



South China Land Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155



SOUTH CHINA LAND LIMITED

Annual Report 2013

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

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (Chairman)
Mr. Ko Pak Yau William (Vice-chairman)
Mr. Ng Yuk Yeung Paul (Chief Executive Officer)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung Peter
Mr. Law Albert Yu Kwan

Non-executive Director

Ms. Ng Yuk Mui Jessica

Independent Non-executive Directors

Ms. Pong Scarlett Oi Lan, J.P.
Dr. Leung Tony Ka Tung
Mr. Lau Lai Chiu Patrick
Ms. Chan Mei Bo Mabel

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Shing On Wai
A member of the Law Society of Hong Kong

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Law Albert Yu Kwan

AUDIT COMMITTEE

Ms. Chan Mei Bo Mabel (Committee Chairman)
Ms. Pong Scarlett Oi Lan, J.P.
Mr. Lau Lai Chiu Patrick

REMUNERATION & NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, J.P. (Committee Chairman)
Ms. Chan Mei Bo Mabel
Mr. Lau Lai Chiu Patrick

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Chong Hing Bank Limited
Industrial and Commercial Bank of China Limited
The Bank of East Asia (China) Limited

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

8155

WEBSITE OF THE COMPANY

www.scland.co

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Land Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a profit attributable to the equity holders of the Company for the year ended 31 December 2013 of HK\$281.7 million (2012: HK\$2.0 million), which is mainly attributable to the gain on disposal of Splendor Sheen Limited and its subsidiaries (collectively referred to as the "Splendor Group") which was completed on 16 January 2013 as published in the announcement of the Company issued on 17 January 2013.

FINANCIAL REVIEW

The revenue recognised for the year ended 31 December 2012 primarily represented the entrusted management fee income. As detailed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively, the entrusted management fee chargeable to South China (China) Limited ("SCC") for the period from the date of the termination deed to the date of completion of the sale of issued share capital of Splendor Sheen Limited contemplated under the sale and purchase agreement was irrevocably waived. As a result, no revenue was reported for the year ended 31 December 2013. Since the Group's property development projects are still in development stage, the Group will resume and recognise revenue upon the projects completion and sale.

Administrative and other operating expenses amounted to HK\$41.1 million (2012: HK\$29.8 million) for the year under review. The increase in administrative and other operating expenses was mainly attributable to the exchange loss arising from the conversion of the United States dollar denominated bank deposits into RMB of a PRC subsidiary.

The finance costs recognised for the year ended 31 December 2012 was largely attributable to the bank loans of a subsidiary of Splendor Sheen Limited, which was disposed of in mid-January 2013. After the above-mentioned disposal, the Group's has no bank borrowing. As such, there was a considerable decrease in finance costs as compared with the prior year.

BUSINESS REVIEW

Shenyang, Liaoning Province

The Dadong District (大東區) property development project, with an aggregate site area of 44,923 square metres, is subdivided into two sites, Northern lot and Southern lot with 30,450 square metres and 14,473 square metres respectively, by a pedestrian road. The project comprises of three phases of development. The first phase is located in the Southern lot with gross floor area ("GFA") of approximately 177,000 square metres, with two blocks of residential tower, one block of SOHO and commercial/retail development. The second and third phase is located in the Northern lot with GFA of approximately 399,000 square metres, with two blocks of SOHO, two blocks of service apartment/hotel and office tower and commercial/retail development.

Up to 31 December 2013, the registered capital of US\$110.0 million (equivalent to RMB712.6 million) has been paid. The State-owned Land Use Right Certificate (國有土地使用證) and the Land Use Permit (建設用地規劃許可證) of the Southern lot have been issued in December 2013 and September 2013 respectively. The demolition and settlement work of the Southern lot has been completed and handed over. Excavation and foundation work has been started in the third quarter of 2013 and basement work construction is scheduled to be commenced in the second quarter of 2014.

The Huanggu District (皇姑區) property development project, with a site area of approximately 67,000 square metres, is a mixed development which comprises commercial/retail, residential and office/hotel. The consideration for the land use rights is RMB1,176.8 million, of which RMB235.4 million has been paid up to 31 December 2013. The demolition and settlement work is responsible by the local government and will likely to be commenced in 2015.

Chairman's Statement and Management Discussion and Analysis

Cangzhou, Hebei Province

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 square metres, is a commercial/retail development to provide shopping mall, entertainment, dining and recreational facilities with a total GFA of approximately 45,000 square metres. Main contract work has been commenced and pre-sale is expected to be launched in the second half of 2014. The consideration for the land use rights is RMB15.3 million and has been fully paid. The State-owned Land Use Right Certificate (國有土地使用證) and the Land Use Permit (建設用地規劃許可證) have been obtained in April 2013 and November 2013 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a current ratio of 4.8 and had no bank borrowings. As at 31 December 2012, the Group had a current ratio of 2.3 and a gearing ratio of 7.7%. The gearing ratio was computed by the Group's net debt divided by total equity plus net debt. As at 31 December 2012, the net debt included cash and bank balances of HK\$1,963,000 and bank borrowings of HK\$581,070,000 of Splendor Group. The Group's operations and investments continue to be financed by internal resources and will be financed by bank borrowings.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

As published in the joint announcement of the Company and SCC dated 17 January 2013, the disposal of the entire issued share capital of Splendor Sheen Limited, a former subsidiary of the Company, was completed on 16 January 2013.

As published in the joint announcement of the Company and SCC dated 18 February 2014, pursuant to the sales and purchase agreement dated 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of SCC, entered into the sales and purchase agreement with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company, whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the sale shares, being 40% of the issued share capital of Elite Empire Investments Limited ("Elite Empire") at a consideration of HK\$600 million. As contemplated under the sales and purchase agreement, SCC and the Company shall enter into a deed of undertaking to be executed by SCC, the Company and Elite Empire (the "Deed of Undertaking") whereby SCC shall give each guarantee in favour of the prospective lender(s) of any member of Elite Empire and its subsidiaries to be granted by SCC subject to the terms and conditions of the sales and purchase agreement and the Deed of Undertaking which the Company shall in return counter guarantee subject to a limit of liability; and, the Vendor and the Purchaser shall enter into the put and call options agreement to grant each other an option on the sale shares.

The completion of the abovementioned transactions is subject to the approval by the independent shareholders of the Company at the extraordinary general meeting.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2013, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no pledge of assets and contingent liabilities.

Chairman's Statement and Management Discussion and Analysis

EMPLOYEES

As at 31 December 2013, the total number of employees of the Group was 141 (2012: 129). Employees' cost (including Directors' emoluments) amounted to HK\$65.5 million for the year (2012: HK\$35.7 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company on 8 May 2012 and 18 March 2011 respectively.

PROSPECTS

Shenyang is the heart of the Northeastern region (東北三省) (namely, Liaoning Province, Jilin Province and Heilongjiang Province), and is the capital city of Liaoning Province. Shenyang is a famous historic cultural city with a city population of over 8 million, and is the gateway to China's Northeastern region. In view of the strong encouragement from the Central People's Government to develop the Northeastern region, Shenyang has been experiencing rapid growth in both the domestic economy and the brisk development in the infrastructure facilities.

The Group's property development projects in Dadong District and Huanggu District are situated right at the heart of the Shenyang, the capital city of Liaoning Province. The Dadong District property development project is in the Zhongjie pedestrian commercial zone (中街步行商業區). The Zhongjie pedestrian commercial zone is the busiest shopping district in Shenyang. It is the longest standing and most traditional shopping centre of the city since the Qing Dynasty. The Huanggu District property development project is in the Changjiang pedestrian shopping street (長江步行購物街), being one of the three major shopping districts in Shenyang and is also the centre of the Huanggu's commercial hub.

As published in the Company's announcement dated 17 January 2013, the disposal of Splendor Sheen Limited, which represented the Group's 80% interests in the Avenue of Stars and its shopping mall business, was completed on 16 January 2013. The Group ceased to own any interest in the Avenue of Stars or generate any income from it thereon. The disposal enables the Group to allocate more resources, both financial and management, to other property development projects on hand. The proceeds from the Transaction provides the Group with immediate financial resources for the Dadong District property development project. Once completed, the Group will become one of the reputable property developers in the PRC. The Transaction significantly improved the Group's gearing ratio and, hence, its ability to raise funds for new projects in the future. As at 31 December 2013, the Group has no bank borrowings.

The Group will continue to focus on its core property development projects, such as Dadong District project, in the foreseeable future. Meanwhile, the Group will also look for prime locations for possibly small to medium sized projects should desirable opportunities arise. As at the date of this report, the Group has paid deposits and premiums for lands located in Cangzhou, Hebei Province and Shenyang, Liaoning Province with site areas of approximately 187,000 square metres in aggregate for its property development operations.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang

Chairman

Hong Kong, 18 March 2014

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 64, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of South China Holdings Limited ("SCH"), South China Financial Holdings Limited ("SCF") and South China (China) Limited ("SCC"). He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, Mr. Ng Yuk Fung Peter, an Executive Director of the Company and Mr. Ng Yuk Yeung Paul, an Executive Director and the Chief Executive Officer of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ko Pak Yau William, aged 55, is an Executive Director, the Vice-chairman and a member of the Executive Committee of the Company. He was an executive director of Hang Lung Group Limited and Hang Lung Properties Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), during the periods from 9 February 2010 to 12 December 2012 and from 1 September 2005 to 12 December 2012, respectively. Mr. Ko holds a Bachelor of Arts (Hons) degree and a Bachelor of Architecture (Hons) degree, both being awarded by the University of Liverpool, UK, and an Executive MBA degree jointly awarded by The Kellogg School of Management of Northwestern University, USA and The School of Business and Management of the Hong Kong University of Science and Technology. He is a member of the Royal Institute of British Architects, a member of The Hong Kong Institute of Architects and a Registered Architect in both the United Kingdom and Hong Kong. Mr. Ko was appointed as a Director of the Company on 1 October 2013.

Mr. Ng Yuk Yeung Paul, aged 32, is an Executive Director, the Chief Executive Officer and a member of the Executive Committee of the Company. He is also an executive director and the vice-chairman of SCF. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. Mr. Ng was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the brother of Ms. Ng Yuk Mui Jessica, a Non-Executive Director of the Company, and Mr. Ng Yuk Fung Peter, an Executive Director of the Company.

Mr. Richard Howard Gorges, aged 70, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice-chairman of SCC and SCF, and is an executive director of SCH. He holds a Master degree in Law from University of Cambridge in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 7 January 2009. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 60, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, a vice-chairman and chief executive officer of SCC, an executive director and a vice-chairman of SCF, and an executive director of SCH. She holds a Master degree in Business Administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 7 January 2009. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Fung Peter, aged 33, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of SCH and SCC. Mr. Ng holds a bachelor's degree in law from King's College London, University of London in the United Kingdom. He is an associate member of the Chartered Institute of Management Accountants and a member of the Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, the younger brother of Ms. Ng Yuk Mui Jessica, a Non-Executive Director of the Company, and the elder brother of Mr. Ng Yuk Yeung Paul, an Executive Director and the Chief Executive Officer of the Company.

Directors' Biographical Details

Mr. Law Albert Yu Kwan, aged 64, is an Executive Director and a member of the Executive Committee of the Company, an executive director, the chief financial officer and company secretary of SCC and the group chief financial officer of the South China group. Mr. Law has been the president of the Institute of Accountants in Management since 2007. Previously, Mr. Law held various positions including an independent non-executive director and the chairman of the audit committee of Guangzhou Automobile Group Company Limited from December 2007 to December 2013, the managing director of A. A. and Associates Consulting International Limited from April 2006 to January 2011, financial controller of K. Wah Construction Materials Limited from June 1997 to April 2006 (responsible for finance and accounting, legal, information technology and treasury), managing director of K.K. Yeung Financial Management Consultants International Limited from July 1996 to June 1997 (responsible for marketing, business development and overseas consulting projects) and assistant general manager (responsible for finance, accounting and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. Mr. Law had also served as the president of the UK Chartered Institute of Management Accountants (Hong Kong Division) in 2006/2007 and the chairman of the enterprise governance committee under the said institute from 2003 to 2007. He is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of International Accountants in England, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Society of Registered Financial Planners, and a fellow member of the Taxation Institute of Hong Kong. Mr. Law was appointed as a Director of the Company on 3 March 2013.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui Jessica, aged 35, is a Non-executive Director of the Company. Ms. Ng is also a non-executive director of SCH and SCC, and the chief executive officer of South China Media Limited. She has a Bachelor degree in law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as a Director of the Company on 20 August 2003. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the elder sister of Mr. Ng Yuk Fung Peter, an Executive Director of the Company, and Mr. Ng Yuk Yeung Paul, an Executive Director and Chief Executive Officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Pong Scarlett Oi Lan, J.P., aged 54, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. Ms. Pong is an elected District Councillor, the Chairman of The International Drug Abuse Treatment Foundation Limited and The League of Health Professionals of Hong Kong Limited. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the president of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008–2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007–2012). Ms. Pong received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007 and was appointed as a Justice of the Peace ("J.P.") by the Government of the Hong Kong Special Administrative Region in July 2010. Ms. Pong was appointed as a Director of the Company on 27 March 2008.

Directors' Biographical Details

Dr. Leung Tony Ka Tung, aged 64, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of SCC. Dr. Leung has over 35 years of experience in property and hotel industry through his prior employments with the Lands Department of Hong Kong Government and various prominent listed property developers, such as The Hong Kong Land Co. Ltd., Hysan Development Co. Ltd., Lai Sun Development Co. Ltd. and Ryoden Development Ltd., and a leading surveyor company, Chesterton Petty Ltd., in Hong Kong. He was the Founder of TL Property Consultants International Limited and is the Chairman of TL Property Group companies.

Dr. Leung holds a Doctorate Degree of Philosophy in Business Administration from Empresarial University, a Master Degree of Science in International Real Estate (with Distinction) from The Hong Kong Polytechnic University and a Bachelor Degree in Social Science (Hons) in Economics and Business Administration from Chung Chi College of The Chinese University of Hong Kong.

Dr. Leung is a registered professional surveyor (GP) in Hong Kong, a fellow member of The Hong Kong Institute of Surveyors ("HKIS"), a fellow member of The Royal Institution of Chartered Surveyors ("RICS") and a fellow member of Hong Kong Institute of Real Estate Administrators ("HIREA"). He is the Founder Chairman and a Past President of the HIREA, a member of the Supervisory Board, Nominating Committee and Audit Committee of the Hong Kong Housing Society, a member of Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of Hong Kong Special Administrative Region, a Past Vice President and a council member of The Hong Kong Real Estate Association, the Deputy Honorary Secretary of the Hong Kong Professionals and Senior Executives Association, a Honorary Advisor and Honorary Mentor of Society of Business Administration of The Chinese University of Hong Kong, an Academic Consultant of The Institute for Sustainable Development in Macau University of Science & Technology, an Assessment of Professional Competence (APC) mentor of RICS (Hong Kong Branch), a visiting professor of Overseas Education College Shanghai Jiaotong University, a member of The Chinese People's Political Consultative Conference, Xuhui District, Shanghai, a member of The Chinese People's Political Consultative Conference, Chongzuo, Guangxi, a council member of Shanghai Overseas Chinese Friendship Association, a council member of Shanghai Xuhui China Overseas Friendship Association, a Honorary President of the Hong Kong Guangxi Youth Association and a Honorary President of the Hong Kong Guangxi Chongzuo City Friendship Association. Dr. Leung also holds various positions with HKIS, including the member of Board of Professional Development, Board of Education, CEPA, Community and Charity Service and Public and Social Affairs Committees of HKIS, and serves in the Panel of Expert and as a Vice Chairman of the Planning and Development Division. Dr. Leung was appointed as a Director of the Company on 10 December 2012.

Mr. Lau Lai Chiu Patrick, aged 63, is an Independent Non-executive Director and a member of the Audit Committee and Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of SCC. He has 35 years' experience in serving various bureaux and departments of the Government of the Hong Kong Special Administrative Region ("HKSARG") and the preceding government with scope of work spanned across Hong Kong's external trade and industrial policies, multilateral trade negotiations, training and development of civil servants, district administration and community development. Mr. Lau was an Advisor (Private Hospital Tender Assessment) of the Food and Health Bureau of the HKSARG. In 1997, Mr. Lau was appointed as the Deputy Secretary for Planning and Lands of the Planning, Environment and Lands Bureau of HKSARG, and participated in the formulation of policies and legislation on land planning, use, and administration. Subsequently, Mr. Lau was appointed as the Deputy Head and Acting Head of the Central Policy Unit of the HKSARG and responsible for the compilation of the Chief Executive's Policy Address and policy research. In 2002, Mr. Lau was appointed as Director of Lands of HKSARG and oversaw the implementation of policies on management, acquisition and disposal of government lands and on the sale of real estate development prior to completion. He retired from the post of Director of Lands in June 2007.

Directors' Biographical Details

Mr. Lau graduated from The University of Hong Kong with a Bachelor Degree in Social Sciences (Hons). He was awarded the Silver Bauhinia Star in 2007 in recognition of his dedicated and meritorious service to the HKSARG and the Hong Kong community, particularly in the areas of planning and lands. He is presently a director of the Board of the Hong Kong Countryside Foundation, an advisor of the Hong Kong Ideas Centre, the Vice-President of the Hong Kong Professionals and Senior Executives Association, a member of the Audit Committee of the Hong Kong Housing Society, a member of the Land, Rehousing & Compensation Committee of Urban Renewal Authority, a member of the Public Administration Advisory Board, Department of Politics and Public Administration of The University of Hong Kong, a Senior Advisor of the Association of China Trend Studies (HK) and an Honorary Advisor of Construction Professionals' Development Centre. Mr. Lau was appointed as a Director of the Company on 3 March 2013.

Ms. Chan Mei Bo Mabel, aged 42, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Ms. Chan also serves as an independent non-executive director of China Weaving Materials Holdings Limited and Kingmaker Footwear Holdings Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She was also an independent non-executive director of Hong Kong Education (Int'l) Investments Limited (formerly known as Modern Education Group Limited), a company listed on the Main Board of the Stock Exchange, and Code Agriculture (Holdings) Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, during the periods from June 2011 to September 2012 and from October 2009 to April 2012, respectively.

Ms. Chan is the founder of Mabel Chan & Co, Certified Public Accountants (Practicing). She has over 20 years' experience in professional accounting field in Hong Kong. Ms. Chan holds a Master Degree in Business Administration from the Hong Kong University of Science and Technology and a Bachelor of Arts (Hons) Degree in Accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong). She is a Certified Public Accountant (Practicing) in Hong Kong, a fellow member of The Association of Chartered Certified Accountants, a council member and an associate member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, a certified tax adviser and a member of The Taxation Institute of Hong Kong, a past president of The Society of Chinese Accountants and Auditors, a past president and council member of the Association of Women Accountants (Hong Kong) and a member of The Hong Kong Institute of Directors. Ms. Chan is also a member of the Financial Reporting Review Panel of The Financial Reporting Council, a member of the Barristers Disciplinary Tribunal Panel, a member of the Public Affairs Forum set up by the Home Affairs Bureau, a member of the Create Smart Initiative Vetting Committee of Create Hong Kong, a dedicated agency set up under the Commerce and Economic Development Bureau to lead and drive the development of the creative economy in Hong Kong, and a member of the Council of the Hong Kong Baptist University. Ms. Chan was appointed as a Director of the Company on 21 May 2013.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development business in the People's Republic of China.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 96 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 97 of this Annual Report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment and properties under development of the Group during the year are set out in notes 15 and 20 to the audited consolidated financial statements respectively. Further details of the Group's properties under development are set out on page 98 of this Annual Report.

SHARE CAPITAL, SHARE OPTIONS AND SHARE AWARDS

Details of movements in the Company's share capital, share options and share awards during the year are set out in notes 31, 32 and 33 to the audited consolidated financial statements respectively.

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

During the year ended 31 December 2013, the trustee of the Company's employees' share award scheme (the "Share Award Scheme") purchased a total of 26,168,000 shares of the Company at a total consideration of approximately HK\$4,646,000 pursuant to the terms of the rules and trust deed of the Share Award Scheme. Other than that, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any such shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$943,999,000.

Directors' Report

DIRECTORS

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

Executive Directors:

Ng Hung Sang (Chairman)
Ko Pak Yau William (Vice-chairman) (appointed on 1 October 2013)
Ng Yuk Yeung Paul (Chief Executive Officer)
Richard Howard Gorges
Cheung Choi Ngor
Ng Yuk Fung Peter
Law Albert Yu Kwan (appointed on 3 March 2013)

Non-executive Directors:

Ng Yuk Mui Jessica
Lo Wing Yan William (resigned on 19 March 2014)

Independent Non-executive Directors:

Pong Scarlett Oi Lan
Leung Tony Ka Tung
Lau Lai Chiu Patrick (appointed on 3 March 2013)
Chan Mei Bo Mabel (appointed on 21 May 2013)

In accordance with Article 116 of the Articles of Association of the Company, Mr. Ng Yuk Yeung Paul, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung Peter will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of his/her independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange from each of the Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, J.P. and Dr. Leung Tony Ka Tung for the year ended 31 December 2013, Mr. Lau Lai Chiu Patrick for the period between 3 March 2013 and 31 December 2013 and Ms. Chan Mei Bo Mabel for the period between 21 May 2013 and 31 December 2013 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 to 10 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in shares

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,495,060,667	67.05%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	6,163,743,154 (Note (a))		
Ko Pak Yau William ("Mr. Ko")	Beneficial owner		31,948,882 (Note (b))	0.29%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung Peter ("Mr. Peter Ng")	Beneficial owner		493,346,667	4.41%
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner		1,472,000 (Note (c))	0.01%

Directors' Report

(ii) Long positions in underlying shares

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Mr. Ko	Beneficial owner	111,784,000 (Note (d))	1.00%
Mr. Paul Ng	Beneficial owner	83,840,000 (Note (d))	0.75%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (Note (d))	0.50%
Mr. Peter Ng	Beneficial owner	55,896,000 (Note (d))	0.50%
Mr. Law	Beneficial owner	67,528,000 (Note (d)&(e))	0.61%

Notes:

- (a) The 6,163,743,154 shares of the Company held by Mr. Ng through controlled corporations include 1,088,784,847 shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 shares held by Ronastar Investments Limited ("Ronastar"), 237,881,856 shares held by Worldunity Investments Limited ("Worldunity") and 65,104,000 shares held by South China Strategic Limited ("SC Strategic"). Fung Shing, Parkfield and Ronastar were all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity and SC Strategic indirectly via South China Holdings Limited ("SCH") and South China (China) Limited ("SCC") respectively. SCH and SCC were owned as to approximately to 73.72% and 63.01% respectively by Mr. Ng while Bannock was a wholly-owned subsidiary of Earntrade which was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. As such, Mr. Ng was deemed to have interest in the 237,881,856 shares held by Worldunity, the 65,104,000 shares held by SC Strategic and the aggregate 2,238,789,644 shares held by Bannock and Earntrade.
- (b) The 31,948,882 shares of the Company held by Mr. Ko were the share awarded to him under the Share Award Scheme on 1 October 2013, and such award shares were vested on the same day.
- (c) The 1,472,000 shares of the Company held by Mr. Law were the shares awarded to him under the employees' share award scheme of SCC (the "SCC Share Award Scheme"). Mr. Law was awarded 736,000 shares and 736,000 shares of the Company on 13 April 2011 and 19 July 2011, respectively, and such award shares were vested on 31 December 2012 and 30 June 2013, respectively.
- (d) Please refer to details set out in note 32 to the audited consolidated financial statements under the section headed "Share Option Scheme"
- (e) The 11,632,000 underlying shares of the Company held by Mr. Law were the shares awarded to him under the SCC Share Award Scheme. Mr. Law was awarded 3,000,000 shares and 8,632,000 shares of the Company on 30 March 2012 and 28 March 2013, respectively, with vesting dates ranging from 31 December 2014 to 31 December 2015.

Save as disclosed above, as at 31 December 2013, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of the Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Directors, employees of the Group and participants as described under the relevant share option scheme of the Company are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company adopted on 8 May 2012 together with the details of the options of the Company granted are set out in note 32 to the audited consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for equity or debt securities of the Company or any other body corporate nor had exercised any such right.

PENSION SCHEME

Details of the pension scheme of the Group are set out in note 3.16 to the audited consolidated financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year ended 31 December 2013 and up to the date of this Annual Report (where applicable) between the Group and other companies in which Mr. Ng, a Director and controlling shareholder of the Company, has beneficial interest are set out in note 38 to the audited consolidated financial statements and under the section headed "Connected Transactions" of this Annual Report.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries for the year ended 31 December 2013.

MANAGEMENT CONTRACTS

Details of contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year are set out in note 38 to the audited consolidated financial statements.

Directors' Report

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

As at 31 December 2013, the following person/corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

Long positions in shares

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Eartrade	Beneficial owner and interest of a controlled corporation	2,238,789,644 (Note (a))	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (Note (a))	9.74%
Ng Lai King Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	7,495,060,667 (Note (b))	67.05%

Notes:

- (a) Bannock was a wholly-owned subsidiary of Eartrade. The 2,238,789,644 shares in the Company held by Eartrade included 1,088,784,847 shares held by Bannock directly.
- (b) Ms. Ng, who held 967,923,774 shares in the Company beneficially, was the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to be interested in the 363,393,739 shares and 6,163,743,154 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 31 December 2013, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the Share Award Scheme for recognising the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Share Award Scheme, a sum up to HK\$20 million will be used for the purchase of shares of the Company and/or SCC from the market, which will be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of shares to be awarded will be determined by the Board from time to time at its absolute discretion.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Mr. Ng, the Chairman, an Executive Director and the controlling shareholder of the Company, is also the chairman and an executive director of SCH and SCC. Mr. Ng, personally and through controlled corporations, has a controlling shareholding interest in each of the Company, SCH and SCC, of which certain corporate interests in SCH and SCC are held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCH and SCC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCH and SCC). Mr. Paul Ng, an Executive Director of the Company with certain shareholding interest in the Company, also has certain shareholding interest in SCC. Mr. Peter Ng, an Executive Director of the Company with certain shareholding interest in the Company, is also an executive director of SCH and SCC with certain shareholding interest in SCC. Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), a Non-executive Director of the Company, is also a non-executive director of SCH and SCC with certain shareholding interest in SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development or investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Paul Ng, Mr. Peter Ng and Ms. Jessica Ng are regarded as interested in such competing business of the Group.

The Directors are of the view that the Company can carry on its business independent of and at arm's length from the business of SCH and SCC and there is no direct competition amongst the said three listed groups during the year.

Save as disclosed above, as at 31 December 2013, none of the Directors or any of their respective associates had any interest in any business which had caused or would cause any competition with the business of the Group or any conflicts with the interests of the Group.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Rule 17.50A(1), the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) since publication of the Company's latest interim report up to the date of this Annual Report are set out below:

Mr. Lau Lai Chiu Patrick ("Mr. Lau") was appointed as a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company with effect from 11 February 2014.

Mr. Law retired as an independent non-executive director of Guangzhou Automobile Group Co., Ltd in the general meeting of the company with effect from 16 December 2013.

Dr. Lo Wing Yan William, J.P. was appointed as an independent non-executive director of International Housewares Retail Company Limited and Jingrui Holdings Limited with effect from 4 September 2013 and 6 October 2013 respectively, both of which are listed on the Main Board of the Stock Exchange. Dr. Lo has resigned as Non-executive Director of the Company with effect from 19 March 2014.

Ms. Pong Scarlett Oi Lan, J.P. ("Ms. Pong") was appointed as the chairman of the Remuneration and Nomination Committee of the Company with effect from 1 August 2013.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the GEM Listing Rules as at the date of this Annual Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 20 to 25 of this Annual Report.

REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

Details of the compliance by the Company with the required standard of dealings for securities transactions by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules are set out on page 22 of this Annual Report.

CONNECTED TRANSACTION

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in notes 23, 30 and 38 to the audited consolidated financial statements.

During the year and up to the date of this Annual Report, the Group had the following connected transactions, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

Pursuant to the sales and purchase agreement entered into between Crystal Hub Limited, a subsidiary of the Company, and Even Dragon Limited, a subsidiary of SCC, Crystal Hub Limited had agreed to sell and Even Dragon Limited had agreed to purchase the entire equity interests in Splendor Sheen Limited for a consideration of approximately HK\$1,589 million (as adjusted) subject to terms and conditions of the sale and purchase agreement and the relevant supplemental agreement dated 25 September 2012. Details about the transactions contemplated by the abovementioned agreements (the "Transaction") have been set out in the Company's announcement and circular dated 12 July 2012 and 19 October 2012, respectively. As published in the Company's announcement dated 17 January 2013, the Transaction was completed on 16 January 2013.

As at 25 September 2012, Mr. Ng, the Chairman, executive director and substantial shareholder of the Company, through interest in controlled corporations owned as to 63.01% in SCC.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Ms. Chan Mei Bo Mabel (Chairman of the Committee), Ms. Pong and Mr. Lau.

The Audit Committee is satisfied with its review of the audit fee, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2014 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

MAJOR SUPPLIERS

During the year ended 31 December 2013, the purchase from the Group's five largest suppliers accounted for 92% and the purchases from the largest suppliers included therein accounted for 58% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers of the Group noted above.

AUDITOR

Messrs. BDO Limited will retire and, being eligible, will offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang

Chairman

Hong Kong, 18 March 2014

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Code Governance Code (the “CG Code”) contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) throughout the year ended 31 December 2013 except the following as stated:

Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company was unable to attend the annual general meeting of the Company held on 7 May 2013 since he had other business engagements, which deviated from code provision E.1.2.

Reference is made to the announcement of the Company dated 31 December 2013 in respect of the number of independent non-executive directors of the Company which fell below one-third of the Board members. As stated on the announcement of the Company dated 18 March 2014 in respect of the resignation of Dr. Lo Wing Yan William, J.P. as Non-executive Director, following the resignation of Dr. Lo, the Company has been in compliance with the requirement under Rule 5.05A of the GEM Listing Rules with independent non-executive directors representing one-third of the Board.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2013, the Board consisted of 13 Directors, including seven Executive Directors, two Non-executive Directors and four Independent Non-executive Directors.

Since 19 March 2014, the Board consisted of 12 Directors, including the Chairman, Mr. Ng Hung Sang, the Vice-chairman, Mr. Ko Pak Yau William, and the Chief Executive Officer, Mr. Ng Yuk Yeung Paul, who are Executive Directors, four additional Executive Directors, one Non-executive Director and four Independent Non-executive Directors. One third of the Board is Independent Non-executive Directors. Directors’ biographies and relevant relationships amongst them are set out in the Directors’ Biographical Details on pages 7 to 10 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having at least one of the Independent Non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company’s Articles of Association.

The Board is collectively responsible for the formulation of the Group’s strategy, overseeing the management of the business and affairs of the Group.

Daily operation and management of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held five meetings in 2013:

	Attendance
Executive Directors	
Ng Hung Sang (<i>Chairman</i>)	3/5
Ko Pak Yau William (<i>Vice-chairman</i>) (appointed on 1 October 2013)	2/2
Ng Yuk Yeung Paul (<i>Chief Executive Officer</i>)	4/5
Richard Howard Gorges	5/5
Cheung Choi Ngor	5/5
Ng Yuk Fung Peter	4/5
Yeung Kwong Sunny (resigned on 20 September 2013)	2/3
Law Albert Yu Kwan (appointed on 3 March 2013)	5/5
Non-Executive Directors	
Ng Yuk Mui Jessica	5/5
Lo Wing Yan William (resigned on 19 March 2014)	5/5
Independent Non-Executive Directors	
Cheng Yuk Wo (retired on 7 May 2013)	1/1
Pong Scarlett Oi Lan	5/5
So George Siu Ming (resigned on 1 August 2013)	2/2
Leung Tony Ka Tung	4/5
Lau Lai Chiu Patrick (appointed on 3 March 2013)	4/5
Chan Mei Bo Mabel (appointed on 21 May 2013)	3/3

Notices of at least fourteen days are given to Directors for regular meetings, while Board papers are sent to Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

All Directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2013.

INTERNAL CONTROL

Recognizing that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the GEM Listing Rules, a team, comprising qualified accountants, has been organised to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans periodically and ensures that the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee at a regular interval. The scopes and timing of audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

The IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to the Audit Committee at a regular interval. During the year, the Tendering Cycle and Human Resource Cycle were reviewed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Directors acknowledge their responsibility for preparing the financial statements of the Group and ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 26 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the Auditor of the Company received approximately HK\$530,000 for audit services and no non-audit services was provided by the Auditor to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Apart from updates on regulatory changes and governance developments provided by the Company, Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training Directors have undertaken.

During the year 2013, the Directors participated in the following trainings:

	Type of trainings	
	Attending Seminars	Reading Materials and Updates
Executive Directors		
Ng Hung Sang (<i>Chairman</i>)		✓
Ko Pak Yau William (<i>Vice-chairman</i>) (appointed on 1 October 2013)		✓
Ng Yuk Yeung Paul (<i>Chief Executive Officer</i>)		✓
Richard Howard Gorges		✓
Cheung Choi Ngor		✓
Ng Yuk Fung Peter		✓
Yeung Kwong Sunny (resigned on 20 September 2013)		✓
Law Albert Yu Kwan (appointed on 3 March 2013)	✓	✓
Non-Executive Directors		
Ng Yuk Mui Jessica		✓
Lo Wing Yan William (resigned on 19 March 2014)		✓
Independent Non-Executive Directors		
Cheng Yuk Wo (retired on 7 May 2013)		
Pong Scarlett Oi Lan		✓
So George Siu Ming (resigned on 1 August 2013)		
Leung Tony Ka Tung		✓
Lau Lai Chiu Patrick (appointed on 3 March 2013)		✓
Chan Mei Bo Mabel (appointed on 21 May 2013)		✓

AUDIT COMMITTEE

The Audit Committee presently consists of three Independent Non-executive Directors, namely Ms. Chan Mei Bo Mabel (appointed as the Chairman of the Committee on 21 May 2013), Ms. Pong Scarlett Oi Lan, J.P. and Mr. Lau Lai Chiu Patrick (appointed as a committee member on 11 February 2014).

The principal duties of the Audit Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditor of the Group. The Audit Committee has also been delegated by the Board to be responsible for performing the corporate governance duties under the CG Code.

The Audit Committee held four meetings in 2013 in which representatives of the management were present to review the quarterly, interim and final results, the quarterly, interim and annual reports, and other financial, internal control and corporate governance matters. The Group's Auditors were present in two of the meetings.

	Attendance
Chan Mei Bo Mabel (appointed on 21 May 2013)	2/2
Pong Scarlett Oi Lan	4/4
Lau Lai Chiu Patrick (appointed on 11 February 2014)	N/A
Lo Wing Yan William (resigned on 19 March 2014)	4/4
So George Siu Ming (resigned on 1 August 2013)	2/2
Cheng Yuk Wo (retired on 7 May 2013)	2/2

Corporate Governance Report

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2013, the internal control system and the corporate governance policy.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee presently consists of three Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, J.P. (appointed as the Chairman of the Committee on 1 August 2013) and Ms. Chan Mei Bo Mabel and Mr. Lau Lai Chiu Patrick (appointed as a committee member on 11 February 2014).

The principal duties of the Remuneration and Nomination Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include review on the structure and composition of the Board, identification of suitably qualified Board candidates, and review of the remuneration of Directors and senior management and to make recommendations to the Board on the remuneration policy and structure.

The Remuneration and Nomination Committee met once in 2013 and the attendance record is set out below:

	Attendance
Pong Scarlett Oi Lan	1/1
Chan Mei Bo Mabel (appointed on 21 May 2013)	1/1
Lau Lai Chiu Patrick (appointed on 11 February 2014)	N/A
Lo Wing Yan William (resigned on 19 March 2014)	1/1
So George Siu Ming (resigned on 1 August 2013)	N/A
Cheng Yuk Wo (retired on 7 May 2013)	N/A

The Remuneration and Nomination Committee reviewed the policies for the remuneration of Executive Directors, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual Executive Directors with reference to the Company's performance and profitability, as well as industry practice. Directors' fees for all Directors are subject to shareholders' approval at general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

The Remuneration and Nomination Committee reviewed the structure, size and composition of the Board, adopted a formal written procedure and policy for the appointment of new directors, assessed the independence of Independent Non-executive Directors and made recommendations to the Board on the appointment and re-appointment of Directors.

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as quarterly, interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosures on the website of the Company.

Quarterly reports, interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company (“AGM”) allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders’ views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Voting results are posted on the Company’s website on the day of the AGM.

Extraordinary general meetings shall be convened on the requisition of any one member of the Company which is a recognised clearing house or any two or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The attendance record of the Directors at the AGM held on 7 May 2013 is set out below:

Executive Directors

Ng Hung Sang (<i>Chairman</i>)	X
Ko Pak Yau William (<i>Vice-chairman</i>) (appointed on 1 October 2013)	N/A
Ng Yuk Yeung Paul (<i>Chief Executive Officer</i>)	X
Cheung Choi Ngor	✓
Richard Howard Gorges	✓
Ng Yuk Fung Peter	X
Yeung Kwong Sunny (resigned on 20 September 2013)	X
Law Albert Yu Kwan (appointed on 3 March 2013)	✓

Non-Executive Directors

Ng Yuk Mui Jessica	X
Lo Wing Yan William (resigned on 19 March 2014)	X

Independent Non-Executive Directors

Cheng Yuk Wo (retired on 7 May 2013)	✓
Pong Scarlett Oi Lan	X
So George Siu Ming (resigned on 1 August 2013)	✓
Leung Tony Ka Tung	✓
Lau Lai Chiu Patrick (appointed on 3 March 2013)	✓
Chan Mei Bo Mabel (appointed on 21 May 2013)	N/A

Independent Auditor's Report



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TO THE SHAREHOLDERS OF SOUTH CHINA LAND LIMITED

南華置地有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Land Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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.

OPINION

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

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 18 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	5	–	48,693
Other operating income	6	288	1,820
Gain on disposal of subsidiaries	25	394,941	–
Loss on disposal of available-for-sale financial assets		(51,166)	–
Fair value gain on financial assets at fair value through profit or loss		305	–
Increase in fair value of investment properties	16	–	43,135
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company		(19,986)	–
Selling and distribution costs		(5)	(1,629)
Administrative and other operating expenses		(41,105)	(29,794)
Operating profit	8	283,272	62,225
Finance costs	9	(1,865)	(45,969)
Profit before income tax		281,407	16,256
Income tax expense	10	–	(10,784)
Profit for the year		281,407	5,472
Attributable to:			
Equity holders of the Company	11	281,744	2,020
Non-controlling interests		(337)	3,452
		281,407	5,472
Earnings per share attributable to the equity holders of the Company for the year			
— Basic and diluted	12	HK2.52 cents	HK0.02 cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Profit for the year		281,407	5,472
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Release of exchange reserve upon disposal of subsidiaries	25	(139,155)	–
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets		(8,739)	–
Fair value gain on available-for-sale financial assets		13,184	–
Exchange differences on translation of financial statements of overseas subsidiaries		48,958	3,000
Total comprehensive income for the year		195,655	8,472
Total comprehensive income attributable to:			
Equity holders of the Company		195,990	4,794
Non-controlling interests		(335)	3,678
		195,655	8,472

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	3,271	1,746
Goodwill	18	355,326	355,326
Available-for-sale financial assets	19	1,036,694	–
		1,395,291	357,072
Current assets			
Properties under development	20	765,751	146,931
Financial assets at fair value through profit or loss	21	2,988	1,405
Deposit paid, prepayments and other receivables	22	707,964	658,362
Tax recoverable		361	348
Amount due from a non-controlling shareholder of a subsidiary	23	–	17,747
Pledged bank deposits	28	–	10,853
Cash and bank balances	24	16,355	377,419
		1,493,419	1,213,065
Assets classified as held for sale	25	–	3,070,252
		1,493,419	4,283,317
Current liabilities			
Trade payables	26	19,595	2,076
Other payables, accrued expenses and receipts in advance	27	114,689	525,767
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	29	97,866	–
Loan from a related company	30	78,000	78,000
Loans from shareholders	30	–	150,000
		310,150	755,843
Liabilities classified as held for sale	25	–	1,137,752
		310,150	1,893,595
Net current assets		1,183,269	2,389,722
Total assets less current liabilities		2,578,560	2,746,794

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current liabilities			
Loans from shareholders	30	450,260	452,010
Net assets		2,128,300	2,294,784
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	31	111,785	111,785
Reserves	34	2,016,515	1,815,715
		2,128,300	1,927,500
Non-controlling interests		–	367,284
Total equity		2,128,300	2,294,784

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	–	–
Current assets			
Amounts due from subsidiaries	17	1,699,972	1,779,765
Cash and bank balances		61	61
		1,700,033	1,779,826
Current liabilities			
Other payables and accrued expenses	27	61,801	44,907
Amounts due to subsidiaries	17	245,882	346,612
		307,683	391,519
Net current assets		1,392,350	1,388,307
Total assets less current liabilities		1,392,350	1,388,307
Non-current liabilities			
Loans from shareholders	30	336,700	336,700
Net assets		1,055,650	1,051,607
EQUITY			
Share capital	31	111,785	111,785
Reserves	34	943,865	939,822
Total equity		1,055,650	1,051,607

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Profit before income tax		281,407	16,256
Adjustments for:			
Interest income	6	(233)	(212)
Increase in fair value of investment properties	16	–	(43,135)
Depreciation	15	1,018	2,663
Loss on disposal of available-for-sale financial assets	8	51,166	–
Fair value gain on financial assets at fair value through profit or loss		(305)	–
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company		19,986	–
Equity settled share-based payment expenses	13	10,037	427
Gain on disposal of subsidiaries	25	(394,941)	–
Interest expenses	9	1,865	45,969
Operating (loss)/profit before working capital changes		(30,000)	21,968
Decrease in trade receivables		–	95
Payments of properties under development	20	(580,698)	(45,715)
Decrease in amount due from a non-controlling shareholder of a subsidiary		–	370
Increase in deposit paid, prepayments and other receivables		(2,017)	(14,250)
Increase/(Decrease) in trade payables		17,216	(32,974)
(Decrease)/Increase in other payables, accrued expenses and receipts in advance		(51,153)	325,346
Net cash (used in)/generated from operating activities		(646,652)	254,840
Cash flows from investing activities			
Interest received	6	233	212
Net cash inflow from disposal of subsidiaries		281,147	–
Additions of property, plant and equipment	15	(2,464)	(679)
Proceeds from redemption of redeemable convertible preference shares		143,869	–
Decrease in pledged bank deposits		10,853	21,148
Purchase of financial assets at fair value through profit or loss		(1,707)	(1,405)
Proceeds from disposal of financial assets at fair value through profit or loss		429	–
Net cash generated from investing activities		432,360	19,276
Cash flows from financing activities			
Repayment of bank loans		–	(12,312)
Repayment to shareholders		(151,750)	–
Loans from shareholders		–	103,200
Purchase of treasury shares		(4,646)	(846)
Interest paid	9	(1,535)	(45,637)
Net cash (used in)/generated from financing activities		(157,931)	44,405

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Net (decrease)/increase in cash and cash equivalents		(372,223)	318,521
Cash and cash equivalents at 1 January		379,382	59,062
Effect of foreign exchange rate changes		9,196	1,799
Cash and cash equivalents at 31 December		16,355	379,382
Less: Cash and cash equivalents classified as held for sale	25	—	(1,963)
Adjusted cash and cash equivalents at 31 December	24	16,355	377,419
Analysis of the cash and cash equivalents			
— Cash and bank balances	24	16,355	377,419

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Capital contribution reserve	Available-for-sale financial assets revaluation reserve	Employee compensation reserve	Exchange reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	111,785	771,842	-	6,044	291,562	-	750	188,105	553,384	1,923,472	363,447	2,286,919
Transactions with owners												
Recognition of equity settled share-based compensation	-	-	-	-	-	-	184	-	-	184	-	184
Purchase of shares for share award scheme	-	-	(846)	-	-	-	-	-	-	(846)	-	(846)
Lapse of share options	-	-	-	-	-	-	(668)	-	668	-	-	-
Forfeit of share awards	-	-	-	-	-	-	(60)	-	60	-	-	-
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	159	159
Deregistration of a subsidiary (note 17)	-	-	-	-	-	-	-	(104)	-	(104)	-	(104)
Transactions with owners	-	-	(846)	-	-	-	(544)	(104)	728	(766)	159	(607)
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	2,020	2,020	3,452	5,472
Other comprehensive income												
Exchange realignment	-	-	-	-	-	-	-	2,774	-	2,774	226	3,000
Total comprehensive income for the year	-	-	-	-	-	-	-	2,774	2,020	4,794	3,678	8,472
At 31 December 2012	111,785	771,842	(846)	6,044	291,562	-	206	190,775	556,132	1,927,500	367,284	2,294,784

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Capital contribution reserve	Available-for-sale financial assets revaluation reserve	Employee compensation reserve	Exchange reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2012 and 1 January 2013	111,785	771,842	(846)	6,044	291,562	-	206	190,775	556,132	1,927,500	367,284	2,294,784
Transactions with owners												
Disposal of subsidiaries (note 25)	-	-	-	-	-	-	-	-	-	-	(366,949)	(366,949)
Purchase of shares for share award scheme	-	-	(4,646)	-	-	-	-	-	-	(4,646)	-	(4,646)
Vesting of share award under share award scheme	-	-	5,358	-	-	-	(6,096)	-	738	-	-	-
Recognition of equity settled share-based compensation	-	-	-	-	-	-	9,456	-	-	9,456	-	9,456
Transactions with owners	-	-	712	-	-	-	3,360	-	738	4,810	(366,949)	(362,139)
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	281,744	281,744	(337)	281,407
Other comprehensive income												
Release of exchange reserve upon disposal of subsidiaries (note 25)	-	-	-	-	-	-	-	(139,155)	-	(139,155)	-	(139,155)
Release of reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(8,739)	-	-	-	(8,739)	-	(8,739)
Change in fair value of available-for-sale financial assets	-	-	-	-	-	13,184	-	-	-	13,184	-	13,184
Exchange realignment	-	-	-	-	-	-	-	48,956	-	48,956	2	48,958
Total comprehensive income for the year	-	-	-	-	-	4,445	-	(90,199)	281,744	195,990	(335)	195,655
At 31 December 2013	111,785	771,842	(134)	6,044	291,562	4,445	3,566	100,576	838,614	2,128,300	-	2,128,300

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

South China Land Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company’s shares are listed on The Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are property investment and development in the People’s Republic of China (the “PRC”).

The financial statements on pages 28 to 96 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The financial statements are presented in Hong Kong Dollars (HK\$) and all values are rounded to the nearest thousand (“HK\$000”) except when otherwise indicated.

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 18 March 2014.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new/revised HKFRS

In the current year, the Group has applied, for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2013:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 19 (2011)	Employee Benefits

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group’s financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

AMENDMENTS TO HKAS 1 (REVISED) — PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

HKFRS 13 — FAIR VALUE MEASUREMENT

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

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in note 39(f). Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/revised HKFRSs that have been issued and have early adopted

AMENDMENTS TO HKAS 36 — RECOVERABLE AMOUNT DISCLOSURE

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period. The adoption of this new/revised standard has no material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

The following new/revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

AMENDMENTS TO HKAS 32 — OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

HKFRS 9 FINANCIAL INSTRUMENTS

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or 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. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets at fair value through profit or loss, financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company and investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in 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 4.

3.2 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective 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 interest that represent present ownership interests in the subsidiaries either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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.

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.

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

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

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

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, investments 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.

3.3 Revenue recognition

Revenue comprises the fair value from the sale of goods and services, net of rebates and discounts. 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:

- Rental income from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.
- Building management and service fee income is recognised over the relevant period in which the services are rendered.
- Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 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 reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting 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 the exchange gain or loss so arising 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 separated in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK\$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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.

3.5 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.

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

3.6 Goodwill

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment (see note 3.9).

Any excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consideration transferred and the amount recognised for non-controlling interests is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of the reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3.3. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and impairment losses.

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

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

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method at 20% per annum (or over the lease term, if shorter).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment, land use rights and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's 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. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, 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.

3.10 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.

OPERATING LEASE CHARGES AS THE LESSEE

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

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

3.11 Financial assets

The Group's financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits and cash and bank balances.

The Group's financial assets are classified as loans and receivables, financial assets at fair value through profit or loss 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 every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments 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.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

IMPAIRMENT LOSS ON FINANCIAL ASSETS

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.

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 reorganisation;
- significant changes in the technological, market, economic 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.

LOANS AND RECEIVABLES

If there is objective evidence that an impairment loss on loans and receivables 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.

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

3.11 Financial assets *(Continued)*

LOANS AND RECEIVABLES *(Continued)*

For financial assets other than trade receivables that are stated at amortised cost, impairment losses 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 receivable 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.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the 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 loss is not reversed.

3.12 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/credit in profit or loss.

Deferred tax assets and liabilities are not recognised if the temporary difference arises 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

3.12 Accounting for income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investment 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 realised, provided they are enacted or substantively enacted at the reporting date.

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

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.

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 Group 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.

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

3.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and construction, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (note 3.5).

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and estimated selling expenses.

No depreciation is provided on properties under development.

Properties under development for future sale in the ordinary course of business are included in current assets. On completion, the properties are transferred to properties held for sale.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

3.15 Share capital

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

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit, if any) to the extent they are incremental costs directly attributable to the equity transaction.

3.16 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

3.16 Pension obligations and employee benefits *(Continued)*

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.

3.17 Share-based employee compensation

SHARE OPTION SCHEME

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

SHARE AWARD SCHEME

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees. For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares is awarded.

All share-based compensation is recognised as an expense in profit or loss unless it qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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

3.18 Financial liabilities

The Group's financial liabilities include trade and other payables, loans from shareholders and a related company, bank borrowings and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company.

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 (note 3.5).

A financial liability is derecognised when the obligation under the liability is discharged, 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.

PAYABLES

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

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 12 months after the reporting date.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 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.

When 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.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.20 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; or
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).

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).

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

3.20 Related parties *(Continued)*

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.

3.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to 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 major operations.

3.22 Non-current assets held for sale and disposal group

Non-current assets and disposal groups are classified as held for sale when:

- (i) they are available for immediate sale;
- (ii) management is committed to a plan to sell;
- (iii) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- (iv) an active programme to locate a buyer has been initiated;
- (v) the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- (vi) a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- (i) their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- (ii) fair value less costs to sell.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets and disposal groups (other than investment properties and deferred tax assets), are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. 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:

(a) Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

(c) Provision of taxation

The Group has disposed certain subsidiaries in the PRC and the directors of the Company consider no significant PRC tax resulting from the disposal of those subsidiaries including the enterprise income tax, withholding tax and capital gain tax based on the Group's interpretation of prevailing tax laws and practices in the PRC. Significant judgement is required in determining the amount of the provision for taxes and the timing of related taxes. Where the final outcome of these matters is different from the amounts that were initially recorded, such difference will impact the tax provisions in the period in which such determination is made.

(d) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

The classification of an item into the different levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

(d) Key sources of estimation uncertainty *(Continued)*

The Group measures a number of items at fair value:

- Financial assets at fair value through profit or loss (note 21)
- Investment properties (note 16)
- Available-for-sale financial assets (note 19)
- Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company (note 29)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. REVENUE

The Group's principal activities are disclosed in note 1 to these consolidated financial statements. Turnover of the Group was the revenue from these activities.

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

	2013 HK\$'000	2012 HK\$'000
Rental income from investment properties classified as held for sale	—	47,621
Building management and service fee income	—	1,072
	—	48,693

6. OTHER OPERATING INCOME

	2013 HK\$'000	2012 HK\$'000
Bank interest income	233	212
Sundry income	55	1,608
	288	1,820

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. SEGMENT INFORMATION

The Group has identified its operating segment based on the internal financial information regularly reported to the Group's management for their decisions about resources and review of performance. The only business segment in the internal reporting to the Group's management is the Group's property investment and development business which comprised the rental income from investment properties and building management and service fee income. In addition, the customers of the Group, based on the location at which the services were provided, were from the PRC. For the year ended 31 December 2012, substantially all of the revenue was derived from a related company of the Company (note 38). There was no revenue of the Group for the year ended 31 December 2013. Accordingly, no segment disclosures are disclosed or required to be disclosed.

No separate analysis of segment information by geographical segment is presented as the revenue and non-current assets of the Group are principally attributable to a single geographical region, which is the PRC.

8. OPERATING PROFIT

	2013 HK\$'000	2012 HK\$'000
Operating profit is arrived at after charging/(crediting):		
Auditor's remuneration	530	500
Exchange loss, net	15,955	280
Gain on disposal of subsidiaries	(394,941)	–
Loss on disposal of available-for-sale financial assets	51,166	–
Depreciation	1,018	2,663
Less: Depreciation capitalised in properties under development	(372)	–
Depreciation charged to profit or loss	646	2,663
Employee benefit expense (including directors' emoluments)	65,522	35,736
Less: Employee benefit expense capitalised in properties under development	(57,233)	(26,180)
Employee benefit expense (including directors' emolument) charged to profit or loss (Note 13)	8,289	9,556
Operating leases rentals	3,589	828
Gross rental income from investment properties	–	(48,693)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	–	–
	–	(48,693)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest charged on bank borrowings wholly repayable within five years	1,535	45,637
Interest charged on loan from a related company	3,900	3,879
Interest charged on loans from shareholders	23,689	22,520
Total interest	29,124	72,036
Less: Interests capitalised in properties under development	(27,259)	(26,067)
	1,865	45,969

Interests capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.50% (2012: 7.34%) to expenditures on qualifying assets incurred.

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2013 and 2012.

Taxes on income arising from subsidiaries in the PRC were calculated based on a statutory rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2013 and 31 December 2012.

	2013 HK\$'000	2012 HK\$'000
Deferred income tax expenses – fair value gain on investment properties in the PRC	–	10,784

Reconciliation between tax expense and profit before income tax at applicable tax rates:

	2013 HK\$'000	2012 HK\$'000
Profit before income tax	281,407	16,256
Tax at the applicable tax rates, calculated at the rates applicable to profits in the tax jurisdiction concerned	44,433	4,472
Tax effect of non-deductible expenses	12,840	1,874
Tax effect of non-taxable income	(65,297)	(507)
Tax effect of tax losses not recognised	8,024	4,945
Income tax expense	–	10,784

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. INCOME TAX EXPENSE (Continued)

As at 31 December 2013, the Group has estimated unused tax losses of approximately HK\$95,553,000 (2012: HK\$215,099,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK\$57,486,000 (2012: HK\$44,628,000) and the remaining tax losses of approximately HK\$38,067,000 (2012: HK\$170,471,000) are subject to expiry period of five years.

11. PROFIT FOR THE YEAR

Of the consolidated profit for the year attributable to the equity holders of the Company of HK\$281,744,000 (2012: HK\$2,020,000), a loss of HK\$767,000 (2012: HK\$653,000) has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2013 HK\$'000	2012 HK\$'000
Profit attributable to the equity holders of the Company used in the basic earnings per share calculation	281,744	2,020
<hr/>		
	2013	2012
Weighted average number of ordinary shares in issue during the year	11,178,498,344	11,178,498,344
Less: Weighted average number of shares held for share award scheme	(6,425,632)	(77,989)
	<hr/>	
Weighted average number of ordinary shares used in the basic earnings per share calculation	11,172,072,712	11,178,420,355

There are no material potential dilutive ordinary shares for the years ended 31 December 2013 and 2012. Company's share options have no dilution effect for the years ended 31 December 2013 and 2012 because the exercise price of the Company's share options is higher than the average market price of the shares for the years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK\$'000	2012 HK\$'000
Wages and salaries	54,332	34,154
Equity settled share-based payment expenses	10,037	427
Pension costs – defined contribution plans	1,153	1,155
Less: Wages and salaries and pension costs capitalised in properties under development	(57,233)	(26,180)
Total employee benefit expense charged to profit or loss	8,289	9,556
Employee benefit expense charged to profit or loss:		
Wages and salaries	7,144	8,269
Equity settled share-based payment expenses	1,004	427
Pension costs — defined contribution plans	141	860
	8,289	9,556

Included in staff costs are key management personnel compensation and comprises the following categories:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	12,736	7,989
Bonus	2,066	582
Equity settled share-based payment expenses	8,823	–
Pension costs — defined contribution plans	60	50
	23,685	8,621

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 HK\$'000	2012 HK\$'000
Fees	524	317
Other emoluments:		
Salaries, allowances and benefits in kind	8,526	3,656
Bonus	2,066	582
Equity settled share-based payment expenses	8,823	–
Pension costs — defined contribution plans	30	20
	19,445	4,258
	19,969	4,575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments paid or payable to the directors and the chief executive were as follows:

Year ended 31 December 2013

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Equity settled share-based payment expenses HK\$'000	Pension costs-defined contribution plans HK\$'000	Total HK\$'000
Executive directors						
NG Hung Sang	–	–	–	–	–	–
NG Yuk Yeung, Paul	–	1,800	–	652	15	2,467
Richard Howard GORGES	–	–	–	–	–	–
CHEUNG Choi Ngor	–	–	–	434	–	434
NG Yuk Fung, Peter	–	–	–	434	–	434
YEUNG Kwong, Sunny (note vi)	–	4,026	816	–	11	4,853
KO Pak Yau, William (note i)	–	2,700	1,250	6,869	4	10,823
LAW Albert Yu Kwan (note ii)	–	–	–	434	–	434
Non-executive directors						
NG Yuk Mui, Jessica	10	–	–	–	–	10
LO Wing Yan, William (note vii)	75	–	–	–	–	75
Independent non-executive directors						
CHENG Yuk Wo (note iii)	26	–	–	–	–	26
PONG Scarlett Oi Lan	75	–	–	–	–	75
SO George Siu Ming (note iv)	44	–	–	–	–	44
LEUNG Tony Ka Tung	120	–	–	–	–	120
LAU Lai Chiu, Patrick (note v)	100	–	–	–	–	100
CHAN Mei Bo, Mabel (note v)	74	–	–	–	–	74
	524	8,526	2,066	8,823	30	19,969

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2012

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Equity settled share-based payment expenses HK\$'000	Pension costs-defined contribution plans HK\$'000	Total HK\$'000
Executive directors						
NG Hung Sang	–	–	–	–	–	–
NG Yuk Yeung, Paul	–	1,326	–	–	14	1,340
Richard Howard GORGES	–	–	–	–	–	–
CHEUNG Choi Ngor	–	–	–	–	–	–
NG Yuk Fung, Peter	–	–	–	–	–	–
YEUNG Kwong, Sunny	–	2,330	582	–	6	2,918
Non-executive directors						
NG Yuk Mui, Jessica	10	–	–	–	–	10
LO Wing Yan, William	75	–	–	–	–	75
Independent non-executive directors						
Cheng Yuk Wo	75	–	–	–	–	75
PONG Scarlett Oi Lan	75	–	–	–	–	75
SO George Siu Ming	75	–	–	–	–	75
LEUNG Tony Ka Tung	7	–	–	–	–	7
	317	3,656	582	–	20	4,575

Notes:

- (i) Mr. Ko Pak Yau, William has been appointed as an executive director on 1 October 2013. The amounts disclosed above represented his emoluments from the period of 1 October 2013 to 31 December 2013.
- (ii) Mr. Law Albert Yu Kwan has been appointed as an executive director on 3 March 2013. The amount disclosed above represented his emoluments from the period of 3 March 2013 to 31 December 2013.
- (iii) Mr. Cheng Yuk Wo has retired as an independent non-executive director on 7 May 2013.
- (iv) Mr. So George Siu Ming has resigned as an independent non-executive director on 1 August 2013.
- (v) Mr. Lau Lai Chiu, Patrick and Ms. Chan Mei Bo, Mabel have been appointed as an independent non-executive director on 3 March 2013 and 21 May 2013 respectively.
- (vi) Mr. Yeung Kwong, Sunny has been appointed as an executive director on 10 December 2012 and has resigned on 20 September 2013.
- (vii) Dr. Lo Wing Yan, William has resigned as non-executive director on 19 March 2014.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three directors (2012: two directors) whose emoluments are reflected in the analysis presented above. The emoluments of the two individuals (2012: three individuals) during the year who were also members of senior management of the Group are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	4,210	4,333
Pension costs – defined contribution plans	30	30
	4,240	4,363

Their emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	1	–
	2	3

During the year, no amount was paid by the Group to the directors or the two (2012: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

15. PROPERTY, PLANT AND EQUIPMENT**GROUP**

	Leasehold improvement HK\$'000	Furniture and office equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
At 1 January 2012				
Cost	3,069	4,596	1,634	9,299
Accumulated depreciation	(717)	(1,959)	(406)	(3,082)
Net book amount	2,352	2,637	1,228	6,217
Year ended 31 December 2012				
Opening net book amount	2,352	2,637	1,228	6,217
Additions	493	186	—	679
Assets classified as held for sale (note 25)				
— Cost	(2,371)	(4,190)	(275)	(6,836)
— Accumulated depreciation	1,113	3,007	225	4,345
Depreciation	(1,142)	(1,221)	(300)	(2,663)
Exchange alignment	1	2	1	4
Closing net book amount	446	421	879	1,746
At 31 December 2012 and 1 January 2013				
Cost	1,192	594	1,360	3,146
Accumulated depreciation	(746)	(173)	(481)	(1,400)
Net book amount	446	421	879	1,746
Year ended 31 December 2013				
Opening net book amount	446	421	879	1,746
Additions	—	955	1,509	2,464
Depreciation	(416)	(292)	(310)	(1,018)
Exchange alignment	12	19	48	79
Closing net book amount	42	1,103	2,126	3,271
At 31 December 2013				
Cost	1,238	1,578	2,940	5,756
Accumulated depreciation	(1,196)	(475)	(814)	(2,485)
Net book amount	42	1,103	2,126	3,271

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. INVESTMENT PROPERTIES

GROUP

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	–	2,975,087
Increase in fair value	–	43,135
Transfer to assets classified as held for sale (note 25)	–	(3,019,473)
Exchange alignment	–	1,251
Balance at end of the year	–	–

The fair value of the Group's investment properties as at 31 December 2012 was arrived at on the basis of a valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was arrived at using the comparison approach assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences in the relevant market. The revaluation gain was recognised in profit or loss for that year.

As at 31 December 2012, the Group's investment properties were pledged to secure certain banking facilities granted to the Group (note 28).

17. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

COMPANY

	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,699,972	1,779,765
Amounts due to subsidiaries	245,882	346,612

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Nominal value of issued capital/ registered capital	Directly	Indirectly	Principal activities and place of operation
Crystal Hub Limited	British Virgin Islands, limited liability company	1 ordinary share of US\$1 each	100%	–	Investment holding, Hong Kong
Elite Empire Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US\$1 each	–	100%	Investment holding, Hong Kong
瀋陽南華鴻基房地產開發有限公司	The PRC, limited liability company	US\$109,990,000	–	100%	Property development, The PRC
瀋陽南華鴻泰房地產開發有限公司	The PRC, limited liability company	US\$49,990,000	–	100%	Property development, The PRC
滄州南華房地產開發有限公司	The PRC, limited liability company	HK\$10,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	–	100%	Provision of management services for the Group, Hong Kong

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

During the year ended 31 December 2012, the Group deregistered a dormant PRC subsidiary and result in a gain of approximately HK\$104,000 included in other operating income due to the exchange alignment. The subsidiary deregistered did not contribute significantly to the results and cash flows of the Group during the period prior to the deregistration, and the net cash flow arising on deregistration was zero.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. GOODWILL

GROUP

The net carrying amount of goodwill can be analysed as follow:

	2013 HK\$'000	2012 HK\$'000
At 1 January and 31 December		
Gross and net carrying amount	355,326	355,326

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property investment and development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed five-year budget plan which represents the business cycle and strategy plan of the Group's property investment and development segment.

The key assumption used for value-in-use calculations are discount rate of 7% (2012: 7%) per annum. The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

During the years ended 31 December 2013 and 2012, no impairment loss of the goodwill has been recognised or reversed by the Group.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

Available-for-sale financial assets as at 31 December 2013 represented the redeemable convertible preference shares issued by a related company which listed on the Main Board of the Stock Exchange (note 25) and was designated as available-for-sale financial assets by the Group. The fair value of the available-for-sale financial assets as at 31 December 2013 was arrived at on the basis of a valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

20. PROPERTIES UNDER DEVELOPMENT

GROUP

	2013 HK\$'000	2012 HK\$'000
Leasehold interests in land located in the PRC, at cost	443,956	3,401
Development costs and other direct attributable expenses capitalised	321,795	143,530
	765,751	146,931

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	146,931	74,922
Additions	580,698	45,715
Interest capitalised	27,259	26,067
Effect of foreign currency exchange differences	10,863	227
Balance at end of the year	765,751	146,931

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

Financial assets at fair value through profit or loss as at 31 December 2013 and 2012 represented the listed equity securities. Fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date in an active market.

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For the year ended 31 December 2013

22. DEPOSIT PAID, PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2013 HK\$'000	2012 HK\$'000
Deposit paid for land use rights in the PRC	655,927	630,629
Prepayments	6,281	7,587
Other receivables	45,756	20,146
	707,964	658,362

Other receivables of the Group were neither past due nor impaired and their carrying amounts approximate to their fair values.

23. BALANCE WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

GROUP

As at 31 December 2012, the balance with a non-controlling shareholder of a subsidiary was unsecured, interest free and repayable on demand. The amount due from a non-controlling shareholder of a subsidiary is classified as other receivables of the Group upon the disposal of these subsidiaries during the year ended 31 December 2013 (note 25).

24. CASH AND BANK BALANCES

GROUP

As at 31 December 2013, the Group had cash and bank balances denominated in RMB of approximately HK\$2,619,000 (2012: HK\$50,387,030) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, 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.

25. DISPOSAL OF SUBSIDIARIES

GROUP

Pursuant to the sales and purchase agreement dated 4 July 2012 entered into between Crystal Hub Limited, an direct wholly-owned subsidiary of the Company, and Even Dragon Limited, an indirect wholly-owned subsidiary of South China (China) Limited, a related company of the Group, Crystal Hub Limited agreed to sell and Even Dragon Limited agreed to purchase the entire equity interests in Splendor Sheen Limited, a wholly owned subsidiary of the Company for a consideration of approximately HK\$1,589 million (as adjusted pursuant to the sales and purchase agreement) subject to terms and conditions of the sale and purchase agreement and the relevant supplemental agreement dated 25 September 2012 (the "Transaction"). Details about the Transaction have been set out in the Company's announcement and circular issued on 12 July 2012 and 19 October 2012 respectively. The Transaction for the disposal of Splendor Sheen Limited and its subsidiaries (the "Splendor Group") was completed on 16 January 2013 as published in the Company's announcement issued on 17 January 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

25. DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of the Splendor Group at the date of disposal were as follows:

	As at 16 January 2013 HK\$'000
Property, plant and equipment	2,399
Investment properties	3,019,473
Amount due from a non-controlling shareholder of a subsidiary	34,819
Prepayments and other receivables	11,705
Cash and bank balances	1,873
Trade payables	(44,384)
Other payables, accrued expenses and receipts in advance	(5,702)
Bank borrowings	(580,885)
Deferred tax liabilities	(504,471)
	1,934,827
Non-controlling interests	(366,949)
Release of exchange reserve of the Splendor Group upon the disposal	(139,155)
	1,428,723
Gain on disposal of subsidiaries	394,941
	1,823,664
Satisfied by:	
Cash	580,000
Redeemable convertible preference shares	1,243,664
	1,823,664
Net cash inflow arising on the disposal:	
Cash consideration	580,000
Cash and bank balances disposed of	(1,873)
	578,127

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

25. DISPOSAL OF SUBSIDIARIES (Continued)

(Note i)

The consideration was satisfied by:

- Cash consideration of HK\$580,000,000; and
- The 1,770,710,526 new redeemable convertible preference shares created and issued at the disposal date to the Company by South China (China) Limited at an issue price of HK\$0.57 per redeemable convertible preference shares. The value of the redeemable convertible preference shares of HK\$1,243,664,000 is determined based on the valuation conducted by BMI Appraisals Limited and the valuation date is on the disposal date, it comprised the fair value of available-for-sale financial assets amounted to approximately HK\$1,350,993,000 and financial liabilities in respect of redemption option embedded of HK\$107,329,000.

The following major classes of assets and liabilities relating to the Transaction were classified as held for sale as at 31 December 2012.

	31 December 2012 HK\$'000
Assets	
Property, plant and equipment	2,491
Investment properties	3,019,473
Amount due from a non-controlling shareholder of a subsidiary	34,819
Prepayments and other receivables	11,506
Cash and cash equivalents	1,963
Assets classified as held for sale	3,070,252
Liabilities	
Trade payables	44,384
Other payables, accrued expenses and receipts in advance	7,827
Bank borrowings (note 28)	581,070
Deferred tax liabilities	504,471
Liabilities classified as held for sale	1,137,752
Net assets directly associated with the Splendor Group * (excluding non-controlling interests)	1,932,500
Cumulative other comprehensive income relating to Splendor Group classified as held for sale	109,976

* The net assets directly associated with the Splendor Group included the amount of inter-company balance of HK\$470,765,000, which was due from the Splendor Group to the Group as at 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

26. TRADE PAYABLES

GROUP

The following is an ageing analysis of trade payables:

	2013 HK\$'000	2012 HK\$'000
Within 30 days	17,653	205
31–60 days	–	–
61–90 days	–	–
91–180 days	–	–
Over 180 days	1,942	1,871
	19,595	2,076

27. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

	2013 HK\$'000	2012 HK\$'000
Other payables	10,652	4,056
Accrued expenses (note i)	86,589	59,434
Receipts in advance	17,448	462,277
	114,689	525,767

COMPANY

	2013 HK\$'000	2012 HK\$'000
Other payables	699	290
Accrued expenses (note ii)	61,102	44,617
	61,801	44,907

Notes:

- (i) As at 31 December 2013, balances included accrued interest expenses on the loans from shareholders and the loan from a related company of approximately HK\$73,860,000 (2012: HK\$51,798,000) and HK\$10,899,000 (2012: HK\$6,999,000), respectively.
- (ii) As at 31 December 2013, balances represented accrued interest expenses on the loans from shareholders of approximately HK\$61,102,000 (2012: HK\$44,617,000).

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For the year ended 31 December 2013

28. BANK BORROWINGS

GROUP

	2013 HK\$'000	2012 HK\$'000
Bank loans – secured		
Bank loans repayable:		
— Within one year	–	30,811
— In the second to fifth years, inclusive	–	550,259
	–	581,070
Less: Portion classified as current liabilities	–	–
Transfer to liabilities classified as held for sale (note 25)	–	(581,070)
Non-current portion	–	–

At 31 December 2012, the bank borrowings were denominated in HK\$ and RMB, repayable within five years and bore interest at floating rates with reference to Hong Kong Interbank Offering Rate and the benchmark inter-bank interest rate of the PRC, ranging from 4.24% to 8.63% per annum, and were secured by the pledge of the investment properties (note 16) and pledged bank deposits of a fellow subsidiary of approximately HK\$10,853,000 as at 31 December 2012.

As at 31 December 2012, the above banking facilities were guaranteed by the Company.

The directors of the Company considered that the fair values of the bank borrowings were not materially different from their carrying amounts.

29. FINANCIAL LIABILITIES IN RESPECT OF REDEMPTION OPTION EMBEDDED IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF A RELATED COMPANY

Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares as at 31 December 2013 represented the embedded derivative related to the redeemable convertible preference shares issued by a related company classified as available-for-sale financial assets. The embedded derivative has economic characteristics and risks not closely related to the host investment. The fair value of the embedded derivative as at 31 December 2013 was arrived at based on valuation carried out at that date by BMI Appraisals Limited.

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30. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

GROUP AND COMPANY

As at 31 December 2013, loans from shareholders are unsecured and bear interest at floating rates with reference to prime lending rate as established from time to time by The Hongkong and Shanghai Banking Corporation Limited (2012: interest at the prime lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited and Chong Hing Bank Limited, ranging from 5.00% to 7.25%), except for the loans from shareholders amounted to HK\$7,000,000 (2012: HK\$7,000,000) which is interest free.

As at 31 December 2013, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2014. As at 31 December 2012, no repayment on the loans from shareholders was required whether in part or in full on or before 31 December 2013 except for the loans from shareholders amounted to HK\$150,000,000 which was repayable no later than 31 January 2013.

The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2013 and 2012.

GROUP

Loan from a related company is unsecured, interest-bearing at the prime lending rate as established from time to time by The Hongkong and Shanghai Banking Corporation Limited.

As at 31 December 2013 and 2012, the current liabilities include the loan from a related company that is not scheduled to repay within one year, it is current liability as the related loan agreement contains a clause that provides the lender and the borrower with an unconditional right to demand repayable at any time. The directors of the Company consider that the fair value of the loan is not materially different from its carrying amount as at 31 December 2013 and 2012.

31. SHARE CAPITAL

GROUP AND COMPANY

	2013		2012	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At beginning and end of the year	100,000,000,000	1,000,000	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At beginning and end of the year	11,178,498,344	111,785	11,178,498,344	111,785

During the year ended 31 December 2013, a subsidiary of the Company acquired 26,168,000 (2012: 7,136,000) number of the Company's shares in the open market with a value of approximately HK\$4,646,000 (2012: HK\$846,000). The relevant shares are available for resale and have been included in the treasury shares of the Company, shown as a component of the reserves of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. SHARE OPTION SCHEME

(i) The 2012 Share option scheme

The Company's share option scheme adopted on 24 June 2002 and became effective on 18 July 2002 (the "2002 Scheme") was terminated on 8 May 2012. A new share option scheme was approved by shareholders of the Company and became effective on 8 May 2012 (the "2012 Scheme").

Particulars of the 2012 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SCHEME

(i) Purpose of the 2012 Scheme

The purpose of the 2012 Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

(ii) Participants of the 2012 Scheme

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK\$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Scheme.

(iii) Total number of Shares available for issue under the 2012 Scheme

The total number of Shares available for issue under the share options, which may be granted under the 2012 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing of the resolutions to adopt the 2012 Scheme.

(iv) Maximum entitlement of each participant

No Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such Participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

32. SHARE OPTION SCHEME *(Continued)*

(i) The 2012 Share option scheme *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

- (v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

- (vi) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

- (vii) Amount payable upon acceptance of the option and the period within which the payment must be made

HK\$1.00 shall be paid within 28 days from the date of offer of the option.

- (viii) Basis of determining the exercise price of the option

The exercise price for Shares under the 2012 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;
- (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or
- (3) the nominal value of a Share.

- (ix) Remaining life of the 2012 Scheme

Subject to early termination of the 2012 Scheme pursuant to the terms thereof, the 2012 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

During the year ended 31 December 2013, the Company grants 363,312,000 share options under the 2012 Scheme. The Company did not grant any share options under the 2012 Scheme during the year ended 31 December 2012.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

32. SHARE OPTION SCHEME (Continued)

(i) The 2012 Share option scheme (Continued)

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the years ended 31 December 2013 were as follows:

Name and category of participant	Number of share options						Date of grant of share option	Exercisable Periods of share options (Note i)	Exercise price per share option (Note ii)	The weighted average closing price of shares immediately preceding the date of the exercise (Note iii)	
	Balance as at 01/01/2013	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Balance as at 31/12/2013					
Directors											
Law Albert Yu Kwan	-	55,896,000	-	-	-	55,896,000	1/10/2013	1/10/2016 to 30/09/2023	0.188	0.188	N/A
Ko Pak Yan, William	-	111,784,000	-	-	-	111,784,000	1/10/2013	1/10/2016 to 30/09/2023	0.188	0.188	N/A
Cheung Choi Ngor	-	55,896,000	-	-	-	55,896,000	1/10/2013	1/10/2016 to 30/09/2023	0.188	0.188	N/A
Ng Yuk Fung, Peter	-	55,896,000	-	-	-	55,896,000	1/10/2013	1/10/2016 to 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung, Paul	-	83,840,000	-	-	-	83,840,000	1/10/2013	1/10/2016 to 30/09/2023	0.188	0.188	N/A
Total	-	363,312,000	-	-	-	363,312,000					

Notes:

- (i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61st–120th months	100%

- (ii) The price of the shares disclosed as immediately preceding the date of grant of the share options during the year is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.
- (iii) The weight average closing price of the shares immediately before the date on which the options are exercised during the year.

32. SHARE OPTION SCHEME (Continued)**(i) The 2012 Share option scheme (Continued)****(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING (Continued)**

- (iv) The fair values of share options granted under the 2012 Scheme on 1 October 2013 and measured at the respective date of grant was approximately HK\$44,289,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	1 October 2013
Expected volatility	54.276%
Expected life (in years)	10.0
Risk free interest rate	2.049%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

- (v) For the year ended 31 December 2013, employee compensation expense of HK\$2,823,000 has been recognised in profit or loss (2012: Nil) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.
- (vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2013		2012	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Balance at 1 January	—	—	—	—
Additions	363,312,000	0.188	—	—
Lapsed	—	—	—	—
Balance at 31 December	363,312,000	0.188	—	—

The options outstanding at 31 December 2013 had exercise prices of HK\$0.188 and a weighted average remaining contractual life of 9 years. There are no options outstanding at 31 December 2012.

(ii) The 2002 Scheme

Particulars of the 2002 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2002 SCHEME

- (i) Purpose of the 2002 Scheme

The purpose of the 2002 Scheme was to recognise and motivate the contribution of the Employees (as defined in sub-section headed "Participants of the 2002 Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. SHARE OPTION SCHEME (Continued)

(ii) The 2002 Share option scheme (Continued)

(A) SUMMARY OF THE 2002 SCHEME (Continued)

(ii) Participants of the 2002 Scheme

The Board or a duly authorised committee thereof, may, at its discretion, grant options to the Employees, adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the “previous Participants”), to subscribe for shares of HK\$0.01 each in Shares in accordance with the provisions of the 2002 Scheme.

(iii) Total number of Shares available for issue under the 2002 Scheme

The total number of Shares available for issue under the share options, which may be granted under the 2002 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue immediately following completion of the Placing (as defined under the 2002 Scheme).

(iv) Maximum entitlement of each participant

No previous Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such previous Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2002 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

(vii) Amount payable upon acceptance of the option and the period within which the payment must be made

HK\$1.00 shall be paid within 5 business days from the date of offer of the option.

(viii) Basis of determining the exercise price of the option

The exercise price for Shares under the 2002 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer, which must be a trading day;
- (2) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the offer; or
- (3) the nominal value of a Share.

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For the year ended 31 December 2013

32. SHARE OPTION SCHEME (Continued)

(ii) The 2002 Share option scheme (Continued)

(A) SUMMARY OF THE 2002 SCHEME (Continued)

(ix) Remaining life of the 2002 Scheme

Subject to early termination of the 2002 Scheme pursuant to the terms thereof, the 2002 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2002 Scheme becomes effective, i.e. 18 July 2002 and ending on 17 July 2012.

During the year ended 31 December 2012, no share option was granted under the 2002 Scheme.

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2002 Scheme during the year ended 31 December 2012 were as follows:

Name and category of participant	Number of share options						Date of grant of share option (Note i)	Exercisable Periods of share options	Price of shares			
	Balance	Granted	Exercise	Lapsed	Cancelled	Balance			Exercise price per share option HK\$	Immediately preceding the grant date of share option (Note ii) HK\$	Immediately preceding the exercise date of share option (Note iii) HK\$	
	as at 01/01/2012	during the year	during the year	during the year	during the year	as at 31/12/2012						
Directors												
Ng Yuk Yeung, Paul	1,666,666	-	-	(1,666,666)	-	-	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A	
Ng Yuk Fung, Peter	1,666,666	-	-	(1,666,666)	-	-	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A	
Sub-total	3,333,332	-	-	(3,333,332)	-	-						
Others												
In aggregate	333,334	-	-	(333,334)	-	-	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A	
	1,000,000	-	-	(1,000,000)	-	-	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A	
Sub-total	1,333,334	-	-	(1,333,334)	-	-						
Total	4,666,666	-	-	(4,666,666)	-	-						

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32. SHARE OPTION SCHEME (Continued)

(ii) The 2002 Share option scheme (Continued)

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING (Continued)

Notes:

- (i) All share options granted were subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th–36th months	33 ¹ / ₃ %
25th–48th months	33 ¹ / ₃ %
37th–60th months	33 ¹ / ₃ %

- (ii) The price of the shares disclosed as immediately preceding the date of grant of the share options was the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.
- (iii) The weight average closing price of the shares immediately before the date on which the options were exercised.
- (iv) The fair values of share options granted under the 2002 Scheme on 14 March 2007, 2 April 2007 and 10 May 2007 and measured at the respective dates of grant were approximately HK\$2,199,999, HK\$945,000 and HK\$619,999 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 March 2007	2 April 2007	10 May 2007
Expected volatility	457%	461%	474%
Expected life (in years)	5.0	5.0	5.0
Risk free interest rate	4.2%	4.2%	4.2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility was based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model had been adjusted based on management's best estimate.

- (v) For the year ended 31 December 2012, no employee compensation expense had been recognised in profit or loss with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.
- (vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2012	
	Number	Weighted average exercise price HK\$
Balance at 1 January	4,666,666	0.227
Lapsed	(4,666,666)	0.227
Balance at 31 December	–	–

There were no options outstanding at 31 December 2012.

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33. SHARE AWARD SCHEME

A share award scheme (the “Share Award Scheme”) was adopted by the Board of the Company on 18 March 2011 (the “Adoption Date”). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the “Selected Employee”) of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Company shall settle a sum of up to and not exceeding HK\$20,000,000 for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount to the Trust Fund shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company’s announcement dated 18 March 2011.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

Awards granted of the Company’s shares during the year ended 31 December 2013 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2013	Awards granted during the year	Aggregate Awards vested during the year	Balance as at 31/12/2013
Director					
KO Pak Yau, William	1/10/2013	–	31,948,882	(31,948,882)	–
Employees in aggregate	19/7/2011	752,000	–	(752,000)	–
	8/10/2011	1,504,000	–	–	1,504,000
	30/3/2012	3,000,000	–	–	3,000,000
	28/1/2013	–	10,472,000	–	10,472,000
		5,256,000	10,472,000	(752,000)	14,976,000
Total		5,256,000	42,420,882	(32,700,882)	14,976,000

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33. SHARE AWARD SCHEME (Continued)

Awards granted of the Company's shares during the year ended 31 December 2012 were as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2012	Awards granted during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2012
Employees in aggregate	13/4/2011	736,000	–	(736,000)	–
	19/7/2011	752,000	–	–	752,000
	8/10/2011	1,504,000	–	–	1,504,000
	28/11/2011	1,504,000	–	(1,504,000)	–
	30/3/2012	–	3,000,000	–	3,000,000
Total		4,496,000	3,000,000	(2,240,000)	5,256,000

The fair value of the share awards granted of the Company's shares under the Share Award Scheme during the year is approximately HK\$7,466,000 (2012: HK\$255,000) and measured at the respective dates of grant. Fair value of an award at the grant date is determined by reference to the market price immediately available before the grant date. The share-based payment expenses for the Company's shares as recognised in profit or loss according to the vesting periods are approximately HK\$6,633,000 (2012: HK\$184,000) for the year ended 31 December 2013. 32,700,882 number of shares was released under the Share Award Scheme for the year ended 31 December 2013 (2012: Nil). There is no award being forfeited during the year ended 31 December 2013 (2012: 2,240,000).

Awards granted of the other shares during the year ended 31 December 2013 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2013	Awards granted during the year	Aggregate Awards vested during the year	Balance as at 31/12/2013
Employees in aggregate	19/7/2011	232,000	–	(232,000)	–
	8/10/2011	464,000	–	–	464,000
	30/3/2012	520,000	–	–	520,000
	28/1/2013	–	640,000	–	640,000
Total		1,216,000	640,000	(232,000)	1,624,000

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33. SHARE AWARD SCHEME (Continued)

Awards granted of the other shares during the year ended 31 December 2012 were as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2012	Awards granted during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2012
Employees in aggregate	13/4/2011	216,000	–	(216,000)	–
	19/7/2011	232,000	–	–	232,000
	8/10/2011	464,000	–	–	464,000
	28/11/2011	464,000	–	(464,000)	–
	30/3/2012	–	520,000	–	520,000
Total		1,376,000	520,000	(680,000)	1,216,000

The expenses for other shares as recognised in profit or loss were approximately HK\$581,000 (2012: HK\$243,000) for the year ended 31 December 2013. 232,000 numbers of other shares was released under the Share Award Scheme for the year ended 31 December 2013 (2012: Nil).

34. RESERVES

GROUP

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 35 and 36.

COMPANY

	Share premium HK\$'000	Treasury shares HK\$'000	Capital reserve HK\$'000	Capital contribution reserve HK\$'000	Employee compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	771,842	–	652	291,562	750	(123,669)	941,137
Purchase of shares for share award scheme	–	(846)	–	–	–	–	(846)
Lapse of share options	–	–	–	–	(668)	668	–
Forfeit of share awards	–	–	–	–	(60)	60	–
Recognition of equity settled share-based compensation	–	–	–	–	184	–	184
Loss for the year	–	–	–	–	–	(653)	(653)
At 31 December 2012 and 1 January 2013	771,842	(846)	652	291,562	206	(123,594)	939,822
Purchase of shares for share award scheme	–	(4,646)	–	–	–	–	(4,646)
Vesting of share awards	–	5,358	–	–	(6,096)	738	–
Recognition of equity settled share-based compensation	–	–	–	–	9,456	–	9,456
Loss for the year	–	–	–	–	–	(767)	(767)
At 31 December 2013	771,842	(134)	652	291,562	3,566	(123,623)	943,865

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. RESERVES (Continued)

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve, employee compensation reserve and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2013 amounted to approximately HK\$943,999,000 (2012: HK\$940,668,000).

GROUP AND COMPANY

TREASURY SHARES

	2013		2012	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Balance brought forward	7,136,000	846	–	–
Acquired during the year	26,168,000	4,646	7,136,000	846
Released during the year	(32,700,882)	(5,358)	–	–
Balance carried forward	603,118	134	7,136,000	846

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the awards granted under the share award scheme (note 33); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

35. OPERATING LEASE COMMITMENTS

GROUP

(A) AS LESSOR

For the year ended 31 December 2012, pursuant to the agreement signed between the Group and a related company, the Group leased its investment properties under operating lease agreement for a term of 1 year which was renewable annually until 31 December 2026. During the year ended 31 December 2012, the agreement had been terminated pursuant to the termination deed for the intention of the disposal of the Splendor Group to the related company during that year.

As at the reporting date, the Group does not have future minimum lease receivable under non-cancellable operating leases with its tenants falling due (2012: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. OPERATING LEASE COMMITMENTS *(Continued)*

GROUP *(Continued)*

(B) AS LESSEE

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2013	2012
	HK\$'000	HK\$'000
Within one year	2,294	1,983
In the second to fifth years, inclusive	169	2,105
	2,463	4,088

COMPANY

At 31 December 2013, the Company does not have any significant operating lease commitments (2012: Nil).

36. CAPITAL COMMITMENTS

GROUP

	2013	2012
	HK\$'000	HK\$'000
Contracted but not provided for excluding the Splendor Group:		
— Expenditure in respect of properties under development	128,091	73,186
— Expenditure in respect of leasehold interest in land (note)	1,204,052	1,567,358
— Investment in equity interest	85,000	168,705
	1,417,143	1,809,249

Note:

Payment in respect of leasehold interest in land is dependent on the progress of reallocation of existing tenants and abolishment work. Based on the current status, the Directors expect no significant payments will be required in 2014.

COMPANY

As at 31 December 2013, the Company does not have any significant capital commitments (2012: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2013, the Group and the Company do not have any significant contingent liabilities (2012: Nil).

38. RELATED PARTY TRANSACTIONS

GROUP

Save as disclosed elsewhere in the financial statements, during the year, the Group had significant related party transactions as follows.:

(a) Details of these transactions are as follows:

	2013 HK\$'000	2012 HK\$'000
(i) Entrusted management fee income from investment properties received from a related company	–	47,542
(ii) Interest expenses paid to shareholders	23,689	22,520
(iii) Interest expenses paid to a related company	3,900	3,879

(b) Details of the balances with related parties at the reporting date are included in notes 17, 23, 25 and 30 to the financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits and cash and bank balances. The Group's financial liabilities include trade and other payables, loans from a related company and shareholders and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures which arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors are stated as follows:

GROUP

	As at 31 December	
	2013 HK\$'000	2012 HK\$'000
Assets:		
RMB	50,598	104,126
US\$	41	325,515
	50,639	429,641
Liabilities:		
RMB	26,495	11,124
	26,495	11,124
Net exposure to foreign currency risk	24,144	418,517

The Group's policy requires the management to monitor foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contract, when and where appropriate.

The following table illustrates the sensitivity of the Group's profit for the year and equity during the year in regard to a 5% appreciation in the functional currencies of the Group's entities against the foreign currencies. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Foreign currency risk (Continued)

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the years.

GROUP

	Effect on profit for the year and equity	
	2013 HK\$'000	2012 HK\$'000
RMB	1,205	4,650
US\$	2	16,276
	1,207	20,926

The same percentage depreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

(b) Interest rate risk

As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings, loans from shareholders and a related company. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

The following table demonstrates the sensitivity of the Group's profit before income tax at the reporting date to a reasonably possible change in interest rate, with all other variables held constant (through the impact on floating rate net borrowings).

GROUP

	Increase/ decrease in interest rate %	Effect on profit before income tax and retained earnings HK\$'000
2013	+/-0.5	81
2012	+/-0.5	1,941

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

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

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Liquidity risk

GROUP

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
At 31 December 2013				
Trade payables	19,595	–	19,595	19,595
Other payables	10,652	–	10,652	10,652
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares	97,866	–	97,866	97,866
Loan from a related company	78,000	–	78,000	78,000
Loans from shareholders	–	472,773	472,773	450,260
	206,113	472,773	678,886	656,373
At 31 December 2012				
Trade payables	2,076	–	2,076	2,076
Other payables	4,056	–	4,056	4,056
Loan from a related company	78,000	–	78,000	78,000
Loans from shareholders	150,000	474,610	624,610	602,010
	234,132	474,610	708,742	686,142

Notes to the Consolidated Financial Statements

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39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

COMPANY

	Less than 1 year or on demand HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
At 31 December 2013				
Other payables	681	–	681	681
Amounts due to subsidiaries	245,882	–	245,882	245,882
Loans from shareholders	–	353,535	353,535	336,700
	246,563	353,535	600,098	583,263
At 31 December 2012				
Other payables	272	–	272	272
Amounts due to subsidiaries	346,612	–	346,612	346,612
Loans from shareholders	–	353,535	353,535	336,700
	346,884	353,535	700,419	683,584

(e) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2013 and 2012 may be categorised as follows. See notes 3.11 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

GROUP

(i) Financial assets

	2013 HK\$'000	2012 HK\$'000
Available-for-sale financial assets	1,036,694	–
Financial assets at fair value through profit or loss	2,988	1,405
Loans and receivables:		
— Other receivables	45,756	20,146
— Amount due from a non-controlling shareholder of a subsidiary	–	17,747
— Pledged bank deposits	–	10,853
— Cash and bank balances	16,355	377,419
	1,101,793	427,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(e) Summary of financial assets and liabilities by category** (Continued)**GROUP** (Continued)

(ii) Financial liabilities

	2013 HK\$'000	2012 HK\$'000
Financial liabilities at amortised cost:		
— Trade payables	19,595	2,076
— Other payables	10,652	4,056
— Loan from a related company	78,000	78,000
— Loans from shareholders	450,260	602,010
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	97,866	—
	656,373	686,142

COMPANY

(i) Financial assets

	2013 HK\$'000	2012 HK\$'000
Loans and receivables:		
— Amounts due from subsidiaries	1,699,972	1,779,765
— Cash and bank balances	61	61
	1,700,033	1,779,826

(ii) Financial liabilities

	2013 HK\$'000	2012 HK\$'000
Financial liabilities at amortised cost:		
— Other payables	699	290
— Amounts due to subsidiaries	245,882	346,612
— Loans from shareholders	336,700	336,700
	583,281	683,602

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value measurements recognised in the statement of financial position

(I) CONTROL FRAMEWORK

HKFRS 13 Improving Disclosures about Financial Instruments introduced 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 and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. 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 level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

GROUP

	At 31 December 2013			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of listed company	2,988	—	—	2,988
Available-for-sale financial assets				
— Redeemable convertible preference shares	—	—	1,036,694	1,036,694
Liabilities				
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares	—	—	(97,866)	(97,866)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Fair value measurements recognised in the statement of financial position *(Continued)*

(II) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

GROUP *(Continued)*

	At 31 December 2012			Total HK\$'000
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	
Assets				
Financial assets at fair value				
through profit or loss				
— Equity securities of				
listed company	1,405	—	—	1,405

There have been no transfers between different levels during the year.

For the financial assets at fair value through profit or loss, the equity securities are shares of listed company and are denominated in HK\$. Fair values have been determined by reference to their quoted bid prices at the reporting date. The methods and valuation techniques used for the purpose of measuring fair value are unchanged during the year.

For the available-for-sale financial assets, the redeemable convertible preference shares of a related company are denominated in HK\$. Fair values have been determined on the basis of a valuation carried out at the reporting date by BMI Appraisals Limited. The fair value is determined using the Binomial Option Pricing Model.

The financial liabilities in respect of redemption option embedded in redeemable convertible preference shares are denominated in HK\$. Fair values have been determined on the basis of a valuation carried out at the reporting date by BMI Appraisals Limited. The fair value is determined using the Binomial Option Pricing Model.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value measurements recognised in the statement of financial position (Continued)

(III) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE USING VALUATION TECHNIQUE WITH SIGNIFICANT UNOBSERVABLE INPUTS – LEVEL 3

	Valuation techniques	Significant unobservable inputs	Range
As at 31 December 2013			
Available-for-sale financial assets			
— Redeemable convertible preference shares	Binomial Option Pricing Model	Risk-free rate	0.60% to 2.58%
		Volatility	73.09% to 74.69%
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares	Binomial Option Pricing Model	Risk-free rate	0.60% to 2.58%
		Volatility	73.09% to 74.69%

For the available-for-sale financial assets, the fair value measurement is positively correlated to the volatility and negatively correlated to risk-free rate.

For the financial liabilities in respect of redemption option embedded in redeemable convertible preference shares, the fair value measurement is positively correlated to the volatility and negatively correlated to risk-free rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value measurements recognised in the statement of financial position (Continued)

(IV) MOVEMENTS IN LEVEL 3 FINANCIAL INSTRUMENTS

	2013		2012	
	Available- for-sale financial assets HK\$'000	Financial liabilities in respect of redemption option embedded HK\$'000	Available- for-sale financial assets HK\$'000	Financial liabilities in respect of redemption option embedded HK\$'000
At 1 January	–	–	–	–
Issues of financial instruments (note 25)	1,350,993	(107,329)	–	–
Fair value gain recognised in other comprehensive income	13,184	–	–	–
Fair value loss recognised in profit or loss	–	(19,986)	–	–
Redemption	(327,483)	29,449	–	–
At 31 December	1,036,694	(97,866)	–	–
Unrealised loss recognised in profit or loss relating to the financial instrument held at the reporting date	–	(19,986)	–	–
Release of reserve upon disposal of available-for-sale financial assets	8,739	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at reporting date was as follows:

	2013 HK\$'000	2012 HK\$'000
Capital		
Total equity	2,128,300	2,294,784
Overall financing		
Bank borrowings (note 28)	–	581,070
Loan from a related company	78,000	78,000
Loans from shareholders	450,260	602,010
	528,260	1,261,080
Capital-to-overall financing ratio	402.9%	182.0%

41. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2013, the receipts in advances from a related company of approximately HK\$296,980,000 were offset with the net cash inflow from disposal of subsidiaries.

42. POST BALANCE SHEET EVENT

According to the Company's announcement on 18 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of South China (China) Limited, entered into an agreement with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company, whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited ("Elite Empire") at a consideration of HK\$600 million. Please refer to the joint announcement dated 18 February 2014 for more details.

Summary of Financial Information

	Year ended 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue					
Continuing operations	–	48,693	5,175	844	–
Discontinued operations	–	–	–	14,611	21,772
	–	48,693	5,175	15,455	21,772
Profit/(loss) from operations					
Continuing operations	283,272	62,225	53,002	1,195,485	(30,121)
Discontinued operations	–	–	–	5,490	(4,791)
	283,272	62,225	53,002	1,200,975	(34,912)
Finance costs					
Continuing operations	(1,865)	(45,969)	(39,374)	(11,601)	(18,392)
Discontinued operations	–	–	–	–	–
	(1,865)	(45,969)	(39,374)	(11,601)	(18,392)
Profit/(loss) before taxation					
Continuing operations	281,407	16,256	13,628	1,183,884	(48,513)
Discontinued operations	–	–	–	5,490	(4,791)
	281,407	16,256	13,628	1,189,374	(53,304)
Income tax expense					
Continuing operations	–	(10,784)	(21,695)	(315,297)	–
Discontinued operations	–	–	–	(153)	–
	–	(10,784)	(21,695)	(315,450)	–
Profit/(loss) for the year					
Continuing operations	281,407	5,472	(8,067)	868,588	(48,513)
Discontinuing operations	–	–	–	5,337	(4,791)
	281,407	5,472	(8,067)	873,925	(53,304)
Attributable to					
Equity holders	281,744	2,020	(9,721)	689,734	(48,526)
Non-controlling interests	(337)	3,452	1,654	184,191	(4,778)
	281,407	5,472	(8,067)	873,925	(53,304)
Assets and liabilities and non-controlling interest					
Total assets	2,888,710	4,640,389	4,211,325	3,635,756	1,782,817
Total liabilities	(760,410)	(2,345,605)	(1,924,406)	(1,432,931)	(525,044)
Non-controlling interests	–	(367,284)	(363,447)	(347,613)	(151,978)
	2,128,300	1,927,500	1,923,472	1,855,212	1,105,795

Details of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Dadong District property development project – Southern Lot	Mixed development	Excavation and foundation work commenced during the year	2016	100%	177,000 sq.m.	14,473 sq.m.
Huanghua New City property development project	Commercial/retail	Main contract work has been commenced	2015	100%	45,000 sq.m.	32,336 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2014	70%	9,956 sq.m.	6,147 sq.m.