

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



2014
First Quarterly Report

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

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

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

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

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

The board of Directors (the "Board") of the Company is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2014 (the "Period") together with the comparative unaudited figures for the corresponding period in 2013.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March

	Notes	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Revenue	3	26,625	182,800
Cost of sales		(14,044)	(103,988)
Gross profit		12,581	78,812
Other income	4	258	1,296
Gain on changes in fair value of investment properties		4,831	146
Administrative expenses		(10,793)	(9,261)
Selling expenses		(1,202)	(3,394)
Profit before income tax	6	5,675	67,599
Income tax expense	7	(2,009)	(29,147)
Profit for the period		3,666	38,452
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(16,082)	2,474
Other comprehensive income for the period, net of tax		(16,082)	2,474
Total comprehensive income for the period		(12,416)	40,926
Profit for the period attributable to:			
Owners of the Company		3,003	35,841
Non-controlling interests		663	2,611
		3,666	38,452
Total comprehensive income attributable to:			
Owners of the Company		(11,346)	38,046
Non-controlling interests		(1,070)	2,880
		(12,416)	40,926
Earnings per share for profit attributable to the owners of the Company	9		
– Basic (HK cents)		1.00	11.95
– Diluted (HK cents)		1.00	11.95

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Proposed final dividend HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
As at 1 January 2014 (Audited)	30,000	24,150	32,651	59,841	23,514	3,090	5,400	503,686	682,332	73,306	755,638
Dividend to shareholders	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)
Transactions with owners	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)
Profit for the period	—	—	—	—	—	—	—	3,003	3,003	663	3,666
Other comprehensive income											
- Exchange loss on translation of financial statements of foreign operations	—	—	—	(14,349)	—	—	—	—	(14,349)	(1,733)	(16,082)
Total comprehensive income for the period	—	—	—	(14,349)	—	—	—	3,003	(11,346)	(1,070)	(12,416)
As at 31 March 2014 (Unaudited)	30,000	24,150	32,651	45,492	23,514	3,090	—	506,689	665,586	72,236	737,822
As at 1 January 2013 (Audited)	30,000	24,150	32,432	44,206	23,514	3,090	12,000	445,791	615,183	65,589	680,772
Profit for the period	—	—	—	—	—	—	—	35,841	35,841	2,611	38,452
Other comprehensive income											
- Exchange gain on translation of financial statements of foreign operations	—	—	—	2,205	—	—	—	—	2,205	269	2,474
Total comprehensive income for the period	—	—	—	2,205	—	—	—	35,841	38,046	2,880	40,926
As at 31 March 2013 (Unaudited)	30,000	24,150	32,432	46,411	23,514	3,090	12,000	481,632	653,229	68,469	721,698

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2014

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

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The unaudited 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").

The unaudited consolidated financial statements have been prepared under historical cost basis except for investment properties, which are stated at fair value. The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

3. REVENUE

Revenue from the Group's principal activities recognised during the three months ended 31 March 2014 (the "Period") and the corresponding period in 2013 are as follows:

	For the three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Building management income	4,435	4,727
Consultancy service income	94	1,350
Rental income of investment properties (note)	13,907	12,109
Sales of properties	8,189	164,614
	26,625	182,800

Note:

The Group has contingent rental income of investment properties of approximately HK\$653,000 (2013: HK\$581,000) for the three months ended 31 March 2014. 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.

4. OTHER INCOME

	For the three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Bank interest income	193	155
Dividend income from available-for-sale financial assets	—	969
Gain on exchange differences, net	—	111
Sundry income	65	61
	258	1,296

5. FINANCE COSTS

	For the three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Interest charges on:		
Bank borrowings wholly repayable within five years	—	—
Bank borrowings not wholly repayable within five years	1,679	1,018
Other borrowings wholly repayable within five years	—	954
Total borrowing costs	1,679	1,972
Less: interest capitalised	(1,679)	(1,972)
	—	—

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\$53,000 (2013: HK\$61,000) for the three months ended 31 March 2014.

6. PROFIT BEFORE INCOME TAX

	For the three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/ (crediting):		
Amortisation of interests in leasehold land	3	3
Cost of properties sold	6,381	86,484
Depreciation of property, plant and equipment	549	467
Donation	25	—
Loss/(Gain) on exchange differences, net	1,340	(111)
Operating lease charges	1,457	1,423
Outgoings in respect of investment properties that generated rental income	1,235	1,126

7. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Current income tax		
PRC corporate income tax	409	16,463
PRC land appreciation tax	491	9,681
PRC withholding income tax	—	—
	900	26,144
Deferred tax	1,109	3,003
Total income tax expense	2,009	29,147

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 Period.

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 period, 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 period 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 the corporate income tax rate of 25%.

7. INCOME TAX EXPENSE *(Continued)*

PRC land appreciation tax ("LAT")

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, 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*) is subject to LAT and the LAT is calculated at 5% to 7% of its sales of properties in accordance with the authorised taxation method.

PRC withholding income tax

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

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2014 (2013: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the three months ended 31 March 2014 of approximately HK\$3,003,000 (2013: HK\$35,841,000), and of the weighted average number of 300,000,000 (2013: 300,000,000) ordinary shares in issue during the Period.

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 periods.

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development, property leasing, property management and consultancy services. It has more than 20 years of experience in developing and leasing properties and approximately 11 years of experience in managing properties in numerous locations in Nanning, the PRC.

The Group recorded a profit attributable to the equity holders of the Company (the "Profit") for the three months ended 31 March 2014 of approximately HK\$3.0 million (three months ended 31 March 2013: HK\$35.8 million). It represented a decrease in the Profit by approximately 92% as compared to that of the corresponding period of 2013. The primary reason for the decline in the Profit was that the saleable gross floor area ("GFA") sold and delivered of Fond England decreased substantially for the three months ended 31 March 2014 compared to that of the corresponding period of 2013.

The Group's revenue is derived principally from the sale of properties comprised in the property development projects undertaken by the Group (that is, Fond England and the Li Yuan Project currently). The Group's results of operation may, therefore, fluctuate or vary significantly from period to period depending on, among other factors, the overall development schedule and the timing of sale and delivery of such properties.

Given that (i) the Group's properties held for sale comprise only the remaining unsold residential units and car parking spaces of Fond England, which are limited in numbers; and (ii) the sale and delivery of properties of the Li Yuan Project are only scheduled for the fourth quarter of 2014, the dip in the Group's turnover and, consequently, its Profit are expected to continue until the fourth quarter of 2014 when the sale and delivery of properties of the Li Yuan Project have commenced.

Property development business

Fond England

The Fond England project was completed in 2013. It is a green residential project with a total GFA of over 150,000 square metres ("sq.m.") in Nanning, and was aggregately sold and pre-sold for over 96% as at 31 March 2014. For the period ended 31 March 2014, the GFA sold and delivered (including residential units and car parking spaces) to the purchasers was approximately 1,186 sq.m.

Li Yuan

The Li Yuan Project is a residential and commercial property project of the Group located in the New & Hi-Tech Industrial Development Zone in Nanning. It is in the last stage of construction. The Group is developing the Li Yuan Project site into a residential and commercial complex with a total 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. The Group expects to complete the construction, and then commence the sale and delivery of properties of the Li Yuan Project by late 2014.

The revenue, if any, from the Li Yuan Project would only contribute to the Group's revenue upon its completion and the sale and delivery of properties of the Li Yuan Project have commenced.

Property leasing business

The leasing fee income from the Group's property leasing business was approximately HK\$13.9 million (2013: HK\$12.1 million) for the three months ended 31 March 2014.

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 March 2014, 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 16,619 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\$4.4 million (2013: HK\$4.7 million) and HK\$94,000 (2013: HK\$1.4 million) respectively were contributed to the Group's revenue for the period ended 31 March 2014.

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 南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Services Company Limited*), 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. As of 31 March 2014, 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 and events planning.

The Group continues to focus on its core property development project, the Li Yuan Project, currently. In the near future, it will also seek opportunities to take some suitable size projects for development. The Group aims to continue its (i) property leasing, (ii) property related management and consultancy, and (iii) property development businesses by the 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 and seek opportunities to take some suitable projects of property related management and consultancy with better returns.

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

FINANCIAL REVIEW

Revenue

During the three months ended 31 March 2014 and 2013, the Group's revenue was derived from (i) sales of properties (most of which were residential units, commercial units and carpark 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.

Sales of properties decreased by 95.0% to approximately HK\$8.2 million in the three months ended 31 March 2014 from approximately HK\$164.6 million in the corresponding period in 2013. This decrease was primarily due to a significant decrease in the sales of properties in Fond England during the three months ended 31 March 2014. Saleable GFA sold and delivered for the three months ended 31 March 2014 and 2013 were approximately 1,186 sq.m. and 11,137 sq.m. respectively.

Cost of Sales

	For the three months ended 31 March			
	2014		2013	
	HK\$'000	%	HK\$'000	%
Sales of properties	6,833	48.7	95,544	91.9
Rental income of				
investment properties	3,835	27.3	3,876	3.7
Building management income	3,363	23.9	4,331	4.2
Consultancy service income	13	0.1	237	0.2
	14,044	100.0	103,988	100.0

Cost of sales decreased by 86.5% to approximately HK\$14.0 million for the three months ended 31 March 2014 from approximately HK\$104.0 million for the three months ended 31 March 2013. This result was also primarily attributable to the decrease in saleable GFA sold and delivered in relation to Fond England during the three months ended 31 March 2014.

Gross Profit and Gross Profit Margin

Gross profit amounted to approximately HK\$12.6 million and HK\$78.8 million for the three months ended 31 March 2014 and 2013 respectively, representing a gross profit margin of approximately 47.3% and 43.1% respectively. The overall increase in gross profit margin was mainly due to an increase in gross profit margin in the rental income of investment properties in the three months ended 31 March 2014.

Other Income

Other income decreased to approximately HK\$0.3 million for the three months ended 31 March 2014 from approximately HK\$1.3 million for the three months ended 31 March 2013.

Borrowing Costs

Borrowing costs incurred for the construction and improvement in investment properties are capitalised during the reporting periods. Other borrowing costs are expensed when incurred.

Capitalised borrowing costs decreased to approximately HK\$1.7 million for the three months ended 31 March 2014 from approximately HK\$2.0 million for the three months ended 31 March 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

There was a gain on changes in fair value of investment properties for the three months ended 31 March 2014 of approximately HK\$4.8 million while there was a gain of approximately HK\$0.1 million in the previous corresponding period. The increase in the gain on changes reflected a short term fluctuation in property value in Nanning.

Administrative Expenses

Administrative expenses increased by 16.1% to approximately HK\$10.8 million for the three months ended 31 March 2014 from approximately HK\$9.3 million for the three months ended 31 March 2013, primarily because there was a currency exchange loss of approximately HK\$1.3 million incurred for the three months ended 31 March 2014 and loss arising from the depreciation of RMB in the same period.

Selling Expenses

Selling expenses decreased to approximately HK\$1.2 million for the three months ended 31 March 2014 from approximately HK\$3.4 million in the previous corresponding period. The main reason for the decrease was the decrease in the promotion costs and the commission expenses resulting from the decrease in sales of properties during the three months ended 31 March 2014.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK\$5.7 million for the three months ended 31 March 2014, representing a decrease of 91.6% from approximately HK\$67.6 million for the three months ended 31 March 2013.

Income Tax Expense

Income tax expense decreased to approximately HK\$2.0 million for the three months ended 31 March 2014 from approximately HK\$29.1 million in the corresponding period. The decrease in income tax was mainly derived from i) the decrease in LAT in the PRC resulting from the decrease in GFA sold and delivered in relation to Fond England and ii) the decrease in corporate income tax resulting from lower profit recorded during the three months ended 31 March 2014.

Profit for the Period attributable to the Owners of the Company

The profit for the period attributable to the owners of the Company decreased by approximately 92% to approximately HK\$3.0 million for the three months ended 31 March 2014 from approximately HK\$35.8 million in the previous corresponding period.

OUTLOOK

Looking forward, the Group will continue to engage in the property development and management businesses with emphasis on quality, comfort, and, above all, environmental friendliness. The Group aims to continue its (i) property leasing, (ii) property related management and consultancy, and (iii) property development businesses by the 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.

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

As at 31 March 2014, 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 the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding (Note 4)
Dr. Lee Kai Hung ("Dr. Lee")	Interest of controlled corporation (Note 1)	90,000,000	30%
Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon) ("Mrs. Lee")	Interest of controlled corporation (Note 2)	90,000,000	30%
Dr. Lee Tse Ching, Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) ("Dr. Elaine Eick")	Interest of 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, 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, 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 total issued share capital of 300,000,000 shares of the Company as at 31 March 2014.

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

As at 31 March 2014, 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 in the Company as recorded in the register kept under section 336 of the SFO were as follows:

Long positions

Ordinary shares of the Company

Name of Shareholder	Capacity/nature of interest	Number of issued ordinary 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 a spouse	45,000,000	15%
Ms. Huang Yuanning (黃元寧)	Beneficial owner	22,864,000	7.62%
Mr. Zhang Liming (張麗銘) (Note 4)	Interest of a spouse	22,864,000	7.62%

Notes:

- (1) These shares were registered in the name of First Beijing, the entire issued share capital of which is owned by Dr. Lee, 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, 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 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 total issued share capital of 300,000,000 shares of the Company as at 31 March 2014.

INTEREST OF COMPLIANCE ADVISER

As notified by Haitong International Capital Limited (“Haitong”), the Company’s compliance adviser, neither Haitong nor any of its directors or employees or associates (as defined in the GEM Listing Rules) had any interests in relation to the Company 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 March 2014.

COMPETING INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

As at 31 March 2014, none of the Directors, controlling shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective associates is considered to have interest 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 interests, which is required to be disclosed under Rule 11.04 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by 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 Directors during the three months ended 31 March 2014.

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

There were no purchases, sales or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the three months ended 31 March 2014.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the three months ended 31 March 2014 and is of the opinion that such statements comply with the applicable accounting standards and requirements, and that adequate disclosure has been made.

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

Hong Kong, 9 May 2014

As at the date of this report, the executive Directors are Dr. Lee Kai Hung, 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) and Mr. Cheng Bun and the independent non-executive Directors are Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

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

* For identification purpose only