

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

Annual Report

2013



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This report, for which the directors of South West Eco Development Limited (the "Company" and the "Directors", respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 report 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 report misleading.

(The English text of this report will prevail over the Chinese text in case of any inconsistency)

In this report, all names marked with "" are English translations from their names in Chinese and are provided for identification purpose only.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Lee Kai Hung (*Chairman & 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*)

Mr. Cheng Bun

Independent Non-executive Directors

Mr. Wong Chi Wai

Mr. Wong Tat Yan, Paul

Mr. Chan Chun Yee

COMPLIANCE OFFICER

Mr. Cheng Bun

COMPANY SECRETARY

Mr. Kwok Siu Man

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Cheng Bun

Mr. Kwok Siu Man

AUDIT COMMITTEE

Mr. Wong Chi Wai (*Committee Chairman*)

Mr. Wong Tat Yan, Paul

Mr. Chan Chun Yee

REMUNERATION COMMITTEE

Mr. Wong Tat Yan, Paul (*Committee Chairman*)

Mr. Wong Chi Wai

Mr. Chan Chun Yee

NOMINATION COMMITTEE

Mr. Chan Chun Yee (*Committee Chairman*)

Mr. Wong Chi Wai

Mr. Wong Tat Yan, Paul

INDEPENDENT AUDITOR

BDO Limited

PRINCIPAL BANKERS

Bank of China

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office No. 3517

35th Floor, Wu Chung House

213 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

(which is to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014)

CORPORATE INFORMATION

COMPLIANCE ADVISER

Haitong International Capital Limited

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

STOCK CODE

8291

COMPANY'S WEBSITE

www.southwesteco.com (the contents of which do not form part of this report)

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to the shareholders (the "Shareholders") of South West Eco Development Limited (the "Company" together with its subsidiaries, the "Group") the financial performance of the Group for the year ended 31 December 2013.

Despite the central government of the PRC's persistent monetary and credit tightening policies and property market control measures in 2013, the impact on Nanning's property prices and market reaction arising from these policies and measures was mild, which is clearly demonstrated by the positive performance of contracted pre-sales at Li Yuan (裕豐荔園) recorded during the year of 2013. The Group remains confident in the prospects for the property market in Nanning.

In the year ended 31 December 2013, the Group's revenue was mainly derived from property development, property leasing and property management. The revenue earned from the sales of residential, carpark and commercial properties of Fond England (裕豐英倫) slightly decreased by 6.6% in the year ended 31 December 2013 compared with the previous financial year (i.e. 2012: HK\$332.2 million; 2013 HK\$310.3 million).

DIVIDENDS

The board of directors of the Company (the "Board") has recommended the payment of a final dividend of HK1.8 cents per share to the 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.

PROSPECTS

To envisage the year of 2014, the property market in the PRC will continue to be affected by the PRC government's restrictive measures. Nevertheless, the Group still has an optimistic view of the market because the demand for residential properties remains strong due to the people's ongoing expectation of ever improving quality and standards of living.

Following the successful track record of Fond England (裕豐英倫), the Group has proceeded developing the Li Yuan (裕豐荔園) property development project. Being a successful green building property developer, we will as usual provide the environmental friendly and comfortable accommodation to our customers as well as serving the best interests of our Shareholders.

The Group intends to implement key strategic initiatives in the near future as follows:

- Continue to seek featured theme shopping mall development and to improve on existing operations
- Continue to develop the Group's property development projects with a green-focus
- Continue to pursue potential acquisition and investment opportunities in the property related industry
- Enhance brand recognition on properties related businesses in Nanning.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to my fellow directors for their supports, and to thank the management team and the staff for their dedication and loyalty to the Group.

Dr. Lee Kai Hung

Chairman

Hong Kong, 3 March 2014

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 Xingting 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Xingning 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 expense 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 markets 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 November 2012 (the "Prospectus") with the Group's actual business progress for the period from 21 November 2012, being the latest practicable date as defined in the Prospectus, to 31 December 2013 (the "Review Period") is set out below:

Business Objectives for the Review Period

Actual Business Progress up to 31 December 2013

Continue to develop possible potential featured theme shopping mall

Conduct feasibility study on the possible potential featured theme on the shopping mall

Commence market research for the possible potential featured theme on the shopping mall

Identify appropriate property for the establishment of possible potential featured theme shopping mall

Confirm the location of the possible potential featured theme shopping mall

Commence negotiations on the terms of the leasing agreement

A potential shopping mall has been identified with a featured theme selected and the feasibility study and preliminary market research on the selected theme has commenced. Negotiation on the terms of leasing agreement has also verbally commenced. The project was however abandoned due to failure in reaching an agreement on tenancy terms with the landlord of the shopping mall. The Company will continue to seek appropriate property for featured theme shopping mall development.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Objectives for the Review Period

Select good tenant mix and sound product mix for the possible potential featured theme shopping mall

Develop market positioning strategies for the possible potential featured theme shopping mall

Continue to develop the Group's property development project with a green-focus

Continue developing Phase 2 of Fond England

Continue the design and tendering process for the development of the Li Yuan Project

Complete the property development of Phase 2 of Fond England

Final inspection of 2A Technical Standards for Performance Assessment of Residential Buildings ("PARB") for Phase 2 and 3 of Fond England

Continue the property development of the Li Yuan Project

Interim review and inspection of 3A Technical Standards for PARB of the Li Yuan Project

Launch marketing campaigns that describe the development in the Group's green technology knowledge base and other achievements in the environmental preservation commitment

Actual Business Progress up to 31 December 2013

Selection of good tenant mix and sound product mix and the development of market positioning strategies for the possible potential featured shopping mall did not commence due to cessation of the project.

Development of Phase 2 of Fond England was completed in March 2013.

The design and tendering process of main contractor for the development of the Li Yuan Project were completed in October 2013.

The property development of Phase 2 of Fond England was completed in March 2013.

Final inspection of 2A Technical Standards for PARB for Phases 2 and 3 of Fond England is completed and passed in December 2013.

Block A and Block B of the Li Yuan Project were constructed to 32th floor respectively.

Application of 3A Technical Standards for PARB of the Li Yuan Project was withdrawn as the nature of the 3A Technical Standards for PARB is similar to that of the Green Buildings Standard (3 stars) in January 2013.

Marketing campaigns that describe the development in the Group's green technology knowledge base and other achievements in the environmental preservation commitment had been launched in 2013 and the Group will continue the marketing campaigns.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Objectives for the Review Period

Continue to identify suitable location for development of property project with a green-focus

Pursue potential acquisition opportunities or invest in the property development and property leasing industry

Conduct feasibility study and/ or evaluate and explore potential acquisition opportunities.

Enhancing brand recognition on property-related business in Nanning

Continue to organise promotional and marketing events

Develop market positioning strategies for properties owned by the Group

Organise marketing events for Yu Feng Plaza 15th Anniversary

Continue to provide environmentally friendly and value-added consultancy services

Actual Business Progress up to 31 December 2013

The Group had identified some locations for development of property project with a green-focus in 2013 and is in the process of assessing their development potentials. The Group will continue to identify appropriate location for development of property project with a green-focus.

The Group had not yet identified any acquisition opportunities but will continue to seek appropriate ones

More than 34 promotional and marketing events including the marketing activity celebrating the 16th anniversary of Yu Feng Plaza had been organized.

Various marketing positioning strategies for the properties owned by the Group had been developed and the Group will continue to formulate new strategies from time to time to respond to changes of market.

Marketing events for Yu Feng Plaza 15th Anniversary commenced and finished in the year of 2012.

The Group continues to provide environmentally friendly and value-added consultancy services.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the Listing were approximately HK\$25.5 million, which was based on the final placing price of HK\$0.66 per share and the actual expenses related to the Listing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

During the period from the date of Listing (i.e. 14 December 2012) (the "Listing Date") to 31 December 2013, the net proceeds from the Listing had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2013 HK\$ million	Actual use of proceeds from the Listing Date to 31 December 2013 HK\$ million
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	—
The perusal of potential acquisition opportunities or invest in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and or property consulting companies or business)	9.8	—
General working capital and other general corporate purposes of the Group	2.5	2.5
	<hr/> 25.5	<hr/> 2.5

The Directors are constantly evaluating the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong and the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Lee Kai Hung (李啟鴻) (“Dr. Lee”)

Dr. Lee, aged 78, is an executive Director, the Chairman and the Chief Executive Officer of the Company and the founder of the Group. Dr. Lee is primarily responsible for leading the strategic planning and business development of the Group. Together with other members of the senior management, Dr. Lee also oversees all key aspects of the operations of the Group, including financial management and project development. Dr. Lee has over 20 years of experience in real estate investment and property development business. Dr. Lee has been serving as the Group’s chairman of the board, vice-chairman of the board or director since 1993.

Dr. Lee was the driving force of the Group in initiating the use of green technologies in the development of Fond England, a residential project of the Group in Nanning, Guangxi, the PRC. To achieve this objective, Dr. Lee procured his team to explore the appropriate technologies that could be applied in the development of Fond England that would conserve energy and other resources, promote a green and sustainable environment, and at the same time create a comfortable living environment.

Besides being a distinguished business leader, Dr. Lee is recognised for his active participation in charity and community works. In 1991, the Lee Kai Hung Foundation was established. Dr. Lee also served as the honorary chairman of the United Kingdom Chinese Education Foundation, which was set up in 2005 to provide advice and financial assistance to students studying in Chinese schools in the United Kingdom (the “UK”). He was commissioned as a deputy lieutenant of Greater Manchester and awarded a doctorate degree in laws by the University of Manchester in the UK in 2003.

Dr. Lee assists in promoting inward investments from the UK to Nanning, and acts as a go-between for companies from Nanning to enter the UK market. He received the award of honorary citizenship of Nanning and served as the chairman of the North West Chinese Council (UK) in 2002. He also served as the honorary chairman of the Confederation of Chinese Association (UK) and Guangxi Overseas Friendship Association (廣西海外聯誼會) in 2004 and 2011, respectively.

Dr. Lee is the spouse of Ms. Chan Koon Woon (“Mrs. Lee”), an executive Director of the Company, the father of Dr. Lee Tse Ching, Elaine, an executive Director and the Vice Chairman of the Company and the uncle of Mr. Cheng Bun, an executive Director of the Company. He is also the sole director and the sole shareholder of First Beijing International Limited, one of the controlling shareholders (as defined under the GEM Listing Rules) of the Company (the “Controlling Shareholders”).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Lee Tse Ching, Elaine (李紫清) (also known as Dr. Eick Lee Tse Ching, Elaine) (“Dr. Elaine Eick”)

Dr. Elaine Eick, aged 43, is an executive Director and the Vice Chairman of the Company. She graduated from the University of Manchester Institute of Science and Technology (now known as the University of Manchester) in England with a master’s degree in science in 1994, and obtained her doctorate degree in philosophy from the University of Cambridge in England in 1998. She joined the Group and was appointed as the managing director of Leepark Holdings Limited, a wholly-owned subsidiary of the Company, in October 2007. She is primarily responsible for planning and departmental coordination and implementation of business strategies and of the overall operational management of the Group.

Prior to joining the Group, in 2001, Dr. Elaine Eick had been a director for the Asia-Pacific region of a company headquartered in the UK with offices abroad and engaging in the medical communications business. She had also been the founder and managing director of Pharma Frontiers Limited since 2003, a medical communications agency where she was responsible for planning and implementing communication strategies for a range of pharmaceutical and biotechnology clients. Her expertise includes strategic counselling, promotional, marketing and business planning for corporate and product-focused clients. She has more than 12 years of experience in business management and commercial communication functions.

Dr. Elaine Eick is the daughter of Dr. Lee and Mrs. Lee and the cousin of Mr. Cheng Bun. She is also the sole director and sole shareholder of Chosen Leader Limited, one of the Controlling Shareholders.

Ms. Chan Koon Woon (陳莞嫒) (also known as Mrs. Lee Chan Koon Woon (李陳莞嫒)) (“Mrs. Lee”)

Mrs. Lee, aged 72, is an executive Director of the Company. She has also been the chairman of the board of 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Limited*) (“Bai Yi Commercial”), a subsidiary of the Company since May 2006, the vice-chairman of 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited*) (“WTS Real Estate”), another subsidiary of the Company since January 2007 and a director of various subsidiaries of the Company. Mrs. Lee is primarily responsible for the administrative management of the Company and has been working closely with the management of the Group in the general strategic planning, operation and development of the Group. She has over 20 years of experience in corporate management within the Group.

Mrs. Lee is the spouse of Dr. Lee, the mother of Dr. Elaine Eick and the aunt of Mr. Cheng Bun. She is also the sole director and the sole shareholder of Ease Gain Holdings Limited, one of the Controlling Shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng Bun (鄭鑛)

Mr. Cheng, aged 49, is an executive Director, the Compliance Officer of the Company and one of the authorised representatives of the Company under Rule 5.24 of the GEM Listing Rules. He has also been a director of various subsidiaries of the Company. Mr. Cheng is primarily responsible for formulating the overall development strategies and managing the daily operations of the Group's subsidiaries in the PRC. He is also responsible for internal management, investment planning and administrative functions of the Group. He graduated from the University of Sheffield in England with a post-graduate diploma in business in 1990 and obtained a master's degree of computer science in the University of Salford in England in 1992. He joined the Group in 1993 as a project leader of the Group.

Mr. Cheng was awarded with the Honorary Credential for Outstanding Entrepreneurs 2006 of Qin Xiu District* (2006年度青秀區優秀企業家榮譽證書) jointly issued by the Committee of Qin Xiu District of the PRC* (中共南寧市青秀區委員會) and the People's Government of Qin Xiu District, Nanning* (南寧市青秀區人民政府) in March 2007. He was also appointed by the Guangxi Returned Scholars Chamber of Commerce (廣西歸國留學人員商業界人士聯合會) (the "GRSCC") in December 2010 as a council member of the first session of the council of the GRSCC for a term of 5 years. In October 2011, he was appointed as a committee member of Nanning Municipal Committee of the Chinese People's Political Consultative Conference for a term of 5 years.

Mr. Cheng is the nephew of Dr. Lee and Mrs. Lee and the cousin of Dr. Elaine Eick.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Wai (黃馳維)

Mr. Wong, aged 47, is an independent non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Board. He currently also serves as an independent non-executive director for Bonjour Holdings Limited (stock code 653), Kin Yat Holdings Limited (stock code 638), Arts Optical International Holdings Limited (stock code 1120) and China Ludao Technology Company Limited (stock code 2023), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited, Arts Optical International Holdings Limited and China Ludao Technology Company Limited. He is the chairman of the nomination committee of Kin Yat Holdings Limited.

Mr. Wong obtained a bachelor's degree in social science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Wong has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has over 25 years of experience in the accountancy profession and is currently the owner of Albert Wong & Co., a certified public accountants firm in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Tat Yan, Paul (黃達仁)

Mr. Wong, aged 44, is an independent non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Board. He obtained a bachelor's degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master's degree in business administration from the University of Queensland in Australia in 2004. Mr. Wong is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 20 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently a partner of Paul Wong & Co., a certified public accountants firm in Hong Kong.

Mr. Chan Chun Yee (陳振宜)

Mr. Chan, aged 36, is an independent non-executive Director, the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Board. He obtained a bachelor's degree in laws from the City University of Hong Kong in 1999 and a master's degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. Mr. Chan is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong for more than ten years in general legal practice and in different areas of law. From 2002 to the present, Mr. Chan works as a solicitor at the law firm of C.T. Chan & Co., Solicitors. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

SENIOR MANAGEMENT

Mr. Kwan Kei-Chor (關基楚)

Mr. Kwan, aged 47, is the finance manager of the Group. He is a bachelor's degree holder in business administration awarded by the Open Learning Institute of Hong Kong (now known as the Open University of Hong Kong) in 1996, and a master's degree holder in accounting awarded by Curtin University of Technology (now known as Curtin University) in Australia in 2004. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 2008, Mr. Kwan had worked in the fields of financing, financial reporting, and company secretarial in other companies in Hong Kong. He held executive directorship in South East Group Limited (stock code: 726), a company whose shares are listed on the Main Board of the Stock Exchange, from December 2002 to May 2006 and had acted as the company secretary in Smart Rich Energy Finance (Holdings) Limited (now known as G-Resources Group Limited) (stock code: 1051), a company whose shares are listed on the Main Board of the Stock Exchange, from May 2007 to October 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. He Hao (何好)

Mr. He, aged 59, is a director, the vice general manager of various subsidiaries of the Company. Based in the PRC, he is primarily responsible for the management and daily operations of the Chinese subsidiaries of the Group, including human resources management, information technology and administration. He graduated from the Heilongjiang Commercial College (黑龍江商學院) (now known as the Harbin University of Commerce (哈爾濱商業大學)) in the PRC in 1988, majoring in food engineering. Prior to joining the Group in 2001, Mr. He had held various positions, including the vice general manager and the factory head of 南寧市飲食公司 (Nanning Food and Beverage Company*), the predecessor of Bai Yi Commercial, from 1974 onwards, and had been responsible for overseeing daily operations of this company. He obtained the Qualification Certificate of Intermediate Level of Speciality and Technology* (中級專業技術資格證書) in construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區人事廳) in the PRC in 2007.

Mr. Yim Ka Chi (嚴嘉智)

Mr. Yim, aged 41, is the finance manager of the Group and the general manager of Nanning Gloden Yu Feng Property Service Company Limited. He is a holder of Honors Diploma in Accounting of Shue Yan University. He obtained the associate membership of the Hong Kong Institute of Certified Public Accountants in 1999 and became a fellow member in 2006. He has over 15 years' experience in financing, accounting and taxation gained in various listed companies.

Mr. CAI Zi-Qi (蔡梓麒)

Mr. Cai, aged 41, is a director, the vice general manager of various subsidiaries of the Group. He assists the general manager of Nanning Gloden Yu Feng Property Service Company Limited and is in charge of the leasing and management of Yu Feng High Street. He graduated from the Guangdong Radio & TV University (廣東廣播電視大學) in 1996, majoring in financial accounting via distance learning. Mr. Cai joined the Group in 2001. He has accumulated knowledge in property management when he obtained the 全國物業管理從業人員崗位證書 (Certificate of practitioners engaged in national property management*) jointly issued by 建設部人事教育司 (Human Resources and Education Department of the Ministry of Construction*) and 建設部住宅與房地產業 (Department of Housing and Real Estate Industry of the Ministry of Construction*) in 2002. He was qualified as an assistant engineer by obtaining the Qualification Certificate of Junior Level of Speciality and Technology (初級專業技術資格證書*) in industrial and civil construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in 2007. He was also awarded qualification in corporate management with the China Career Manager Qualification Certificate* (中國職業經理人資格證書) jointly approved and issued by the 中國職業經理人資格評審委員會 (China Career Manager Qualification Assessment Committee*) and the China Career Manager Coalition (中國職業經理人聯合會) in 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhong Jia-Ying (鍾家瑛)

Ms. Zhong, aged 68, is a director and the vice general manager of various subsidiaries of the Company and is currently primarily responsible for the financial management of the Group's business in the PRC. She graduated from the Guangxi Commercial College* (廣西商業學校) in the PRC in 1964, majoring in finance and accounting. She is a member of the Chinese Institute of Certified Public Accountants. Ms. Zhong was appointed by the Bureau of Finance in Nanning* (南寧市財政局) and Nanning Accounting Management Company* (南寧市會計管理公司) as the financial controller of Nanning Department Store Co., Limited in July 1999 pursuant to the 南寧市企業財務總監委派及工作規則暫行 issued by 南寧市國有資產管理委員會. Given her experience and in recognition of her expertise in accounting and financial management, Ms. Zhong had during the period from 1999 to 2002 been invited to serve on several entities to oversee their finance and accounting operations. From 1999 to 2002, she worked as the financial controller of Nanning Department Store Co., Limited* (南寧百貨大樓股份有限公司), a company listed on the Shanghai Stock Exchange. From 1964 to 2001, she was the finance department head, deputy general manager, general manager, director and chairman of the board of directors of 南寧市飲食公司 (Nanning Food and Beverage Company*) (being the predecessor of Bai Yi Commercial), Bai Yi Commercial and 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited*) ("Yu Feng Real Estate"), a subsidiary of the Company. She has accumulated experience and knowledge in financial management particularly in the property industry in the PRC since 1993 when she was appointed as a director of Yu Feng Real Estate. She served as the vice general manager and financial controller of 廣西運通數據設備有限責任有限公司 (Guangxi WIT Data & Equipment Co., Ltd.*) from June 2000 to May 2002. She also served as supervisor of 廣西航天金穗信息技術有限公司 (Guangxi Aisino Technology Co., Ltd.* and currently known as 廣西航天信息技術有限公司) from August 2001 to May 2002. From May 2003 to June 2005, Ms. Zhong worked as a practising certified public accountant in two accounting firms in Guangxi Province. She re-joined the Group in 2006.

Ms. Huang Fu Wei-Hong (皇甫衛紅)

Ms. Huang Fu, aged 57, is the vice general manager of the WTS Real Estate. She is primarily responsible for the marketing and brand promotion of Fond England. She has accumulated approximately 38 years of experience and knowledge in the construction and property development business from financial management to overall project management. In 1999, Ms. Huang Fu graduated from the Chongqing Jianzhu University (重慶建築大學) (now known as the Chongqing University (重慶大學)) in the PRC, majoring in construction accounting. From 1975 to 2001, she had been the finance department head, finance bureau head and deputy chief accountant of 廣西建工集團機械有限責任公司 (Guangxi Construction Group Mechanics Company Limited*). She joined the Group in 2001. She was awarded with the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in finance issued by the Bureau of Scientific and Technological Personnel, Guangxi Zhuang Autonomous Region* (廣西壯族自治區科技幹部局) in 1993, the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in 2008 and the 全國企業經濟管理人才庫資格證書 (Certificate of Qualification of the National Entrepreneurial, Economic and Managerial Talent Bank*) issued by 人事部全國人才流動中心 (National Centre for Human Resources*) in 2007. She was also a member of the Society of Registered Financial Planners, Hong Kong in 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Qin Zhang-Xin (覃章新)

Mr. Qin, aged 63, is the vice general manager of WTS Real Estate. He is primarily responsible for the daily operations of WTS Real Estate. He graduated from the Renmin University of China (中國人民大學) in 1988, majoring in industrial economy. Before he joined the Group, he had been the vice president of Nanning Municipal Bureau of Commerce (南寧市商業局) from 1986 to 1997, responsible for managing commercial constructions and commercial properties industry. He was also appointed as the general manager and the chairman of the board of 南寧沛寧資產經營有限責任公司 (Nanning Peining Capital Operation Company Limited*), a Nanning state-owned enterprise, in 1997 and 2001, respectively, responsible for overall operations and decision making of that company. He had been elected as the chairman of the board of directors of Nanning Department Store Co., Limited* (南寧百貨大樓股份有限公司), a company listed on the Shanghai Stock Exchange, from December 1999 to November 2001, where he was responsible for overall decision making of that company. From 2001 to 2009, he was appointed as the vice president of Nanning Economic Council* (南寧市經濟委員會副主任), responsible for overseeing economic development in Nanning. In 2009, he joined the Group as a vice general manager of WTS Real Estate. He was awarded with the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in economics issued by the Bureau of Scientific and Technological Personnel, Guangxi Zhuang Autonomous Region* (廣西壯族自治區科技幹部局) in 1995.

Mr. Chen Wei-Han (陳慰漢)

Mr. Chen, aged 48, is the general manager or the vice general manager of various subsidiaries of the Company. He is mainly responsible for the engineering division in WTS Real Estate where he is in charge of formulating, implementing and managing engineering of projects. He is also responsible for the cost control division of WTS Real Estate where he is in charge of reviewing and approving budgets, financial statements and cost management of projects and daily operations. He graduated from the school of civil engineering in the South China University of Technology (華南理工大學) in the PRC in 1992, majoring in construction. He has accumulated experience and knowledge in property development and construction. He had worked in various construction companies and a property development company in the PRC from 1985 to 1993 and from 1996 to 2004 prior to joining the Group in 2006, and had been responsible for civil engineering as well as in charge of technology and project management. He was awarded with the Qualification Certificate of Intermediate Level of Specialty and Technology (中級專業技術資格證書) in industrial and civil construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區人事廳) in 2005. In 2013, he was awarded the Certificate of Industrial and Civil Construction Senior Professional and Technical Qualification (高級工程師資格證書) issued by Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. He Jia-Quan (何家荃)

Mr. He, aged 56, is the vice general manager and office supervisor of Bai Yi Commercial. He assists in formulating and implementing the annual operational plans, and is responsible for the execution of decisions made by the board of directors, the administrative management and the daily operations of Bai Yi Commercial. He is also the supervisor of 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited*) ("Golden Yu Feng") and Yu Feng Real Estate. Prior to joining the Group in 2006, he had over 1 year of working experience in the hotel operation business from 1972 to 1974. He had then held various positions, including the administrative department deputy head and the management office deputy head with 南寧市飲食公司 (Nanning Food and Beverage Company*), the predecessor of Bai Yi Commercial, from 1974 onwards, and had been responsible for daily operations of this company.

Mr. Cui Min (崔敏)

Mr. Cui, aged 61, is the vice general manager of Golden Yu Feng. He is primarily responsible for property management. He joined the Group in 2001 and was promoted to the supervisor of the management division of Golden Yu Feng in 2005. He was in charge of the management of Yu Feng Plaza. He has accumulated knowledge in property management when he was awarded with 全國物業管理從業人員崗位證書 (Certificate of practitioners engaged in national property management*) jointly issued by 建設部人事教育司 (Human Resources and Education Department of the Ministry of Construction*) and 建設部住宅與房地產業司 (Department of Housing and Real Estate Industry of the Ministry of Construction*) in 2005. Prior to joining the Group, he had worked in 南寧市礦務局 (Nanning Mining Bureau*) and 市礦務局醫院 (Nanning Mining Bureau Hospital*) for approximately 14 years and 4 years from 1972 to 1986 and from 1986 to 1990, respectively. He had then held various positions, including the deputy factory head with 南寧市飲食公司 (Nanning Food and Beverage Company*), the predecessor of Bai Yi Commercial, from 1990 onwards, and had been responsible for daily management of this company.

COMPLIANCE OFFICER

Mr. Cheng Bun (鄭鑛)

Mr. Cheng, aged 49, is the Compliance Officer of the Group. For details of his qualifications and experience, please refer to the section headed "EXECUTIVE DIRECTORS" above.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Kwok Siu Man (郭兆文)

Mr. Kwok, aged 55, was appointed as the Company Secretary and one of the authorised representatives of the Company under Rule 5.24 of the GEM Listing Rules with effect from 27 December 2013. He is the Head of Corporate Secretarial in Boardroom Corporate Services (HK) Limited. Mr. Kwok has over 25-years' in-house legal, corporate secretarial and management experience gained at company secretary and other senior positions from reputable listed companies in Hong Kong (including Hang Seng Index Constituent and Hang Seng Mid-Cap 50 Index stock companies) and overseas. He was the managing director of a top-notch financial printer with international affiliation and has been a director of a charity fund since its incorporation in 1992. Having been the reviewer and the examiner of the "Hong Kong Company Secretarial Practice/Corporate Secretaryship" of the international qualifying examinations of The Hong Kong Institute of Chartered Secretaries (the "HKICS") and participated in the review of the Hong Kong law variant modules thereof for about a decade, Mr. Kwok has served as a council member and director of the HKICS for 18 years, which was the maximum length of services that a member can hold such office. He was also a founding member of the Company Secretaries Panel and the vice-chairman of the Technical Committee thereof. Further, he was a member of the Board of Review appointed by the Hong Kong government under the Inland Revenue Ordinance and has been acting as an external examiner/adviser/member of the validation panel of corporate management courses organised by recognised academic and vocational institutions for tertiary education in Hong Kong since the mid-1990s.

Mr. Kwok matriculated from Queen's College, holds a professional diploma in company secretaryship and administration, a bachelor's degree of arts and a post-graduate diploma in laws and has passed the Common Professional Examination in England and Wales.

Mr. Kwok is a fellow of each of The Institute of Chartered Secretaries and Administrator in England, The Institute of Financial Accountants in England and the HKICS and a member of the Hong Kong Securities and Investment Institute. He possesses other professional qualifications in arbitration, tax, financial planning and human resource management. In 1999, he received induction into the International WHO's WHO of Professionals, an international organisation which establishes a network of international elite professionals. He was one of the adjudicators for the "Best Annual Reports Awards" organised by the Hong Kong Management Association in the early 1990's and the late 2000's.

Mr. Kwok currently also serves as the company secretary and joint company secretary of a number of companies listed on the Main Board and the GEM of the Stock Exchange respectively.

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013 (the "Year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2013 are set out in the consolidated financial statements and their accompanying notes on pages 49 to 117 of this annual report.

DIVIDENDS

The board of Directors (the "Board") has recommended, subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "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 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.

USE OF PLACING PROCEEDS

The proceeds (net of underwriting fees and other listing expenses) from the issue of 75,000,000 new shares of the Company under the placing as set out in the Company's prospectus dated 30 November 2012 were approximately HK\$25.5 million. The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2012 (the "Listing Date"). For details of the use of the above net proceeds, please refer to the "Use of Proceeds" paragraph under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on page 15 of this annual report.

ANNUAL GENERAL MEETING

The AGM for the Year is scheduled to be held on Monday, 28 April 2014. A notice convening the AGM will be issued and despatched to the Shareholders on 6 March 2014.

FINANCIAL SUMMARY

A summary of the results as well as the assets and liabilities of the Group for the last four financial years is set out on page 118 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

DIRECTORS' REPORT

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 31 to the consolidated financial statements and the consolidated statement of changes in equity on page 55, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately HK\$643.3 million.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK\$24.2 million may be applied for paying distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "Articles of Association") or the laws of the Cayman Islands in relation to the issue of new shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group for the Year are set out in note 18 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 2.1% and 8.1%, respectively of the Group's total revenue for the Year. During the Year, the Group's largest suppliers were general contractors. The purchases made by the Group from its largest supplier and five largest suppliers accounted for approximately 42.6% and 32.7%, respectively of the Group's total purchases for the Year.

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS' REPORT

BOARD OF DIRECTORS

The Directors who were in office during the Year and up to the date of this report are named as follows:

Executive Directors

Dr. LEE Kai Hung (李啟鴻) ("Dr. Lee") (*Chairman and Chief Executive Officer*)

Ms. CHAN Koon Woon (陳堯媛) ("Mrs. Lee")

(also known as Mrs. LEE Chan Koon Woon)

Dr. LEE Tse Ching, Elaine (李紫清) ("Dr. Elaine Eick") (*Vice Chairman*)

(also known as Dr. EICK Lee Tse Ching, Elaine)

Mr. CHENG Bun (鄭鑛)

Independent Non-executive Directors (the "INEDs")

Mr. WONG Chi Wai (黃馳維) ^{A/R/N}

Mr. WONG Tat Yan, Paul (黃達仁) ^{A/R/N}

Mr. CHAN Chun Yee (陳振宜) ^{A/R/N}

A: Member of the Audit Committee

R: Member of the Remuneration Committee

N: Member of the Nomination Committee

In accordance with Articles 105(A) and 105(B) of the Articles of Association, Dr. Lee, Dr. Elaine Eick and Mr. Wong Tat Yan, Paul will retire from office by rotation and being eligible, have offered themselves for re-election at the forthcoming AGM.

CONFIRMATION OF INDEPENDENCE OF INEDs

The Company has received from each of the INEDs, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. At the date of this report and having considered the factors set out in Rule 5.09, the Company still considers all of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 16 to 24 of this annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of Dr. Lee, Mrs. Lee, Dr. Elaine Eick and Mr. Cheng Bun, being all the executive Directors, has entered into a service contract with the Company, pursuant to which each of them has agreed to act as an executive Director for an initial fixed term of two years with effect from the Listing Date, which is renewable automatically for successive terms of one year each upon expiry of the then current term. The appointment of an executive Director may be terminated by the giving of three months' written notice by the Company to that executive Director or vice versa.

Each of the INEDs has been appointed for an initial term of one year commencing from the Listing Date, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term. The appointment of an INED may be terminated by the giving of three months' written notice by the Company to that INED or vice versa.

None of the Directors proposed for re-election at the AGM and stated in the paragraph headed "Board of Directors" above, has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in note 13 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Year, the change in information of Director discloseable under Rule 17.50A of the GEM Listing Rules is set out below:

Mr. Wong Chi Wai was appointed as an independent non-executive director of China Ludao Technology Company Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 2023) on 16 September 2013.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571, the laws of Hong Kong (the "SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company ("Shares")

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding (Note 4)
Dr. Lee	Interest of a controlled corporation (Note 1)	90,000,000	30%
Mrs. Lee	Interest of a controlled corporation (Note 2)	90,000,000	30%
Dr. Elaine Eick	Interest of a controlled corporation (Note 3)	45,000,000	15%

Notes:

- (1) These Shares were registered in the name of First Beijing International Limited ("First Beijing"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Dr. Lee, the chairman, chief executive officer and an executive Director. Dr. Lee is deemed to be interested in all the Shares in which First Beijing is interested by virtue of the SFO. Dr. Lee is the sole director of First Beijing.
- (2) These Shares were registered in the name of Ease Gain Holdings Limited ("Ease Gain"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mrs. Lee, an executive Director. Mrs. Lee is deemed to be interested in all the Shares in which Ease Gain is interested by virtue of the SFO. Mrs. Lee is the sole director of Ease Gain.
- (3) These Shares were registered in the name of Chosen Leader Limited ("Chosen Leader"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Dr. Elaine Eick, the vice-chairman and an executive Director. Dr. Elaine Eick is deemed to be interested in all the Shares in which Chosen Leader is interested by virtue of the SFO. Dr. Elaine Eick is the sole director of Chosen Leader.
- (4) The percentage of shareholding was calculated based on the Company's total issued share capital of 300,000,000 Shares as at 31 December 2013.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had any interests or short positions in the shares of the Company or any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests and short positions in the Shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding (Note 5)
First Beijing (Note 1)	Beneficial owner	90,000,000	30%
Ease Gain (Note 2)	Beneficial owner	90,000,000	30%
Chosen Leader (Note 3)	Beneficial owner	45,000,000	15%
Dr. Holger Eick (Note 3)	Interest of spouse	45,000,000	15%
Ms. Huang Yuanning (黃元寧)	Beneficial owner	21,672,000	7.22%
Mr. Zhang Liming (張麗銘) (Note 4)	Interest of spouse	21,672,000	7.22%

Notes:

- (1) These Shares were registered in the name of First Beijing, the entire issued share capital of which is owned by Dr. Lee, the chairman, chief executive officer and an executive Director. Dr. Lee is deemed to be interested in all the Shares in which First Beijing is interested by virtue of the SFO. Dr. Lee is the sole director of First Beijing.
- (2) These Shares were registered in the name of Ease Gain, the entire issued share capital of which is owned by Mrs. Lee, an executive Director. Mrs. Lee is deemed to be interested in all the Shares in which Ease Gain is interested by virtue of the SFO. Mrs. Lee is the sole director of Ease Gain.
- (3) These Shares were registered in the name of Chosen Leader, the entire issued share capital of which is owned by Dr. Elaine Eick, the vice-chairman and an executive Director. Dr. Elaine Eick is deemed to be interested in all the Shares in which Chosen Leader is interested by virtue of the SFO. Dr. Elaine Eick is the sole director of Chosen Leader. As Dr. Holger Eick is the spouse of Dr. Elaine Eick, he is deemed or taken to be interested in the Shares which Dr. Elaine Eick is deemed or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of Ms. Huang Yuanning who is the spouse of Mr. Zhang Liming. By virtue of the SFO, Mr. Zhang Liming is deemed or taken to be interested in the Shares which Ms. Huang Yuanning is interested in for the purposes of the SFO.
- (5) The percentage of shareholding was calculated based on the Company's total issued share capital of 300,000,000 Shares as at 31 December 2013.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group's operations. The Share Option Scheme was adopted by the Company on 23 November 2012 (the "Adoption Date"), the principal terms of which are set out below:-

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for ordinary shares (the "Shares") of HK\$0.10 each in the Company:-

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Maximum number of Shares under the Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (that is, 30,000,000 Shares).

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company.

DIRECTORS' REPORT

Maximum entitlement of each participant

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options). In addition, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates in aggregate over 0.1% of the Shares in issue or with an aggregate value, based on the closing price of the Shares at the date of each offer, in excess of HK\$5 million, in the 12-month period up to and including the date of such grant, must be approved by the Shareholders in general meeting of the Company.

Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option to be accompanied by the payment of consideration of HK\$1, being acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

No share options were granted, exercised or cancelled by the Company or lapsed under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2013.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in notes 24 and 35 to the consolidated financial statements, and saved as disclosed in the paragraphs headed "Connected Transaction" and "Continuing Connected Transaction" below, none of them constituted and there were no other transactions which constituted a connected transaction (as defined under the GEM Listing Rules) of the Company during the Year and as at 31 December 2013.

CONNECTED TRANSACTION

On 10 December 2013, 南寧威特斯房地產開發投資有限公司 (WTS Real Estate Development and Investment Company Limited*) (an indirect non-wholly owned subsidiary of the Company), as vendor and Mr. Cheng Bun ("Mr. Cheng"), an executive Director, as purchaser, entered into (i) a commodity property sale and purchase agreement for the sale and purchase of a commodity property in Nanning, Guangxi, the People's Republic of China (the "Property") at a consideration of RMB2,560,445 (equivalent to approximately HK\$3,251,765); and (ii) a car park usage agreement for the use of four ancillary car parks to the Property by Mr. Cheng (the "Transactions"). Please refer to the Company's announcement dated 10 December 2013 for details of the Transactions.

Pursuant to Chapter 20 of the GEM Listing Rules, Mr. Cheng, being an executive Director, is a connected person of the Company and the Transactions constitute connected transactions of the Company. The Transactions are exempted from the independent shareholders' approval requirements, but are subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules, which have been complied with by the Company.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTION

Pursuant to a tenancy agreement dated 17 October 2011 (as supplemented by an addendum dated 28 May 2012) entered into between Leepark Holdings Limited ("Leepark Holdings"), a wholly-owned subsidiary of the Company, as landlord and Pharma Frontiers Limited ("Pharma Frontiers") as tenant (the "Tenancy Agreement"), Leepark Holdings had leased a portion of an office premises located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong to Pharma Frontiers for a term of three years from 1 May 2011 to 30 April 2014 at the monthly rental of HK\$22,000. As Dr. Elaine Eick, the vice chairman of the Company and an executive Director, has sole beneficial shareholding interest in Pharma Frontiers, Pharma Frontiers is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Tenancy Agreement constitutes a continuing connected transaction of the Company. Since each of the percentage ratios (other than the profits ratio) under Rule 19.07 of the GEM Listing Rules on an annual basis is less than 0.1%, the transaction contemplated under the Tenancy Agreement was not subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Saved as disclosed above and as at 31 December 2013, there were no other transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company.

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 has been adopted to attract and retain eligible employees to contribute to the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 17.38A of the GEM Listing Rules during the Year and up to the date of this report.

INTEREST OF COMPLIANCE ADVISER

As notified by Haitong International Capital Limited ("Haitong"), the Company's compliance adviser, neither Haitong nor any of its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Haitong in December 2012) as at 31 December 2013.

DIRECTORS' REPORT

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

As disclosed in the Prospectus, some lease agreements in respect of certain investment properties in the PRC held or leased by the Group, which are required to be registered under the PRC laws, were not registered or registrable.

As at 31 December 2013, there were still 11 lease agreements pending to be registered due to:

- the non-fixed nature of the lease agreements (4 lease agreements were involved);
- the delay or refusal of the counter-parties to provide the necessary information to effect registration in a timely manner (4 lease agreements were involved); and
- the lack of the relevant building ownership certificates (3 lease agreements were involved). The relevant building ownership certificates for 2 of these lease agreements were subsequently obtained in January 2014 and the registration procedures were completed in February 2014.

The Company will keep monitoring the registration status of its lease agreements with the aim of completing the registration of the remaining lease agreements as soon as practicable.

Property ownership certificate of Yu Feng High Street

As disclosed in the Prospectus, following the refurbishment and renovation of Yu Feng High Street (formerly known as Wan Guo Shopping Mall (萬國商場)), the property ownership certificate issued on 11 May 2012 in respect of the refurbished Yu Feng High Street approved and covered a GFA of 7,848 sq. m., and it was later transpired that there was a shortfall in GFA of approximately 770 sq. m. which was yet to be covered under the property ownership certificate. The Group has delegated a senior management staff to keep liaising with the relevant PRC authorities and following up on the application procedure for a new property ownership certificate of Yu Feng High Street.

As at 31 December 2013, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

Property ownership certificate of Yu Feng Plaza

As disclosed in the Prospectus, a new property ownership certificate that covers both the existing GFA of Yu Feng Plaza and the subsurface space (the "Subsurface Space") formed during the development of Yu Feng Plaza shall be applied from the Nanning Planning and Administration Bureau* (南寧市規劃管理局) (the "NPAB").

On 14 January 2014, a new property ownership certificate covering the Subsurface Space of Yu Feng Plaza with a total GFA of approximately 355.70 sq. m. has been issued by the Nanning Housing Security and Real Estate Management Bureau* (南寧市住房保障和房產管理局), which is the relevant authority in issuing property ownership certificates. Given that the new property ownership certificate is obtained, this non-compliance issue has been resolved by the Company.

DIRECTORS' REPORT

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

During the Year, 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.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 37 to 46 of this annual report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Board comprises all the three INEDs, namely Mr. Wong Chi Wai (*committee chairman*), Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. It has reviewed with the management the audited consolidated financial statements of the Company for the Year.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company for the Year have been audited by BDO Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM. There is no change in auditors of the Company in any of the preceding 3 years.

On behalf of the Board

Dr. Lee Kai Hung

Chairman

Hong Kong, 3 March 2014

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing shareholder value through solid corporate governance.

CORPORATE GOVERNANCE PRACTICES

The Company has followed the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "GEM Listing Rules", respectively) 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 "Year"), 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.

Chairman and Chief Executive Officer

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 of directors (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 Company and its subsidiaries (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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 REPORT

BOARD OF DIRECTORS

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, reviewing the Company's financial results and performance and approving its quarterly, interim and annual results, approving the appointment, removal or re-appointment of the Board members upon the recommendation of the Nomination Committee of the Board, approving the remuneration package of the directors and senior management of the Company upon the recommendation of the Remuneration Committee established by the Board, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance, and all other functions reserved to the Board under the Company's articles of association (the "Articles of Association"). The Board may from time to time delegate certain functions to the senior management of the Group if and when considered appropriate. The senior management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

Currently, the Board comprises the following seven Directors:

Executive Directors

Dr. Lee Kai Hung, Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon) ("Mrs. Lee"), Dr. Lee Tse Ching, Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) ("Dr. Elaine Eick") and Mr. Cheng Bun.

Independent Non-Executive Directors ("INEDs")

Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

Relationships among Directors

Dr. Lee is the spouse of Mrs. Lee and the father of Dr. Elaine Eick while Mrs. Lee is the mother of Dr. Elaine Eick. Mr. Cheng Bun is the nephew of Dr. Lee and Mrs. Lee and the cousin of Dr. Elaine Eick. Save as disclosed, there is no other relationship (including financial, business, family or other material/relevant relationships) among the members of the Board. The biographical details of the Directors are out on pages 16 to 24 of this annual report.

Roles and responsibilities of the Directors

The four Executive Directors are responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The three INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance in the Board in order to effectively exercise independent judgement on the corporate actions of the Company so as to protect shareholders' interest and the overall interest of the Group.

Throughout the Year, the Company had three INEDs and at all times met the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members and at least one of the INEDs had appropriate professional qualifications or accounting or related financial management expertise.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

Confirmation of Independence

Each of the INEDs has made an annual confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules and the Board is satisfied that all the INEDs were independent and met the independent guidelines set out in Rule 5.09 during the Year and up to the date of this annual report.

Directors' Induction and Continuing Professional Development

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Company has from time to time provided briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense. They have been required to provide the Company with their training records.

During the Year, all Directors had participated in continuous professional development ("CPD") to develop and refresh their knowledge and skills by reading materials and/or attending briefings by company secretary and finance manager or seminars organised by professional bodies on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director.

The individual record of each Director who received training for the Year is summarised as follows:

Directors	Type of CPD
Executive Directors	
Dr. Lee Kai Hung	A
Ms. Chan Koon Woon	A
Dr. Lee Tse Ching, Elaine	A and B
Mr. Cheng Bun	A and B
INEDs	
Mr. Wong Chi Wai	A and B
Mr. Wong Tat Yan, Paul	A and B
Mr. Chan Chun Yee	A and B

Notes:

- A: attending briefings/seminars/forums/workshops/conferences relevant to the business or directors' duties
- B: reading regulatory updates on laws, rules and regulations relating to directors' roles and functions

CORPORATE GOVERNANCE REPORT

Meetings of Board and Board Committees and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For additional Board meetings which require discussion and resolution of significant issues arising during the operation of the Company, notice is given in a reasonable time in advance. Before each Board meeting, a draft agenda is sent out to all Directors at least three days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors three days or such other period as agreed before each Board meeting.

The Company Secretary or his/her delegate is responsible for keeping all minutes of the Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection. According to the GEM Listing Rules and the Articles of Association, any directors and their associates with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and will not be counted in the quorum at meetings.

Any Director wishing to do so in furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group's principal activities through initial induction, ongoing participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

During the Year, 4 Board meetings and 1 annual general meeting ("AGM") were held. Details of the attendance of the Directors are as follows:

Directors	Attendance of Board meetings	AGM
Executive Directors		
Dr. Lee Kai Hung	4/4	1/1
Ms. Chan Koon Woon	4/4	1/1
Dr. Lee Tse Ching, Elaine	4/4	1/1
Mr. Cheng Bun	4/4	1/1
INEDs		
Mr. Wong Chi Wai	4/4	1/1
Mr. Wong Tat Yan, Paul	4/4	1/1
Mr. Chan Chun Yee	4/4	1/1

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 1 September 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

The Board has established, with written terms of reference, three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each Board Committee are in compliance with the GEM Listing Rules and they are posted on the respective websites of the Stock Exchange and the Company.

Audit Committee

The Board established an Audit Committee on 23 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 comprises three INEDs, namely, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. Mr. Wong Chi Wai is the chairman of the Audit Committee.

The responsibilities of the Audit Committee include, among others:-

- appointing and overseeing the work of independent auditors and pre-approving all non-audit services to be provided by independent auditors;
- reviewing the annual, interim and quarterly financial statements, earnings releases, critical accounting policies and practices used in preparing financial statements, alternative treatments of financial information, the effectiveness of disclosure controls and procedures, and important trends and developments in financial reporting practices and requirements;
- reviewing the planning and staffing of internal audits, organisation, responsibilities, plans and results budgets, staffing of internal audit team as well as the quality and effectiveness of internal controls;
- reviewing risk assessment and management policies; and
- establishing procedures for the treatment of complaints received by the Group regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

CORPORATE GOVERNANCE REPORT

For the Year, the Audit Committee held 4 meetings to review and supervise the financial reporting process and internal control review. It had, in conjunction with BDO Limited ("BDO"), the external auditor of the Company, reviewed the Group's audited results for the year ended 31 December 2012, unaudited quarterly results for the three and nine months ended 31 March 2013 and 30 September 2013 respectively and unaudited interim results for the six months ended 30 June 2013 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance
Mr. Wong Chi Wai (<i>Chairman</i>)	4/4
Mr. Wong Tat Yan, Paul	4/4
Mr. Chan Chun Yee	4/4

The Audit Committee met on 3 March 2014 to review the Group's audited results for the Year.

Remuneration Committee

The Board established a Remuneration Committee on 23 November 2012 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to formulate the training and compensation policies and determine and manage the compensation of the senior management. The Remuneration Committee comprises three INEDs, namely Mr. Wong Tat Yan, Paul, Mr. Wong Chi Wai and Mr. Chan Chun Yee. Mr. Wong Tat Yan, Paul is the chairman of the Remuneration Committee. The responsibilities of the Remuneration Committee include, among others:-

- reviewing and overseeing the total compensation package of the executive officers, evaluating the performance of and determining and approving the compensation to be paid to the senior management;
- reviewing and making recommendations to the Board with respect to Directors' compensation, including equity-based compensations;
- administering, periodically reviewing and making recommendations to the Board regarding the long-term incentive compensation or equity plans made available to the Directors, employees and consultants; and
- reviewing and making recommendations to the Board regarding executive officers' compensation practices, strategy and principles and preparing annual reports on the compensation of the senior management.

During the Year, the Remuneration Committee held 1 meeting to review the remuneration packages of all Directors, and make recommendations to the Board on the remuneration proposal for all Directors.

Details of the attendance of the Remuneration Committee meeting are as follows:

Members	Attendance
Mr. Wong Tat Yan, Paul (<i>Chairman</i>)	1/1
Mr. Wong Chi Wai	1/1
Mr. Chan Chun Yee	1/1

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met on 3 March 2014 to consider certain remuneration-related matters of the Directors and senior management.

Nomination Committee

The Board established a Nomination Committee on 23 November 2012 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to evaluate the status of the Board, establish criteria for and assist the Board in the selection and appointment of Directors and make recommendations on the Board's succession planning. The Nomination Committee comprises three INEDs, namely Mr. Chan Chun Yee, Mr. Wong Chi Wai and Mr. Wong Tat Yan, Paul. Mr. Chan Chun Yee is the chairman of the Nomination Committee. The responsibilities of the Nomination Committee include, among others:-

- reviewing the structure, size and composition of the Board;
- making recommendations to the Board regarding the responsibilities, organisation and membership of all Board committees;
- developing, recommending to the Board and monitoring a statement of corporate governance principles or guidelines; and
- evaluating the effectiveness of the Board, Board committees and senior management.

For the Year, the Nomination Committee held 1 meeting to review and make recommendation on the re-appointment of retiring Directors.

Details of the attendance of the Nomination Committee meeting is as follows:

Members	Attendance
Mr. Chan Chun Yee (<i>Chairman</i>)	1/1
Mr. Wong Chi Wai	1/1
Mr. Wong Tat Yan, Paul	1/1

The Nomination Committee met on 3 March 2014 to review and make recommendation to the Board on the re-appointment of the retiring Directors.

Corporate Governance Functions of the Board

The Board is responsible for performing the corporate governance functions of the Company, which are set out in the written terms of reference. The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company, pursuant to which each of them has agreed to act as an executive Director for an initial fixed term of two years with effect from 14 December 2012 (the "Listing Date"), being the date on which the shares of the Company were listed on the GEM of the Stock Exchange, which is renewable automatically for successive terms of one year each upon expiry of the then current term. The appointment of an executive Director may be terminated by the giving of three months' written notice by the Company to that executive Director or vice versa.

CORPORATE GOVERNANCE REPORT

Each of the INEDs has been appointed for an initial term of one year commencing from the Listing Date, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term. The appointment of an INEDs may be terminated by the giving of three months' written notice by the Company to that INED or vice versa.

The Articles of Association provide that any Director appointed to fill a casual vacancy on the Board shall hold office until the first general meeting of members after his/her appointment and shall then be eligible for re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. The Articles of Association also provide that one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

In accordance with the CG Code and the Articles of Association, Dr. Lee Kai Hung, Dr. Lee Tse Ching Elaine and Mr. Wong Tat Yan, Paul will retire from office by rotation at the forthcoming AGM and being eligible, have offered themselves for re-election.

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for the Year are set out in note 13 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the Year by band is set out below:-

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	10
1,000,001 to 1,500,000	—

INDEPENDENT AUDITOR'S REMUNERATION

The fees charged by BDO in respect of audit services and non-auditing services for the Year amounted to HK\$750,000 and HK\$72,200, respectively.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year ended 31 December 2013 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

In addition, BDO has stated its reporting responsibility in the independent auditor's report of the consolidated financial statements of the Company for the Year.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate and effective internal control system of the Group. The Group's internal control system includes a well-defined management structure with limits of authority, which is designed for the achievement of business objectives, to safeguard the Group's assets against unauthorised use and disposition, to ensure compliance with relevant legislation and regulations, and to protect the interests of the Company's shareholders.

In order to maintain a sound internal control system, the Company has established and maintained stringent internal control procedures, including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees are encouraged by the management to report promptly any potential or actual non-compliance. A professional independent consultant has been engaged to provide internal audit/control review. An external legal adviser in the People's Republic of China ("PRC") has been retained to work closely with the internal legal department of the Group, which is headed by Mr. Cheng Bun (the compliance officer of the Group) and supported by a group of senior staff and other personnel in legal and other disciplines, to ensure compliance with all relevant PRC laws and regulations by the Group. The Board considers that, as the internal legal department could have recourse to seek timely advice and assistance from the external PRC legal adviser as and when required, the organisation structure and manpower of the internal legal department is appropriate and sufficient to serve the needs of the Group. The Company encourages its Directors, all levels of management, staff and employees of the Group to possess up to date knowledge in order to discharge their duties and strengthen the quality of its corporate governance, and ongoing trainings are coordinated and/or suitable courses are recommended by the Company to them from time to time. Periodic review of the Company's human resources policies has also been carried out to ensure sufficient manpower for the implementation of internal control measures. The Board has regularly evaluated the internal control procedures in order to prevent and detect any internal control procedural errors.

COMPANY SECRETARY

Mr. Ho Cheuk Wai was appointed as the Company Secretary with effect from the Listing Date. He resigned as Company Secretary of the Company with effect from 10 May 2013 and Mr. Fok Wai Ming Eddie ("Mr. Fok") was appointed to the position with effect from the same date. Mr. Fok resigned as, and Mr. Kwok Siu Man ("Mr. Kwok") was appointed as, the Company Secretary with effect from 27 December 2013.

Mr. Kwok has been nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") under an engagement letter made between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting is Mr. Kwan Kei-Chor, the Group Finance Manager, in relation to corporate secretarial matters. As Mr. Kwok was appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at most of the material times since then, he is not required to receive at least 15 hours of relevant professional training in the Year under the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting ("EGM")

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 64 of the Articles of Association, shareholders holding not less than 10% of the paid-up capital of the Company can convene an EGM by depositing a requisition in writing to the Directors or the Company Secretary of the Company for the purpose of requiring the convening of the EGM. The written requisition shall be deposited to the Company's office at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to send enquiries to the Board

The Company is committed to regular and proactive communication with its shareholders. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Company has complied with the GEM Listing Rules by posting announcements, notices, quarterly, interim and annual reports as well as shareholders' circulars on the respective websites of the Stock Exchange and the Company (<http://www.southwesteco.com>).

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the Group, or for putting forward any proposals at a shareholders' meeting:

Address: Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong
Telephone no.: (852) 2525 7922
Fax no.: (852) 2525 7890
Attention: The Board of Directors/The Company Secretary

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Articles of Association and applicable legislation and regulations.

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the member himself/herself) for election as a Director at that meeting, he/she/it can deposit a written notice at either of the following addresses:

Head office and principal place of business of the Company in Hong Kong

Office No. 3517,
35th Floor,
Wu Chung House,
213 Queen's Road East,
Wanchai, Hong Kong

Hong Kong branch share registrar and transfer office of the Company

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

(which is to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014)

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 17.50(2) of the GEM Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its memorandum of association and Articles of Association. During the Year, no amendments were made to the constitutional documents of the Company.

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF SOUTH WEST ECO DEVELOPMENT LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South West Eco Development Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 49 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Lam Hung Yun, Andrew

Practising Certificate Number P04092

Hong Kong, 3 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	7	383,064	410,273
Cost of sales		(244,594)	(258,677)
Gross profit		138,470	151,596
Other income	8	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	10	119,264	152,278
Income tax expense	11	(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	15		
– 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	16	9,725	9,286
Interests in leasehold land	17	427	429
Investment properties	18	847,597	789,599
Available-for-sale financial assets	20	8,102	7,735
		865,851	807,049
Current assets			
Inventories of properties	21	247,699	305,209
Trade receivables	22	7,116	1,768
Deposits, prepayments and other receivables	23	17,638	22,106
Tax prepaid		1,040	10,588
Cash and cash equivalents	25	105,136	133,401
		378,629	473,072
Current liabilities			
Trade payables	26	37,796	17,622
Accruals, deposits received and other payables	27	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	24	983	—
Interest-bearing borrowings	28	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current liabilities			
Interest-bearing borrowings	28	38,205	43,003
Deferred tax liabilities	29	203,599	185,332
		241,804	228,335
Net assets			
		755,638	680,772
EQUITY			
Share capital	30	30,000	30,000
Proposed final dividend	12	5,400	12,000
Other reserves	31	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

Lee Kai Hung
Director

Cheng Bun
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	614,901	614,901
Current assets			
Prepayment and other receivables	23	376	100
Amounts due from subsidiaries	24	31,792	30,000
Cash and cash equivalents	25	27,744	45,923
		59,912	76,023
Current liabilities			
Accruals and other payables	27	1,540	814
Amount due to a subsidiary	24	—	1,923
		1,540	2,737
Net current assets		58,372	73,286
Total assets less current liabilities		673,273	688,187
Net assets		673,273	688,187
EQUITY			
Share capital	30	30,000	30,000
Proposed final dividend	12	5,400	12,000
Other reserves	31	637,873	646,187
Total equity		673,273	688,187

Lee Kai Hung
Director

Cheng Bun
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Profit before income tax		119,264	152,278
Adjustments for :			
Amortisation of interests in leasehold land	10	14	13
Depreciation of property, plant and equipment	10	2,009	1,911
Dividend income from available-for-sale financial assets	8	(982)	(902)
Gain on changes in fair value of investment properties	18	(31,502)	(61,712)
Gain on disposals of property, plant and equipment	8	(5)	(30)
Bank interest income	8	(718)	(340)
Operating profit before working capital changes		88,080	91,218
Decrease in inventories of properties		67,647	56,037
Increase in trade receivables		(5,234)	(1,218)
Decrease in deposits, prepayments and other receivables		5,017	7,596
Increase in trade payables		19,542	7,103
(Decrease)/Increase in accruals, deposits received and other payables		(17,605)	14,342
Decrease in advances received from the pre-sale of properties under development and properties held for sale		(90,391)	(69,733)
Increase in amount due to a director		970	—
Cash generated from operations		68,026	105,345
Income tax paid		(29,986)	(81,451)
Net cash generated from operating activities		38,040	23,894
Cash flows from investing activities			
Decrease in amount due from a related party		—	35
Decrease in amounts due from shareholders		—	38
Purchases of property, plant and equipment		(2,395)	(866)
Purchases of investment properties		(369)	(2,066)
Proceeds from disposals of property, plant and equipment		40	41
Dividend received from available-for-sale financial assets		834	767
Decrease in restricted and pledged bank deposits		1,781	664
Interest received		718	340
Net cash generated from/(used in) investing activities		609	(1,047)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flow from financing activities			
Proceeds from issuance of ordinary shares in connection with listing	30(e)	—	49,500
Decrease in amounts due to directors	37	—	(1,093)
Share issue expenses		—	(5,350)
Dividend paid		(12,000)	(4,330)
Interest paid		(6,205)	(8,763)
Proceeds from new borrowings		—	7,500
Repayments of borrowings		(48,037)	(65,269)
Net cash used in financing activities		(66,242)	(27,805)
Net decrease in cash and cash equivalents		(27,593)	(4,958)
Cash and cash equivalents as at 1 January		125,610	130,218
Effect of foreign exchange rates changes on cash and cash equivalents		912	350
Cash and cash equivalents as at 31 December	25	98,929	125,610

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company										
	Share capital	Share premium*	Statutory reserve*	Exchange reserve*	Capital reserve*	Revaluation reserve*	Proposed final dividend	Retained earnings*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 (note 30(c))	10,000	—	—	—	(10,000)	—	—	—	—	—	—
Arising from loan capitalisation (note 37)	—	—	—	—	7,471	—	—	—	7,471	—	7,471
Share issue expenses	—	(5,350)	—	—	—	—	—	—	(5,350)	—	(5,350)
Share capitalisation (note 30(d))	12,500	(12,500)	—	—	—	—	—	—	—	—	—
Issuance of ordinary shares in connection with the listing (note 30(e))	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 12)	—	—	—	—	—	—	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 12)	—	—	—	—	—	—	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

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 principal activities of the Company's subsidiaries are set out in note 19 to the consolidated financial statements.

The consolidated financial statements on pages 49 to 117 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF HKFRSS *(Continued)*

(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 (see note 4.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF HKFRSS (Continued)

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

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.

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 18 and 36.

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF HKFRSS *(Continued)*

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

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.

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 HKFRSSs and the directors are not yet in a position to quantify the effects on the Group’s consolidated financial statements.

NOTES TO THE 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 are disclosed in note 5.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 4.15). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the lease terms
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 1/3%
Plant and machinery	9 to 20%
Motor vehicles	4 to 20%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss on disposal.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

4.5 Interests in leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.11. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

4.7 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below. Financial assets are classified as loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at each reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial re-organisation;
- significant changes in the technological, market, economics or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial assets *(Continued)*

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale financial assets

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment losses of financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivables are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Inventories of properties

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventories of properties consist of land held under operating lease (see note 4.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.10 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, amount due to a director and interest-bearing borrowings. They are separately shown on the face of the statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4.17).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial liabilities *(Continued)*

Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Other financial liabilities

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets leased out under operating leases as the lessors

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Leases *(Continued)*

Assets leased out under operating leases as the lessees

The total rental payable under operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

For property interest in land included in properties under development and properties held for sale, the amortisation of prepaid land lease is capitalised as part of the building cost during the development period but charged to profit or loss for completed properties. Other amortisation of prepaid land lease is expensed.

4.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.13 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuance of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised upon the properties have been delivered to the purchasers and collectability of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under advances received from the pre-sale of properties under development and properties held for sale.

Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

Building management income and consultancy service income are recognised in the accounting period when the respective services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised in the accounting period when the right to receive payment is established.

4.15 Impairment of non-financial assets

Property, plant and equipment, interests in leasehold land and interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the People's Republic of China ("PRC") make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the group entities incorporated in Hong Kong manages a defined contribution Mandatory Provident Fund Scheme (the "MFP Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.17 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are not recognised if the temporary differences arising from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Accounting for income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.19 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where the consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4.12 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker i.e. the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

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. |

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except for dividend income from available-for-sale financial assets, corporate income and expenses (including income tax expense) which are not directly attributable to the business activities of any operating segment and income tax expense are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except for available-for-sales financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include taxation liabilities and deferred tax liabilities, which are not directly attributable to the business activities of any operating segment.

4.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as liability.

4.23 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement of investment properties

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

The fair value measurement of investment properties utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: observable inputs other than quoted prices included within Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detail information in relation to the fair value measurement of the investment properties, please refer to note 18.

Estimated net realisable value of inventories of properties

Management reviews the recoverable amount of inventories of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 4.14. The assessment of when an entity has transferred the significant risks and rewards of ownership to purchasers requires the examination of the circumstances of the transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expenses in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

PRC land appreciation taxes

The Group is subject to land appreciation taxes ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

6. 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 executive directors have identified the Group's four business lines as operating segments as further described in note 4.20.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

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

	2013 HK\$'000	2012 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 HK\$'000	2012 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION *(Continued)*

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.

7. 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.

8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. 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.

10. PROFIT BEFORE INCOME TAX

	2013 HK\$'000	2012 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE

	2013 HK\$'000	2012 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 (note 29)		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE *(Continued)*

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

12. DIVIDEND

	2013 HK\$'000	2012 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS' REMUNERATION AND EMOULMENTS OF FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

Year ended 31 December 2013

	Fees HK\$'000	Salaries and benefits in kind HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
Executive directors:				
Dr. Lee	—	4,936	—	4,936
Mrs. Lee	—	4,936	—	4,936
Dr. Elaine Eick	—	1,120	15	1,135
Mr. Cheng Bun	—	989	15	1,004
	—	11,981	30	12,011
Independent non- executive directors:				
Mr. Wong Chi Wai	130	—	—	130
Mr. Wong Tat Yau, Paul	130	—	—	130
Mr. Chan Chun Yee	130	—	—	130
	390	—	—	390
Total emoluments	390	11,981	30	12,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS' REMUNERATION AND EMOULMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2012

	Fees HK\$'000	Salaries and benefits in kind HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
Executive directors:				
Dr. Lee	—	5,175	—	5,175
Mrs. Lee	—	5,175	—	5,175
Dr. Elaine Eick	—	1,040	14	1,054
Mr. Cheng Bun	—	962	14	976
	—	12,352	28	12,380
Independent non-executive directors:				
Mr. Wong Chi Wai	13	—	—	13
Mr. Wong Tat Yau, Paul	13	—	—	13
Mr. Chan Chun Yee	13	—	—	13
	39	—	—	39
Total emoluments	39	12,352	28	12,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS' REMUNERATION AND EMOULMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group include four (2012: four) directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining one (2012: one) individual were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and benefits in kind	608	585
Retirement scheme contribution	15	14
	623	599

The above emoluments were within following bands:

	No. of employee	
	2013	2012
Emolument bands		
Nil to HK\$1,000,000	1	1

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the year (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK\$'000	2012 HK\$'000
Wages and salaries	30,028	27,574
Retirement scheme contribution	4,276	3,732
Other benefits	1,702	1,323
	36,006	32,629

15. 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 (note 30), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2012						
Cost	6,299	6,882	3,883	1,663	4,422	23,149
Accumulated depreciation	(2,151)	(3,331)	(2,702)	(1,255)	(3,323)	(12,762)
Net book amount	4,148	3,551	1,181	408	1,099	10,387
Year ended 31 December 2012						
Opening net book amount	4,148	3,551	1,181	408	1,099	10,387
Additions	—	—	569	294	3	866
Disposals	—	—	(4)	(5)	(2)	(11)
Depreciation	(176)	(796)	(598)	(103)	(324)	(1,997)
Exchange differences	1	20	9	5	6	41
Closing net book amount	3,973	2,775	1,157	599	782	9,286
At 31 December 2012 and 1 January 2013						
Cost	6,309	6,938	4,480	1,580	4,436	23,743
Accumulated depreciation	(2,336)	(4,163)	(3,323)	(981)	(3,654)	(14,457)
Net book amount	3,973	2,775	1,157	599	782	9,286
Year ended 31 December 2013						
Opening net book amount	3,973	2,775	1,157	599	782	9,286
Additions	—	—	826	231	1,338	2,395
Disposals	—	—	—	(35)	—	(35)
Depreciation	(177)	(818)	(595)	(161)	(327)	(2,078)
Exchange differences	4	67	34	18	34	157
Closing net book amount	3,800	2,024	1,422	652	1,827	9,725
At 31 December 2013						
Cost	6,348	7,132	5,425	1,493	5,910	26,308
Accumulated depreciation	(2,548)	(5,108)	(4,003)	(841)	(4,083)	(16,583)
Net book amount	3,800	2,024	1,422	652	1,827	9,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT - GROUP *(Continued)*

The analysis of the net carrying amounts of leasehold land and buildings according to lease periods are as follows:

	2013 HK\$'000	2012 HK\$'000
In PRC:		
Leases of between 10 to 50 years	108	170
In Hong Kong:		
Leases of between 10 to 50 years	3,692	3,803

The bank borrowings are secured by property, plant and equipment with a carrying amount of approximately HK\$3,800,000 (2012: HK\$3,803,000) as at 31 December 2013 (note 28).

Depreciation charges have been included in:

	2013 HK\$'000	2012 HK\$'000
Consolidated statement of financial position		
– capitalised in inventories of properties	69	86
Consolidated statement of comprehensive income (note 10)		
– cost of sales	663	646
– selling expenses	23	—
– administrative expenses	1,323	1,265
	2,009	1,911
	2,078	1,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTERESTS IN LEASEHOLD LAND - GROUP

The interests in leasehold land represented prepaid operating payments and the movements in their net carrying amounts are analysed as follows:

	2013	2012
	HK\$'000	HK\$'000
Opening net carrying amount	429	439
Amortisation	(14)	(13)
Exchange differences	12	3
Closing net carrying amount	427	429

The analysis of the net carrying amounts of interests in leasehold land according to lease periods are as follows:

	2013	2012
	HK\$'000	HK\$'000
In PRC:		
Leases of between 10 to 50 years	427	429

The bank borrowings are secured by interests in leasehold land with a carrying amount of approximately HK\$427,000 (2012: Nil) as at 31 December 2013 (note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES - GROUP

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

	2013 HK\$'000	2012 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 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES - GROUP (Continued)

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			Fair value HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES - GROUP (Continued)

Fair value hierarchy (Continued)

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, accessibility, floor, size. etc. (RMB/sq.m.)	32 - 1,250
		Capitilisation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTERESTS IN SUBSIDIARIES - COMPANY

	2013 HK\$'000	2012 HK\$'000
Equity investments stated at cost – Unlisted	614,901	614,901

Particulars of the subsidiaries, each of which is a limited liability company, as at 31 December 2013, were as follows:

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held by the Company	Principal activities
<i>Interests held directly</i>					
Global Touch Holdings Limited	Corporation	British Virgin Islands ("BVI") 8 November 2010	10,000 ordinary shares of US\$1.00 each	100%	Investment holding
<i>Interests held indirectly</i>					
Leepark Holdings Limited	Corporation	Hong Kong 5 June 2006	1,000,000 ordinary shares of HK\$1.00 each	100%	Investment holding and property leasing
New Merit Holdings Limited	Corporation	BVI 25 November 2009	1 ordinary share of US\$1.00 each	100%	Investment holding
Ruby Properties Limited	Corporation	Hong Kong 19 October 2009	200 ordinary shares of HK\$1.00 each	100%	Investment holding
Leepark (Netherlands) Limited	Corporation	Hong Kong 27 May 2006	10,000 ordinary shares of HK\$1.00 each	100%	Investment holding
廣西南寧利柏商務服務有限公司 (Guangxi Nanning Leepark Business Service Company Limited) *	Corporation	PRC 29 September 2003	RMB800,000	100%	Investment holding
廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) *	Corporation	PRC 9 September 1997	RMB23,408,000	87.52%	Property leasing and property development
南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Services Company Limited) * (note)	Corporation	PRC 4 August 2003	RMB3,000,000	98.77%	Property management, property consultancy and property leasing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTERESTS IN SUBSIDIARIES - COMPANY (Continued)

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held by the Company	Principal activities
<i>Interests held indirectly</i>					
南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) *	Corporation	PRC 27 July 1993	RMB33,544,000	93.84%	Property leasing
南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) *	Corporation	PRC 3 August 2001	RMB10,000,000	93.84%	Property development

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

Note: 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited) has renamed to its existing name 南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Services Company Limited) upon the issuance of the amended business license on 27 November 2013.

As at 31 December 2013 and 2012, none of the subsidiaries had issued any debt securities.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS - GROUP

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVENTORIES OF PROPERTIES - GROUP

	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.

22. TRADE RECEIVABLES - GROUP

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE RECEIVABLES - GROUP *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE RECEIVABLES - GROUP *(Continued)*

The Group recognised impairment loss on trade receivables on individual assessment based on the accounting policy stated in note 4.7.

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.

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/A RELATED PARTY/SHAREHOLDERS/A DIRECTOR - GROUP AND COMPANY

The amounts due are unsecured, interest-free and repayable on demand.

Amounts due from subsidiaries/a related party/shareholders disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	Maximum outstanding balance during the year HK\$'000	2013 HK\$'000	Maximum outstanding balance during the year HK\$'000	2012 HK\$'000
Group				
Related party:				
Pharma Frontiers Limited (note a)	—	—	57	—
Shareholders:				
Chosen Leader Limited	—	—	8	—
First Beijing International Limited	—	—	15	—
Ease Gain Holdings Limited	—	—	15	—
		—		—
Company				
Subsidiaries:				
Leepark Holdings Limited	2,024	1,792	—	—
Global Touch Holdings Limited	30,000	30,000	30,000	30,000
		31,792		30,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/A RELATED PARTY/SHAREHOLDERS/A DIRECTOR - GROUP AND COMPANY *(Continued)*

Amount due to a subsidiary/a director is disclosed as follows:

	2013 HK\$'000	2012 HK\$'000
Group		
Director:		
Mr. Cheng Bun (note b)	983	—
Company		
Subsidiary:		
Leepark Holdings Limited	—	1,923

Note: (a) Dr. Elaine Eick, a director of the Company, has sole beneficial interest in Pharma Frontiers Limited.

(b) Pursuant to the commodity property sale and purchase agreement and the car park usage agreement both dated 10 December 2013 entered into between WTS Real Estate as vendor and Mr. Cheng as purchaser, WTS Real Estate had pre-sold a commodity property in Nanning, Guangxi, the PRC and granted the right of using four ancillary car parks to the property to Mr. Cheng at a consideration of approximately RMB2,560,000 (or equivalent to approximately HK\$3,233,000). Mr. Cheng had paid 30% of consideration amounting to approximately RMB768,000 (or equivalent to HK\$983,000) upon the signing of the commodity property sale and purchase agreement. As at 31 December 2013, the property is not yet delivered to Mr. Cheng and the balance of the consideration shall be settled by means of mortgage loan applied by Mr. Cheng.

25. CASH AND CASH EQUIVALENTS - GROUP AND COMPANY

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash at bank and in hand	105,136	133,401	27,744	45,923
Less: Pledged bank deposits	(2,213)	(2,152)	—	—
Less: Restricted bank deposits	(3,994)	(5,639)	—	—
Cash and cash equivalents per the consolidated statement of cash flows	98,929	125,610	27,744	45,923

As at 31 December 2013, included in bank and cash balances of the Group are approximately HK\$73,534,000 (2012: HK\$75,232,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the Regulation for Foreign Exchange Control of PRC and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CASH AND CASH EQUIVALENTS - GROUP AND COMPANY *(Continued)*

Bank deposits have been pledged to secure bank borrowings (note 28). The deposit has maturity period of 1 month and is interest-bearing approximately at 0.35% (2012: 0.35%) per annum as at 31 December 2013.

Restricted bank deposits included (i) bank deposits placed in designated bank accounts which can only be used for property maintenance and (ii) guaranteed deposits placed with banks in relation to mortgage facilities granted to the purchasers of the Group's properties.

26. TRADE PAYABLES - GROUP

	2013 HK\$'000	2012 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 HK\$'000	2012 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.

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. INTEREST-BEARING BORROWINGS - GROUP

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. INTEREST-BEARING BORROWINGS - GROUP (Continued)

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) (note 16);
- (b) certain of the Group's interests in leasehold land with carrying values of approximately HK\$427,000 (2012: Nil) (note 17);
- (c) certain of the Group's investment properties with carrying values of approximately HK\$770,729,000 (2012: HK\$363,366,000) (note 18);
- (d) pledged bank deposits with carrying values of approximately HK\$ 2,213,000 (2012: HK\$2,152,000) (note 25); 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. DEFERRED TAX LIABILITIES - GROUP

The movements in the deferred tax assets/liabilities during the year are as follows:

	2013 HK\$'000	2012 HK\$'000
Deferred tax assets		
As at 1 January	—	4,840
Recognised in profit or loss (note 11)	—	(4,824)
Exchange differences	—	(16)
As at 31 December	—	—
Deferred tax liabilities		
As at 1 January	185,332	166,118
Recognised in profit or loss (note 11)	12,962	17,674
Exchange differences	5,305	1,540
As at 31 December	203,599	185,332

The components of deferred tax (assets)/liabilities and the movements during the year are as follows:

	Deferred tax (assets)/liabilities				Total HK\$'000
	LAT HK\$'000	Revaluation of inventories of properties HK\$'000	Revaluation of investment properties HK\$'000	Withholding tax HK\$'000	
As at 1 January 2012	(4,840)	9,286	148,616	8,216	161,278
Charge/(Credit) to profit or loss	7,441	(3,941)	17,779	1,219	22,498
Exchange differences	46	31	1,399	80	1,556
As at 31 December 2012 and 1 January 2013	2,647	5,376	167,794	9,515	185,332
(Credit)/Charge to profit or loss	(2,428)	(3,066)	11,920	6,536	12,962
Exchange differences	44	112	4,848	301	5,305
As at 31 December 2013	263	2,422	184,562	16,352	203,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE CAPITAL

The movements in the issued ordinary share capital during the year are as follows:

	2013		2012	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
As at 1 January	1,000,000,000	100,000	2,000,000	200
Increase of share capital (note (b))	—	—	998,000,000	99,800
As at 31 December	1,000,000,000	100,000	1,000,000,000	100,000

	2013		2012	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
As at 1 January	300,000,000	30,000	1	—
Arising from the Reorganisation (note (c))	—	—	99,999,999	10,000
Share capitalisation (note (d))	—	—	125,000,000	12,500
Issuance of ordinary shares in connection with the Listing (note (e))	—	—	75,000,000	7,500
As at 31 December	300,000,000	30,000	300,000,000	30,000

- (a) On 18 February 2011, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$200,000 divided into 2,000,000 shares having a par value of HK\$0.10 each. Upon incorporation of the Company, 1 share was allotted and issued, nil paid.
- (b) Pursuant to the written resolutions passed by the shareholders of the Company on 23 November 2012, the authorised share capital of the Company was increased from HK\$200,000 to HK\$100,000,000 by creation of 998,000,000 new shares.
- (c) On 23 November 2012, the Company acquired from First Beijing, Ease Gain and Chosen Leader the entire issued share capital of Global Touch, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 99,999,999 new shares, as to 39,999,999 shares to First Beijing, 40,000,000 shares to Ease Gain and 20,000,000 shares to Chosen Leader and (ii) credited as fully paid at par the one nil paid share then held by First Beijing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE CAPITAL *(Continued)*

- (d) Pursuant to the written resolutions passed by the shareholders of the Company on 23 November 2012, the directors were authorised to capitalise a sum of HK\$12,500,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 125,000,000 shares for allotment and issue to the then shareholders of the Company as at 23 November 2012 in proportion to their then respective shareholdings in the Company.
- (e) In connection with the Company's initial public offering, the Company issued 75,000,000 ordinary shares of HK\$0.1 each at a price of HK\$0.66 each for a total consideration (before expenses) of approximately of HK\$49,500,000. Dealing of the Company's shares on the Growth Enterprise Market of the Stock Exchange commenced on 14 December 2012.

31. RESERVES - GROUP AND COMPANY

Group

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

Share premium

The share premium account of the Group represents the premium arising from the issuance of shares of the Company at premium.

Statutory reserve

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies now comprising the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests.

Revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. RESERVES - GROUP AND COMPANY *(Continued)*

Company

	Share premium* HK\$'000	Capital reserve* (Note) HK\$'000	Proposed final dividend HK\$'000	Retained earnings* HK\$'000	Total HK\$'000
As at 1 January 2012	—	—	—	—	—
Arising from					
the Reorganisation	—	604,901	—	—	604,901
Share issue expense	(5,350)	—	—	—	(5,350)
Share capitalisation (note 30(d))	(12,500)	—	—	—	(12,500)
Issuance of ordinary shares in connection with Listing (note 30(e))	42,000	—	—	—	42,000
Transactions with owners	24,150	604,901	—	—	629,051
Profit for the year and total comprehensive income for the year	—	—	—	29,136	29,136
Proposed final dividend (note 12)	—	—	12,000	(12,000)	—
As at 31 December 2012 and 1 January 2013	24,150	604,901	12,000	17,136	658,187
Dividend paid	—	—	(12,000)	—	(12,000)
Transactions with owners	—	—	(12,000)	—	(12,000)
Loss for the year and total comprehensive income for the year	—	—	—	(2,914)	(2,914)
Proposed final dividend (note 12)	—	—	5,400	(5,400)	—
As at 31 December 2013	24,150	604,901	5,400	8,822	643,273

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

Note: The capital reserve of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OPERATING LEASE ARRANGEMENTS

a. As lessor

Group

As at 31 December 2013, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	32,716	28,015
After one year but within five years	43,965	48,654
After five years	2,021	2,857
	78,702	79,526

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to ten years (2012: one to ten years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

Company

The Company did not have any minimum lease receipts under non-cancellable operating leases as at 31 December 2013 and 2012.

b. As lessee

Group

As at 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of the Group's properties as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	6,766	5,725
After one year but within five years	22,526	20,631
After five years	46,290	43,912
	75,582	70,268

The Group leases properties under operating leases. The leases run for an initial period of one to twenty years (2012: one to twenty years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases includes contingent rental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OPERATING LEASE ARRANGEMENTS (Continued)

b. As lessee (Continued)

Company

The Company did not have any minimum lease payments under non-cancellable operating leases as at 31 December 2013 and 2012.

33. CAPITAL COMMITMENTS

Group

As at 31 December 2013, the commitments for the construction of property under development:

	2013 HK\$'000	2012 HK\$'000
Contracted but not provided for – property under development	84,134	124,191

Company

The Company did not have any significant capital commitments as at 31 December 2013 and 2012.

34. FINANCIAL GUARANTEE CONTRACTS

Group

The face value of the financial guarantees issued by the Group is analysed as below:

	2013 HK\$'000	2012 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	257,129	221,385

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. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL GUARANTEE CONTRACTS *(Continued)*

Group *(Continued)*

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantees period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

Company

The Company did not have any financial guarantee contracts as at 31 December 2013 and 2012.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the lease agreement with Pharma Frontiers Limited ("Pharma Frontiers"). Pharma Frontiers is a company wholly owned by Dr. Elaine Eick, a director of the Company.

Pursuant to the lease agreement dated 17 October 2011 which was entered into between Leepark Holdings Limited ("Leepark Holdings") as landlord and Pharma Frontiers as tenant, Leepark Holdings has leased a portion of its office to Pharma Frontiers for a monthly rental of HK\$22,000 from 1 May 2011 to 30 April 2014.

During the year ended 31 December 2013, rental income of HK\$264,000 (2012: HK\$264,000) was derived from leasing of office premises.

Key management of the Group are also the members of the board of directors. Key management personnel remuneration is set out in note 13.

36. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities. See note 4.7 and 4.10 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Financial assets				
Available-for-sale financial assets:				
Unlisted equity securities	8,102	7,735	—	—
Loans and receivables:				
Trade receivables	7,116	1,768	—	—
Other receivables	7,604	8,811	—	—
Amounts due from subsidiaries	—	—	31,792	30,000
Cash and cash equivalents	105,136	133,401	27,744	45,923
	127,958	151,715	59,536	75,923
Financial liabilities				
Amortised cost:				
Trade payables	37,796	17,622	—	—
Accruals and other payables	26,138	36,611	1,540	814
Amount due to a director	983	—	—	—
Amount due to a subsidiary	—	—	—	1,923
Interest-bearing borrowings	50,503	96,619	—	—
	115,420	150,852	1,540	2,737

36.2 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the Group entities hold majority of their assets and liabilities in their own functional currency. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings which bore interests at fixed and floating interest rates. Borrowings bearing variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The interest rate and repayment terms of the borrowings outstanding at the end of the reporting period are disclosed in note 28.

The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's profit for each of the reporting periods and retained earnings as at the end of each of the reporting periods. The Group adopts centralised treasury policy in cash and financial management and focuses on reducing the Group's overall interest expenses.

36.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 34.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In this regard, directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group, except for leases which generally require the tenants to pay security deposits.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit policies have been followed by the Group and the Company since prior years and are considered to have been effective in limiting the Group's and the Company's exposure to credit risk to a desirable level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2013 and 2012. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, interest-bearing borrowings subject to a repayment on demand clause which can be exercised at the bank's sole direction, are included in the "on demand" time band as the lenders have unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the schedule repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.5 Liquidity risk *(Continued)*

The contractual maturity analysis of the Group and the Company below is based on the undiscounted cash flows of the financial liabilities:

Group

	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000	Total contractual amount HK\$'000	Carrying amount HK\$'000
As at 31 December 2013						
Trade payables	37,796	—	—	—	37,796	37,796
Accruals and other payables	26,138	—	—	—	26,138	26,138
Amount due to a director	983	—	—	—	983	983
Other interest-bearing borrowings	9,358	9,359	28,073	8,945	55,735	44,254
Interest-bearing borrowings subject to a repayment on demand clause	6,249	—	—	—	6,249	6,249
	80,524	9,359	28,073	8,945	126,901	115,420
As at 31 December 2012						
Trade payables	17,622	—	—	—	17,622	17,622
Accruals and other payables	36,611	—	—	—	36,611	36,611
Other interest-bearing borrowings	51,314	9,102	27,305	17,445	105,166	89,529
Interest-bearing borrowings subject to a repayment on demand clause	7,090	—	—	—	7,090	7,090
	112,637	9,012	27,305	17,445	166,489	150,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT *(Continued)*

36.5 Liquidity risk *(Continued)*

Company

	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000	Total contractual amount HK\$'000	Carrying amount HK\$'000
As at 31 December 2013						
Accruals and other payables	1,540	—	—	—	1,540	1,540
As at 31 December 2012						
Accruals and other payables	814	—	—	—	814	814
Amount due to a subsidiary	1,923	—	—	—	1,923	1,923
	2,737	—	—	—	2,737	2,737

36.6 Fair value measurements

As at 31 December 2013 and 2012, the carrying amounts of the Group's available-for-sale financial assets carried at cost are not materially different from their fair values. The carrying values of trade and other receivables, cash and cash equivalents, trade and other payables and current portion of interest-bearing borrowings are estimated to approximate their fair values based on the nature or short-term maturity of these financial instruments.

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS – NON-CASH TRANSACTIONS

On 23 November 2012, Leepark Holdings and Leepark (Netherlands), Global Touch and Mrs. Lee entered into a deed of novation by which the debt in the total amount of approximately HK\$7.47 million (the "Assigned Debt") was novated to Global Touch. Following the novation, Global Touch became indebted to Mrs. Lee. The amount of the Assigned Debt was fully capitalised by the allotment and issue of an aggregate of 6,900 shares of US\$1.00 each in Global Touch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio of less than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's net debt to equity ratio at the reporting date was:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Interest-bearing borrowings	50,503	96,619
Less: Cash at bank and in hand	(105,136)	(133,401)
Net debt	N/A	N/A
Total equity	755,638	680,772
Net debt to equity ratio	N/A	N/A

39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2013 were approved and authorised for issue by the board of directors of the Company on 3 March 2014.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December			
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	383,064	410,273	328,436	163,082
Gross profit	138,470	151,596	131,362	63,259
Profit before income tax	119,264	152,278	134,594	47,986
Profit for the year	69,307	88,329	78,294	24,529
Profit attributable to the owners of the Company	63,514	79,177	70,373	21,942

ASSETS, LIABILITIES AND EQUITY

	2013	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	865,851	807,049	738,295	629,145
Current assets	378,629	473,072	522,902	502,220
Non-current liabilities	241,804	228,335	214,270	275,054
Current liabilities	247,038	371,014	510,859	421,387
Net current assets	131,591	102,058	12,043	80,833
Total equity	755,638	680,772	536,068	434,924

PROPERTY PORTFOLIO

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2013

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
1. Fond England	The unsold portion of Fond England, Block No. 10, 12, 15, 18 residential units, basement car park, No. 1 and 2, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	65,965 ^(note 1)	Residential, retail and carparks	7,530	93.84

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2013

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
1. Li Yuan	Li Yuan Project, No. 128 Daxue Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	Residential, retail and car parks	Under construction	9,074 ^(note 2)	46,792	Late 2014	87.52

Note:

- (1) According to the State-owned Land Use Rights Certificate No. (2008)503957 issued by People's Government of Nanning dated 29 April 2008, the land use rights of the property with a total site area of 65,964.88 sq.m. have been granted to 南寧威特斯房地產開發投資有限公司(Nanning WTS Real Estate Development and Investment Company Limited) for urban composite residential use.
- (2) According to the State-owned Land Use Rights Certificate Nos. (2011)584349 and (2011)584350 issued by People's Government of Nanning both dated 19 December 2011, the land use rights of the property with a total site area of 9,074.37 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for urban residential and commercial uses starting from 10 November 2011.

PROPERTY PORTFOLIO

PROPERTY HELD FOR INVESTMENT AS AT 31 DECEMBER 2013

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Yu Feng Plaza	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail, office and car parks	8,223	31 March 2074
2. Yu Feng High Street and other properties	Front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	8,048	31 May 2044 and 25 February 2044
3. Other properties	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	36	31 May 2044
4. Other properties	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	347	10 July 2044
5. No. 10 West Street	Front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Office and retail	2,188	25 February 2044 and 6 September 2044
6. Other properties	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	478	31 August 2044
7. Other properties	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	863	16 April 2044

PROPERTY PORTFOLIO

PROPERTY HELD FOR INVESTMENT AS AT 31 DECEMBER 2013 *(Continued)*

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
8. Other properties	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	2,237	25 February 2044
9. Other properties	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	250	6 September 2044
10. Other properties	No. 99 and 99-1 Huaqiang Road; and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	22 April 2044
11. Other properties	1/F of Block No.1 of No. 220-4 and No. 220-5; and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	217	25 February 2044
12. Other properties	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	381	20 February 2044 and 6 September 2044
13. Other properties	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	20 February 2044
14. Other properties	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Industrial	1,141	16 November 2054
15. Other properties	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	510	7 September 2044

PROPERTY PORTFOLIO

PROPERTY HELD FOR INVESTMENT AS AT 31 DECEMBER 2013 (Continued)

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
16. Other properties	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	161	Note 1
17. Other properties	Retail unit No. 23 and residential unit No. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail and residential	879	Note 2

Notes:

- 1 According to the remark stated in the State-owned Land Use Rights Certificate No. (2010) 518938, the property is situated on a site on which a road is planned to be built and is used temporarily by the Group.
- 2 As at 31 December 2013, the application for transferring the State-owned Land Use Rights Certificate of the properties has been submitted by the property developer of the property.

PROPERTY CONTRACTED TO BE HELD FOR INVESTMENT AS AT 31 DECEMBER 2013

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Other properties	4 retail units of 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	Note	Note

Note: As at 31 December 2013, the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property have not been obtained. According to the Resettlement Agreement entered into between 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) (Party A) and 南寧百益實業有限公司 (Nanning Bai Yi Industrial Enterprise Limited) (Party B) dated 31 October 2002, Party B agreed that 4 retail units with a gross floor area of 127.00 sq.m. on the 1/F of Lvdu Shangsha shall be assigned by Party A to Party B after redevelopment of the original buildings. According to the Treatment Scheme for Guangxi Nanning Bai Yi Commercial Company Limited's Resettled Property issued by 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) on 30 December 2009, the resettled 4 residential units has a total gross floor area of 94.87 sq.m.