SOUTH WEST ECO DEVELOPMENT LIMITED
西南環保發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8291)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of South West Eco Development Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the ''Board'') of South West Eco Development Limited (the ''Company'') is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the ''Group'') for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013**	2012
		HK$'000	HK$'000
Revenue	5	**383,064**	410,273
Cost of sales		**(244,594)**	(258,677)
Gross profit		**138,470**	151,596
Other income	6	**4,383**	2,943
Gain on changes in fair value of investment properties		**31,502**	61,712
Administrative expenses		**(42,581)**	(54,878)
Selling expenses		**(12,510)**	(9,095)
Profit before income tax	8	**119,264**	152,278
Income tax expense	9	**(49,957)**	(63,949)
Profit for the year		**69,307**	88,329
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		**17,559**	4,877
Other comprehensive income for the year, net of tax		**17,559**	4,877
Total comprehensive income for the year		**86,866**	93,206
Profit for the year attributable to:			
Owners of the Company		**63,514**	79,177
Non-controlling interests		**5,793**	9,152
		69,307	88,329
Total comprehensive income attributable to:			
Owners of the Company		**79,149**	83,496
Non-controlling interests		**7,717**	9,710
		86,866	93,206
Earnings per share for profit attributable to the owners of the Company	11		
– Basic (HK cents)		**21.2**	34.6
– Diluted (HK cents)		**21.2**	34.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,725**	9,286
Interests in leasehold land		**427**	429
Investment properties	12	**847,597**	789,599
Available-for-sale financial assets	13	**8,102**	7,735
		865,851	807,049
Current assets			
Inventories of properties	14	**247,699**	305,209
Trade receivables	15	**7,116**	1,768
Deposits, prepayments and other receivables	16	**17,638**	22,106
Tax prepaid		**1,040**	10,588
Cash and cash equivalents		**105,136**	133,401
		378,629	473,072
Current liabilities			
Trade payables	17	**37,796**	17,622
Accruals, deposits received and other payables	18	**62,567**	78,329
Advances received from the pre-sale of properties under development and properties held for sale		**123,569**	209,219
Amount due to a director		**983**	—
Interest-bearing borrowings	19	**12,298**	53,616
Taxation liabilities		**9,825**	12,228
		247,038	371,014
Net current assets		**131,591**	102,058
Total assets less current liabilities		**997,442**	909,107
Non-current liabilities			
Interest-bearing borrowings	19	**38,205**	43,003
Deferred tax liabilities		**203,599**	185,332
		241,804	228,335
Net assets		**755,638**	680,772
EQUITY			
Share capital		**30,000**	30,000
Proposed final dividend	10	**5,400**	12,000
Other reserves	20	**646,932**	573,183
Equity attributable to the Company's owners		**682,332**	615,183
Non-controlling interests		**73,306**	65,589
Total equity		**755,638**	680,772

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Equity attributable to the owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Statutory reserve* HK$'000	Exchange reserve* HK$'000	Capital reserve* HK$'000	Revaluation reserve* HK$'000	Proposed final dividend HK$'000	Retained earnings* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2012	—	—	17,731	39,887	26,043	3,090	—	393,315	480,066	56,002	536,068
Arising from Reorganisation	10,000	—	—	—	(10,000)	—	—	—	—	—	—
Arising from loan capitalisation	—	—	—	—	7,471	—	—	—	7,471	—	7,471
Share issue expenses	—	(5,350)	—	—	—	—	—	—	(5,350)	—	(5,350)
Share capitalisation	12,500	(12,500)	—	—	—	—	—	—	—	—	—
Issuance of ordinary shares in connection with the listing	7,500	42,000	—	—	—	—	—	—	49,500	—	49,500
Dividend paid	—	—	—	—	—	—	—	—	—	(123)	(123)
Transactions with owners	30,000	24,150	—	—	(2,529)	—	—	—	51,621	(123)	51,498
Profit for the year	—	—	—	—	—	—	—	79,177	79,177	9,152	88,329
Other comprehensive income – Exchange gain on translation of financial statements of foreign operations	—	—	—	4,319	—	—	—	—	4,319	558	4,877
Total comprehensive income for the year	—	—	—	4,319	—	—	—	79,177	83,496	9,710	93,206
Transfer between reserves	—	—	14,701	—	—	—	—	(14,701)	—	—	—
Proposed final dividend (note 10)	—	—	—	—	—	—	12,000	(12,000)	—	—	—
As at 31 December 2012 and 1 January 2013	30,000	24,150	32,432	44,206	23,514	3,090	12,000	445,791	615,183	65,589	680,772
Dividend paid	—	—	—	—	—	—	(12,000)	—	(12,000)	—	(12,000)
Transactions with owners	—	—	—	—	—	—	(12,000)	—	(12,000)	—	(12,000)
Profit for the year	—	—	—	—	—	—	—	63,514	63,514	5,793	69,307
Other comprehensive income – Exchange gain on translation of financial statements of foreign operations	—	—	—	15,635	—	—	—	—	15,635	1,924	17,559
Total comprehensive income for the year	—	—	—	15,635	—	—	—	63,514	79,149	7,717	86,866
Transfer between reserves	—	—	219	—	—	—	—	(219)	—	—	—
Proposed final dividend (note 10)	—	—	—	—	—	—	5,400	(5,400)	—	—	—
As at 31 December 2013	**30,000**	**24,150**	**32,651**	**59,841**	**23,514**	**3,090**	**5,400**	**503,686**	**682,332**	**73,306**	**755,638**

* The total of these balances represented "Other reserves" in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

South West Eco Development Limited (the "Company") was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under Companies Law, Cap 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 December 2012 (the "Listing").

The principal activity of the Company is investment holding. The Group is principally engaged in property development, property leasing, property management and consultancy services in Nanning, Guangxi, the People's Republic of China (the "PRC").

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

2. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs

In the current year, the Group has applied, for the first time, the following new or revised standards and amendments ("the new HKFRSs") issued by the HKICPA which is relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

(a) Adoption of new/revised HKFRSs *(Continued)*

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group has adopted the amendments retrospectively for the year ended 31 December 2013. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments has no impact on these consolidated financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. The directors conclude that the adoption of HKFRS 12 has no material impact on the Group's financial position and performance.

(a) Adoption of new/revised HKFRSs *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires disclosure about fair value measurements and these are included in notes 12.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs, that have been issued, but are not yet effective in the financial year of which the consolidated financial statements were prepared, have not been early adopted by the Group.

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKAS 36	Recoverable Amount disclosures for Non-financial Assets [1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities [1]
HK (IFRIC) – Int 21	Levies [1]
HKFRSs (Amendment)	Annual Improvements 2010 -2012 Cycle [2]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legal enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 – Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation occurs.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all years presented unless otherwise stated.

The consolidated financial statements have been prepared under historical cost basis except for investment properties, which are stated at fair value as explained in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Property leasing	–	Leasing of commercial units, residential units and commercial shops;
Property development	–	Construction and sales of residential units and commercial shops;
Building management services	–	Rendering of building management services; and
Advisory and consultancy services	–	Rendering of advisory and consultancy services.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-maker for assessment of segment performance.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Segment revenue and results

	Property leasing HK$'000	Property development HK$'000	Building management services HK$'000	Advisory and consultancy services HK$'000	Total HK$'000
Year ended 31 December 2013					
Reportable segment revenue	**48,592**	**310,269**	**19,488**	**5,432**	**383,781**
Reportable segment profit	**41,864**	**59,537**	**589**	**29**	**102,019**
Other segment information:					
Interest income	**121**	**121**	**11**	**5**	**258**
Amortisation of leasehold land	**14**	**—**	**—**	**—**	**14**
Gain on fair value of investment properties	**31,502**	**—**	**—**	**—**	**31,502**
Income tax expense	**11,100**	**12,385**	**—**	**—**	**23,485**
Depreciation of property, plant and equipment	**868**	**510**	**398**	**126**	**1,902**

	Property leasing HK$'000	Property development HK$'000	Building management services HK$'000	Advisory and consultancy services HK$'000	Total HK$'000
Year ended 31 December 2012					
Reportable segment revenue	52,885	332,177	20,357	5,735	411,154
Reportable segment profit	66,894	55,150	3,028	2,845	127,917
Other segment information:					
Interest income	185	138	13	4	340
Amortisation of leasehold land	13	—	—	—	13
Gain on fair value of investment properties	61,712	—	—	—	61,712
Income tax expense	17,779	22,452	—	—	40,231
Depreciation of property, plant and equipment	925	458	382	60	1,825

Segment assets and liabilities

	Property leasing HK$'000	**Property development HK$'000**	**Building management services HK$'000**	**Advisory and consultancy services HK$'000**	**Total HK$'000**
As at 31 December 2013					
Reportable segment assets	**872,579**	**321,016**	**6,942**	**2,630**	**1,203,167**
Reportable segment liabilities	**(267,285)**	**(175,422)**	**(11,321)**	**(3,368)**	**(457,396)**
Other segment information:					
Additions to non-current assets	**1,422**	**1,266**	**33**	**—**	**2,721**

	Property leasing HK$'000	Property development HK$'000	Building management services HK$'000	Advisory and consultancy services HK$'000	Total HK$'000
As at 31 December 2012					
Reportable segment assets	827,799	359,080	21,111	3,886	1,211,876
Reportable segment liabilities	(260,069)	(290,128)	(12,136)	(1,911)	(564,244)
Other segment information:					
Additions to non-current assets	2,594	78	218	34	2,924

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as follows:

	2013	2012
	HK$'000	HK$'000
Reportable segment revenue	**383,781**	411,154
Inter-segment revenue elimination	**(717)**	(881)
Consolidated revenue	**383,064**	410,273
Reportable segment profit	**102,019**	127,917
Dividend income from available-for-sale financial assets	**982**	902
Unallocated income and expenses	**(7,222)**	(16,772)
Unallocated income tax expense	**(26,472)**	(23,718)
Consolidated profit for the year	**69,307**	88,329

	2013	2012
	HK$'000	HK$'000
Reportable segment assets	**1,203,167**	1,211,876
Available-for-sale financial assets	**8,102**	7,735
Unallocated corporate assets	**33,211**	60,510
Total consolidated assets	**1,244,480**	1,280,121
Reportable segment liabilities	**457,396**	564,244
Unallocated taxation liabilities	**9,825**	12,228
Unallocated deferred tax liabilities	**16,352**	9,514
Unallocated corporate liabilities	**5,269**	13,363
Total consolidated liabilities	**488,842**	599,349

Segment assets consist primarily of property, plant and equipment, investment properties, interests in leasehold land, tax prepaid, inventories of properties, trade and other receivables and cash and cash equivalents.

Segment liabilities consist primarily of advances received from the pre-sale of properties under development and properties held for sale, trade and other payables, interest-bearing borrowings, taxation liabilities and deferred tax liabilities.

As chief operating decision-maker of the Group considers most of the Group's revenue and results are attributable to the market in the PRC, the Group's assets are substantially located inside the PRC, no geographical information is presented.

For the year ended 31 December 2013, the Group did not depend on any single customer under each of the segments.

5. REVENUE

Revenue from the Group's principal activities recognised during the year is as follows:

	2013 HK$'000	2012 HK$'000
Building management income	**19,046**	19,745
Consultancy service income	**5,414**	5,716
Rental income of investment properties (note)	**48,335**	52,635
Sales of properties	**310,269**	332,177
	383,064	410,273

Note: The Group has contingent rental income of investment properties of approximately HK$2,526,000 (2012: HK$2,603,000) for the year ended 31 December 2013. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

6. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Bank interest income	**718**	340
Dividend income from available-for-sale financial assets	**982**	902
Gain on disposals of property, plant and equipment	**5**	30
Gain on exchange differences, net	**1,379**	517
Government grant (note)	**554**	185
Sundry income	**745**	969
	4,383	2,943

Note: Government grants have been received from 南寧市財政局 (2012: 南寧市經信局) for one of the Group's subsidiaries carrying on business activities in this area. There are no unfulfilled conditions or contingencies related to these grants.

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charges on:		
Bank borrowings wholly repayable within five years	**235**	568
Bank borrowings not wholly repayable within five years	**3,725**	4,381
Other borrowings wholly repayable within five years	**2,245**	3,814
Total borrowing costs	**6,205**	8,763
Less: interest capitalised	**(6,205)**	(8,763)
	—	—

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. The interest charges on bank borrowings which contain a repayment on demand clause amounted to approximately HK$235,000 (2012: HK$183,000) for the year ended 31 December 2013.

The weighted average capitalisation rate of general borrowings was 3.52% (2012: 3.57%) per annum for the year.

8. PROFIT BEFORE INCOME TAX

	2013	2012
	HK$'000	HK$'000
Profit before income tax is arrived at after charging:		
Amortisation of interests in leasehold land	**14**	13
Auditors' remuneration	**1,006**	1,026
Cost of properties sold	**194,029**	211,209
Depreciation of property, plant and equipment	**2,009**	1,911
Donation	**—**	1,030
Operating lease charges	**5,968**	5,721
Outgoings in respect of investment properties that generated rental income	**4,376**	4,473

9. INCOME TAX EXPENSE

	2013	2012
	HK$'000	HK$'000
Current income tax		
PRC corporate income tax	**19,117**	16,295
PRC land appreciation tax	**17,878**	18,952
PRC withholding income tax	**—**	6,204
	36,995	41,451
Deferred tax		
PRC corporate income tax	**8,854**	13,838
PRC land appreciation tax	**(2,428)**	7,441
PRC withholding income tax	**6,536**	1,219
	12,962	22,498
Total income tax expense	**49,957**	63,949

Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the year.

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, the deferred tax assets and liabilities of the Group's subsidiaries operated in the PRC are calculated based on corporate income tax rate of 25%.

PRC land appreciation tax ("LAT")

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, WTS Real Estate Development and Investment Company Limited ("WTS Real Estate") is subject to LAT and the LAT is calculated at 5% to 7% of its sales of properties in accordance with the authorised taxation method.

PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

A reconciliation of the income tax expense to profit before income tax at the statutory rates (PRC corporate income tax rate of 25% and Hong Kong profits tax of 16.5%) for the regions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rates, is as follows:

	2013 **HK$'000**	2012 HK$'000
Profit before income tax	**119,264**	152,278
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	**30,350**	39,191
Tax effect of non-deductible expenses	**1,796**	1,382
LAT deductible for calculation of income tax	**(2,039)**	(12,179)
LAT charges	**15,450**	26,393
Effect of withholding income tax at 10% on distributable profits of the Group's PRC subsidiaries	**6,536**	7,423
Others	**(2,136)**	1,739
Income tax expense	**49,957**	63,949

10. DIVIDEND

	2013	2012
	HK$'000	HK$'000
Proposed final dividend		
HK1.8 cents (2012: HK4.0 cents) per ordinary share	**5,400**	12,000

Proposed final dividend is subject to the approval by the shareholders at the forthcoming annual general meeting. The proposed final dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings of the year.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the year ended 31 December 2013 of approximately HK$63,514,000 (2012: HK$79,177,000), and the ordinary shares of 300,000,000 (2012: weighted average number of ordinary shares of 228,893,000) in issue during the year.

For the year end 31 December 2012, the weighted average number of ordinary shares used to calculate the basic earnings per shares includes the 225,000,000 ordinary shares immediately before the listing of the Company's shares on the GEM of the Stock Exchange, being assumed to be in issue throughout the year ended 31 December 2012.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the reporting years.

12. INVESTMENT PROPERTIES

Movements of the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**789,599**	715,092
Change in fair value of investment properties	**31,502**	61,712
Additions	**4,094**	6,304
Exchange differences	**22,402**	6,491
Carrying amount at 31 December	**847,597**	789,599

The carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates, were approximately HK$3,581,000 (2012: HK$3,471,000) as at 31 December 2013. The Group has not obtained the land use rights certificates and building ownership certificates of these properties. The fair values of these properties were estimated assuming the Group had valid land use rights certificates and building ownership certificates of these properties and all land premium and related fees for the grant of certificates have been fully settled. The land premium and related fees for the grant of certificates are not significant. The Group has rented out and received rental income from these properties during the year. The application for the land use right certificates and building ownership certificates of these properties are in progress. As advised by the Company's PRC legal advisor, the Group has significant risks and rewards of ownership of these properties and is entitled to use and lease these properties notwithstanding the absence of title certificates. Further, subject to the Group complying with applicable PRC laws and regulations, there is no legal impediment for the Group to obtain the title certificates for these properties. As such, the control, significant risks and rewards of ownership of these properties were vested with the Group and the Group has recognised these properties as investment properties.

Bank and other borrowings are secured by investment properties with a carrying value of approximately HK$770,729,000 (2012: HK$363,366,000) as at 31 December 2013 (note 19).

The Group's investment properties at their carrying amount are analysed as follows:

	2013 **HK$'000**	2012 HK$'000
In PRC:		
Leases of between 10 to 50 years	**837,847**	780,524
In Hong Kong:		
Leases of between 10 to 50 years	**9,750**	9,075

Investment properties were valued at 31 December 2013 and 2012 by independent, professional qualified valuers, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who have the relevant experience in the location and category of properties being valued. DTZ have used direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

Fair value hierarchy

The following table presents the fair value of the Group' s properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurements categorised into			
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Fair value** **HK$'000**
Recurring fair value measurement				
As at 31 December 2013				
Investment properties	–	–	847,597	847,597

There were no transfers into or out of Level 3 during the year. The Group' s policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur.

The movements during the year in the balance of level 3 fair value measurements are as below:

	Investment properties HK$'000
As at 1 January 2013	789,599
Additions	4,094
Changes in fair values recognised in profit or loss during the year	31,502
Exchange differences	22,402
As at 31 December 2013	847,597

Fair value adjustment of investment properties is recognised in the line item "Gain on changes in fair value of investment properties" on the face of the consolidated statement of comprehensive income.

Exchange adjustment of properties is recognised in other comprehensive income in "Exchange reserve".

The fair values of investment properties is determined using the direct capitalisation method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate.

	Valuation techniques	**Significant unobservable inputs**	**Range**
As at 31 December 2013			
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessability, floor, size. etc. (RMB/sq.m.)	32 - 1,250
		Capitlisation rate of reversionary income	3.50% - 7.50%

There was no change to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 **HK$'000**	2012 HK$'000
Equity investments stated at cost		
– Unlisted	**8,102**	7,735

The unlisted equity securities are measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

14. INVENTORIES OF PROPERTIES

	2013 **HK$'000**	2012 HK$'000
Properties under development	**213,293**	205,211
Properties held for sale	**34,406**	99,998
	247,699	305,209
Properties under development include:		
– cost of leasehold land	**69,280**	79,009
– construction costs and capitalised expenditure	**135,928**	118,371
– interests capitalised	**8,085**	7,831
	213,293	205,211

The properties under development and properties held for sale are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2013, properties under development were scheduled to be sold within twelve months.

As at 31 December 2012, properties under development with the carrying amount of HK$127,452,000 were expected not to be recovered by the Group within twelve months.

15. TRADE RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**7,280**	1,927
Less: Impairment loss recognised	**(164)**	(159)
Trade receivables, net	**7,116**	1,768

Receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. For the receivables derived from rental income, building management fee income and consultancy service income, the income is paid in accordance with the terms of the respective agreements and the balance is due on presentation.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as at the end of reporting period:

	2013 HK$'000	2012 HK$'000
Current and within 1 month	**5,964**	864
1-3 months	**381**	629
4-6 months	**594**	178
7-12 months	**93**	50
Over 12 months	**84**	47
	7,116	1,768

The ageing of trade receivables that were not impaired are as follows:

	2013 HK$'000	2012 HK$'000
Neither past due nor impaired	**5,280**	—
Less than 1 month past due	**684**	864
1-3 months past due	**381**	629
4-6 months past due	**594**	178
7-12 months past due	**93**	50
Over 12 months past due	**84**	47
	7,116	1,768

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. Trade receivables that were neither past due nor impaired relate to a number of independent buyers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of tenants and customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered to be fully recoverable.

The below table reconciles the impairment loss of trade receivables for the years ended 31 December 2013 and 2012.

	2013	2012
	HK$'000	HK$'000
As at 1 January	**159**	158
Exchange differences	**5**	1
As at 31 December	**164**	159

The Group recognised impairment loss on trade receivables on individual assessment based on the accounting policy.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on an individual or collective basis.

The directors of the Company considered that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception at the reporting date.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - GROUP AND COMPANY

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits	**3,122**	2,752	**—**	—
Prepayments	**1,533**	949	**376**	100
Other receivables	**12,983**	18,405	**—**	—
	17,638	22,106	**376**	100

The directors of the Company considered that the fair values of deposits, prepayments and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. The other receivables were neither past due nor impaired. The other receivables were related to counterparties for which there was no recent history of default.

17. TRADE PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	**37,796**	17,622

The credit terms of trade payables vary according to the terms agreed with different suppliers. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**136**	14,440
31 – 90 days	**65**	165
91 – 180 days	**58**	124
Over 180 days	**37,537**	2,893
As at 31 December	**37,796**	17,622

All amounts due are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of their fair values.

18. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES - GROUP AND COMPANY

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**26,138**	36,611	**1,540**	814
Deposit received	**23,291**	25,636	**—**	—
Receipts in advance	**13,138**	16,082	**—**	—
	62,567	78,329	**1,540**	814

19. INTEREST-BEARING BORROWINGS

	2013 HK$'000	2012 HK$'000
Current		
Bank loans, secured	**12,298**	12,564
Other loans, secured	**—**	9,952
Other loans, unsecured	**—**	31,100
	12,298	53,616
Non-current		
Bank loans, secured	**38,205**	43,003
Total borrowings	**50,503**	96,619

The analysis of the carrying amount of the bank and other loans is as follows:

	2013 HK$'000	2012 HK$'000
Current		
Portion of bank and other loans due for repayment within one year	**6,921**	47,367
Portion of bank loans due for repayment after one year which contain repayment on demand clause	**5,377**	6,249
	12,298	53,616
Non-current		
Portion of bank loans due for repayment after one year	**38,205**	43,003
	50,503	96,619

The Group's bank and other loans are repayable as follows:

	2013 HK$'000	2012 HK$'000
Within one year or on demand	**12,298**	53,616
In the second year	**6,549**	5,950
In the third to fifth year	**23,071**	20,902
After the fifth year	**8,585**	16,151
	38,205	43,003
	50,503	96,619

The Group's bank and other loans are secured by legal charges over:

(a) certain of the Group's property, plant and equipment with carrying values of approximately HK$3,800,000 (2012: HK$3,803,000);

(b) certain of the Group's interests in leasehold land with carrying values of approximately HK$427,000 (2012: Nil);

(c) certain of the Group's investment properties with carrying values of approximately HK$770,729,000 (2012: HK$363,366,000) (note 12);

(d) pledged bank deposits with carrying values of approximately HK$ 2,213,000 (2012: HK$2,152,000); and

(e) assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties.

The effective interest rates of the Group's interest-bearing borrowings ranged from approximately 3.50% to 9.304% (2012: 3.50% to 9.304%) as at 31 December 2013.

During the year ended 31 December 2013, the Group entered into undrawn banking facilities letter amounted to RMB70,000,000 (or equivalent to approximately HK$90,000,000) to finance the development cost of construction project with a financial institution in PRC. The banking facilities bear variable interest rate which is 25% higher than the benchmark interest rate set by The People's Bank of China with the terms of 10 years. The banking facilities were secured by property, plant and equipment, interests in leasehold land and investment properties of the Group which had been included in above notes.

20. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development, property leasing, property management and consultancy businesses. The Group is an award winning green building property developer and an ISO 14001 and ISO 9001 certified property manager in the city of Nanning, Guangxi, the People's Republic of China (the "PRC"). The Group is delighted to announce that in 2013, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited*) ("Bai Yi Commercial"), a subsidiary of the Company, was granted a subsidy by the Nanning Government for her achievement in implementing renewable energy design and product in the Li Yuan project, while 南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Services Company Limited*) (formerly known as 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited*)) ("Golden Yu Feng") was awarded the Star Enterprise of 2012 by the Nanning Xinging District Government.

Property development business

Fond England

The Fond England project was completed in 2013. It is a green residential project with a total gross floor area ("GFA") of over 150,000 square meters ("sq.m.") in Nanning, and was aggregately sold and pre-sold for over 96% as at 31 December 2013. For the year ended 31 December 2013, approximately 25,772 sq.m. including residential units, car parking spaces and commercial shops were sold and delivered to the purchasers. The revenue and the profit before income tax of this segment were approximately HK$310.3 million and approximately HK$71.9 million for the year ended 31 December 2013 respectively. In 2013, final examination of 2A Technical Standards for Performance Assessment of Residential Buildings of Phase 2 and Phase 3 of Fond England was conducted by the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD").

Li Yuan

The Li Yuan property development project (the "Li Yuan Project") is still under construction in 2013. Having obtained various approval and permits in late 2011 and early 2012, the Group has commenced the construction work of the Li Yuan Project in mid 2012. The main structure of buildings was completed in late 2013. Further works of plumbing, electrical and mechanical installation, etc are in progress and the project is expected to complete and commence delivery by late 2014. The Group is developing the Li Yuan Project site into a residential and commercial complex with a total of GFA of approximately 46,792 sq.m., consisting of high rise residential apartments with a total GFA of approximately 32,719 sq.m., retail shops with a total GFA of approximately 3,579 sq.m., car parking space with a total GFA of approximately 9,735 sq.m. and public facilities with a total GFA of approximately 759 sq.m. In 2013, the Li Yuan Project was awarded a 3-star Certificate of Green Building Design Label and the National Innovation Award of Green Building by the MOHURD. Also, in 2013, the Nanning Government granted Bai Yi Commercial a subsidy of RMB 420,000 for the achievement in applying renewable energy design and application to the Li Yuan Project.

Property leasing business

The leasing fee income from the Group's property leasing business was approximately HK$48.3 million for the year ended 31 December 2013 (2012: HK$52.6 million).

The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of 31 December 2013, the Group's retail units (which were held for the purpose of leasing to independent third parties) comprised an aggregate rentable GFA of approximately 23,658 sq.m. in the PRC, of which an aggregate GFA of approximately 17,742 sq.m. in the PRC has been leased out.

Property management and consultancy business

The property management and consultancy service fee income from the Group's property management and consultancy business of approximately HK$19.1 million (2012: HK$19.7 million) and HK$5.4 million (2012: HK$5.7 million) respectively were contributed to the Group's revenue for the year ended 31 December 2013.

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by independent third party property owners or users. The Group's management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environmental protection policies, event planning and consultancy services. These business activities are carried out under Golden Yu Feng, which holds a valid Class 2 qualification allowing it to carry out property management of up to 300,000 sq.m. for each residential property and up to 80,000 sq.m. for each non-residential property it manages. In 2013, Golden Yu Feng was awarded the Star Enterprise of 2012 by the Nanning Xinging District Government. As of 31 December 2013, the Group derived its property management income mainly from Yu Feng Plaza, Fond England, International Kitchen Supplies Centre and Guangxi International Trade Centre.

For the property consultancy business, the Group provides consultancy services to independent third party property owners or permitted users on sub-leasing or management of their properties. In addition, consultancy services that the Group offers include (i) locating prospective tenants; (ii) determining the market positioning of each property, or each level, or the units within the properties; and (iii) developing featured theme shopping malls, or selecting appropriate tenants. The Group also provides property agency services in respect of sale of properties.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2013, the Group's revenue was derived from (i) sales of properties (most of which were residential units, commercial units and car parks of Fond England); (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income. The following table sets forth the Group's revenue from each of these segments and as a percentage of total revenue for the periods indicated:

	2013		2012	
	HK$'000	**%**	HK$'000	%
Sales of properties	**310,269**	**81.0**	332,177	81.0
Rental income of investment properties	**48,335**	**12.6**	52,635	12.8
Building management income	**19,046**	**5.0**	19,745	4.8
Consultancy services income	**5,414**	**1.4**	5,716	1.4
	383,064	**100.0**	410,273	100.0

Sales of properties decreased by 6.6% from approximately HK$332.2 million in 2012 to approximately HK$310.3 million in 2013. This decrease was primarily due to a decrease in the saleable GFA sold in Fond England in the year 2013. Saleable GFA delivered for the financial years ended 31 December 2012 and 2013 were approximately 34,018 sq.m. and approximately 25,772 sq.m. respectively.

Cost of Sales

Cost of sales decreased by 5.5% to approximately HK$244.6 million for the year ended 31 December 2013 from approximately HK$258.7 million for the year ended 31 December 2012. This result was also primarily attributable to the decrease in saleable GFA sold and delivered in relation to Fond England during 2013.

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately HK$151.6 million and approximately HK$138.5 million for the years ended 31 December 2012 and 2013 respectively, representing a gross profit margin of approximately 37.0% and 36.2% respectively. The overall decrease in gross profit margin was mainly due to a decrease in gross profit margin in the building management services segment in 2013.

Other Income

Other income increased from approximately HK$2.9 million in the previous financial year to approximately HK$4.4 million for the year ended 31 December 2013. The main reason for the increase came from the increase in the bank interest income and gain on currency exchange in 2013.

Borrowing Costs

Borrowing costs incurred for the construction and improvement in investment properties are capitalised during the period of time. Other borrowing costs are expensed when incurred.

Capitalised borrowing costs decreased from approximately HK$8.8 million for the year ended 31 December 2012 to approximately HK$6.2 million for the year ended 31 December 2013. The decrease was mainly due to the repayment of bank loans for the purpose of construction.

Gain on Changes in Fair Value of Investment Properties

The gain on changes in fair value of investment properties for the year ended 31 December 2013 decreased to approximately HK$31.5 million from approximately HK$61.7 million in the previous financial year. The decrease reflected property value in Nanning is consolidating in an upward range in 2013.

Administrative Expenses

Administrative expenses decreased by 22.4% to approximately HK$42.6 million for the year ended 31 December 2013 from approximately HK$54.9 million for the year ended 31 December 2012, primarily due to no listing expenses were incurred in 2013 as the Company was successfully listed on GEM of the Stock Exchange in December 2012.

Selling Expenses

Selling expenses increased to approximately HK$12.5 million for the year ended 31 December 2013 from approximately HK$9.1 million for the year ended 31 December 2012, mainly due to increase in promotional and selling activities for the pre-sale of the Li Yuan Project in 2013.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK$119.3 million for the year ended 31 December 2013, representing a decrease of 21.7% from approximately HK$152.3 million in the previous financial year.

Income Tax Expense

Income tax expense decreased from approximately HK$63.9 million in the previous financial year to approximately HK$50.0 million for the year ended 31 December 2013. The decrease in income tax expense was mainly derived from the decrease in deferred tax expenses and withholding income tax in the PRC during the year ended 31 December 2013.

Profit for the Year Attributable to the Owners of the Company

The profit for the year attributed to the owners of the Company decreased by approximately 19.8% from approximately HK$79.2 million in the previous financial year to approximately HK$63.5 million for the year ended 31 December 2013.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds derived from receipt in advance from the pre-sale of properties, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in the year 2013.

The Group's gearing ratio (total borrowings divided by total equity) dropped to 6.7% as at 31 December 2013. The Group had net cash (total borrowings less cash and cash equivalents) of approximately HK$54.6 million as at 31 December 2013 (2012: HK$36.8 million, net cash).

The Group's cash and cash equivalents and restricted cash amounted to approximately HK$105.1 million in total as at 31 December 2013 (2012: HK$133.4 million). Total borrowings as at 31 December 2013 was approximately HK$50.5 million (2012: HK$96.6 million).

Of the total borrowings, approximately HK$12.3 million was repayable within one year while approximately HK$38.2 million was repayable after one year.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

Financial Guarantee Contracts

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The balances as at 31 December 2013 were approximately HK$257.1 million (2012: HK$221.4 million). The increase was attributable to more financial guarantee given to the new sales contracts arising from Li Yuan and Fond England in the year of 2013.

Capital Commitments

Capital commitments were those contracts concluded but not provided for the construction of properties under development. The balances as at 31 December 2013 were approximately HK$84.1 million respectively (2012: HK$124.2 million). The decrease was attributable to the completion of Fond England project in the year of 2013.

Pledge of Assets

The Group used the facilities from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by property, plant and equipment, interests in leasehold land, investment properties, bank deposits and assignments of rental income arising from the leasing of subsidiaries' certain properties.

Capital Structure

As at 31 December 2013, the Company's issued share capital was HK$30,000,000, divided into 300,000,000 ordinary shares (the "Shares") of HK$0.1 each (2012: HK$30,000,000 divided into 300,000,000 Shares.

Foreign Currency Exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2013, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2013, the Group did not use any financial instruments for hedging purposes.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities (2012: Nil).

Employees and Emolument Policy

As at 31 December 2013, the Group employed a total of 193 full-time employees (2012: 272 employees). Total staff costs, including Directors' emoluments, of the Group were approximately HK$36.0 million (2012: HK$32.6 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme was adopted on 23 November 2012 to attract and retain eligible employees to contribute to the Group. As at 31 December 2013, no option had been granted under the share option scheme.

OUTLOOK

Looking forward, the Group will continue to engage in the property development, property leasing and property related management and consultancy businesses with emphasis on quality, comfort, and, above all, environmental friendliness. The Group aims to expand its (i) property leasing, (ii) property related management and consultancy, and (iii) property development businesses by application of green technology, including the operation and management of featured theme shopping mall, commercial and residential properties and the development of property projects with a green-focus.

The Company will also grasp every opportunity that will promote the Group's corporate profile, enhance its image and provide it with a better channel to gain access to the capital market to increase its financial flexibility.

FINAL DIVIDEND

The Board has recommended, subject to shareholders' approval at the forthcoming annual general meeting of the Company ("AGM") to be held on Monday, 28 April 2014, the payment of a final dividend of HK1.8 cents (2012: HK4 cents) per share for the year ended 31 December 2013 to those shareholders whose names appear on the register of members of the Company on Friday, 9 May 2014. The final dividend is expected to be paid on or no later than Friday, 30 May 2014.

CLOSURE OF REGISTER OF MEMBERS

(i) For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Thursday, 24 April 2014 to Monday, 28 April 2014 (both days inclusive). In order to qualify for attending the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, before 4:30 p.m. on Wednesday, 23 April 2014.

(ii) For the purpose of ascertaining shareholders who are entitled to the final dividend, the register of members of the Company will be closed from Wednesday, 7 May 2014 to Friday, 9 May 2014 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, before 4:30 p.m. on Monday, 5 May 2014.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Following the specific enquiries made by the Company of all Directors, each of them confirmed that he/she had complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Year.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder value through solid corporate governance. The Company has followed the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules by adopting the code provisions set out in the CG Code as its own code of corporate governance. Throughout the year ended 31 December 2013, the Company had complied with all the code provisions set out in the CG Code, except for the deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any member of the Board. Dr. Lee Kai Hung ("Dr. Lee") acts as both the chairman and the chief executive officer of the Company. The Board is of the view that, given that Dr. Lee has been primarily responsible for leading the strategic planning and business development of the Group, the current arrangement would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. In addition, Dr. Lee's involvement in the Nanning property market industry would enable the Group to tap into the latest market development. The Board considers that the current arrangement is overall beneficial to the management and development of the Group's business. The Board will continue to review the current management structure from time to time and may make changes if and when appropriate.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2013, which will be sent to the shareholders in due course.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, the Company did not redeem any of its Shares listed on the GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares.

REVIEW OF RESULTS BY AUDIT COMMITTEE

The Board has established an audit committee since November 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls. The audit committee consists of all the three independent non-executive Directors, namely, Mr. Wong Chi Wai (committee chairman), Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

The audit committee has reviewed the Company's annual audited consolidated results for the year ended 31 December 2013.

By Order of the Board
South West Eco Development Limited
Lee Kai Hung
Chairman

Hong Kong, 3 March 2014

As at the date of this announcement, the Board of the Company comprises four executive Directors, namely Dr. Lee Kai Hung (chairman and chief executive officer), Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon), Dr. Lee Tse Ching, Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) (vice-chairman) and Mr. Cheng Bun; and three independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at www.southwesteco.com.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.

* *For identification purpose only*