior management against their performance in 2012.

The attendance record of the remuneration committee is as follows:

Director	Attendance/meetings
Mr. Cai Lian Jun	1/1
Mr. Bao Yi Qiang	1/1
Mr. Chan Ming Sun Jonathan	1/1

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 2012 and discussed with the management and the Company's auditors the accounting policies and practices adopted and financial reporting matters of the year.

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

	Attendance/meetings
Wong Kai Tat	2/2
Chan Ming Sun	2/2
Cai Lian Jun	2/2

AUDITOR'S REMUNERATION

ZHONGLEI was the auditor of the Company in 2012. The remuneration in respect of the services provided by the Group's auditors is analysed as follows:

	2012 RMB'000	2011 RMB'000
Audit services		
– Annual audit for the year ended 31 December	**900**	843
– Others	**220**	–
	1,120	843

COMPANY SECRETARY

The Company has engaged Mr. Chou Cheuk Lap, lawyer, and Mr. Wang Zai Xing as the joint company secretary, which took effect since 14 September 2011. The joint company secretary has received no less than 15 hours of relevant professional training during the year.

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.

SHAREHOLDERS' RIGHTS AND INVESTOR 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 Board always ensures that shareholders' and stakeholders' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Board Secretary or Company Secretary by post or email (Spuh747@126.com).

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.

According to the Articles of the Company, shareholders who possess over 10% (including 10%) voting shares issued by the Company shall have the right to convene extraordinary general meetings by submitting written request to the Board. Shareholders are entitled to supervise the business activities of the Company and make recommendations or queries.

According to the Articles of the Company, shareholders holding more than 5% of the total voting shares of the Company are entitled to propose to the Company any new resolutions in writing. The Company shall include into the agenda of the meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting, provided that such motions shall be served on the Company within twenty days after the date of notice of the meeting hereinabove mentioned. Shareholders can propose the above resolutions by phone (86-024-24351041), fax (86-024-2433288) or email (Spuh747@126.com).

AMENDMENTS TO THE ARTICLES OF THE COMPANY

In September 2012, in view of the acquisition of 600,000,000 Domestic Shares of the Company by Shenzhen Jinma from the Company's former controlling shareholder, Beijing Mingde, the Company proposed certain amendments to the Articles for the purpose of effecting the transfer of the Sale Shares and complying with the relevant laws and regulations in the PRC. Such amendments had been approved at the third extraordinary general meeting for 2012 of the Company held on 20 November 2012. For details on such amendments, please refer to the circular of the Company dated 12 October 2012.

Save as disclosed above, there has been no material changes in the Company's constitutional documents for the year ended 31 December 2012.

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 31 to 106, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2012, 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.

OTHER MATTER

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

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

Chan Mei Mei
Practising Certificate Number: P05256
Suites 313–317, 3/F., Shui On Centre,
6–8 Harbour Road, Wanchai,
Hong Kong

28 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Continuing operations			
Turnover	7	**10,160**	22,879
Sales taxes on turnover		**(554)**	(1,199)
Cost of sales		**(792)**	(1,901)
Other income	9	**121**	178
Waived of debt of other payables	10	**–**	25,065
Fair value change in contingent consideration	40(b)	**30,500**	–
(Loss) gain on disposal of subsidiaries, net	38	**(1,547)**	8,225
Gain on deregistration of a subsidiary	39	**–**	162
Fair value loss on step acquisition of a subsidiary	40(a)	**(48)**	–
Loss on disposal of available-for-sale investment	21	**–**	(12,900)
Depreciation		**(100)**	(541)
Staff costs		**(1,540)**	(1,259)
Fair value change of investment properties, net	20	**800**	38,300
Impairment loss recognised in respect of trade receivables	25	**–**	(180)
Other operating expenses		**(3,997)**	(12,229)
Finance costs	11	**–**	–
Profit before tax	13	**33,003**	64,600
Income tax expense	12	**(5,877)**	(11,950)
Profit for the year from continuing operations		**27,126**	52,650
Discontinued operation	14		
Loss for the year from discontinued operation		**–**	(11,740)
Profit for the year		**27,126**	40,910
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		**27,126**	52,678
– from discontinued operation		**–**	(7,066)
		27,126	45,612
Loss for the year attributable to non-controlling interests			
– from continuing operations		**–**	(28)
– from discontinued operation		**–**	(4,674)
		–	(4,702)
		27,126	40,910

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Earnings per share from continuing and discontinued operations	17		
– Basic (RMB cents)		**2.66**	4.47
– Diluted (RMB cents)		**N/A**	N/A
Earnings per share from continuing operations			
– Basic (RMB cents)		**2.66**	5.16
– Diluted (RMB cents)		**N/A**	N/A
Dividends	18	**–**	–

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

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

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**598**	7
Investment properties	20	**–**	148,300
Available-for-sale investment	21	**–**	–
Goodwill	22	**75,888**	–
Deposit paid for acquisition of a subsidiary	23	**–**	74,000
		76,486	222,307
CURRENT ASSETS			
Properties under development	24	**1,035,531**	–
Trade receivables	25	**–**	225
Amount due from a former customer	26	**–**	–
Prepayments, deposits and other receivables	27	**64,740**	233,685
Held for trading investment	28	**–**	1,848
Bank balances and cash	29	**32,890**	5,187
		1,133,161	240,945
Assets classified as held for sale	30	**–**	105,717
		1,133,161	346,662
CURRENT LIABILITIES			
Trade payables	31	**378,680**	–
Other payables and accruals	32	**8,172**	1,836
Advanced proceeds received from customers	33	**270,000**	–
Receipts in advance	33	**–**	30,067
Other borrowings	34	**13,843**	–
Other current liabilities	35	**–**	2,231
Tax liabilities		**4,049**	2,423
		674,744	36,557
Liabilities classified as held for sale	30	**–**	13,188
		674,744	49,745
NET CURRENT ASSETS		**458,417**	296,917
TOTAL ASSETS LESS CURRENT LIABILITIES		**534,903**	519,224

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	36	**1,020,400**	1,020,400
Reserves		**(488,297)**	(515,157)
Equity attributable to owners of the Company		**532,103**	505,243
Non-controlling interests		**–**	–
TOTAL EQUITY		**532,103**	505,243
NON-CURRENT LIABILITIES			
Deferred taxation	37	**–**	13,981
Other borrowings	34	**2,800**	–
		2,800	13,981
		534,903	519,224

The consolidated financial statements on pages 31 to 106 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

An Mu Zong
Director

Wang Zai Xing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to owners of the Company						
	Share capital RMB'000 (Note 36)	Share premium RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	1,020,400	323,258	103,481	(987,508)	459,631	40,429	500,060
Profit (loss) for the year, representing total comprehensive income (expenses) for the year	–	–	–	45,612	45,612	(4,702)	40,910
Disposal of subsidiaries (Note 38(b))	–	–	–	–	–	(35,727)	(35,727)
At 31 December 2011 and 1 January 2012	1,020,400	323,258	103,481	(941,896)	505,243	–	505,243
Profit for the year, representing total comprehensive income for the year	–	–	–	27,126	27,126	–	27,126
Disposal of a subsidiary (Note 38(a)(i))	–	–	(266)	–	(266)	–	(266)
At 31 December 2012	**1,020,400**	**323,258**	**103,215**	**(914,770)**	**532,103**	**–**	**532,103**

Notes:

(a) Share premium

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

(b) Statutory surplus reserve

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

(c) Distributable reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax		
– from continuing operations	**33,003**	64,600
– from discontinued operation	**–**	(11,740)
Adjustments for:		
Interest income	**(121)**	(161)
Gain on change in fair value of held for trading investment	**–**	(48)
Loss (gain) on disposal of subsidiaries	**1,547**	(12,070)
Gain on deregistration of a subsidiary	**–**	(162)
Fair value change of investment properties, net	**(800)**	(21,940)
Waived of debt of other payables	**–**	(25,065)
Fair value change in contingent consideration	**(30,500)**	–
Fair value loss on step acquisition of a subsidiary	**48**	–
Loss on disposal of property, plant and equipment	**–**	8
Loss on disposal of available-for-sale investment	**–**	12,900
Depreciation of property, plant and equipment	**100**	1,140
Depreciation of investment property	**–**	274
Impairment loss recognised in respect of trade receivables	**–**	180
Operating cash flows before movements in working capital	**3,277**	7,916
Increase in properties under development	**(383,285)**	–
Increase in trade receivables	**(658)**	(496)
Decrease in prepayments, deposits and other receivables	**358,823**	7,652
Increase (decrease) in trade payables	**151,297**	(48)
Decrease in other payables and accruals	**(30,985)**	(2,593)
Decrease in other current liabilities	**(2,231)**	(1,000)
Increase in advanced proceeds received from customers	**120,000**	–
(Decrease) increase in receipts in advance	**(28,485)**	30,503
Cash generated from operations	**187,753**	41,934
Income tax paid	**(1,078)**	(713)
NET CASH FROM OPERATING ACTIVITIES	**186,675**	41,221
INVESTING ACTIVITIES		
Interest received	**121**	161
Purchase of property, plant and equipment	**(29)**	(8)
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)
Purchase of available-for-sale investment	**(1,000)**	–
Net cash inflow from contingent consideration	**30,500**	–
Net cash outflow from acquisition of a subsidiary	**(227,304)**	–
Net cash outflow from step acquisition of a subsidiary	**(108,787)**	–
Net cash inflow from disposal of subsidiaries	**158,151**	28,220
Net cash outflow from deregistration of a subsidiary	**–**	(1)
NET CASH USED IN INVESTING ACTIVITIES	**(148,348)**	(53,770)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES		
New interest-bearing other borrowings raised	2,800	–
Repayment of interest-bearing other borrowings	(15,000)	–
NET CASH USED IN FINANCING ACTIVITIES	(12,200)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,127	(12,549)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,763	19,312
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32,890	6,763
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	32,890	5,187
Bank balances and cash classified as assets held for sale	–	1,576
	32,890	6,763

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

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

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

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 45 to the consolidated financial statements.

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

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

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

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

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

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

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

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

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

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

* *IFRIC represents the International Financial Reporting Interpretations Committee.*
1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(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 offset of financial assets and liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

The Directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(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* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, 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*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)–Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied 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.

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entitles 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.

Income and expenses 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 in 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.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); 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 acquiree (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, where applicable, on the basis specified in another standard.

When 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 included 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 from the acquisition date) about facts and circumstances that existed at the acquisition date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

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 Group's 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 when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, 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 on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 sale of goods is recognsied when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specially, revenue from sales of properties in the ordinary course of business is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers pursuant to the sales agreement and the collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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

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 subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of property, plant and equipment 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 on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised accumulated impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/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.

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

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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the different between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 each 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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), 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, 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 on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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 before tax" as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 each 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are 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 are 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 ("AFS") financial assets. 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 derecognised 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 debt instrument 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 and points 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 debt instrument, or, where 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 a portfolio of identified 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 and is included in the other income line item in the consolidated income statement.

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) are measured at amortised cost using the effective interest method, less any identified accumulated impairment losses (see accounting policy on impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For AFS 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 loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 AFS 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, in addition, 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 of 30 days, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets

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. Changes in the carrying amount of the allowance account are recognsied in profit or loss. 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.

When an AFS 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 AFS 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 AFS 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

Debt 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums of discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 borrowings 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 expired, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities *(Continued)*

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group; or

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group; or

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or

(iii) the entity and the Group are joint ventures of the same third party; or

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; or

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors 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.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the Directors have determined that the presumption set out in HKAS 12 *Income Taxes* that investment properties measured using the fair value model are recovered through sale is rebutted.

Key sources of estimation uncertainty

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.

Fair value of investment properties

Investment properties are stated at fair values based on the valuations performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. 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.

Land appreciation tax

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2012, the carrying amount of goodwill amounted to approximately RMB75,888,000 (net of accumulated impairment loss of RMBNil). Details of the calculation of the recoverable amount are disclosed in Note 22.

Estimated impairment of other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2012, the carrying amount of other receivables is approximately RMB60,995,000 (net of allowance for doubtful debts of RMBNil) (31 December 2011: RMB233,685,000, net of allowance for doubtful debts of RMBNil).

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.

Income taxes

The Group is subject to income taxes in the PRC. However, the implementation of the tax varies amongst different tax jurisdictions in various cities of the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

At 31 December 2012, the Group had unused tax losses of approximately RMB704,000 (2011: RMB59,012,000) available for offset against future profits. No deferred tax asset in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position due to the unpredictability of future profits streams. In case where there are future profits generated to utilise the tax losses, a material deferred tax asset may arise, which would be recognised in the consolidated income statement for the year in which such profits are recorded.

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 other borrowings disclosed in Note 34, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 **RMB'000**	2011 RMB'000
Financial assets		
Fair value through profit or loss		
Held for trading investment	**–**	1,848
Loans and receivables (including cash and cash equivalents)		
Trade receivables	**–**	225
Deposits and other receivables	**61,064**	233,685
Bank balances and cash	**32,890**	5,187
	93,954	240,945
Financial liabilities		
At amortised cost		
Trade payables	**378,680**	–
Other payables and accruals	**8,172**	1,836
Other current liabilities	**–**	2,231
Other borrowings	**16,643**	–
	403,495	4,067

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, held for trading investment, bank balances and cash, trade payables, other payables and accruals, other current liabilities and other borrowings. 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.

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:

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 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, as the currency risk is minimal, no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to floating-rate borrowings as detailed in Note 34.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing market rate as detailed in Note 29.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Sensitivity analysis

The sensitivity analysis 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 (2011: 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 (2011: 100 basis points) higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would increase or decrease by approximately RMB327,000 (2011: profit for the year would increase or decrease by approximately RMB52,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At 31 December 2012, 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 as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade receivables and other receivables at the end of the reporting period to ensure that adequate impairment losses are made to irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

At 31 December 2012, the Group has concentration of credit risk as 58.4% of the total other receivables was due from the disposal of a subsidiary from one of the purchasers during the year ended 31 December 2012.

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 the 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	Repayable 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 2012					
Non-derivative financial liabilities					
Trade payables	–	378,680	–	378,680	378,680
Other payables and accruals	–	8,172	–	8,172	8,172
Other borrowings	7.87%	14,467	3,248	17,715	16,643
		401,319	3,248	404,567	403,495

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average interest rate	Repayable 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

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 consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to 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).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value *(Continued)*

	At 31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
Contingent consideration receivable	–	–	–	–

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

There were no transfers between level 1, 2 and 3 in the current and prior years.

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration receivable RMB'000
At 1 January 2012	–
Total gain – in profit or loss	30,500
Settlement	(30,500)
At 31 December 2012	–

Gain from change in fair value of contingent consideration is included in the consolidated income statement for the year ended 31 December 2012.

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:

	2012 RMB'000	2011 RMB'000
Continuing operations		
Development, sale, rental and management of properties	**10,160**	22,879
Discontinued operation		
Education projects (rental income)	**–**	2,000
	10,160	24,879

8. SEGMENT INFORMATION

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

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

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

The operating segments regarding the education projects were discontinued during the year ended 31 December 2011. Further details of discontinued operation under the education projects are set out in Note 14 to the consolidated financial statements.

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results

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

	Continuing operations Property development		Discontinued operation Education projects		Total	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover	**10,160**	22,879	**–**	2,000	**10,160**	24,879
Segment profit (loss)	**36,812**	56,475	**–**	(11,771)	**36,812**	44,704
Interest income					**121**	161
Unallocated corporate income					**–**	25,226
Unallocated corporate expenses					**(3,930)**	(17,231)
Profit before tax					**33,003**	52,860
Income tax expense					**(5,877)**	(11,950)
Profit for the year					**27,126**	40,910

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the result by each segment without allocation of central administration costs and directors' emoluments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

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

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

8. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

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

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

(c) Other segment information

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

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

Note: It represents non-current assets exclude financial instruments and goodwill.

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

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

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

Revenue from major services

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

	2012 RMB'000	2011 RMB'000
Rental and management of properties	**10,160**	22,879

Geographical information

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

Information about major customers

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

	2012 RMB'000	2011 RMB'000
Customer A[1]	**3,601**	5,281
Customer B[1]	**3,165**	4,747
Customer C[1]	**N/A[2]**	3,689

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

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

9. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Continuing operations		
Interest income	**121**	130
Change in fair value of held for trading investment	**–**	48
	121	178
Discontinued operation		
Interest income	**–**	31
Sundry income	**–**	38
	–	69
	121	247

10. WAIVED OF DEBT OF OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Continuing operations		
Waived of debt of other payables	**–**	25,065

Notes:

(i) Included in waived of debt of other payables amounting to approximately RMB23,686,000 was consideration payable regarding purchase of land and building in 2003. The Directors are of the opinion that the Company's obligation to settle the debt was remote and the amount should be written-off as the balances were brought forward with no movement since 2004 and the Company had not received any notice from the respective creditor to request payment.

(ii) Included in waived of debt of other payables amounting to approximately RMB1,325,000 is the staff costs. The Directors are of the opinion that the amounts should be written-off as the balances were brought forward with no movement since 2004, which seems that the amounts were over-provided, and there was no creditors have taken any legal action against or requested for the payment.

11. FINANCE COSTS

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

	2012 RMB'000	2011 RMB'000
Interest expense on other borrowings	**3,373**	–
Less: Interest capitalised in properties under development	**(3,373)**	–
	–	–

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

12. INCOME TAX EXPENSE

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

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

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

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

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

12. INCOME TAX EXPENSE *(Continued)*

	2012 RMB'000	2011 RMB'000
Continuing operations		
PRC enterprise income tax	**5,677**	15,977
Deferred taxation (Note 37)	**200**	(4,027)
	5,877	11,950
Discontinued operation		
PRC enterprise income tax	**–**	4,090
Deferred taxation (Note 37)	**–**	(4,090)
	–	–
	5,877	11,950

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

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

* The loss before tax included the amount of gain on disposal of Zhuhai Beida Education Science Park Company Limited of approximately RMB3,845,000 (Note 14).

13. PROFIT BEFORE TAX

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit before tax is arrived at after charging (crediting):						
Directors', supervisors' and chief executives remuneration (Note 15)	**605**	543	**–**	–	**605**	543
Staff salaries, wages and other benefits	**638**	547	**–**	120	**638**	667
Contributions to retirement benefits schemes	**297**	169	**–**	20	**297**	189
Total staff costs	**1,540**	1,259	**–**	140	**1,540**	1,399
Depreciation of property, plant and equipment	**100**	267	**–**	873	**100**	1,140
Depreciation of investment property	**–**	274	**–**	–	**–**	274
Loss on disposal of property, plant and equipment	**–**	–	**–**	8	**–**	8
Impairment loss recognised in respect of trade receivables	**–**	180	**–**	–	**–**	180
Auditor's remuneration						
– Audit service (included the audit fee for the PRC subsidiaries)	**831**	857	**–**	3	**831**	860
– Non-audit service	**211**	1	**–**	–	**211**	1
Gross rental income from investment property	**(10,160)**	(22,879)	**–**	(2,000)	**(10,160)**	(24,879)
Less:						
Direct operating expense incurred for investment properties that generated rental income during the year	**792**	1,901	**–**	99	**792**	2,000
	(9,368)	(20,978)	**–**	(1,901)	**(9,368)**	(22,879)

14. DISCONTINUED OPERATION

On 26 April 2011, the Company entered into a sale agreement to dispose a subsidiary, Zhuhai Beida Education Science Park Company Limited ("Zhuhai Beida"), which carried out all of the Group's education projects operation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 1 September 2011, details of the assets and liabilities disposed of, and the calculation of the gain on disposal, are disclosed in Note 38(b)(ii).

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

	2011 RMB'000
Loss of education projects operation for the year	(15,585)
Gain on disposal of education projects operation (Note 38(b)(ii))	3,845
	(11,740)

	2011 RMB'000
Turnover	2,000
Sales taxes on turnover	(113)
Cost of sales	(99)
Other income	69
Loss on disposal of property, plant and equipment	(8)
Fair value change of investment properties, net	(16,360)
Depreciation	(873)
Staff costs	(140)
Other operating expenses	(61)
Loss before tax	(15,585)
Income tax expense	–
Loss for the year from discontinued operation	(15,585)
Cash flows from discontinued operation:	
Net cash inflow from operating activities	701
Net cash inflow from investing activities	46
Net cash inflow	747

15. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

(a) Directors', supervisors' and chief executive emoluments

The emoluments paid or payable to each of the ten (2011: nine) directors and the three (2011: two) supervisors were as follows:

	Fees RMB'000	Salary allowances and bonus RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
For the year ended 31 December 2012				
Executive directors				
An Mu Zong	30	–	–	30
Wang Hui	30	–	–	30
Wang Zai Xing	30	–	–	30
Chow Ka Wo Alex	120	–	–	120
	210	–	–	210
Non-executive directors				
Bao Yi Qiang	30	–	–	30
Zhang Lei Lei (Note ii)	26	–	–	26
	56	–	–	56
Independent non-executive directors				
Cai Lian Jun	30	–	–	30
Wei Jie Sheng (Note ii)	26	–	–	26
Wong Kai Tat	120	–	–	120
Chan Ming Sun Jonathan	120	–	–	120
	296	–	–	296
Sub-total	562	–	–	562
Supervisors				
Wang Xing Ye	15	–	–	15
Lu Ming	15	–	–	15
Qian Fang Fang (Note iii)	13	–	–	13
Sub-total	43	–	–	43
Total	605	–	–	605

15. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors', supervisors' and chief executive emoluments *(Continued)*

	Fees RMB'000	Salary allowances and bonus RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
For the year ended 31 December 2011				
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	30	–	–	30
Lin Dong Hu (Note i)	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

Notes:

i Resigned on 9 August 2011
ii Appointed on 9 February 2012
iii Appointed on 12 February 2012

Mr. Wang Hui is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

15. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors whose emoluments are included in the disclosures in Note 15(a) above. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries, wages and other benefits	**216**	167
Contributions to retirement benefits schemes	**46**	24
	262	191

Their emoluments were within the following bands:

	Number of individuals	
	2012	2011
Nil to RMB1,000,000	**2**	2

During the two years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the Company's directors, supervisors, chief executives 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, supervisors and chief executives and the five highest paid employees has waived or agreed to waive any emoluments during each of the two years ended 31 December 2012 and 2011.

16. 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.

17. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

From continuing operations

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

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

From discontinued operation

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

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

18. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

19. 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 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
Additions	29	–	–	29
Acquisition of subsidiaries	198	448	–	646
Disposal of subsidiaries	(5)	–	–	(5)
At 31 December 2012	**423**	**448**	**–**	**871**
Accumulated depreciation and accumulated impairment				
At 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
Provided for the year (Note)	32	109	–	141
Eliminated on disposal of subsidiaries	(4)	(58)	–	(62)
At 31 December 2012	**222**	**51**	**–**	**273**
Carrying values				
At 31 December 2012	**201**	**397**	**–**	**598**
At 31 December 2011	7	–	–	7

Note: Included in depreciation provided for the year of approximately RMB41,000 (2011: RMBNil) is capitalised in properties under development in consolidated statement of financial position as at 31 December 2012, as the furniture, fixture and office equipment and motor vehicle are used at the construction site.

The above 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%

20. INVESTMENT PROPERTIES

Investment properties under the fair value model:

	RMB'000
At 1 January 2011	505,101
Reclassified as held for sale (Note 30)	(97,100)
Fair value change of investment properties, net – continuing operations	38,300
Fair value change of investment properties, net – discontinued operation	(16,360)
Disposal of subsidiaries (Note 38(b)(ii))	(281,641)
At 31 December 2011	148,300
Fair value change of investment properties, net – continuing operations	800
Disposal of subsidiaries (Note 38(a))	(149,100)
At 31 December 2012	**–**

Investment properties under the cost model:

	RMB'000
Cost	
At 1 January 2011	11,794
Disposal of subsidiaries (Note 38(b)(i))	(11,794)
At 31 December 2011 and 31 December 2012	–
Accumulated depreciation and accumulated impairment	
At 1 January 2011	549
Provided for the year	274
Eliminated on disposal of subsidiaries (Note 38(b)(i))	(823)
At 31 December 2011 and 31 December 2012	–
Carrying values	
At 31 December 2012	**–**
At 31 December 2011	–

	2012 RMB'000	2011 RMB'000
Investment properties represented by:		
Under fair value model	**–**	148,300
Under cost model	**–**	–
	–	148,300

20. INVESTMENT PROPERTIES *(Continued)*

The investment properties classified by their nature were as follows:

	2012 RMB'000	2011 RMB'000
Properties (Note (i) and (ii))	**–**	148,300
Car park (Note (iii))	**–**	–

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 2012 and 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 has 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 are of the opinion that the Group measures that investment property by using the cost model in accordance HKAS 16.

21. AVAILABLE-FOR-SALE INVESTMENT

	RMB'000
Cost	
At 1 January 2011	20,000
Disposal (Note (i))	(20,000)
At 31 December 2011	–
Addition	1,000
Eliminated on step acquisition (Note (ii))	(1,000)
At 31 December 2012	–
Accumulated impairment	
At 1 January 2011	6,200
Eliminated on disposal	(6,200)
At 31 December 2011 and 31 December 2012	–
Carrying values	
At 31 December 2012	**–**
At 31 December 2011	–

(i) 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 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.

(ii) On 17 May 2012, the Company acquired 10% equity interest in Guangzhou Zhongzhan Investment Holdings Company Limited ("Guangzhou Zhongzhan") at a consideration of RMB1,000,000. On 13 June 2012, the Company acquired a further 90% equity interest in Guangzhou Zhongzhan at a consideration of RMB115,000,000. At 13 June 2012, the fair value of identified net assets of Guangzhou Zhongzhan was approximately RMB9,523,000 and the fair value of previously-held 10% interest was approximately RMB952,000. As a result, the Company was recognised a fair value loss on step acquisition of a subsidiary arising from the remeasurement of previously-held interest of approximately RMB48,000 for the year ended 31 December 2012. Details of the acquisition are disclosed in Note 40(a).

22. GOODWILL

	RMB'000
Cost	
At 1 January 2011	59,376
Eliminated on deregistration of a subsidiary (Note (i))	(59,376)
At 31 December 2011	–
Arising on acquisition of subsidiaries (Note (ii))	75,888
At 31 December 2012	75,888
Accumulated impairment	
At 1 January 2011	59,376
Eliminated on deregistration of a subsidiary (Note(i))	(59,376)
At 31 December 2011 and 31 December 2012	–
Carrying values	
At 31 December 2012	**75,888**
At 31 December 2011	–

Notes:

(i) It represented the 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. Details of the deregistration are disclosed in Note 39.

(ii) For the year ended 31 December 2012, addition of goodwill amounting to approximately RMB75,888,000 was arisen from i) acquisition of 90% equity interests of Guangzhou Zhongzhan and ii) acquisition of 100% equity interests of Zhongfang Chaozhou Investment Development Company Limited ("Zhongfang Chaozhou"). Details of the acquisition are disclosed in Note 40.

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the operating segment as follows:

	2012 RMB'000	2011 RMB'000
Property development		
Guangzhou Zhongzhan (Note (i))	**31,429**	–
Zhongfang Chaozhou (Note (ii))	**44,459**	–
	75,888	–

22. GOODWILL *(Continued)*

Notes:

(i) The goodwill is mainly attributable to the opportunity for increasing returns as the project of Guangzhou Zhongzhan is located at one of the major cities in Guangdong Province with good future development which also help to diversify the sources of income for the Group. In view of such favorable terms and conditions, the Directors are of the view that the project is in the benefit of the Company.

(ii) The goodwill is mainly attributable to the opportunity for increasing return as the project of Zhongfang Chaozhou is a major property development project which was supported by the local government of Chaozhou. The support from the local government is important and helpful in completing the project, and future profitability of the project shall be promising. In view of such favorable terms and conditions, the Directors are of the view that the project is in the benefit of the Company.

During the year ended 31 December 2012, the Directors appointed an independent professional valuer, BMI Appraisals Limited, to perform business valuation on Guangzhou Zhongzhan and Zhongfang Chaozhou and concluded that no impairment loss have been recognised according to the recoverable amount approximate to the aggregate carrying amount of goodwill (being the CGU to which goodwill has been allocated) based on the business valuation report. The value-in-use calculation is based on the discount rate of Guangzhou Zhongzhan and Zhongfang Chaozhou of 12.09% and 8.50%, respectively and cash flow projections prepared from financial forecasts approved by the management of the Group covering a 5-year period.

23. 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 (collectively known as the "Vendors") for the acquisition of the 100% equity interests of Zhongfang Chaozhou 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 completed on 8 June 2012. Details of the Zhongfang Chaozhou Acquisition are disclosed in Note 40(b).

24. PROPERTIES UNDER DEVELOPMENT

	2012 RMB'000	2011 RMB'000
Properties under development comprise:		
Land use rights	**143,600**	–
Construction costs and capitalised expenditures	**859,984**	–
Accumulated capitalised interests	**31,947**	–
	1,035,531	–

The properties under development are all located in the PRC. The relevant land use rights are on leases of 70 years.

	2012 RMB'000	2011 RMB'000
Properties under development:		
Expected to be completed and available for sale within 12 months	**1,035,531**	–

25. TRADE RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**–**	225
Less: Allowance for doubtful debts	**–**	–
	–	225

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

	2012 RMB'000	2011 RMB'000
0 – 30 days	**–**	225

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

25. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts:

	2012 RMB'000	2011 RMB'000
At 1 January	–	638
Impairment loss recognised during the year	–	180
Disposal of subsidiaries	–	(200)
Reclassified as held for sales	–	(618)
At 31 December	–	–

26. AMOUNT DUE FROM A FORMER CUSTOMER

	2012 RMB'000	2011 RMB'000
Shenyang Water General Corporation ("SWGC")	96,656	96,656
Accumulated impairment	(96,656)	(96,656)
	–	–

When the Group was engaged in the 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 Company 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 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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Prepayments	3,676	–
Deposits	69	–
Other receivables (Note (i) and (ii))	60,995	233,685
	64,740	233,685

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) At 31 December 2012, included in other receivables, are the consideration receivables from Xinjiang Dingxin Huayu Equity Investment Company Limited and Xingjiang Shengshi Xintian Equity Investment Company Limited in respect of the disposal of 100% equity interests of its subsidiary, Beijing ShenFa Property Management Company Limited ("Beijing ShenFa") amounting to approximately RMB60,686,000. Details of the disposal are disclosed in Note 38(a) The balances were unsecured and should be settled in three instalments. The first instalment of approximately RMB15,000,000 was due on 15 March 2013, which was settled on 12 March 2013. The second instalment of approximately RMB10,000,000 will be settled on 30 June 2013 and the balance of approximately RMB35,686,000 will be settled on 31 October 2013.

(ii) At 31 December 2011, included in other receivables, are the consideration receivables from a) Shanghai Buotou Zongrenzong Environmental Science and Technology Company Limited in respect of the disposal of 70% equity interests of its subsidiary, Zhuhai Beida Education Science Park Company Limited amounting to approximately RMB201,084,000; and b) Beijing Teli Investment Management Company Limited in respect of the disposal of 99.86% equity interests of its subsidiary, Shenyang Development Real Estate Company Limited amounting to approximately RMB100,000. Details of the disposal are disclosed in Note 38(b).

28. HELD FOR TRADING INVESTMENT

	2012 **RMB'000**	2011 RMB'000
Currency funds at fair value	–	1,848

During the year ended 31 December 2012, the amount of the held for trading investments has been eliminated upon the disposal of 100% equity interests of Beijing ShenFa. Details of the disposal are disclosed in Note 38(a)(i).

29. 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 0.43% (2011: 0.37%) per annum during the year ended 31 December 2012. The bank balances are deposited with creditworthy banks with no recent history of default.

30. 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 Optoelectronic 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.

30. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

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 liabilities	315
Deferred taxation	11,007
Liabilities classified as held for sale	13,188

As details disclosed in Note 38(a)(ii), the disposal of 100% equity interests in the Shenzhen Group was completed on 22 March 2012.

31. TRADE PAYABLES

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

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

	2012 RMB'000	2011 RMB'000
Within 90 days	**117,683**	–
Over 90 days	**260,997**	–
	378,680	–

32. OTHER PAYABLES AND ACCRUALS

	2012 RMB'000	2011 RMB'000
Other payables	**1,623**	550
Accruals (Note)	**6,549**	1,286
	8,172	1,836

Note: At 31 December 2012, the amount included a balance of approximately RMB4,308,000 representing the deed tax payable arising from project development to the PRC tax authority in respect of the land in PRC.

33. ADVANCED PROCEEDS RECEIVED FROM CUSTOMERS/RECEIPTS IN ADVANCE

	2012 RMB'000	2011 RMB'000
Advanced proceeds received from customers (Note (i))	**270,000**	–
Receipts in advance		
– deposit received on disposal of subsidiaries (Note (ii))	–	30,000
– other	–	67
	–	30,067

Notes:

(i) (a) Included in the advanced proceeds received from customers, RMB220,000,000 were advanced payment from the customer of Zhongfang Chaozhou in relation to the construction work. The balance was unsecured, non-interest bearing and will be used to settle the contract price of the development project located in Jing Nan Fen Yuan in Chaozhou. Details of the project are disclosed in Note 40(b).

(b) Included in the advanced proceeds received from customers, RMB50,000,000 were advanced payment from the customer of Guangzhou Zhongzhan in relation to the property development project. The balance was unsecured, non-interest bearing and will be used to settle the contract price of the development project located in Guangzhou Zengcheng.

(ii) It represents a non-refundable deposits of RMB30,000,000 received in respect of disposal of the Shenzhen Group. As details disclosed in Note 38(a)(ii), the disposal of 100% equity interests in the Shenzhen Group was completed on 22 March 2012.

34. OTHER BORROWINGS

	2012 RMB'000	2011 RMB'000
Carrying amount repayable:		
Within one year or on demand	**13,843**	–
More than one year, but not exceeding two years	**2,800**	–
	16,643	–

Other borrowings were unsecured, bear interest at floating rates ranging from 7.80% to 8.00% per annum.

All of the Group's other borrowings were denominated in RMB.

Chaozhou Jinshan Investment and Development Company Limited ("Chaozhou Jinshan") has provided an other borrowing of RMB120,000,000 to the Zhongfang Chaozhou, in which it has been used and reclassified as an advanced payment from Chaozhou Jinshan for the construction project of Zhongfang Chaozhou during the year ended 31 December 2012.

35. OTHER CURRENT LIABILITIES

The amount is unsecured, interest-free and would not be required for repayment before 2012 and the Group has been fully settled during the year ended 31 December 2012 accordingly.

36. SHARE CAPITAL

	Number of shares	Amount RMB'000
Authorised, issued and fully paid:		
At 1 January 2011, 31 December 2011 and 31 December 2012		
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

37. DEFERRED TAXATION

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

	Revaluation of investment properties RMB'000
At 1 January 2011	(33,105)
Reclassified from held for sales (Note 30)	11,007
Credit to consolidated income statement – continuing operation	4,027
Credit to consolidated income statement – discontinued operations	4,090
At 31 December 2011 and 1 January 2012	(13,981)
Charge to consolidated income statement – continuing operation	(200)
Disposal of subsidiaries (Note 38(a))	14,181
At 31 December 2012	**–**

In accordance with the PRC laws and regulations, tax losses could be carried forward for five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

At the end of the reporting period, the Group had estimated unused tax losses of approximately RMB704,000 (2011: RMB59,012,000) 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.

38. DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 December 2012

(i) Beijing ShenFa Property Management Company Limited

On 23 August 2012, the Group had disposal of 100% equity interests of Beijing ShenFa to an independent third party, at a consideration of RMB150,000,000. The net assets of Beijing ShenFa at the date of disposal were as follows:

	Beijing ShenFa RMB'000
Net assets disposed of:	
Investment properties	147,600
Property, plant and equipment	3
Trade receivables	742
Other receivables	4
Held for trading investment	1,848
Bank balances and cash	9,023
Other payables and accruals	(180)
Receipts in advance	(1,582)
Amounts due to the ultimate holding company	(78,356)
Tax liabilities	(2,973)
Deferred taxation	(13,806)
Statutory surplus reserve	(266)
Net assets disposed of	62,057
Gain on disposal of a subsidiary:	
Consideration received and receivable	150,000
Waiver of loans granted to the ultimate holding company	(78,356)
Net assets disposed of	(62,057)
Gain on disposal	9,587
Payment manner:	
Cash received	89,314
Deferred cash consideration (Note 27(i))	60,686
	150,000
Net cash inflow arising on disposal:	
Cash consideration	89,314
Less: bank balances and cash disposed of	(9,023)
	80,291

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) During the year ended 31 December 2012 *(Continued)*

(ii) Shenzhen Jade Bird Shenfa Optoelectronic Company Limited and its subsidiaries

On 22 March 2012, the Group had disposal of 100% equity interests of Shenzhen Group to an independent third party at a consideration of RMB81,000,000. The net assets of Shenzhen Group at the date of disposal were as follows:

	Shenzhen Group RMB'000
Net assets disposed of:	
Investment properties	**98,600**
Property, plant and equipment	**630**
Loan receivables	**6,350**
Trade receivables	**141**
Other receivables	**696**
Bank balances and cash	**3,140**
Trade payables	**(529)**
Other payables and accruals	**(5,197)**
Amounts due to the ultimate holding company	**(80,000)**
Tax liabilities	**(315)**
Deferred taxation	**(11,382)**
Net assets disposed of	**12,134**
Loss on disposal of a subsidiary:	
Consideration received	**81,000**
Waiver of loans granted to the ultimate holding company	**(80,000)**
Net assets disposed of	**(12,134)**
Loss on disposal	**(11,134)**
Payment manner:	
Cash received	**81,000**
Net cash inflow arising on disposal:	
Cash consideration	**81,000**
Less: bank balances and cash disposed of	**(3,140)**
	77,860

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) During the year ended 31 December 2011

(i) Shenyang Development Real Estate Company Limited

On 16 December 2011, the Group had disposal of 99.86% equity interests of Shenyang Development Real Estate Company Limited ("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)
Provision	(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 27(ii))	100
Net cash outflow arising on disposal:	
Cash consideration	–
Less: bank balances and cash disposed of	(2)
	(2)

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) During the year ended 31 December 2011 *(Continued)*

(ii) Zhuhai Beida Education Science Park Company Limited

On 1 September 2011, the Group had disposal of 70% equity interests of 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 14). 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 27(ii))	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 for the year ended 31 December 2011.

39. DEREGISTRATION OF A SUBSIDIARY

During the year ended 31 December 2011

Shanghai Beida Jade Bird Education Investment Company Limited

On 14 June 2011, the Company deregistered 100% equity interest of Shanghai Beida. The net liabilities of Shanghai Beida 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
Net cash outflow arising on disposal:	
Cash consideration	–
Less: bank balances and cash disposed of	(1)
	(1)

The gain on deregistration of a subsidiary arising on the deregistration of 100% equity interest Shanghai Beida is recognised in the consolidated income statement for the year ended 31 December 2011.

40. ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2012

(a) Guangzhou Zhongzhan Investment Holdings Company Limited – Step acquisition

Pursuant to the announcement of the Company dated 17 May 2012, the Company has entered into a conditional agreement with the Zhongtou Chuangye (Beijing) Investment Holdings Company Limited (the "Vendor A") and Shenzhen Zhongzhan Chuangzhan Investment Development Company Limited (the "Vendor B") on 17 May 2012 (the "Guangzhou Zhongzhan Acquisition Agreement") for the acquisition of 90% equity interests in Guangzhou Zhongzhan at a consideration of RMB115,000,000 (the "Guangzhou Zhongzhan Acquisition"). On 17 May 2012, the Company owned 10% of Guangzhou Zhongzhan, which was classified as available-of-sale investments (Note 21).

The consideration of the Guangzhou Zhongzhan Acquisition will be satisfied by (a) as to RMB15,000,000 payables in cash to the Vendor A, and RMB13,000,000 payables in cash to the Vendor B, in 30 business days upon signing of the Guangzhou Zhongzhan Acquisition Agreement, (b) as to RMB46,560,000 payables in cash to the Vendor A, and RMB40,440,000 payables in cash to the Vendor B, in 90 business days upon the completion of changing the registered shareholders and the new business registration certificate being obtained by Guangzhou Zhongzhan.

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

During the year ended 31 December 2012 *(Continued)*

(a) Guangzhou Zhongzhan Investment Holdings Company Limited – Step acquisition *(Continued)*

The Directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. Acquisition and the goodwill arising at the step acquisition date are as follows:

	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Fair value RMB'000
Net assets acquired			
Property, plant and equipment	350	–	350
Properties under development	10,105	–	10,105
Prepayments, deposits and other receivables	129,799	–	129,799
Bank balances and cash	6,213	–	6,213
Trade payables	(6,616)	–	(6,616)
Other payables and accruals	(40,328)	–	(40,328)
Other borrowings	(15,000)	–	(15,000)
Amount due to the ultimate holding company	(75,000)	–	(75,000)
Total identifiable net assets	9,523		9,523

	RMB'000
Fair value of consideration given for obtaining the controlling interest (90%)	115,000
Less: fair value of total debts transferred	(75,000)
Add: previously-held interest as classified as available-for-sale investment (Note 21)	952
	40,952
Less: fair value of net assets acquired	(9,523)
Goodwill arising on Guangzhou Zhongzhan Acquisition (Note 22)	31,429

	2012 RMB'000
Net cash outflow arising on step acquisition:	
Cash consideration	(115,000)
Add: bank balances and cash acquired	6,213
	(108,787)

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

During the year ended 31 December 2012 *(Continued)*

(a) Guangzhou Zhongzhan Investment Holdings Company Limited – Step acquisition *(Continued)*

According to HKFRS 3, the previously-held interest are remeasured at their proportionate share of net assets acquired. The Group recognised the fair value loss on step acquisition of a subsidiary of approximately RMB48,000 as a result of the remeasurement of previously-held interest as classified as available-for-sale investment in the consolidated income statement for the year ended 31 December 2012.

As per the business valuation report of Guangzhou Zhongzhan issued by BMI Appraisal Limited, an independent qualified professional valuer, no intangible asset has been identified in Guangzhou Zhongzhan at the date of completion of the Guangzhou Zhongzhan Acquisition.

Goodwill arose in the acquisition of Guangzhou Zhongzhan because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Guangzhou Zhongzhan. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the profit for the year is approximately RMB391,000 loss attributable to the additional business generated by Guangzhou Zhongzhan. No revenue had been contributed from Guangzhou Zhongzhan to the Group for the year ended 31 December 2012.

Had the acquisition of Guangzhou Zhongzhan been completed on 1 January 2012, the Group's revenue for the year would have been approximately RMB10,160,000 and profit for the year would have been approximately RMB26,883,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

(b) Zhongfang Chaozhou Investment Development Company Limited

Pursuant to the Company's circular dated 23 September 2011, the Company has entered into a conditional agreement with Tianjin Zhongfang Yongyang Property Company Limited (the "Vendor C") and Shenzhen Zhongfang Chuangzhan Investment Group Company Limited (the "Vendor D") on 11 May 2011 for the acquisition of 50% equity interests in Zhongfang Chaozhou from each of the vendors, respectively, at the consideration of RMB310,000,000 (the "Zhongfang Chaozhou Acquisition").

On 8 June 2012, the Company agreed and signed a waived agreement with the Vendor C and the Vendor D to waive the conditions precedent of item (i) and (ii) of the vendors' guarantees as mentioned in Zhongfang Chaozhou Acquisition agreement as stated as below. Accordingly, the Directors determined that the Zhongfang Chaozhou Acquisition was completed on 8 June 2012, the date of which the Group had obtained the control in Zhongfang Chaozhou. Upon the completion, Zhongfang Chaozhou became a wholly-owned subsidiary of the Company.

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

During the year ended 31 December 2012 *(Continued)*

(b) Zhongfang Chaozhou Investment Development Company Limited *(Continued)*

The consideration of the Zhongfang Chaozhou Acquisition will be satisfied by (a) as to RMB20,000,000 payables in cash to each of the vendors, totaling RMB40,000,000, as a refundable deposit in seven days upon signing the Zhongfang Chaozhou Acquisition agreement, (b) after deducting RMB10,000,000 as a retained fund, the remaining balance of RMB130,000,000 payables in cash to each of the vendors, totaling RMB260,000,000, upon fulfilling the conditions precedent of items (i) to (iv) under vendors' guarantees as mentioned in Zhongfang Chaozhou Acquisition agreement (the "Vendors' Guarantees") as stated as below, (c) the retained fund of RMB5,000,000 payables in cash to each of the vendors, totaling RMB10,000,000, shall be settled according to the conditions precedent of the Vendors' Guarantees.

Pursuant to the Vendors' Guarantees, the Vendor C and the Vendor D have guaranteed to the Company that (i) in six months upon the entering of the Zhongfang Chaozhou Acquisition agreement, each of the vendors will provide all necessary assistance to the Company to obtain the construction approval, the planning license and the construction license for the development of a piece of land with a total construction area of 4,500 mu located at an industrial zone, namely Jing Nan Fen Yuan in Chaozhou, the PRC (the "Project"); (ii) in six months upon the entering of the Zhongfang Chaozhou Acquisition agreement, the vendors will provide all necessary assistance to transfer an area of 4,500 mu of the Project to Zhongfang Chaozhou; (iii) Zhongfang Chaozhou will achieve the audited net profit before tax of not less than RMB30,000,000 in the financial year ended 31 December 2011. The vendors shall compensate the difference, if any, provided that the Zhongfang Chaozhou fails to achieve the RMB30,000,000 net profits. If Zhongfang Chaozhou incurs a net loss, the compensation shall be equal to the difference between RMB30,000,000 and the loss before tax incurred ("Profit Guarantee"); (iv) in 90 days commencing from the day on which the Zhongfang Chaozhou Acquisition agreement is signed by the Company and vendors and the Zhongfang Chaozhou Acquisition being approved by the board and the shareholders at the extraordinary general meeting, the Company will obtain the registration of change of business and become the sole shareholder in the shareholders' list. A retained fund amounted to RMB10 million, as part of the consideration, will be retained by the Company before all the above guarantee conditions being fulfilled.

Pursuant to the announcement dated 8 August 2012, the Zhongfang Chaozhou Acquisition could not be completed before the year ended 31 December 2011 due to the delay in obtaining the registration of the change of business of Zhongfang Chaozhou from the PRC government. As a result, the Profit Guarantee has not been exercised and postponed to the financial year ended 31 December 2012.

The amount of approximately RMB30,500,000 represented the change in fair value of the contingent consideration receivable from the Vendor C and the Vendor D as the compensation in relation to the shortfall of the Profit Guarantee for the year ended 31 December 2012. The shortfall was mainly due to (i) adjustments have been made by the customer on the construction design after the commencement of construction work; (ii) part of the land transferred required further demolition; and (iii) bad weather condition. As a result, the Company, the Vendor C and the Vendor D foreseen that the RMB30,000,000 Profit Guarantee cannot be achieved as according to the management account of Zhongfang Chaozhou, operating loss of approximately RMB500,000 for the year ended 31 December 2012 was noted. Therefore, the vendors was obliged to compensate approximately RMB30,500,000 to the Company. The compensation amount of approximately RMB30,500,000 has been received by the Company and included in the "fair value change in contingent consideration" of the consolidated income statement for the year ended 31 December 2012.

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

During the year ended 31 December 2012 *(Continued)*

(b) Zhongfang Chaozhou Investment Development Company Limited *(Continued)*

The Directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired from the Zhongfang Chaozhou Acquisition and the goodwill arising are as follows:

	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Fair value RMB'000
Net assets acquired			
Property, plant and equipment	296	–	296
Properties under development	638,727	–	638,727
Prepayments, deposits and other receivables	92	–	92
Bank balances and cash	8,696	–	8,696
Trade payables	(220,767)	–	(220,767)
Other payables and accruals	(1,033)	–	(1,033)
Advanced proceeds received from customers	(90,000)	–	(90,000)
Other borrowings	(70,470)	–	(70,470)
			265,541
Goodwill arising from Zhongfang Chaozhou Acquisition (Note 22)			44,459
Consideration			310,000

	RMB'000
Payment manner:	
Deposit paid for the acquisition during the year 2011 (Note 23)	74,000
Cash paid	236,000
	310,000

	2012 RMB'000
Net cash outflow arising on acquisition:	
Cash consideration	(236,000)
Add: bank balances and cash acquired	8,696
	(227,304)

As per the business valuation report of Zhongfang Chaozhou issued by BMI Appraisal Limited, an independent qualified professional valuer, no intangible asset has been identified in Zhongfang Chaozhou at the date of completion of the Zhongfang Chaozhou Acquisition.

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

During the year ended 31 December 2012 *(Continued)*

(b) Zhongfang Chaozhou Investment Development Company Limited *(Continued)*

Goodwill arose in the acquisition of Zhongfang Chaozhou because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhongfang Chaozhou. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the profit for the year is approximately RMB309,000 loss attributable to the additional business generated by Zhongfang Chaozhou. No revenue had been contributed from Zhongfang Chaozhou to the Group for the year ended 31 December 2012.

Had the acquisition of Zhongfang Chaozhou been completed on 1 January 2012, the Group's revenue for the year would have been approximately RMB10,160,000 and profit for the year would have been approximately RMB26,730,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

41. OPERATING LEASE

The Group as lessor

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

	2012 **RMB'000**	2011 RMB'000
Schoolhouse and equipment	**–**	2,000
Investment properties	**10,160**	22,879
	10,160	24,879

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

	2012 **RMB'000**	2011 RMB'000
Within one year	**–**	10,955
In the second to fifth years, inclusive	**–**	10,955
	–	21,910

At 31 December 2012, the Group had no outstanding contract with tenants due to the disposal of Beijing Shenfa and the Shenzhen Group during the year ended 31 December 2012.

At 31 December 2011, the lease period was ranged from one year to two years.

41. OPERATING LEASE *(Continued)*

The Group as lessee

Operating lease payments represent rentals payables by the Group for certain of its office premises. Leases are negotiated for a term of one year (2011: Nil) with a fixed rentals. None of the leases included contingent rentals and terms of renewal were established in the leases.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**243**	–
In the second to fifth years inclusive	**–**	–
	243	–

42. CAPITAL COMMITMENT

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

	2012 RMB'000	2011 RMB'000
Capital expenditure in respect of the acquisition of a subsidiary contracted for but not provided in the consolidated financial statements (Note 40(b))	**–**	236,000
Capital expenditure in respect of property development activities contracted for but not provided in the consolidated financial statements	**427,802**	–

43. SIGNIFICANT CONNECTED TRANSACTIONS

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

Pursuant to the announcement of the Company dated 14 December 2012, the controlling shareholder of the Company has changed from Beijing Mingde to Shenzhen Jinma Asset Management Company Limited on 14 December 2012. Therefore, the Group is no longer a member of larger group of companies under Mingde Guangye thereafter.

43. SIGNIFICANT CONNECTED TRANSACTIONS *(Continued)*

During the year ended 31 December 2011, the identified connected party which has transaction with the Group was as follows:

Name of the Company	Relationships with the Company
Zhuhai School (Note)	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

Note: During the year ended 31 December 2011, the Group received rental income of RMB2,000,000 from Zhuhai School for leasing of schoolhouse and related equipment.

44. CONTINGENT LIABILITIES

During the year ended 31 December 2012, Zhongfang Chaozhou was solely worked for the development of the Project. Zhongfang Chaozhou has commenced the construction work before obtaining the construction license from the respective authority for the Project. As a result, there is a risk that both of the developer and constructor of the Project would subject to a penalty which will be determined by the Local Construction Administration Department.

According to the PRC legal opinion obtained by the Company, if Zhongfang Chaozhou is identified as a developer, the local construction authority is entitled to levy a penalty against Zhongfang Chaozhou as "order to rectify and cease the construction, and commit a fine ranging from RMB5,000 and up to RMB30,000 in case of profits earned from the non-compliance, or a fine ranging from RMB5,000 and up to RMB10,000 in case of no profit earned from the non-compliance". On the other hand, if Zhongfang Chaozhou is identified as a constructor, the Local Construction Administration Department is entitled to levy a penalty against Zhongfang Chaozhou as "order to cease the construction and rectify related issues in a limited timeframe, and commit a fine ranging from RMB5,000 and up to RMB30,000 (or a fine of above 1% and below 2% of the total contract amount) in case of profits earned from the non-compliance, or a fine ranging from RMB5,000 and up to RMB10,000 in case of no profit earned from the non-compliance".

The Directors are of the opinion that, an outflow of resources embodying economic benefits to settle the obligation is remote as the Project is worked for a government, and no provision for any liability that may result has been recognised in the consolidated financial statements.

45. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries held by the Company at 31 December 2012 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 Directly	Principal activities
Zhongfang Chaozhou Investment Development Company Limited*	PRC	100,000	100%	Property development
Guangzhou Zhongzhan Investment Holdings Company Limited*	PRC	10,000	100%	Property development
Beijing Shen Shang Investment & Consulting Company Limited* ("Beijing Shen Shang") (Note (i))	PRC	1,000	100%	Inactive
Shenzhen Shen Wu Investment & Development Company Limited* (Shenzhen Shen Wu") (Note (ii))	PRC	1,000	100%	Inactive

* English name is for identification only

Notes:

(i) Beijing Shen Shang was established in the PRC for an operating period of 30 years commencing from its date of establishment on 12 October 2012. The registered capital and paid-up capital of Beijing Shen Shang amounted to RMB1,000,000.

(ii) Shenzhen Shen Wu was established in the PRC for an operating period of 10 years commencing from its date of establishment on 24 September 2012. The registered capital and paid-up capital of Shenzhen Shen Wu amounted to RMB1,000,000.

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.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	3
Investments in subsidiaries	(a)	183,698	500
Available-for-sale investment		–	–
Deposit paid for acquisition of a subsidiary		–	74,000
		183,698	74,503
CURRENT ASSETS			
Amounts due from subsidiaries	(b)	246,791	15,009
Other receivables		60,865	225,372
Bank balances and cash		22,992	2,543
		330,648	242,924
Assets held for sale		–	500
		330,648	243,424
CURRENT LIABILITIES			
Other payables and accruals		4,052	1,602
Receipts in advance		–	30,000
Other current liabilities		–	19,000
Tax liabilities		18,453	13,679
		22,505	64,281
NET CURRENT ASSETS		308,143	179,143
NET ASSETS		491,841	253,646
CAPITAL AND RESERVES			
Share capital		1,020,400	1,020,400
Reserves	(c)	(528,559)	(766,754)
TOTAL EQUITY		491,841	253,646

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

Notes:

(a) Investments in subsidiaries

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**183,698**	500
Less: Accumulated impairment	**–**	–
	183,698	500

(b) The amounts due from 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 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 and 1 January 2012	323,258	103,215	(1,193,227)	(766,754)
Profit for the year, representing total comprehensive income for the year	–	–	238,195	238,195
At 31 December 2012	**323,258**	**103,215**	**(955,032)**	**528,559**

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 Company 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.