



# **SHENYANG PUBLIC UTILITY HOLDINGS COMPANY LIMITED**

Stock code: 747

**INTERIM REPORT 2012**

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The board of directors (the “Board”) of Shenyang Public Utility Holdings Company Limited (the “Company”) is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 (the “Period”). The condensed consolidated income statement, consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity for the Period and the condensed consolidated balance sheet of the Group as at 30 June 2012 are all unaudited and prepared in condensed accounts form together with some selected explanatory notes to the accounts are set out on page 20 to 32 of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of the Group’s Financial Performance**

During the Period, the turnover of the Group amounted to approximately RMB4,802,000, representing a decrease of approximately 62.2% as compared to that of the six months ended 30 June 2011 (the “2011 Corresponding Period”) (the “Corresponding Period”); profit after taxation and minority interests amounted to approximately RMB4,275,000, and the earnings per share was approximately RMB0.0042.

#### **I. Review of the Group’s Major Business**

The Group is a real estate developer and is principally engaged in the businesses of development and sale of real estate, leasing and management of property. The Company’s subsidiaries, Beijing Shenfa Property Management Company Limited (“Beijing Shenfa”) is a service provider of property leasing and property management in Beijing. Zhongfang Chaozhou Investment Development Company Limited\* (中房潮州投資開發有限公司) (“Zhongfang Chaozhou”) is a land consolidation developer in Chaozhou, Guangdong Province. Guangzhou Zhongzhan Investment Holdings Company Limited\* (廣州市中展投資控股有限公司) (“Guangzhou Zhongzhan”) is a real estate developer in Guangzhou, Guangdong Province.

## 1. Analysis of Real Estate Development Business

In order to enhance the shareholders' value, the Company seeks to explore new business growth points and business models that are in line with the principal operating direction of the Company which are less affected by the real estate austerity policies.

- 1) Acquisition of Zhongfang Chaozhou  
On 11 May 2011, the Company entered into 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 acquired the entire equity interests 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. And therefore the completion of the Acquisition had been delayed until 8 June 2012, on which all the conditions precedent under the Acquisition Agreement had been fulfilled. Following the completion, Zhongfang Chaozhou has become a wholly owned subsidiary of the Company.

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.

\* For reference only

Accordingly, the Vendors have issued an acknowledgment to the Company in relation to the postponement of the profit guarantee after the completion of Acquisition. Save as the postponed date of profit guarantee, other terms in relation to the profit guarantee remain unchanged.

As mentioned in the Circular, Zhongfang Chaozhou is currently carrying out 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 reasons including 1) some adjustments have been made on the construction design after the start of construction; 2) part of the land transferred from Chaozhou Jinshan Investment and Development Company Limited ("Chaozhou Jinshan"), the Project owner, required further demolition before construction, additional time has been utilized for demolishing the obstacles; and 3) bad weather condition resulted in the occurrence of landslides during the construction which required extra time to repair and reinforce the slopes around the land.

The first phase of the Project was preliminarily finished in early April 2012. Zhongfang Chaozhou has only completed construction on 1,000 mu land in the first phase of the Project because of the delay. On 17 April 2012, the Project owner, Chaozhou Jinshan has entered into an agreement with Zhongfang Chaozhou in relation to the transfer of 1,000 mu constructed land from Zhongfang Chaozhou to Chaozhou Jinshan (the "Agreement"). Pursuant to the Agreement, Chaozhou Jinshan would only pay the entire land development cost and construction cost with a premium of 18% only if the constructed land could meet the acceptance standard as agreed by both parties under the build transfer cooperation agreement. Since there was still details to be finalized in the first phase in order to reach the acceptance standard, Chaozhou Jinshan only agreed to prepay RMB140 million (the "Prepayment") to settle part of the payment to Zhongfang Chaozhou. The Prepayment was determined based on 60% of the total land development cost and construction cost (i.e. RMB235,000 per mu) being paid by Zhongfang Chaozhou on the 1,000 mu constructed land. Zhongfang Chaozhou is required to complete the remaining construction in phase one so as to fully comply with the acceptance standard. Chaozhou Jinshan will fully settle the outstanding payment to Zhongfang Chaozhou upon the acceptance standard was fully met.

According to the terms of the Agreement, part of the Prepayment shall be used to settle a loan of RMB60 million due from Zhongfang Chaozhou to Chaozhou Jinshan. As at 31 July 2012, Zhongfang Chaozhou has received a Prepayment of approximately RMB60 million from Chaozhou Jinshan. The remaining balance of the Prepayment amounted to approximately RMB20 million is expected to be received from Chaozhou Jinshan in due course. The amount received by Zhongfang Chaozhou is expected to be recognized as the income for the Group for the current financial year.

Since the Acquisition has not been completed as at 31 December 2011, the Company didn't disclose any financial information of Zhongfang Chaozhou in the Group's 2011 financial statements. In the meantime, Zhongfang Chaozhou is working on phase two of the Project and it is expected to be finished by end of 2012. According to the management of Zhongfang Chaozhou, a total of 2,000 mu land will be constructed in phase two and the constructed land will be transferred to Chaozhou Jinshan upon completion. The whole Project is targeted to be completed by June 2013.

2) Acquisition of Guangzhou Zhongzhan

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

\* For reference only

The conditions precedent to the acquisition agreement in relation to the acquisition of Guangzhou Zhongzhan had been completely fulfilled and the acquisition has been completed on 13 June 2012. Therefore, Guangzhou Zhongzhan has become a wholly-owned subsidiary of the Company. The integrated housing project engaged by Guangzhou Zhongzhan has been operated smoothly. As mentioned in the Announcement, the Guangzhou Zhongzhan 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.

## **2. Property Leasing and Management Business Analysis**

### **1) Disposal of Beijing Shenfa**

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

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

The Company has received the first installment of share transfer payment. On 23 August 2012, the second extraordinary general meeting for 2012 of the Company approved the resolution proposing the disposal of 100% equity in Beijing Shenfa. The conditions precedent to the disposal agreement had been completely fulfilled.

During the Period, the property held by Beijing Shenfa had received rental income of RMB4,802,000 with an occupancy rate of 100%.

\* For reference only

- 2) Disposal of Shenzhen Shenfa
- 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 Optoelectronic Company (深圳青鳥瀋發光電有限公司) (“Shenzhen Shenfa”), which in turn holds 100% equity interests in Shenzhen Jade Bird Optoelectronic Company Limited (深圳青鳥光電有限公司) (“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. The transaction of disposal has been completed and Shenzhen Shenfa and Shenzhen Optoelectronic ceased to be the subsidiaries of the Company.

## II. The Group’s Liquidity and Financial Resources

### 1. Borrowing Level and Analysis at the Balance Sheet Date

As at 30 June 2012, the Group had no bank borrowings.

### 2. Bills Payable

During the Period, the Company has no bills payable.

### 3. Financial Indicators and Basis of Calculation

Financial Indicators	Basis of Calculation	As at	As at
		30 June 2012	31 December 2011
Gearing ratio	Total liabilities/ total assets x 100%	<b>36.18%</b>	11.20%
Return on net assets ratio	Net profit/net assets x 100%	<b>0.84%</b>	8.10%
Sales profit margin	Net profit/sales income x 100%	<b>89.03%</b>	178.81%

\* For reference only

### III. Capital Structure of the Group

#### 1. Capital Structure of the Group

Items	As at 30 June 2012		As at 31 December 2011	
	Amount (RMB'000)	Percentage of Total Capital	Amount (RMB'000)	Percentage of Total Capital
Share capital	1,020,400	200.27%	1,020,400	201.96%
Share premium	323,258	63.44%	323,258	63.98%
Statutory surplus reserve	103,481	20.31%	103,481	20.48%
Retained profits	(937,621)	-184.02%	(941,896)	-186.42%
Minority interests	-	-	-	-
Total capital	<u>509,518</u>	<u>100%</u>	<u>505,243</u>	<u>100%</u>

### IV. Significant Investments Held

During the Period, the Company did not held any significant investments.

### V. Changes in the Composition of the Group

#### (1) Acquisition of 100% equity interests in Zhongfang Chaozhou

In respect of the transaction of the acquisition of Zhongfang Chaozhou, on 8 June 2012, all the conditions precedent under the Acquisition Agreement had been fulfilled. Zhongfang Chaozhou has become a wholly-owned subsidiary of the Company.

#### (2) Disposal of 100% equity interests in Shenzhen Shenfa

During the Period, the registration of the change of business of Shenzhen Shenfa has been completed and the Company has fully received the consideration. The transaction of disposal has been completed and Shenzhen Shenfa ceased to be a subsidiary of the Company.

#### (3) Acquisition of 90% equity interests in Guangzhou Zhongzhan

The conditions precedent to the acquisition agreement in relation to the acquisition of Guangzhou Zhongzhan had been fulfilled on 13 June 2012. Guangzhou Zhongzhan has become a wholly-owned subsidiary of the Company.

## **VI. Number of Employees, Emoluments, Training Schemes and Share Option Schemes**

As at 30 June 2012, the Group employed a total of 54 employees (including the directors of the Company) and emoluments during the Period amounted to approximately RMB1,533,899 (2011 Period: RMB730,615) in total. The Group has entered into employment contracts with all employees, and offered them with different emoluments according to their positions. The Group also made contributions to endowment insurance, basic medical insurance and housing reserves for all the employees in accordance with the relevant laws of the PRC. To date, the Group has not adopted any share option scheme for any of its senior management or employees.

## **VII. Details of the Group's Assets Secured/Pledged**

During the Period, no additional asset of the Group was secured or pledged.

## **VIII. Taxation**

During the Period, no provision for Hong Kong Profits Tax had been made as the Group's income neither arose in nor was derived from Hong Kong. During the Period, the Group was subject to income tax at the prevailing tax rate of 15% to 25% in the PRC.

## **IX. Currency Risks**

According to the "Quotations of the Exchange Rates for Converting Renminbi to Foreign Currencies by the Head Office of Designated Banks (1-6)" periodically promulgated by the State Administration of Foreign Exchange of the PRC in 2012, the exchange rate of the Renminbi to Hong Kong dollar experienced slight fluctuations during the Period. In addition, the conversion of the Company's deposits denominated in Hong Kong dollar was completed. Accordingly, the Company does not have any currency risk.

## X. Share Capital Structure

During the Period, there was no change in the share capital structure of the Company. As at 30 June 2012, the share capital structure of the Company was as follows:

Types of Shares	Number of Shares	Percentage of Total Issued Share Capital
Domestic shares	600,000,000	58.80%
H shares	420,400,000	41.20%
Total share capital	1,020,400,000	100%

## XI. Connected Transactions

During the Period, the Group does not have connected transaction.

## XII. Material Litigation

During the Period, there is no new material litigation involving the Group.

## XIII. Prospects of the Second Half of 2012

1. To accelerate the progress of the completion for disposal of Beijing Shenfa to retrieve the capital for other existing projects.
2. To accelerate the construction progress of Zhongfang Chaozhou's Project and to expedite the Project and the capital retrieval.
3. To proactively promote Guangzhou Zhongzhan's project, to accelerate the progress of approval and construction and to commence the sales of housing as soon as possible.

## REPORT OF THE DIRECTORS

### I. Interests and/or Short Positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares, Securities, Equity Derivatives and/or Debentures of the Company and/or the Company's Associated Corporations

1. As at 30 June 2012, the interest of the directors, supervisors and chief executives of the Company in the issued share capital of the Company are set out as follows:

Beneficial Owner	Position	Number of Shares
Ms. Qian Fang Fang	Supervisor	132,000 H Shares (Note 1)

Note 1: The number of shares held by Ms. Qian Fang Fang represents approximately 0.031% of the total issued H Shares of the Company as at the Latest Practicable Date.

Save as aforesaid, during the Period, none of the Directors, supervisors and chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Company as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the Directors).

2. During the Period, none of the directors or supervisors of the Company is a director or employee of another company which held interests in the shares, underlying shares, securities, equity derivatives and/or debentures of the Company which are required to notify the Company and the Hong Kong Stock Exchange in accordance with Division 2 and 3 of Part XV of the SFO.
3. None of the Company, its fellow subsidiaries or its holding company has entered into any material contracts relating to the business of the Group in which any directors or supervisor of the Company had direct or indirect material interests.

## II. Substantial Shareholders

As at 30 June 2012, save as the Company's directors, supervisors and chief executives, the register of members required to be maintained by the Company pursuant to section 336 of the SFO showed that the following corporations and individuals had interests and/or short positions in the Company's shares, underlying shares, securities, equity derivatives and/or debentures:

	Beneficial Owners	Shares	Percentage of Total Issued Share Capital
1	Beijing Mingde Guangye Investment Consultant Company Limited ("Mingde Guangye")	600,000,000 domestic shares (unlisted shares)	58.80%
2	Beijing Mingyude Business and Trade Company Limited ("Mingyude") (Note 1)	600,000,000 domestic shares	58.80%
3	李鵬 (Note 2)	600,000,000 domestic shares	58.80%
4	申雲變 (Note 3)	600,000,000 domestic shares	58.80%
5	HKSCC Nominees Limited (Note 4)	418,749,990 H shares (listed shares)	41.04%

Notes:

- Mingyude is a limited company established in the PRC which holds 90% equity interest in Mingde Guangye. Pursuant to section 316 of the SFO, Mingyude is deemed to be interested in the shares of the Company held by Mingde Guangye.
- 李鵬 is a PRC legal person who holds 10% equity interests in Mingde Guangye and 60% equity interests in Mingyude, which holds 90% equity interests in Mingde Guangye. Pursuant to section 316 of the SFO, 李鵬 is deemed to be interested in the shares of the Company held by Mingde Guangye.
- 申雲變 is a PRC legal person who holds 40% equity interests in Mingyude, which holds 90% equity interest in Mingde Guangye. Pursuant to section 316 of the SFO, 申雲變 is deemed to be interested in the shares of the Company held by Mingde Guangye.

4. As notified by HKSCC Nominees Limited, as at 30 June 2012, the following participants in 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 62,514,000 H shares, representing approximately 14.87% of the issued H shares of the Company;
  - (2) Bank of China (Hong Kong) Limited as nominee holds 50,712,000 H shares, representing approximately 12.06% of the issued H shares of the Company;
  - (3) The Hongkong and Shanghai Banking Corporation Limited as nominee holds 35,258,000 H shares, representing 8.38% of the issued H shares of the Company;
  - (4) Prudential Brokerage Limited as nominee holds 23,214,000 H shares, representing approximately 5.52% 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 of members maintained in accordance with section 336 of the SFO.

### **III. Independent Non-Executive Directors**

During the Period, Mr. Cai Lian Jun, Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan and Mr. Wei Jie Sheng (since 13 February 2012) were the independent non-executive directors of the Company.

### **IV. Audit Committee**

During the Period, the fourth session of audit committee of the Company comprised Mr. Cai Lian Jun, Mr. Wong Kai Tat and Mr. Chan Ming Sun Jonathan, who are all independent non-executive directors. Mr. Wong Kai Tat is the chairman of the audit committee.

The audit committee has reviewed the interim financial statements for 2012 and reviewed the internal control of the Company. The audit committee considers the unaudited 2012 interim financial statements for the year is in compliance with the applicable accounting standards and legal requirements and appropriate disclosure has been made.

### **V. Annual General Meetings and Extraordinary General Meetings**

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

On 9 February 2012, the first extraordinary general meeting for 2012 of the Company was held, during which the change of auditor and the resolution of re-election of the Board of Directors and the Board of Supervisors, was 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 Company convened the 2011 annual general meeting, at which the Company's 2011 report of the directors, financial statements, auditor's report, and the resolutions in respect of profit allocation and dividend distribution were being considered and approved (please refer to the Company's announcement dated 27 June 2012 for further details).

## **VI. Dividend**

During the Period, no dividend was paid. The Board of the Company resolved not to declare any interim dividend in 2012.

## **VII. Purchase, Sale or Redemption of Shares**

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

## **VIII. Share Options**

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

## **IX. Publication of Further Information on the Website of the Hong Kong Stock Exchange**

The interim results report of the Company in accordance with the paragraph 46 of Appendix 16 to the Listing Rules of the Hong Kong Stock Exchange will be available for publication on the website of the Hong Kong Stock Exchange in due course.

## **X. Company Information**

Legal address:	No.1-4, 20A, Central Street Shenyang Economic and Technological Development Zone Shenyang, the PRC
Place of business:	14/F, Jinmao International Apartment No.1 Xiao Dong Road, Da Dong District, Shenyang the PRC
Postal code:	110041
Tel:	8624-24351041
Fax:	8624-24333288
Website:	<a href="http://www.sygfz.com">www.sygfz.com</a>

## CORPORATE GOVERNANCE REPORT

During the Period, the Company has committed to complying with the PRC Company Law, the relevant provisions of the “Code on Corporate Governance Practices” (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant laws and regulations, and has endeavored to achieve a higher standard of corporate governance.

### The Board

The Board shall be responsible for providing overall leadership of and 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 30 June 2012, the Board comprised ten directors, of which four were executive directors, two were non-executive directors and four were independent non-executive directors. The Company disclosed the composition of the Board in all the communications according to the category of directors (including the chairman, executive director, non-executive director and independent non-executive director).

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

Pursuant to the requirements of Rule 13.3 of the Listing Rules, the Company has appointed four independent non-executive directors and two of them have appropriate qualification 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

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

\* *He attended three meetings in person and one meeting was present by his alternative director Ms. Zhang Lei Lei*

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

According to the Articles of Association, notice for board meetings should be given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like to discuss 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.

During the Period, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to regulate transactions such as dealings with the Company's securities by our directors and supervisors. The Company has also made enquiry to each director and supervisor. Each of the director and supervisor has confirmed that he/she has fully complied with the Code as at 30 June 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 his/her supervisory duties relating to the Company's operations.

## Audit Committee and Its Accountability

The audit committee of the Company (the "Audit Committee") is made up of three independent non-executive directors, namely Mr. Wong Kai Tat, Mr. Chan Ming Sun Jonathan and Mr. Cai Lian Jun.

The chairman of the Audit 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 the appointment or removal of external auditors, and considering their remuneration and terms of engagement.

The Audit Committee has held one meeting during the Period. According to the Board practice, the minutes of the meeting 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 interim results for the half-year ended 30 June 2012 and discussed with the management and the Company's auditors the accounting policies and practices adopted by the Group and financial reporting matters of the Period.

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

<b>Name of committee member</b>	<b>Attendance/ meetings</b>
Wong Kai Tat	1/1
Chan Ming Sun Jonathan	0/1
Cai Lian Jun	1/1

## **Remuneration Committee**

To comply with the CG Code, the Company established a remuneration committee (the "Remuneration Committee") on 13 February 2012, of which a majority of members are independent non-executive directors. The members of the Remuneration Committee comprise Mr. Bao Yi Qiang, a non-executive director and two independent non-executive directors, namely Mr. Cai Lian Jun, the chairman of the Remuneration Committee, and Mr. Chan Ming Sun Jonathan.

## **Nomination Committee**

To comply with the CG Code, the Company established a nomination committee (the "Nomination Committee") on 13 February 2012, of which a majority of members are independent non-executive directors. The members of the Nomination Committee comprise Mr. An Mu Zong, the chairman of the Board, who is also the chairman of the Nomination Committee, and two independent non-executive directors, namely Mr. Cai Lian Jun and Mr. Wei Jie Sheng.

## **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, and assesses the implementation of the internal control system based on the discussions between the management of the Company and its auditors and the Audit Committee.

## **Investor and Shareholder Relations**

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

The hotline of the Company is 8624-24351041, and its fax number is 8624-24333288, through which the Company makes replies to the written and directory enquiries regarding all kinds of matters raised by shareholders and investors. The Company's website has been established to provide shareholders with relevant information.

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Annual general meeting is an important channel for directors and shareholders to communicate with each other. The president of the Company himself presides over the annual general meeting to ensure the opinions of the shareholders can be passed directly to the Board. In an annual general meeting, the Board and chairman of the audit committee will attend the annual general meeting and answer the questions raised by the 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.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Turnover	3	<b>4,802</b>	12,703
Cost of properties sold		–	(2,394)
Taxes on sales of properties		<b>(269)</b>	(896)
Gross profit		<b>4,533</b>	9,413
Gain on disposal of subsidiaries		<b>2,452</b>	–
Other operating income		–	7
Other operating expenses		<b>(2,858)</b>	(7,910)
Finance costs		<b>148</b>	80
Profit before taxation		<b>4,275</b>	1,590
Taxation	4	–	–
Profit for the period		<b>4,275</b>	1,590
Of which:			
Profit attributable to shareholders of the Company		<b>4,275</b>	1,347
Profit attributable to minority interests		–	243
Earnings per share – basic (cents)	6	<b>0.42</b>	0.13

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Profit for the year	3	<b>4,275</b>	1,590
Other consolidated income			
Exchange differences arising on translation		-	-
Total comprehensive income for the period		<b>4,275</b>	1,590
Of which:			
Profit attributable to shareholders of the Company	6	<b>4,275</b>	1,347
Profit attributable to minority interests		-	243

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2012

		<b>30 June</b>	31 December
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Audited)
	Notes	<b>RMB'000</b>	RMB'000
<b>Non-current assets</b>			
Goodwill	7	<b>86,816</b>	–
Plant and equipment		<b>670</b>	7
Investment properties		–	148,300
Deposit paid for acquisition of a subsidiary		–	74,000
		<u><b>87,486</b></u>	<u>222,307</u>
<b>Current assets</b>			
Inventories	8	<b>514,522</b>	–
Trade receivables		–	225
Other receivables	10	<b>21,106</b>	233,685
Investment held for trading		–	1,848
Bank balances and cash		<b>15,807</b>	5,187
		<u><b>551,435</b></u>	<u>240,945</u>
Assets classified as held for sale		<u><b>159,418</b></u>	<u>105,717</u>
		<u><b>710,853</b></u>	<u>346,662</u>

		<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
	Notes		
<b>Current liabilities</b>			
Trade payables	12	<b>87</b>	–
Receipts in advance	11	<b>99,500</b>	30,067
Other payables and accrued charges	13	<b>186,283</b>	1,836
Tax liabilities		–	2,423
Bank borrowings – due within one year	14	–	–
Other current liabilities		–	2,231
		<b>285,870</b>	36,557
Liabilities classified as held for sale		<b>2,951</b>	13,188
		<b>288,821</b>	49,745
<b>Net current assets</b>		<b>422,032</b>	296,917
<b>Total assets less current liabilities</b>		<b>509,518</b>	519,224
<b>Capital and reserves</b>			
Share capital	16	<b>1,020,400</b>	1,020,400
Reserves		<b>(510,882)</b>	(515,157)
Equity attributable to owners of the Company		<b>509,518</b>	505,243
Non-controlling interests		–	–
Total equity		<b>509,518</b>	505,243
<b>Non-current liabilities</b>			
Deferred taxation	15	–	13,981
		<b>509,518</b>	519,224

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity attributable to shareholders of the Company						
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare reserve	Accumulated profits	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	1,020,400	323,258	103,481	–	(987,508)	40,429	500,060
Loss for the Period				–	1,347	243	1,590
At 30 June 2011	1,020,400	323,258	103,481	–	(986,161)	40,672	501,650
At 1 January 2012	1,020,400	323,258	103,481	–	(941,896)	–	505,243
Earnings for the Period				–	4,275	–	4,275
At 30 June 2012	<u>1,020,400</u>	<u>323,258</u>	<u>103,481</u>	<u>–</u>	<u>(937,621)</u>	<u>–</u>	<u>509,518</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<b>30 June 2012 (Unaudited) RMB'000</b>	30 June 2011 (Unaudited) RMB'000
Net cash from (used in) operating activities	<b>(87,857)</b>	12,906
Net cash from (used in) investing activities	<b>79,930</b>	(14,000)
Net cash (used in) from financing activities	<b>18,547</b>	80
Increase (decrease) in cash and cash equivalents	<b>10,620</b>	(1,014)
Cash and cash equivalents at the beginning of the period	<u><b>5,187</b></u>	<u>19,312</u>
Cash and cash equivalents at the end of the period	<u><b>15,807</b></u>	<u>18,298</u>
Analysis of cash and cash equivalents at the end of the period as follows:		
Bank balances and cash	<u><b>15,807</b></u>	<u>18,298</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 1. GENERAL INFORMATION

Shenyang Public Utility Holdings Company Limited 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.

There consolidated financial statements are presented in Renminbi which is the functional currency of the Company and its subsidiaries.

The Company is an investment holding company and the principal activities of its subsidiaries are property development and leasing and management of property. During the year, the Group planned to dispose of its property leasing operation, which was classified as available-for-sale assets for the six months ended 30 June 2012.

The Company's H shares were listed on The Stock Exchange of Hong Kong Limited on 16 December 1999. At the request of the Company, trading in H shares of the Company on the Stock Exchange was suspended on 15 December 2004. Trading in H shares of the Company was resumed on 1 April 2010.

## 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

### 3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is divided into two major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- 1) Property development: Housing development; and
- 2) Leasing and management business: leasing of offices

The analysis of revenue and results by reportable segment of the Group is as follows:

#### For the six months ended 30 June 2012 (Unaudited)

	Leasing of property RMB'000	Property development RMB'000	Others RMB'000	Consolidated RMB'000
Turnover	<u>4,802</u>	<u>-</u>	<u>-</u>	<u>4,802</u>
Segment results	<u>4,142</u>	<u>(406)</u>	<u>-</u>	<u>3,736</u>
Unallocated corporate expenses				<u>2,061</u>
Profit from operations				<u>1,675</u>
Finance costs				<u>148</u>
Gain on disposal of a subsidiary				<u>2,452</u>
Expenditure on donation				-
Profit before taxation				-
Taxation				-
Profit after taxation				<u>4,275</u>

For the six months ended 30 June 2011 (Unaudited)

	Leasing of property RMB'000	Education projects RMB'000	Property development RMB'000	Others RMB'000	Consolidated RMB'000
Turnover	<u>11,203</u>	<u>1,500</u>	<u>–</u>	<u>–</u>	<u>12,703</u>
Segment results	<u>9,300</u>	<u>1,009</u>	<u>–</u>	<u>–</u>	10,309
Unallocated corporate expenses					<u>8,799</u>
Profit from operations					1,510
Finance costs					<u>80</u>
Gain on disposal of a subsidiary					–
Profit before taxation					1,590
Taxation					<u>–</u>
Profit after taxation					<u>1,590</u>

#### 4. TAXATION

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Taxation of the Company and its subsidiaries comprises		
– The PRC enterprise income tax	–	–
– Deferred taxation	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

\* The "PRC" represents the People's Republic of China

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

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

## 5. DIVIDENDS

The Board resolved not to declare any dividend for the Period.

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company for the Period of RMB4,275,000 (profit for the six months ended 30 June 2011: RMB1,347,000) and 1,020,400,000 shares in issue during the Period.

No diluted earnings/loss per share is disclosed as the Company has no dilutive potential shares for both periods.

## 7. GOODWILL

The details of goodwill of the Group as at the balance sheet date is set out as follows:

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
Goodwill	<b>81,816</b>	–

The goodwill of the Group mainly derived from premium of the equity arose from the acquisition of Zhongfang Chaozhou Investment Development Company Limited ("Zhongfang Chaozhou") and Guangzhou Zhongzhan Investment Holdings Company Limited ("Guangzhou Zhongzhan").

## 8. INVENTORIES

The details of inventories of the Group as at the balance sheet date are set out as follows:

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
Inventories	<b>514,522</b>	–

The Group principally engages in the property development. The inventories was mainly contributed by land development cost and construction cost of Zhongfang Chaozhou and Guangzhou Zhongzhan as at the balance sheet date.

## 9. TRADE RECEIVABLES

The Group has no accounts receivables as at the balance sheet date.

## 10. OTHER RECEIVABLES

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

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
0-30 days	-	-
31-60 days	-	-
61-365 days	<b>21,106</b>	233,685
1-2 years	-	-
Over 2 years	-	-
	<hr/>	<hr/>
Provision for bad and doubtful debts	-	-
	<hr/>	<hr/>
Net amount of other receivables	<b>21,106</b>	233,685
	<hr/> <hr/>	<hr/> <hr/>

During the Period, the Group has received 70% of the equity transfer payment on the disposal of Zhuhai Beida Education and Science Park Company Limited. In addition, the amount due from Shanghai Hanhua Property Management Company Limited to the Company was repaid in July 2012.

The other receivables were unsecured, interest free and have no fixed repayment terms.

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

## 11. RECEIPTS IN ADVANCE

An analysis of receipts in advance of the Group as at the balance sheet date is set out as follows:

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
Receipts in advance	<b>99,500</b>	30,067
	<hr/> <hr/>	<hr/> <hr/>

Receipts in advance were mainly the land repurchase payment of Zhongfang Chaozhou as at the balance sheet date. According to the agreement entered into on 17 April 2012 between Chaozhou Jinshan Investment and Development Company Limited ("Chaozhou Jinshan") and Zhongfang Chaozhou, Zhongfang Chaozhou transferred the land of 1,000 mu to Chaozhou Jinshan, and Chaozhou Jinshan agreed to prepay part of the amount of RMB140,000,000 which was determined based on 60% of the total land development cost being paid by Zhongfang Chaozhou for the 1,000 mu constructed land. A prepayment of RMB99,500,000 has been received during the Period.

## 12. TRADE PAYABLES

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

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
0-90 days	-	-
91-180 days	-	-
181-365 days	<b>87</b>	-
1-2 years	-	-
Over 2 years	-	5,435
	<b>87</b>	5,435

The management considered that the carrying amount of trade payables approximates their fair value.

## 13. OTHER PAYABLES

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

	<b>30 June 2012 (Unaudited) RMB'000</b>	31 December 2011 (Audited) RMB'000
0-90 days	-	-
91-180 days	-	-
181-365 days	<b>186,283</b>	1,836
1-2 years	-	-
Over 2 years	-	-
	<b>186,283</b>	1,836

During the Period, other payables were mainly the equity transfer payment for the acquisition of Guangzhou Zhongzhan of RMB87,000,000 and the loans for the purpose of commencing the project by Zhongfang Chaozhou of RMB68,000,000.

## 14. BANK LOANS

The Group did not have any new bank loans during the Period.

## 15. DEFERRED TAXATION

	<b>Fair value adjustment on business combination</b>
	RMB'000
At 1 January 2011	33,105
Charged to income statement for the Period	—
At 30 June 2011	33,105
Charged to income statement for the Period	—
At 1 January 2012	13,981
Charged to income statement	—
At 30 June 2012	—

## 16. SHARE CAPITAL

	<b>30 June 2012</b>	31 December 2011
	RMB'000	RMB'000
Registered, issued and fully paid:		
600,000,000 domestic shares of RMB1 each	<b>600,000</b>	600,000
420,400,000 H shares of RMB1 each	<b>420,400</b>	420,400
	<b>1,020,400</b>	1,020,400

There were no movements in the share capital of the Company for both the current period and corresponding period in last year.

## 17. CONTINGENT LIABILITIES

During the Period, there was no new contingent liability.

## 18. ASSETS SECURED/PLEDGED

During the Period, there was no new asset secured/pledged.

By order of the board of  
**Shenyang Public Utility Holding Company Limited**  
**An Mu Zong**  
*Chairman*