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 2012

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

CONTENTS

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)
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. Ho Cheuk Wai (HKICPA)

AUTHORISED REPRESENTATIVES (for the purpose of the GEM Listing Rules)

Mr. Cheng Bun
Mr. Ho Cheuk Wai

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

AUDITOR

BDO Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Hong Kong

Bank of China
1 Garden Road Hong Kong

DBS Bank (Hong Kong) Limited
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Nathan Road, Tsimshatsui, Kowloon

REGISTERED OFFICE

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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, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

STOCK CODE

8291

WEBSITE OF THE COMPANY

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 of the Company (the "Shareholders") the financial performance of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

The year 2012 was a remarkable year in the development of the Group. Upon the successful listing (the "Listing") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2012 (the "Listing Date"), the Group is as usual positioned to focus on property related business in the city of Nanning, the People's Republic of China (the "PRC").

Despite the central government of the PRC still implementing monetary and credit tightening policies and property market control measures in 2012, 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 presales recorded at Fond England (裕豐英倫) during the year of 2012. The Group remains confident in the prospects for the property market in Nanning.

In the year ended 31 December 2012, 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) was increased by 25.2% in the year ended 31 December 2012 compared with the previous financial year (i.e. 2011: HK$265.3 million; 2012:HK$332.2 million).

To envisage the year of 2013, 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, the Group has proceeded developing the Li Yuan (裕豐荔園) project. Being a successful green building property developer, we will as usual provide comfortable accommodation to our customers as well as to serve the best interests of our Shareholders.

PROSPECTS

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

- Continue to develop featured theme shopping mall
- Continue to develop the Group's property development project with a green-focus
- Pursue potential acquisition opportunities or invest in the property development, property leasing and property management industry
- Enhance brand recognition on properties related businesses in Nanning

CHAIRMAN'S STATEMENT

APPRECIATION

2012 is a year of milestone to the Group as its securities was listed on GEM of the Stock Exchange on 14 December this year. The successful listing proves the Company is operating at an admitted level of standard in respect of management skill and overall strategic policy.

On behalf of the board of directors of the Company (the "Board"), I would like to express my gratitude to all our customers, business partners, employees and Shareholders for their invaluable support and continued loyalty.

Dr. Lee Kai Hung
Chairman

Hong Kong, 21 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development, property leasing, property management and consultancy businesses in Nanning, Guangxi, the PRC. The Group is an award winning green building property developer and an ISO14001 and ISO 9001 certified property manager in the city of Nanning, Guangxi. Founded in 1993, the Group has more than 19 years of experience in developing and leasing properties and approximately 9 years of experience in managing properties in numerous locations in Nanning.

Property development business

Fond England, a green residential project with gross floor area ("GFA") of over 150,000 square metres ("sq.m.") in Nanning, was aggregately sold and pre-sold for over 90% as at 31 December 2012. In 2012, approximately 34,000 sq.m. including residential units, car parking space and commercial shops were sold and delivered to the purchasers. The profit before income tax of this segment was approximately HK$77.6 million for the year ended 31 December 2012.

With regards to the ***Li Yuan*** property development project with a site area of 9,074 square metres, the project is planned to build a residential and commercial project located in New & Hi-Tech Industrial Development Zone in Nanning . As of 31 December 2012, the Group paid approximately HK$63.7 million as land premium to the local government for the development. The Group had obtained the project listing approval from the Construction Land Planning Permits in November 2011 and February 2012 respectively. 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. The Group has commenced the construction work of Li Yuan Project in mid 2012 and expects to complete the development by September 2014.

Property leasing business

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

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 2012, the Group's retail units which were held for the purpose of leasing to independent third parties comprise an aggregate rentable GFA of approximately 23,606 sq.m. in the PRC, of which the aggregate GFA of approximately 17,405 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$19.7 million and HK$5.7 million respectively were contributed to the Group's revenue for the year ended 31 December 2012.

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 environment protection policies, event planning and consulting services. These business activities are carried out under 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Co., Limited*) (an indirect non-wholly owned subsidiary of the Company) ("**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. As of 31 December 2012, the Group derived its property management income mainly from Yu Feng Plaza, Fond England, International Kitchen Supplies Centre and Guangxi Internation 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.

* *For identification purpose only*

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 2012 (the "Review Period") is set out below:

Business objectives for the Review Period	**Actual Business Progress up to 31 December 2012**
Continue to develop possible potential featured theme shopping mall	
Conduct feasibility study on the possible potential featured theme on the shopping mall.	A particular featured theme on the shopping mall had been selected and the feasibility study on the selected theme had been commenced.
Commence market research for the possible potential featured theme on the shopping mall.	A particular featured theme on the shopping mall had been selected and the market research for the selected theme had been commenced.
Continue to develop the Group's property development project with a green-focus	
Continue developing Phase 2 of Fond England.	Block 10 of Phase 2 of Fond England was under fine fitment. Other blocks of Phase 2 were undergoing delivery as scheduled.
Continue the design and tendering process for the development of the Li Yuan Project.	The design and tendering process for utility facilities were ongoing for the development of the Li Yuan Project.
Pursue potential acquisition opportunities or invest in the property development and property leasing industry	
Conduct feasibility study and/ or evaluate and explore potential acquisitions opportunities.	No particular project had been identified and exploration on potential acquisitions opportunities was underway.

Business objectives for the Review Period	**Actual Business Progress up to 31 December 2012**
Enhancing brand recognition on properties related business in Nanning	
Continue to organise promotional and marketing events.	6 promotional and marketing events had been organised.
Develop market positioning strategies for properties owned by the Group.	Market positioning strategies for part of the properties owned by the Group had been developed and the development of strategies for the remaining properties was underway.
Organise marketing events for Yu Feng Plaza 15th Anniversary.	Marketing events for Yu Feng Plaza 15th Anniversary commenced and finished.
Continue to provide environmentally friendly and value-added consultancy services.	Li Yuan Project was granted Green Building Design Label-3 Stars Award ("綠色建築三星級設計標識") by the Ministry of Housing and Urban-Rural Development of the People's Republic of China* ("中華人民共和國住房和城鄉建設部") on 1 April 2013.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus were approximately HK$25.5 million, which was different from the estimated net proceeds of approximately HK$33.2 million (estimated on the assumption that the placing price would be the mid-point of the price range of HK$0.65 to HK$0.93 per placing share as stated in the Prospectus while the placing price per placing share under the placing was finally determined at HK$0.66). We intend to adjust the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, and approximately HK$13.2 million, HK$9.8 million, and HK$2.5 million were adjusted for i) the development and operation of featured theme shopping mall and maintenance of other investment properties, ii) 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), and iii) general working capital and other general corporate purposes of the Group respectively. As at the date of this report, we do not anticipate any change to the plan as to use of proceeds. During the Review Period, there was no usage made out of the net proceeds from the Listing. The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong in accordance with the intention of the Directors as disclosed in the Prospectus.

FINANCIAL REVIEW

Revenue

During the years ended 31 December 2011 and 2012, 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 years indicated:

	2012		2011	
	HK$'000	**%**	HK$'000	%
Sales of properties	**332,177**	**81.0**	265,313	80.8
Rental income of investment properties	**52,635**	**12.8**	44,440	13.5
Building management income	**19,745**	**4.8**	17,399	5.3
Consultancy service income	**5,716**	**1.4**	1,284	0.4
	410,273	**100.0**	328,436	100.0

Sales of properties increased by 25.2% from approximately HK$265.3 million in 2011 to approximately HK$332.2 million in 2012. This increase was primarily due to a significant increase in the sales of properties in Fond England in the year 2012. Saleable GFA delivered for the financial years ended 31 December 2011 and 2012 were approximately 28,172 sq.m. and approximately 34,018 sq.m. respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales increased by 31.3% to approximately HK$258.7 million for the year ended 31 December 2012 from approximately HK$197.1 million for the year ended 31 December 2011. This result was also primarily attributable to the increase in saleable GFA sold and delivered in relation to Fond England during 2012.

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately HK$131.4 million and approximately HK$151.6 million for the years ended 31 December 2011 and 2012 respectively, representing a gross profit margin of approximately 40.0% and 37.0% respectively. The overall decrease in gross profit margin was mainly due to a slight decrease in gross profit margin in the sales of properties segment in 2012.

Other Income

Other income decreased from approximately HK$7.9 million in the previous financial year to approximately HK$2.9 million for the year ended 31 December 2012. The main reason for the drop came from the reduction of the gain on disposals of plant, property and equipment in 2012.

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$12.1 million for the year ended 31 December 2011 to approximately HK$8.8 million for the year ended 31 December 2012. 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 2012 increased to approximately HK$61.7 million from approximately HK$46.5 million in the previous financial year. The increase reflected property value in Nanning is still in an upward trend as compared with 2011.

Administrative Expenses

Administrative expenses increased by 30.2% to approximately HK$54.9 million for the year ended 31 December 2012 from approximately HK$42.1 million for the year ended 31 December 2011, primarily due to the increase in listing expenses and consultancy fees of approximately HK$5.4 million and HK$3.1 million respectively.

Selling Expenses

Selling expenses remained stable to approximately HK$9.1 million for the year ended 31 December 2012 from approximately HK$9.0 million for the year ended 31 December 2011.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK$152.3 million for the year ended 31 December 2012, representing an increase of 13.1% from approximately HK$134.6 million in the previous financial year.

Income Tax Expenses

Income tax expense increased from approximately HK$56.3 million in the previous financial year to approximately HK$63.9 million for the year ended 31 December 2012. The increase in income tax was mainly derived from the increase in LAT payable in the PRC resulting from the higher assessable appreciated value of properties delivered to customers during the year ended 31 December 2012.

Profit for the Year attributable to the Owners of the Company

The profit for the year attributed to the owners of the Company increased by approximately 12.5% from approximately HK$70.4 million in the previous financial year to approximately HK$79.2 million for the year ended 31 December 2012.

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 2012. The Group's gearing ratio (total borrowings divided by total equity) dropped to 14.2% as at 31 December 2012. The Group had net cash of debt (total borrowings less cash and cash equivalents) of approximately HK$36.8 million as at 31 December 2012 and its net debt to equity ratio of the Group is -5.4% as at 31 December 2012.

The Group's cash and cash equivalents and restricted cash amounted to approximately HK$133.4 million in total as at 31 December 2012 (2011: HK$138.6 million). Total borrowings as at 31 December 2012 was approximately HK$96.6 million (2011: HK$153.6 million).

Of the total borrowings, approximately HK$53.6 million was repayable within one year while approximately HK$43.0 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 balance as at 31 December 2012 was approximately HK$221.4 million (2011: HK$199.1 million). The increase was attributable to the additional sales made in the year of 2012.

Capital Commitments

Capital commitments were those contracts concluded but not provided for the construction of properties under development and investment properties. The balance as at 31 December 2012 was approximately HK$124.2 million (2011: HK$103.6 million).

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, investment properties, bank deposits and assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties.

Material Acquisitions or Disposals

Except for the transactions in connection with the Group's Reorganisation in preparation for the Listing as disclosed in the Prospectus, there has been no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2012.

Capital Structure

The shares of the Company were listed on GEM of the Stock Exchange on 14 December 2012. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises only ordinary 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, including net proceeds from the Listing, were denominated mainly in Hong Kong dollars, with some denominated in RMB. 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 2012, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2012, the Group did not use any financial instruments for hedging purposes.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2012, the Group employed a total of 272 full-time employees (2011: 264 employees). Total staff costs, including Directors' emoluments, of the Group were approximately HK$32.6 million (2011: HK$30.4 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 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 2012, no option had been granted under the scheme.

OUTLOOK

The Group was listed on GEM of the Stock Exchange on 14 December 2012. The funds raised from the Listing have helped lay a solid foundation for the future development of the Group.

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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Lee Kai Hung ("Dr. Lee")

Dr. Lee Kai Hung (李啟鴻), aged 77, is the chairman, chief executive officer and an executive Director 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 19 years of experience in real estate investment and property development business. Dr. Lee has served 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. 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 UK. He was commissioned as a deputy lieutenant of Greater Manchester and awarded a doctorate degree in laws by the University of Manchester 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 Mrs. Lee, the father of Dr. Elaine Eick and the uncle of Mr. Cheng Bun. He is also the sole director and the sole shareholder of First Beijing International Limited ("First Beijing") (one of the Controlling Shareholders as defined under the GEM Listing Rules).

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

Dr. Lee Tse Ching, Elaine (李紫清), aged 42, is the vice chairman and an executive Director. She graduated from the University of Manchester Institute of Science and Technology (now known as the University of Manchester) with a master's degree in science in 1994, and obtained her doctorate degree in philosophy from the University of Cambridge, England in 1998. She joined the Group and was appointed as the managing director of Leepark Holdings Limited 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 United Kingdom with offices abroad and engaging in the medical communications business. Dr. Elaine Eick has also been the founder and managing director of Pharma Frontiers Limited since 2003, a medical communications agency where she is 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 11 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 ("Chosen Leader") (one of the Controlling Shareholders).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon (李陳莞媛)) ("Mrs. Lee")

Ms. Chan Koon Woon (陳莞媛), aged 71, is an executive Director. Mrs. Lee 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**") 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**") since January 2007 and a director of various subsidiaries of the Company. She 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. Mrs. Lee has over 19 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 ("Ease Gain") (one of the Controlling Shareholders).

Mr. Cheng Bun

Mr. Cheng Bun (鄭鑌), aged 48, is an executive Director and the compliance officer of the Company. Mr. Cheng has also been a director of various subsidiaries of the Company. He 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 with a postgraduate diploma in business in 1990 and obtained a master's degree of computer science in the University of Salford 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.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Wai

Mr. Wong Chi Wai (黃馳維), aged 46, is an independent non-executive Director since December 2012. Mr. Wong currently also serves as an independent non-executive director for Bonjour Holdings Limited (stock code 653), Kin Yat Holdings Limited (stock code 638) and Arts Optical International Holdings Limited (stock code 1120), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of both Bonjour Holdings Limited and Arts Optical International Holdings Limited and 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 postgraduate certificate in laws by the University of Hong Kong in 1988 and 1993 respectively. Mr. Wong is a practicing 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. Mr. Wong has over 24 years of experience in the accountancy profession and he is currently the owner of a certified public accountants firm in Hong Kong, Albert Wong & Co.

Mr. Wong Tat Yan, Paul

Mr. Wong Tat Yan, Paul (黃達仁), aged 43, is an independent non-executive Director since December 2012. Mr. Wong obtained a bachelor's degree in commerce from James Cook University of North Queensland of Australia in 1993 and a master's degree in business administration from the University of Queensland of Australia in 2004. Mr. Wong is a practicing 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 19 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and he is currently the partner of a certified public accountants firm in Hong Kong, Paul Wong & Co.

Mr. Chan Chun Yee

Mr. Chan Chun Yee (陳振宜), aged 35, is an independent non-executive Director since December 2012. Mr. Chan obtained a bachelor's degree in law 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. He 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Mr. Ho Cheuk Wai

Mr. Ho Cheuk Wai (何焯偉), aged 51, is the company secretary of the Company and the financial controller of the Group. Mr. Ho is a degree holder in master of business administration awarded by the University of Wales, Bangor in co-operation with the Manchester Business School (now known as the Bangor University) in 1997 and a degree holder in master of science in business information technology awarded by the Middlesex University in 2003. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in May 2012, Mr. Ho was the financial controller in other companies in Hong Kong, namely CBI Investment Limited, Mission Hills Group and Chung Fu Property Group Company Limited from 1990 to 1995, from 1995 to 1998 and from 1999 to 2008 respectively, and had experience in financial management, financial reporting and control, corporate finance, accounting and taxation matters. From 2008 to 2010, he had been a member of the management team of the China Water Company Limited in Hong Kong, where he was responsible for all areas of company activities.

Rule 5.15 of the GEM Listing Rules stipulates that an issuer's company secretary is required to take no less than 15 hours of relevant professional training in each financial year. Mr. Ho was only appointed as the company secretary to the Company on 23 November 2012 and the flotation of the Company's shares on GEM only took place on 14 December 2012 (the "Listing Date"). Given that there was only about two weeks left since the Listing Date and due to the intervening Christmas holidays, Mr. Ho had not been able to comply with the 15 hours' professional training requirement for the year ended 31 December 2012 as required under Rule 5.15 of the GEM Listing Rules within the short period of time under the special circumstances. Notwithstanding the above and having considered Mr. Ho's experience and evaluated his performance, the Board is of the view that Mr. Ho was and remains capable of discharging the functions of company secretary and his competency had not been impaired by not fulfilling the above training requirement during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Mr. Cheng Bun

Mr. Cheng Bun (鄭鑌), a compliance officer who also holds the post of executive Director and whose biographical details are disclosed above.

SENIOR MANAGEMENT

Mr. Kwan Kei-Chor

Mr. Kwan Kei-Chor (關基楚), aged 45, is the finance manager of the Group. Mr. Kwan 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 degree holder in accounting awarded by Curtin University of Technology 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 been working in the fields of financing, financial reporting, and company secretarial in other companies in Hong Kong. He had 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 during the period from December 2002 to May 2006 and had acted as a 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 Stock Exchange during the period from May 2007 to October 2007.

Mr. He Hao

Mr. He Hao (何好), aged 58, is a director, the general manager or 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 all development projects, including resources management, cost control and staff recruitment. For each development project, he would be the project leader of different project teams organised to manage each development project. 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 1988, majoring in food engineering. Mr. He joined the Group in 2001. Prior to that, he had held various positions, including the vice general manager and the factory 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 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 2007.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cai Zi-Qi

Mr. CaI Zi-Qi (蔡梓麒), aged 40, is a vice-chairman of the board, a director, the general manager or the vice general manager of various subsidiaries of the Group. Based in the PRC, he is responsible for the property management and daily operations of the Group. Mr. Cai is also responsible for the marketing of the Group's leased and managed properties and the property consultancy services. 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司 (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.

Ms. Zhong Jia-Ying

Ms. Zhong Jia-Ying (鍾家瑛), aged 67, is a director and the vice general manager of various subsidiaries of the Group 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 1964, majoring in finance and accounting. She is a member of the Chinese Institute of Certified Public Accountants. 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) appointed Ms. Zhong as the financial controller of Nanning Department Store Co., Limited on 2 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. She worked as financial controller of Nanning Department Store Co., Limited* (南寧百貨大樓股份有限公司) from 1999 to 2002, a company listed on the Shanghai Stock Exchange. From 1964 to 2001, she had been 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"). 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 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 practicing certified public accountant in two accounting firms in Guangxi Province. She re-joined the Group in 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Huang Fu Wei-Hong

Ms. Huang Fu Wei-Hong (皇甫衛紅), aged 56, 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 37 years of experience and knowledge in the construction and property development business, from financial management to overall project management. In 1999, She graduated from the Chongqing Jianzhu University (重慶建築大學) (now known as the Chongqing University (重慶大學)), 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.

Mr. Qin Zhang-Xin

Mr. Qin Zhang-Xin (覃章新), aged 62, 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 was 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 a Nanning state-owned enterprise, 南寧沛寧資產經營有限責任公司 (Nanning Peining Capital Operation Company Limited*) in 1997 and 2001 respectively, responsible for overall operations and decision making of this 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 this 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Wei-Han

Mr. Chen Wei-Han (陳慰漢), aged 47, is the vice general manager of WTS Real Estate. 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 1992 majoring in construction. He has accumulated experience and knowledge in property development and construction. He had been working 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, and had been responsible for civil engineering as well as in charge of technology and project management. He joined the Group in 2006. 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 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.

Mr. He Jia-Quan

Mr. He Jia-Quan (何家荃), 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 Golden Yu Feng and Yu Feng Real Estate. He joined the Group in 2006. Prior to joining the Group, 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

Mr. Cui Min (崔敏), aged 60, 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 been working 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.

* *For identification purpose only*

DIRECTORS' REPORT

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 February 2011.

Pursuant to a reorganisation to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group. Details of the reorganisation are set out in the prospectus of the Company dated 30 November 2012 (the "Prospectus"). The Company's shares were listed on GEM of the Stock Exchange on 14 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2012.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 38 of the annual report.

The Board recommends, subject to shareholders' approval at the forthcoming annual general meeting, the payment of a final dividend of HK4 cents per share (2011: Nil), amounting to approximately HK$12,000,000 to the Shareholders whose names appear on the register of members of the Company on 16 May 2013.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The proceeds from the Company's issue of 75,000,000 new shares at the time of the Listing amounted to approximately HK$25.5 million, net of underwriting fees and other listing expenses. For further details of the use of proceeds, please kindly refer to the paragraph headlined "Use of Proceeds" under the section headed "Management Discussion and Analysis" on page 8 of this annual report.

ANNUAL GENERAL MEETING

The annual general meeting (the "Annual General Meeting") of the Company for the year ended 31 December 2012 is scheduled to be held on Friday, 3 May 2013. A notice convening the Annual General Meeting has been issued and despatched to Shareholders on 28 March 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 116 of the annual report.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately HK$658.2 million.

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 and any of its subsidiaries during the period from the Listing Date to 31 December 2012.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the property, plant and equipment of the Group for the year ended 31 December 2012 are set out in note 17 to the consolidated financial statements.

INVESTMENT PROPERTIES

The details of movements in the investment properties of the Group for the year ended 31 December 2012 are set out in note 19 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations of HK$1,030,000 (2011: HK$1,033,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, sales to the Group's largest customer and the five largest customers amounted to approximately 1.3% and 5.6% respectively of the Group's revenue in the year.

During the year ended 31 December 2012, the Group's five largest suppliers were general construction contractors. The expenditures made by the Group to the largest supplier and the five largest suppliers accounted for approximately 9.7% and 31.9% of the Group's total construction costs for the year respectively.

None of the Directors or any of their associates 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 suppliers or customers.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr. LEE Kai Hung (李啟鴻)	*(Chairman, chief executive officer)*
Dr. LEE Tse Ching, Elaine (李紫清), also known as Dr. EICK Lee Tse Ching, Elaine	*(Vice chairman)*
Ms. CHAN Koon Woon (陳莞媛), also known as Mrs. LEE Chan Koon Woon (李陳莞媛)	
Mr. CHENG Bun (鄭鑌)	

Independent non-executive Directors

Mr. WONG Chi Wai (黃馳維)
Mr. WONG Tat Yan, Paul (黃達仁)
Mr. CHAN Chun Yee (陳振宜)

The Company has received from each of the independent non-executive Directors, 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, the Company still considers the independent non-executive Directors to be independent.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 12 to 19 of this annual 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 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 independent non-executive Directors 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 independent non-executive Directors may be terminated by the giving of three months' written notice by the Company to that independent non-executive Director or vice versa.

By virtue of Article 105(A) of the articles of association of the Company, Mrs. Lee and Mr. Cheng Bun will retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

By virtue of Article 109 of the articles of association of the Company, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, being Directors appointed by the Board, shall hold the office as Directors until the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the Annual General Meeting 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 notes 14(a) and 14(b) to the consolidated financial statements, respectively.

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

As at 31 December 2012, the interests 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 (the "SFO")) which were required 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 were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, 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)
Lee Kai Hung ("Dr. Lee")	Interest of controlled corporation *(Note 1)*	90,000,000	30%
Chan Koon Woon ("Mrs. Lee")	Interest of controlled corporation *(Note 2)*	90,000,000	30%
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 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 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 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 December 2012.

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

As at 31 December 2012, 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 in the Shares and the underlying Shares 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	90,000,000	30%
Dr. Holger Eick *(Note 3)*	Interest of a spouse	45,000,000	15%
Ms. Huang Yuanning (黃元寧)	Beneficial owner	15,300,000	5.1%
Mr. Zhang Liming (張麗銘) *(Note 4)*	Interest of a spouse	15,300,000	5.1%

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 December 2012.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted by the Company on 23 November 2012 the principal terms of which are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus. No share options were granted, exercised or cancelled by the Company under the Scheme during the year and there were no outstanding share options under the Scheme as at 31 December 2012.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 37 to the consolidated financial statements.

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") as landlord and Pharma Frontiers Limited ("Pharma Frontiers") as tenant, Leepark Holdings has 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 from 1 May 2011 to 30 April 2014 at the monthly rental of HK$22,000. Dr. Elaine Eick, an executive Director, has sole beneficial interest in Pharma Frontiers. The lease agreement constituted a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. 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.

Save as disclosed above and as at 31 December 2012, there was no other transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company.

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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 29 to 35 of this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

SUFFICIENCY OF PUBLIC FLOAT

Based on 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 as required Rule 17.38A of the GEM Listing Rules 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 or employees or associates 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) as at 31 December 2012.

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

As disclosed in the prospectus of the Company issued on 30 November 2012 (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 2012, 14 lease agreements were pending to be registered due to, among others reasons, the non-fixed term nature of the lease agreements, the refusal of the counterparties to effect registration and the lack of relevant building certificates. As at the date of this report, 3 out of the 14 lease agreements were duly registered. The Company will monitor the development with an aim of completing, to the extent that they are registrable under the PRC laws, the registration of the remaining lease agreements as early as practicable.

Property ownership certificate of Yu Feng High Street

As disclosed in the Prospectus, the property ownership certificate of Yu Feng High Street, which was issued on 11 May 2012, approved and covered a GFA of 7,484 sq. m. There was a shortfall in GFA of approximately 770 sq. m. of Yu Feng High Street that have not been approved and covered under the property ownership certificate. The Group had delegated a staff from the senior management team to follow up the matter and commenced the application procedure for a new property ownership certificate of Yu Feng High Street to cover the shortfall in GFA. As at 31 December 2012, the application process was still ongoing. Given that the conundrum regarding the lack of proper property ownership certificate to cover the shortfall in GFA is not caused by the action or inaction on the part of the Group but is more of an administrative and procedural issue for, and is dependent on how, the relevant PRC authorities will deal with the matter, the Company is not in a position to ascertain whether or not there is any foreseeable legal impediment and how long the process of this will take. The Company, however, will keep communicating closely with the relevant PRC authorities and monitoring the development of application with a view to resolving the issue as early and practicable and disclose the progress in the interim and annul reports to be issued by the Company until the matter is resolved.

Property ownership certificate of Yu Feng Plaza

As disclosed in the Prospectus, during the development of Yu Feng Plaza, some additional subsurface space with a total GFA of approximately 354 sq. m. (the "Subsurface Space") was formed. Although the Subsurface Space is within the area covered by the land use right certificate granted to the Group, it is not within the area covered by the property ownership certificate in respect of Yu Feng Plaza. The Group has made use of the Subsurface Space and converted it into two shops for leasing. As advised by the Company's legal advisers as to PRC laws, the Group should have applied to Nanning Planning and Administration Bureau* (南寧市規劃管理局) (NPAB) for the Construction Works Planning Permit for the conversion of the Subsurface Space in order to obtain a new property ownership certificate that covers the existing GFA of Yu Feng Plaza as well as the Subsurface Space.

As at 31 December 2012, an application for the Construction Work's Planning Permit for the conversion of the subsurface space of Yu Feng Plaza has been submitted by the Group. In February 2013, the Group was informed by the relevant governmental authorities that a penalty fee for rectifying the non-compliance should be payable, which was settled by the Group in March 2013. It is envisaged by the Group that the new property ownership certificate covering the Subsurface Space could be obtained in the third quarter of 2013.

DIVIDEND

The Directors recommend, subject to shareholders' approval at the forthcoming annual general meeting to be held on Friday, 3 May 2013, the payment of a final dividend of HK4 cents (2011: Nil) per share for the year ended 31 December 2012 to those shareholders whose names appear on the register of members of the Company on Thursday, 16 May 2013. The final dividend is expected to be paid on or no later than Friday, 31 May 2013.

CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING ENTITLEMENT TO DIVIDEND

For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Tuesday, 14 May 2013 to Thursday, 16 May 2013 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Monday, 13 May 2013.

AUDITORS

The consolidated financial statements for the year ended 31 December 2012 have been audited by BDO Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming Annual General Meeting. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Dr. Lee Kai Hung
Chairman
Hong Kong
21 March 2013

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**") of the Company (together with its subsidiaries, the "**Group**") is pleased to present this corporate governance report for the year ended 31 December 2012 (the "**Year**").

The Company is committed to fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder value through solid corporate governance. The Company has followed the principles of the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by adopting the code provisions and certain recommended best practices set out in the CG Code, including those that have already been effective on 1 April 2012, as its own code of corporate governance. Throughout the period from the listing of the Company's shares on the Growth Enterprise Market (the "**GEM**") of the Stock Exchange on 14 December 2012 (the "**Listing Date**") to 31 December 2012, the Company had complied with the code provisions set out in the CG Code, except for the deviation from the code provision A.2.1 of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

THE 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 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 appointment, removal or reappointment of the Board members upon the recommendation of the nomination committee of the Board; approving the remuneration package of 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 Board may from time to time delegate certain functions to 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 seven directors (the "Directors"), including four executive Directors, namely Dr. Lee, 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, and three independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. Dr. Lee is the spouse of Mrs. Lee and the father of Dr. Elaine Eick. Mr. Cheng Bun is the nephew of Mr. 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. Biographical details of the Directors are out on pages 12 to 14 of the annual report.

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 independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide 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 overall interest of the Group.

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

During the Year, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

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 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 independent non-executive Directors 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 independent non-executive Directors may be terminated by the giving of three months' written notice by the Company to that independent non-executive Director or vice versa.

All the Directors, including independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors 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 independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, up to the date of the annual report.

BOARD MEETINGS & DIRECTORS' ATTENDANCE RECORDS

The Board is scheduled to meet four times a year with notice given to the Board of 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 in the Year, notice is given in a reasonable time in advance. Before each Board meeting, a draft agenda is sent out to all Directors at least 3 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 3 days or such other period as agreed before each Board meeting. The Company Secretary is responsible for keeping all Board meetings minutes. 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, any directors and their associates with a material interest in the transactions to be discussed in the Board meetings shall abstain from voting on resolutions approving such transactions and are not to be counted in the quorum at meetings.

During the period from the Listing Date to 31 December 2012, the Board did not hold any Board meeting or any Board committee meetings.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements for the financial year ended 31 December 2012, 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 then ended and properly prepared on 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.

The external auditor of the Group, BDO Limited, has also stated their reporting responsibility in the auditor's report of the consolidated financial statements for the financial year ended 31 December 2012.

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 line with the GEM Listing Rules and they are posted on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Board has 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 consists of three independent non-executive Directors, 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 annual and interim 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, results budgets and staffing of internal audit team, and 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.

The audit committee has reviewed the Company's annual audited results for the year ended 31 December 2012.

REMUNERATION COMMITTEE

The Board has established a remuneration committee on 23 November 2012 with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are to formulate the training and compensation policies and to determine and manage the compensation of the senior management. The remuneration committee consists of three independent non-executive Directors, 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 compensation practices, strategy and principles and preparing annual reports on the compensation of the senior management.

NOMINATION COMMITTEE

The Board has established a nomination committee on 23 November 2012 with written terms of reference in compliance with the 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 of the appointment of Directors and recommend on the Board's succession planning. The nomination committee consists of three independent non-executive Directors, 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 other 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.

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 and to ensure compliance with the GEM Listing Rules.

AUDITOR'S REMUNERATION

The fee charged by the external auditor of the Company in respect of audit services and non-auditing services for the year ended 31 December 2012 amounted to HK$750,000 and HK$295,000 respectively. The fee for listing services also charged by the external auditor of the Company amounted to HK$1,730,000 during the year.

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 shareholders of the Company.

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 were 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, and external PRC legal adviser has been retained to work closely with the internal legal department of the Group. A qualified PRC lawyer with at least 5 years' qualification is being recruited to co-head the head of the legal department of the Group with Mr. Cheng Bun, the compliance officer of the Group, to ensure compliance with all relevant PRC laws and regulations by the Group. The internal legal department of the Group was also responsible for coordinating ongoing trainings for the staffs by selecting and recommending suitable courses for the Directors, the management level and other employees of the Group. 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.

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. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the Listing Date up to 31 December 2012.

CORPORATE GOVERNANCE REPORT

CHANGE IN CONSTITUTIONAL DOCUMENTS

Except for the adoption of a new articles of association by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 23 November 2012 in anticipation of the listing of the Company's shares on GEM, there had been no change in the constitutional documents of the Company during the Year.

SHAREHOLDER RELATIONS

The Group is committed to regular and proactive communication with its shareholders. The Company 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 reports, interim reports, annual reports and Shareholders' circulars on the 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, 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 CONVENE AN EXTRAORDINARY GENERAL MEETING

According to article 64 of the articles of association of the Company, Shareholders holding not less than 10% of the paid up capital of the Company can convene an extraordinary general meeting ("**EGM**") by depositing a requisition in writing to the Directors or the company secretary of the Comapny 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, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

INDEPENDENT AUDITOR'S REPORT

BDO

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永安中心25樓

TO THE SHAREHOLDERS OF SOUTH WEST ECO DEVELOPMENT LIMIITED

(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 (collectively the "Group") set out on pages 38 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 of the Company 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 as to 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 2012 and of the Group's profits 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, 21 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	8	**410,273**	328,436
Cost of sales		**(258,677)**	(197,074)
Gross profit		**151,596**	131,362
Other income	9	**2,943**	7,865
Gain on changes in fair value of investment properties		**61,712**	46,524
Administrative expenses		**(54,878)**	(42,133)
Selling expenses		**(9,095)**	(9,024)
Profit before income tax	11	**152,278**	134,594
Income tax expense	12	**(63,949)**	(56,300)
Profit for the year		**88,329**	78,294
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**4,877**	20,364
Revaluation surplus upon transfer of owner-occupied properties to investment properties		**—**	3,701
Deferred tax liabilities arising on revaluation of properties		**—**	(611)
Other comprehensive income for the year		**4,877**	23,454
Total comprehensive income for the year		**93,206**	101,748
Profit for the year attributable to:			
Owners of the Company		**79,177**	70,373
Non-controlling interests		**9,152**	7,921
		88,329	78,294
Total comprehensive income attributable to:			
Owners of the Company		**83,496**	91,665
Non-controlling interests		**9,710**	10,083
		93,206	101,748
Earnings per share for profit attributable to the owners of the Company	16		
– Basic (HK cents)		**34.6**	31.3
– Diluted (HK cents)		**34.6**	31.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**9,286**	10,387
Interests in leasehold land	18	**429**	439
Investment properties	19	**789,599**	715,092
Available-for-sale financial assets	21	**7,735**	7,537
Deferred tax assets	31	**—**	4,840
		807,049	738,295
Current assets			
Inventories of properties	22	**305,209**	354,130
Trade receivables	23	**1,768**	534
Deposits, prepayments and other receivables	24	**22,106**	29,552
Amount due from a related party	25	**—**	35
Amounts due from shareholders	25	**—**	38
Tax prepaid		**10,588**	—
Cash and cash equivalents	26	**133,401**	138,613
		473,072	522,902
Current liabilities			
Trade payables	27	**17,622**	10,355
Dividend payables	28	**—**	4,223
Accruals, deposits received and other payables	29	**78,329**	63,387
Advances received from the pre-sale of properties under development and properties held for sale		**209,219**	277,496
Amounts due to directors	25	**—**	8,564
Interest-bearing borrowings	30	**53,616**	105,492
Taxation liabilities		**12,228**	41,342
		371,014	510,859
Net current assets		**102,058**	12,043
Total assets less current liabilities		**909,107**	750,338

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Interest-bearing borrowings	30	**43,003**	48,152
Deferred tax liabilities	31	**185,332**	166,118
		228,335	214,270
Net assets		**680,772**	536,068
EQUITY			
Share capital	32	**30,000**	—
Proposed final dividend	13	**12,000**	—
Other reserves	33	**573,183**	480,066
Equity attributable to the Company's owners		**615,183**	480,066
Non-controlling interests		**65,589**	56,002
Total equity		**680,772**	536,068

Lee Kai Hung
Director

Cheng Bun
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	20	**614,901**	—
Current assets			
Prepayment and other receivables	24	**100**	—
Amount due from a subsidiary	25	**30,000**	—
Cash and cash equivalents	26	**45,923**	—
		76,023	—
Current liabilities			
Accruals and other payables	29	**814**	—
Amount due to a subsidiary	25	**1,923**	—
		2,737	—
Net current assets		**73,286**	—
Total assets less current liabilities		**688,187**	—
Net assets		**688,187**	—
EQUITY			
Share capital	32	**30,000**	—
Proposed final dividend	13	**12,000**	
Other reserves	33	**646,187**	—
Total equity		**688,187**	—

Lee Kai Hung
Director

Cheng Bun
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before income tax		**152,278**	134,594
Adjustments for:			
Amortisation of interests in leasehold land	11	**13**	13
Depreciation of property, plant and equipment	11	**1,911**	2,237
Dividend income from available-for-sale financial assets	9	**(902)**	(869)
Gain on changes in fair value of investment properties	19	**(61,712)**	(46,524)
Gain on disposals of property, plant and equipment	11	**(30)**	(5,345)
Impairment loss on trade receivables	11	**—**	154
Bank interest income	9	**(340)**	(895)
Operating profit before working capital changes		**91,218**	83,365
Decrease/(Increase) in inventories of properties		**56,037**	(52,229)
Increase in trade receivables		**(1,218)**	(303)
Decrease in deposits, prepayments and other receivables		**7,596**	26,670
Increase/(Decrease) in trade payables		**7,103**	(11,888)
Increase in accruals, deposits received and other payables		**14,342**	8,311
Decrease in advances received from the pre-sale of properties under development and properties held for sale		**(69,733)**	(10,637)
Cash generated from operations		**105,345**	43,289
Income tax paid		**(81,451)**	(25,848)
Net cash generated from operating activities		**23,894**	17,441
Cash flows from investing activities			
Decrease in amount due from a related party		**35**	6,275
Decrease in amounts due from shareholders		**38**	—
Decrease in amount due from a director		**—**	42
Purchases of property, plant and equipment		**(866)**	(802)
Purchases of investment properties		**(2,066)**	(24,977)
Proceeds from disposals of property, plant and equipment		**41**	5,462
Dividend received from available-for-sale financial assets		**767**	739
Decrease in restricted and pledged bank deposits		**664**	2,209
Interest received		**340**	895
Net cash used in investing activities		**(1,047)**	(10,157)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Cash flow from financing activities			
Proceeds from issuance of ordinary shares in connection with listing	32(e)	**49,500**	—
Decrease in amount due to a related party		**—**	(2,408)
(Decrease)/Increase in amounts due to directors	39	**(1,093)**	482
Share issue expenses		**(5,350)**	—
Dividend paid to other shareholders		**(4,330)**	(2,746)
Interest paid		**(8,763)**	(12,128)
Proceeds from new borrowings		**7,500**	39,831
Repayments of borrowings		**(65,269)**	(56,422)
Net cash used in financing activities		**(27,805)**	(33,391)
Net decrease in cash and cash equivalents		**(4,958)**	(26,107)
Cash and cash equivalents as at 1 January		**130,218**	150,577
Effect of foreign exchange rates changes on cash and cash equivalents		**350**	5,748
Cash and cash equivalents as at 31 December	26	**125,610**	130,218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Statutory reserve* HK$'000	Exchange reserve* HK$'000	Capital reserve* HK$'000	Revaluation reserve* HK$'000	Proposed final dividend HK$'000	Retained earnings* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2011	—	—	14,991	21,685	25,867	—	—	325,682	388,225	46,699	434,924
Arising from deemed acquisition of additional interest in a subsidiary	—	—	—	—	176	—	—	—	176	(176)	—
Dividend to other shareholders	—	—	—	—	—	—	—	—	—	(604)	(604)
Transactions with owners	—	—	—	—	176	—	—	—	176	(780)	(604)
Profit for the year	—	—	—	—	—	—	—	70,373	70,373	7,921	78,294
Other comprehensive income							—				
– Exchange gain on translation of financial statements of foreign operations	—	—	—	18,202	—	—	—	—	18,202	2,162	20,364
– Revaluation surplus upon transfer of owner-occupied properties to investment properties	—	—	—	—	—	3,701	—	—	3,701	—	3,701
– Deferred tax liabilities arising on revaluation of properties	—	—	—	—	—	(611)	—	—	(611)	—	(611)
Total comprehensive income for the year	—	—	—	18,202	—	3,090	—	70,373	91,665	10,083	101,748
Transfer between reserves	—	—	2,740	—	—	—	—	(2,740)	—	—	—
As at 31 December 2011 and 1 January 2012	—	—	17,731	39,887	26,043	3,090	—	393,315	480,066	56,002	536,068
Arising from Reorganisation (note 32(c))	10,000	—	—	—	(10,000)	—	—	—	—	—	—
Arising from loan capitalisation (note 39)	—	—	—	—	7,471	—	—	—	7,471	—	7,471
Share issue expenses	—	(5,350)	—	—	—	—	—	—	(5,350)	—	(5,350)
Share capitalisation (note 32(d))	12,500	(12,500)	—	—	—	—	—	—	—	—	—
Issuance of ordinary shares in connection with the listing (note 32(e))	7,500	42,000	—	—	—	—	—	—	49,500	—	49,500
Dividend to other shareholders	—	—	—	—	—	—	—	—	—	(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	—	—	—	—	—	—	12,000	(12,000)	—	—	—
As at 31 December 2012	**30,000**	**24,150**	**32,432**	**44,206**	**23,514**	**3,090**	**12,000**	**445,791**	**615,183**	**65,589**	**680,772**

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

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 KYI-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 are 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 20 to the consolidated financial statements.

2. REORGANISATION AND BASIS OF PRESENTATION

A reorganisation exercise (the "Reorganisation") was undertaken by the Company and its subsidiaries (the "Group") to rationalise the corporate structure for the Listing. The following steps were carried out in the Reorganisation:

(1) Incorporation of Global Touch Holdings Limited ("Global Touch")

On 8 November 2010, Global Touch was incorporated in the British Virgin Islands (the "BVI") as a BVI business company with 50,000 authorised shares of United States Dollar ("USD") 1.00 each. On 10 December 2010, an aggregate of 100 shares of USD1.00 each were allotted and issued as fully paid at par by Global Touch, as to 40 shares to First Beijing International Limited ("First Beijing"), 40 shares to Ease Gain Holdings Limited ("Ease Gain") and 20 shares to Chosen Leader Limited ("Chosen Leader").

(2) Transfer to Nanning Yu Feng Real Estate Development Company Limited ("Yu Feng Real Estate") of the 3% registered capital of Nanning WTS Real Estate Development and Investment Company Limited ("WTS Real Estate") held by its trustee

On 23 December 2010, the 3% registered capital in WTS Real Estate in the sum of Renminbi ("RMB") 300,000 held by Mr. He Hao (何好) on trust for Yu Feng Real Estate was transferred by Mr. He Hao (何好) to Yu Feng Real Estate at nil consideration.

(3) Incorporation of the Company

On 18 February 2011, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$200,000 divided into 2,000,000 shares. On the same day, one share was allotted and issued, nil paid, to the subscriber. Such subscriber share was transferred by the subscriber to First Beijing on the same day.

2. REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

(4) Disposal of 桂平市裕豐房地產開發有限公司 (Guiping Yu Feng Real Estate Development Co. Ltd.) ("Guiping Yu Feng") by Yu Feng Real Estate

On 30 December 2010, Yu Fung Real Estate entered into a share transfer agreement with Mr. Liu Yuan Qiang (劉元強), Mr. Huang Li Shan (黃立山) and Mr. Pan Guo Jian (潘國健). An aggregate of 60% registered capital in Guiping Yu Feng in the total sum of RMB4,800,000 was transferred, as to 40% by Yu Feng Real Estate to Mr. Liu Yuan Qiang (劉元強) (11%) and Mr. Pun Guo Jin (潘國健) (29%), and as to 20% by Mr. Huang Li Shan (黃立山) to Mr. Pun Guo Jin (潘國健), the transferees are independent third parties, for cash at a total consideration of approximately RMB4,182,000 (as to approximately RMB2,788,000 to Yu Feng Real Estate and as to approximately RMB1,394,000 to Mr. Huang Li Shan (黃立山)). The fresh business licence of Guiping Yu Feng was issued on 30 January 2011.

(5) Increase in authorised share capital of, and allotment of shares in, Leepark Holdings Limited ("Leepark Holdings")

On 16 December 2010, the authorised share capital of Leepark Holdings was increased from HK$10,000 to HK$1,000,000 by the creation of 990,000 shares of HK$1.00 each. On the same day, the newly created 990,000 shares of HK$1.00 each were allotted and issued to Global Touch for cash at par.

(6) Acquisition of Leepark Holdings by Global Touch

On 31 December 2010, Global Touch acquired from Dr. Lee Kai Hung ("Dr. Lee"), Ms. Chan Koon Woon ("Mrs. Lee") and Dr. Lee Tse Ching, Elaine ("Dr. Elaine Eick") 4,000 shares, 4,000 shares and 2,000 shares respectively of HK$1.00 each in the issued share capital of Leepark Holdings in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,200 shares of USD1.00 each in its capital, as to 480 shares to First Beijing (at the direction of Dr. Lee), 480 shares to Ease Gain (at the direction of Mrs. Lee) and 240 shares to Chosen Leader (at the direction of Dr. Elaine Eick).

(7) Acquisition of New Merit Holdings Limited ("New Merit") by Global Touch

On 31 December 2010, Global Touch acquired from Dr. Lee the entire issued share capital of New Merit in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 800 shares of USD1.00 each in its capital as to 320 shares to First Beijing, as to 320 shares to Ease Gain and as to 160 shares to Chosen Leader (all at the direction of Dr. Lee).

2. REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

(8) Acquisition of Leepark (Netherlands) Limited ("Leepark (Netherlands)") by Global Touch

On 11 February 2011, Global Touch acquired from Dr. Lee, Mrs. Lee and Dr. Elaine Eick 4,000 shares, 4,000 shares and 2,000 shares of HK$1.00 each, representing 100% of the then entire issued share capital of Leepark (Netherlands) in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,000 shares of USD1.00 each in its capital, as to 400 shares to First Beijing (at the direction of Dr. Lee), 400 shares to Ease Gain (at the direction of Mrs. Lee) and 200 shares to Chosen Leader (at the direction of Dr. Elaine Eick).

(9) Transfer to Ruby Properties Limited ("Ruby Properties") of the equity interest in Nanning Golden Yu Feng Property Management Company Limited ("Golden Yu Feng") and Yu Feng Real Estate held by its nominee

On 19 March 2012 and 18 May 2012, the 10.125% equity interest in Golden Yu Feng and the 50.62% equity interest in Yu Feng Real Estate held by Leepark Properties Limited ("Leepark UK") upon trust for Ruby Properties were transferred by Leepark UK to Ruby Properties at nil consideration respectively.

(10) Novation of debt to Global Touch

On 23 November 2012, Leepark Holdings and Leepark (Netherlands) (as original debtors), Global Touch (as new debtor) and Mrs. Lee (as creditor) entered into a deed of novation by which the debt in the total amount of approximately HK$7.47 million (the "Assigned Debt") (representing interest-free director's loan made by Mrs. Lee to Leepark Holdings and Leepark (Netherlands)) was novated to Global Touch. Following the novation, Global Touch became indebted to Mrs. Lee the amount of the Assigned Debt, which was fully settled on 23 November 2012 in the manner described below.

(11) Capitalisation of the debt

On 23 November 2012, the full amount of the Assigned Debt as disclosed above was capitalised by the allotment and issue of an aggregate of 6,900 shares of USD1.00 each in Global Touch, credited as fully paid, at the request and by the direction of Mrs. Lee, as to 2,760 shares to First Beijing, 2,760 shares to Ease Gain and 1,380 shares to Chosen Leader.

(12) Increase of authorised share capital 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 the creation of 998,000,000 new shares.

2. REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

(13) Acquisition of Global Touch by the Company

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.

(14) Capitalisation issue

Conditional upon the share premium account of the Company being credited as a result of the placing, the directors of the Company are 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.

Following the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

Subsequent to the Reorganisation, on 13 December 2012, the Company issued to public pursuant to a placing a total of 75,000,000 shares at HK$0.66 each, and these shares were subsequently listed on GEM of the Stock Exchange. The total number of issued shares of the Company immediately after the placing was 300,000,000 shares.

The Group is regarded as a continuing entity resulting from the Reorganisation since the businesses and the companies which took part in the Reorganisation were either controlled by Dr. Lee, Mrs. Lee and Dr. Elaine Eick before and after the Reorganisation or incorporated/established by the Group for the purpose of the Reorganisation. Dr. Lee, Mrs. Lee and Dr. Elaine Eick are close family members and act together as a single group of shareholders (the "Controlling Shareholders") to manage and control the business and operations of the Group so as to obtain economic benefits from the Group. Consequently, immediately after the Reorganisation, there was a continuation of the risk and benefits to the Controlling Shareholders that existed prior to the Reorganisation. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting, in accordance with the Accounting Guideline No. 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as if the current group structure had been in existence throughout the reporting periods. Details of the movements on the share capital and reserves of the Group are mentioned in notes 32 and 33 to the consolidated financial statements.

2. REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

Under merger accounting, the net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholders' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation, to the extent of the continuation of the controlling party or parties' interests. The consolidated statement of comprehensive income includes the results of each of the companies now comprising the Group from the earliest date presented or since the date when the companies now comprising the Group first came under the common control, where this is a shorter period, regardless of the date of the Reorganisation. All significant intra-group transactions and balances have been eliminated on consolidation. Non-controlling interests represent the interests of outside shareholders not held by the Controlling Shareholders in the results and net assets of the combining entities.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the 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 "Listing Rules").

All HKFRSs effective for the accounting periods commencing from 1 January 2012 and relevant to the Group, have been adopted by the Group in the preparation of the consolidated financial statements consistently throughout the year to the extent required or allowed by the transitional provisions in HKFRS.

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 6.

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

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied 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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle [2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HKAS 19 (2011)	Employee Benefits [2]
HKAS 27 (2011)	Separate Financial Statements [2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Information on new and revised HKFRSs that are expected to affect the Group is as follows:

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 amendments will be applied retrospectively.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

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 implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 13 – Fair Value Measurement

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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 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.

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

5.1 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.

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

5.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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.

5.3 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.

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

5.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

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%
Yacht	33 1/3%

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.

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.

5.5 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 5.11. 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.

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

5.6 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.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. An increase arising from revaluation is recognised in other comprehensive income and accumulated in equity but to the extent that the increase reverses a previous impairment loss for the same property, it is recognised in profit or loss. On subsequent disposal, the revaluation surplus included in equity is transferred directly to profit or loss.

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.

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

5.7 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.

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 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.

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

5.7 Financial assets *(Continued)*

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:

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.

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

5.7 Financial assets *(Continued)*

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.

5.8 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 5.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

5.9 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.

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

5.10 Financial liabilities

The Group's financial liabilities include trade payables, dividend payables, accruals and other payables, amounts due to directors 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 5.17).

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.

Trade payables, dividend payables, accruals and other payables and amounts due to directors

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

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.

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

5.11 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.

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 in profit or loss as an recognised 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.

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

5.12 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.

5.13 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.

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

5.14 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, consultancy service income, business support service income and clerical 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.

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

5.15 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.

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

5.16 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 manage a defined contribution Mandatory Provident Fund Scheme (the "MPF 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.

5.17 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.

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

5.18 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.

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.

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

5.18 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.

5.19 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it 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 5.12 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.

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

5.20 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 expenses) which are not directly attributable to the business activities of any operating segment and income taxes 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 dividend payables, taxation liabilities and deferred taxation liabilities, which are not directly attributable to the business activities of any operating segment.

5.21 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.

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

5.22 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.

6. 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:

Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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.

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

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5.14. 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.

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.

7. SEGMENT INFORMATION

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

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

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

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

The executive directors have identified the Group's four business lines as operating segments as further described in note 5.20.

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

7. 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 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 expenses	**17,779**	**22,452**	**—**	**—**	**40,231**
Depreciation of property, plant and equipment	**925**	**458**	**382**	**60**	**1,825**

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	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 2011					
Reportable segment revenue	44,501	265,313	18,191	1,302	329,307
Reportable segment profit/(loss)	50,119	64,472	660	(569)	114,682
Other segment information:					
Interest income	293	522	73	7	895
Amortisation of leasehold land	13	—	—	—	13
Gain on fair value of investment properties	46,524	—	—	—	46,524
Income tax expenses	16,180	8,666	—	—	24,846
Depreciation of property, plant and equipment	1,108	345	470	36	1,959

7. 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 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**

	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 2011					
Reportable segment assets	769,225	454,035	24,022	1,674	1,248,956
Reportable segment liabilities	(284,630)	(372,451)	(20,424)	(1,484)	(678,989)
Other segment information:					
Additions to non-current assets	30,625	451	163	12	31,251

7. SEGMENT INFORMATION *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
Reportable segment revenue	**411,154**	329,307
Inter-segment revenue elimination	**(881)**	(871)
Revenue	**410,273**	328,436
Reportable segment profit	**127,917**	114,682
Dividend income from available-for-sale financial assets	**902**	869
Unallocated income and expenses	**(16,772)**	(5,803)
Unallocated income tax expense	**(23,718)**	(31,454)
Profit for the year	**88,329**	78,294

	2012 **HK$'000**	2011 HK$'000
Reportable segment assets	**1,211,876**	1,248,956
Available-for-sale financial assets	**7,735**	7,537
Unallocated corporate assets	**60,510**	4,704
Total consolidated assets	**1,280,121**	1,261,197
Reportable segment liabilities	**564,244**	678,989
Dividend payables	**—**	4,223
Unallocated taxation liabilities	**12,228**	21,983
Unallocated deferred tax liabilities	**9,514**	8,216
Unallocated corporate liabilities	**13,363**	11,718
Total consolidated liabilities	**599,349**	725,129

7. SEGMENT INFORMATION *(Continued)*

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 accruals of construction cost, advances received from the pre-sale of properties under development and properties held for sale, trade and other payables, interest-bearing borrowings and taxation liabilities.

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

For the year ended 31 December 2012, the Group did not depend on any single customer under each of the segments.

8. REVENUE

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

	2012	2011
	HK$'000	HK$'000
Building management income	**19,745**	17,399
Consultancy service income	**5,716**	1,284
Rental income of investment properties (note)	**52,635**	44,440
Sales of properties	**332,177**	265,313
	410,273	328,436

Note:

The Group has contingent rental income of investment properties of approximately HK$2,603,000 for the year ended 31 December 2012 (2011: HK$2,666,000). 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.

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	**340**	895
Business support service income	**—**	80
Clerical service income	**—**	86
Dividend income from available-for-sale financial assets	**902**	869
Gain on exchange differences, net	**517**	—
Gain on disposals of property, plant and equipment	**30**	5,345
Government grant	**185**	338
Sundry income	**969**	252
	2,943	7,865

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest charges on:		
Bank borrowings wholly repayable within five years	**568**	6,937
Bank borrowings not wholly repayable within five years	**4,381**	4,503
Other borrowings wholly repayable within five years	**3,814**	688
Total borrowing costs	**8,763**	12,128
Less: interest capitalised	**(8,763)**	(12,128)
	—	—

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$183,000 for the year ended 31 December 2012 (2011: HK$118,000).

11. PROFIT BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of interests in leasehold land	**13**	13
Auditors' remuneration	**1,026**	782
Cost of properties sold	**211,209**	170,400
Depreciation of property, plant and equipment	**1,911**	2,237
Donation	**1,030**	1,033
(Gain)/Loss on exchange differences, net	**(517)**	146
Impairment loss on trade receivables	**—**	154
Gain on disposals of property, plant, and equipment	**(30)**	(5,345)
Operating lease charges	**5,721**	5,779
Outgoings in respect of investment properties that generated rental income	**4,473**	4,754

12. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current income tax		
PRC corporate income tax	**16,295**	23,530
PRC land appreciation tax	**18,952**	13,888
PRC withholding income tax	**6,204**	—
	41,451	37,418
Deferred tax (note 31)		
PRC corporate income tax	**13,838**	12,836
PRC land appreciation tax	**7,441**	(1,878)
PRC withholding income tax	**1,219**	7,924
	22,498	18,882
Total income tax expense	**63,949**	56,300

12. INCOME TAX EXPENSE *(Continued)*

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

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, 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.

12. 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 expenses to profit before income tax at the statutory rates (PRC corporate income tax rate of the 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:

	2012 **HK$'000**	2011 HK$'000
Profit before income tax expense	**152,278**	134,594
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	**39,191**	33,351
Tax effect of non-deductible expenses	**1,382**	1,648
LAT deductible for calculation of income tax	**(12,179)**	(1,593)
LAT charges	**26,393**	12,010
Effect of withholding income tax at 10% on distributable profits of the Group's PRC subsidiaries	**7,423**	7,924
Others	**1,739**	2,960
Income tax expense	**63,949**	56,300

13. DIVIDEND

	2012 **HK$'000**	2011 HK$'000
Proposed final dividend – HK4 cents (2011: Nil) per ordinary share	**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.

14. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the directors during the year were as follows:

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

14. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2011

	Fees HK$'000	Salaries and benefits in kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:				
Dr. Lee	—	4,372	—	4,372
Mrs. Lee	—	4,373	—	4,373
Dr. Elaine Eick	—	1,040	12	1,052
Mr. Cheng Bun	—	906	12	918
	—	10,691	24	10,715
Independent non-executive directors:				
Mr. Wong Chi Wai	—	—	—	—
Mr. Wong Tat Yau, Paul	—	—	—	—
Mr. Chan Chun Yee	—	—	—	—
	—	—	—	—
Total emoluments	—	10,691	24	10,715

14. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group include four (2011: four) directors of the Company whose emoluments are included in the disclosures in note 14(a) above. The emoluments of the remaining one (2011: one) individual were as follows:

	2012	2011
	HK$'000	HK$'000
Salaries and benefits in kind	**585**	605
Retirement scheme contribution	**14**	12
	599	617

The above emoluments were within following bands:

	No. of employee	
	2012	2011
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 (2011: Nil).

15. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Wages and salaries	**27,574**	24,933
Retirement scheme contribution	**3,732**	3,979
Other benefits	**1,323**	1,471
	32,629	30,383

16. 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 2012 of approximately HK$79,177,000 (2011: HK$70,373,000), and of the weighted average number of 228,893,000 (2011: 225,000,000) ordinary shares in issue during the year, assuming that 225,000,000 shares issued pursuant to the Reorganisation had been in issue throughout both years.

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.

17. 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$'000	Yacht HK$'000	Total HK$'000
At 1 January 2011							
Cost	10,243	6,603	3,052	1,880	4,242	4,617	30,637
Accumulated depreciation	(1,904)	(2,396)	(1,757)	(1,391)	(2,808)	(4,617)	(14,873)
Net book amount	8,339	4,207	1,295	489	1,434	—	15,764
Year ended 31 December 2011							
Opening net book amount	8,339	4,207	1,295	489	1,434	—	15,764
Additions	—	—	624	106	72	—	802
Disposals	—	—	(1)	(58)	(58)	—	(117)
Transfer to investment properties (note 19)	(3,999)	—	—	—	—	—	(3,999)
Depreciation	(202)	(815)	(785)	(148)	(396)	—	(2,346)
Exchange differences	10	159	48	19	47	—	283
Closing net book amount	4,148	3,551	1,181	408	1,099	—	10,387
At 31 December 2011 and 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							
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**

17. 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:

	2012 HK$'000	2011 HK$'000
In PRC:		
Leases of between 10 to 50 years	**170**	233
In Hong Kong:		
Leases of between 10 to 50 years	**3,803**	3,915

The bank borrowings are secured by property, plant and equipment with a carrying amount of approximately HK$3,803,000 (2011: HK$3,915,000) as at 31 December 2012 (note 30).

Depreciation charges have been included in:

	2012 HK$'000	2011 HK$'000
Consolidated statement of financial position		
– capitalised in inventories of properties	**86**	109
Consolidated statement of comprehensive income (note 11)		
– cost of sales	**646**	633
– administrative expenses	**1,265**	1,604
	1,911	2,237
	1,997	2,346

18. 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:

	2012 HK$'000	2011 HK$'000
Opening net carrying amount	**439**	434
Amortisation	**(13)**	(13)
Exchange differences	**3**	18
Closing net carrying amount	**429**	439

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

	2012 HK$'000	2011 HK$'000
In PRC:		
Leases of between 10 to 50 years	**429**	439

19. INVESTMENT PROPERTIES - GROUP

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

	2012 HK$'000	2011 HK$'000
Carrying amount at 1 January	**715,092**	603,045
Change in fair value of investment properties	**61,712**	46,524
Additions	**6,304**	30,474
Transfer from property, plant and equipment (note 17)	**—**	3,999
Revaluation surplus upon transfer of owner-occupied properties to investment properties	**—**	3,701
Exchange differences	**6,491**	27,349
Carrying amount at 31 December	**789,599**	715,092

19. INVESTMENT PROPERTIES - GROUP *(Continued)*

The carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates, were approximately HK$3,471,000 (2011: HK$62,407,000) as at 31 December 2012. 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's 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.

Investment properties were valued at 31 December 2012 and 2011 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 investment approach by capitalising the rental income derived from the existing tenancies with due provision for the revisionary income potential of the property interest, or where appropriate, direct comparison method by making reference to comparable sales transactions as available in the relevant market. The fair value gains were recognised in profit or loss for the year.

Bank and other borrowings are secured by investment properties with a carrying value of approximately HK$363,366,000 (2011: HK$489,888,000) as at 31 December 2012 (note 30).

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

	2012 **HK$'000**	2011 HK$'000
In PRC:		
Leases of between 10 to 50 years	**780,524**	707,392
In Hong Kong:		
Leases of between 10 to 50 years	**9,075**	7,700

20. INTERESTS IN SUBSIDIARIES – COMPANY

	2012 **HK$'000**	2011 HK$'000
Equity investments stated at cost – Unlisted	**614,901**	—

Particulars of the subsidiaries, each of which is a limited liability company, as at 31 December 2012, 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
Interests held directly					
Global Touch Holdings Limited	Corporation	BVI 8 November 2010	10,000 ordinary shares of USD1.00 each	100%	Investment holding
Interests held indirectly					
Leepark Holdings Limited	Corporation	Hong Kong 5 June 2006	1,000,000 ordinary shares of HK$1.00 each	100%	Investment holding
New Merit Holdings Limited	Corporation	BVI 25 November 2009	1 ordinary share of USD1.00 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

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

20. 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
Interests held indirectly					
廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Limited) (Bai Yi Commercial) *	Corporation	PRC 9 September 1997	RMB23,408,000	87.52%	Property leasing and property development
南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited) *	Corporation	PRC 4 August 2003	RMB3,000,000	98.77%	Property management, property consultancy and property leasing
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.

As at 31 December 2012 and 2011, none of the subsidiaries had issued any debt securities.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2012 HK$'000	2011 HK$'000
Equity investments stated at cost – Unlisted	**7,735**	7,537

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. The Group plans to hold these investments for the foreseeable future.

22. INVENTORIES OF PROPERTIES – GROUP

	2012 HK$'000	2011 HK$'000
Properties under development	**205,211**	250,017
Properties held for sale	**99,998**	104,113
	305,209	354,130
Properties under development include:		
– cost of leasehold land	**79,009**	114,751
– construction costs and capitalised expenditure	**118,371**	124,912
– interests capitalised	**7,831**	10,354
	205,211	250,017

The properties under development and properties held for sale are all located in the PRC. The lease term for the leasehold land is 70 years.

The capitalisation rate of borrowing is approximately 3.98% (2011: 2.68%) for the year ended 31 December 2012.

As at 31 December 2011, bank borrowings are secured on properties under development with a carrying value of approximately HK$24,939,000 and properties held for sale with a carrying value of approximately HK$18,907,000 (note 30). The Group has repaid the bank borrowings and the security has been released during the year ended 31 December 2012.

As at 31 December 2012 and 2011, properties held under development amounting to HK$127,452,000 and HK$76,772,000 respectively, and they were expected not to be recovered by the Group within 12 months from the respective reporting dates.

23. TRADE RECEIVABLES – GROUP

	2012 HK$'000	2011 HK$'000
Trade receivables	**1,927**	692
Less: Impairment loss recognised	**(159)**	(158)
Trade receivables, net	**1,768**	534

Trade receivables are mainly derived from rental income, building management fee income and consultancy service income. The income is paid in accordance with the terms of the rental contracts, building management contracts and consultancy service contracts and the balance is due on presentation. As at 31 December 2012 and 2011, the fair values of trade receivables approximated to their carrying amounts.

23. TRADE RECEIVABLES – GROUP *(Continued)*

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis:

	2012 **HK$'000**	2011 HK$'000
Current and within 1 month	**864**	265
1-3 months	**629**	196
4-6 months	**178**	16
7-12 months	**50**	19
Over 12 months	**47**	38
	1,768	534

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

	2012 **HK$'000**	2011 HK$'000
Neither past due nor impaired	**—**	—
Less than 1 month past due	**864**	265
1-3 months past due	**629**	196
4-6 months past due	**178**	16
7-12 months past due	**50**	19
Over 12 months past due	**47**	38
	1,768	534

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. Trade receivables that were past due but not impaired were related 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.

23. TRADE RECEIVABLES – GROUP *(Continued)*

The below table reconciles the impairment loss of trade receivables for the years ended 31 December 2012 and 2011.

	2012 **HK$'000**	2011 HK$'000
As at 1 January	**158**	—
Impairment loss recognised	**—**	154
Exchange differences	**1**	4
As at 31 December	**159**	158

The Group recognised impairment loss on trade receivables on individual assessment based on the accounting policy stated in note 5.7.

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.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		**Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Deposits	**2,752**	2,066	**—**	—
Prepayments	**949**	5,923	**100**	—
Other receivables	**18,405**	21,563	**—**	—
	22,106	29,552	**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.

25. AMOUNTS DUE FROM/(TO) A SUBSIDIARY/RELATED PARTY/SHAREHOLDERS/ DIRECTORS – GROUP AND COMPANY

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

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

	NOTE	**Maximum outstanding balance during the year HK$'000**	**2012 HK$'000**	Maximum outstanding balance during the year HK$'000	2011 HK$'000
Group					
Related party:					
Pharma Frontiers Limited	(a)	**57**	**—**	260	35
Shareholders:					
Chosen Leader Limited		**8**	**—**	8	8
First Beijing International Limited		**15**	**—**	15	15
Ease Gain Holdings Limited		**15**	**—**	15	15
			—		38
Company					
Subsidiary:					
Global Touch Holdings Limited		**30,000**	**30,000**	—	—

Amounts due to a subsidiary/directors are disclosed as follows:

	2012 HK$'000	2011 HK$'000
Group		
Directors:		
Dr. Lee	**—**	1
Mrs. Lee	**—**	8,563
	—	8,564

	2012 HK$'000	2011 HK$'000
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.

26. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**133,401**	138,613	**45,923**	—
Less: Pledged bank deposits	**(2,152)**	(2,135)	**—**	—
Less: Restricted bank deposits	**(5,639)**	(6,260)	**—**	—
Cash and cash equivalents per the consolidated statement of cash flows	**125,610**	130,218	**45,923**	—

As at 31 December 2012, included in bank and cash balances of the Group are approximately HK$75,232,000 (2011: HK$135,539,000) of bank balances denominated in RMB placed with banks in the PRC respectively. 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.

Bank deposits have been pledged to secure bank borrowings (note 30). The deposit has maturity period of 1 month and is interest-bearing approximately at 0.35% (2011: 0.5%) per annum as at 31 December 2012.

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.

27. TRADE PAYABLES – GROUP AND COMPANY

	2012 HK$'000	2011 HK$'000
Trade payables	**17,622**	10,355

The Group was granted by its suppliers and contractors credit periods ranging from 30 to 90 days. The ageing analysis of trade payables of the Group as at 31 December 2012 and 2011 are as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**14,440**	3,380
31 – 90 days	**165**	3,039
91 – 180 days	**124**	434
Over 180 days	**2,893**	3,502
As at 31 December	**17,622**	10,355

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.

28. DIVIDEND PAYABLES – GROUP

On 31 December 2011 and 30 April 2012, Bai Yi Commercial declared dividend of approximately HK$604,000 and HK$123,000 to the non-controlling shareholders respectively. The dividend payables have been fully settled by the Group.

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES – GROUP AND COMPANY

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Accruals and other payables	**36,611**	20,118	**814**	—
Deposits received	**25,636**	27,693	**—**	—
Receipts in advance	**16,082**	15,576	**—**	—
	78,329	63,387	**814**	—

30. INTEREST-BEARING BORROWINGS – GROUP

	2012 HK$'000	2011 HK$'000
Current		
Bank loans, secured	**12,564**	64,770
Other loans, secured	**9,952**	9,872
Other loans, unsecured	**31,100**	30,850
	53,616	105,492
Non-current		
Bank loans, secured	**43,003**	48,152
Total borrowings	**96,619**	153,644

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

	2012 HK$'000	2011 HK$'000
Current		
Portion of bank and other loans due for repayment within one year	**47,367**	102,673
Portion of bank loans due for repayment after one year which contain repayment on demand clause	**6,249**	2,819
	53,616	105,492
Non-current		
Portion of bank loans due for repayment after one year	**43,003**	48,152
	96,619	153,644

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

	2012 HK$'000	2011 HK$'000
Within one year or on demand	**53,616**	105,492
In the second year	**5,950**	5,294
In the third to fifth year	**20,902**	18,866
After the fifth year	**16,151**	23,992
	43,003	48,152
	96,619	153,644

30. INTEREST-BEARING BORROWINGS – GROUP *(Continued)*

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$3,803,000 (2011: HK$3,915,000) (note 17);

(b) certain of the Group's investment properties with carrying values of approximately HK$363,366,000 (2011: HK$489,888,000) (note 19);

(c) certain of the Group's properties under development with carrying values of approximately HK$24,939,000 as at 31 December 2011 (note 22);

(d) certain of the Group's properties held for sale with carrying values of approximately HK$18,907,000 as at 31 December 2011 (note 22);

(e) pledged bank deposits with carrying values of approximately HK$2,152,000 (2011: HK$2,135,000) (note 26); and

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

The effective interest rates of the Group's interest-bearing bank and other borrowings ranged from approximately 3.50% to 9.304% (2011: 3.50% to 10.59%) as at 31 December 2012.

31. DEFERRED TAX ASSETS/LIABILITIES – GROUP

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

	2012 **HK$'000**	2011 HK$'000
Deferred tax assets		
As at 1 January	**4,840**	2,800
Recognised in profit or loss (note 12)	**(4,824)**	1,878
Exchange differences	**(16)**	162
As at 31 December	**—**	4,840
Deferred tax liabilities		
As at 1 January	**166,118**	138,406
Recognised in profit or loss (note 12)	**17,674**	20,760
Recognised in revaluation reserve	**—**	611
Exchange differences	**1,540**	6,341
As at 31 December	**185,332**	166,118

31. DEFERRED TAX ASSETS/LIABILITIES – GROUP *(Continued)*

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

	Deferred tax (assets)/liabilities				
	LAT HK$'000	Revaluation of inventories of properties HK$'000	Revaluation of investment properties HK$'000	Withholding tax HK$'000	Total HK$'000
As at 31 December 2010 and 1 January 2011	(2,800)	12,187	126,104	115	135,606
(Credit)/Charge to profit or loss	(1,878)	(3,344)	16,180	7,924	18,882
Recognised in revaluation reserve	—	—	611	—	611
Exchange differences	(162)	443	5,721	177	6,179
As at 31 December 2011 and 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	**2,647**	**5,376**	**167,794**	**9,515**	**185,332**

Representing:

	2012 HK$'000	2011 HK$'000
Deferred tax liabilities	**185,332**	166,118
Deferred tax assets	**—**	(4,840)
	185,332	161,278

32. SHARE CAPITAL

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

	2012 Number of shares	2012 Amount HK$'000	2011 Number of shares	2011 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
As 1 January or date of incorporation (note (a))	**2,000,000**	**200**	2,000,000	200
Increase of share capital (note (b))	**998,000,000**	**99,800**	—	—
At 31 December	**1,000,000,000**	**100,000**	2,000,000	200

	2012 Number of shares	2012 Amount HK$'000	2011 Number of shares	2011 Amount HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
As 1 January or date of incorporation	**1**	**-**	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**	—	—
At 31 December	**300,000,000**	**30,000**	—	—

32. SHARE CAPITAL *(Continued)*

(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.

(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.

33. 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.

33. RESERVES – GROUP AND COMPANY *(Continued)*

Group *(Continued)*

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.

33. 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
At date of incorporation (18 February 2011)	—	—	—	—	—
Loss for the period and total comprehensive income for the period	—	—	—	—	—
At 31 December 2011 and 1 January 2012	—	—	—	—	—
Arising from the Reorganisation	—	604,901	—	—	604,901
Share issue expense	(5,350)	—	—	—	(5,350)
Share capitalisation (note 32(d))	(12,500)	—	—	—	(12,500)
Issuance of ordinary shares in connection with Listing (note 32(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 13)	—	—	12,000	(12,000)	—
At 31 December 2012	**24,150**	**604,901**	**12,000**	**17,136**	**658,187**

* 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.

34. OPERATING LEASE ARRANGEMENTS

a. As lessor

Group

As at 31 December 2012, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**28,015**	36,013
In the second to fifth years	**48,654**	39,432
After five years	**2,857**	3,248
	79,526	78,693

The Group leases its investment properties under operating lease arrangements which run for an initial period of 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 2012 and 2011.

34. OPERATING LEASE ARRANGEMENTS *(Continued)*

b. As lessee

Group

As at 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of the Group's properties as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**5,725**	5,671
In the second to fifth years	**20,631**	21,962
After five years	**43,912**	48,116
	70,268	75,749

The Group leases properties under operating leases. The leases run for an initial period of 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.

Company

The Company did not have any minimum lease payments under non-cancellable operating leases as at 31 December 2012 and 2011.

35. CAPITAL COMMITMENTS

Group

As at 31 December 2012, the commitments for the construction of property under development and investment properties:

	2012 HK$'000	2011 HK$'000
Contracted but not provided for		
– property under development	**124,191**	96,607
– investment properties	**—**	6,973
	124,191	103,580

35. CAPITAL COMMITMENTS *(Continued)*

Company

The Company did not have any significant capital commitments as at 31 December 2012 and 2011.

36. FINANCIAL GUARANTEE CONTRACTS

Group

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

	2012	2011
	HK$'000	HK$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**221,385**	199,114

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.

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 2012 and 2011.

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transactions	2012 HK$'000	2011 HK$'000
Director:			
Dr. Lee	Disposals of property, plant and equipment	—	4,680
Related company:			
Pharma Frontiers Limited	Business support service income	—	80
	Clerical service income	—	86
	Rental income	**264**	176

Dr. Elaine Eick, a director of the Company, has sole beneficial interest in Pharma Frontiers Limited. Pursuant to a lease agreement dated 17 October 2011 which was entered into between Leepark Holdings as landlord and Pharma Frontiers Limited as tenant, Leepark Holdings has leased a portion of its office to Pharma Frontiers limited for a monthly rental of HK$22,000 from 1 May 2011 to 30 April 2014.

Key management of the Group are members of the board of directors. Key management personnel remuneration is set out in note 14.

38. 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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 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.

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets				
Unlisted equity securities	**7,735**	7,537	**—**	—
Loans and receivables:				
Trade receivables	**1,768**	534	**—**	—
Other receivables	**8,811**	8,632	**—**	—
Amount due from a subsidiary	**—**	—	**30,000**	—
Amount due from a related party	**—**	35	**—**	—
Amounts due from shareholders	**—**	38	**—**	—
Cash and cash equivalents	**133,401**	138,613	**45,923**	—
	151,715	155,389	**75,923**	—
Financial liabilities				
Amortised cost:				
Trade payables	**17,622**	10,355	**—**	—
Dividend payables	**—**	4,223	**—**	—
Accruals and other payables	**36,611**	20,118	**814**	—
Amounts due to directors	**—**	8,564	**—**	—
Amount due to a subsidiary	**—**	—	**1,923**	—
Interest-bearing borrowings	**96,619**	153,644	**—**	—
	150,852	196,904	**2,737**	—

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.2 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.

38.3 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 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 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.

38.4 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'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.

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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.5 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.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2012 and 2011. 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.

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 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	9,102	27,305	17,445	166,489	150,852

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.5 Liquidity risk *(Continued)*

	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 2011						
Trade payables	10,355	—	—	—	10,355	10,355
Dividend payables	4,223	—	—	—	4,223	4,223
Accruals and other payables	20,118	—	—	—	20,118	20,118
Amounts due to directors	8,564	—	—	—	8,564	8,564
Other interest-bearing borrowings	110,114	9,206	27,619	27,242	174,181	150,456
Interest-bearing borrowings subject to a repayment on demand clause	3,188	—	—	—	3,188	3,188
	156,562	9,206	27,619	27,242	220,629	196,904

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 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**

The Company had no financial liability as at 31 December 2011.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.6 Fair value measurements recognised in the consolidated statement of financial position

The Group adopted the amendments to HKFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The determination of which of the levels in the fair value hierarchy into which an asset or liability is categorised is based on the lowest level input that is significant to the fair value measurement of the instrument.

As at 31 December 2012 and 2011, the Group does not have any financial assets measured at fair value in the consolidated statement of financial position, therefore, no information regarding fair value hierarchy is presented.

39. NOTE TO THE CONSOLIDATED STATEMENT 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 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 USD1.00 each in Global Touch.

40. 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	
	2012	2011
	HK$'000	HK$'000
Amounts due to directors	**—**	8,564
Interest-bearing borrowings	**96,619**	153,644
Less: Cash at bank and in hand	**(133,401)**	(138,613)
Net debt	**N/A**	23,595
Total equity	**680,772**	536,068
Net debt to equity ratio	**N/A**	4%

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 21 March 2013.

FINANCIAL SUMMARY

FINANCIAL RESULTS

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

ASSETS, LIABILITIES AND EQUITY

	2012	2011	2010
	HK$'000	HK$'000	HK$'000
Non-current assets	**807,049**	738,295	629,145
Current assets	**473,072**	522,902	502,220
Non-current liabilities	**228,335**	214,270	275,054
Current liabilities	**371,014**	510,859	421,387
Net current assets	**102,058**	12,043	80,833
Total equity	**680,772**	536,068	434,924

PROPERTY PORTFOLIO

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2012

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, namely Block Nos. 1, 5, 8, 9, 11, 12, 13, 15, 16, 17, 18, retail units, basement car park, Nos. 1 and 2, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	65,965(note)	Residential, retail and carparks	19,250	93.84

Note: 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.

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2012

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. Fond England	Block No. 10 of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Residential	Last building of Phase 2	65,965(1)	14,052	March 2013	93.84
2. 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(2)	46,792	September 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 2012

	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 carparks	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 HELD FOR INVESTMENT AS AT 31 DECEMBER 2012 *(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 Nos. 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 HELD FOR INVESTMENT AS AT 31 DECEMBER 2012 *(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 Nos. 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 2012, 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 2012

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	Commercial Use	Note	Note

Note: As at December 2012, 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.