



ANNUAL REPORT 2014



South China Land Limited

Incorporated in the Cayman Islands with limited liability
Stock Code : 8155

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. 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 Directors

Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman

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

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
Mr. David Michael Norman

REMUNERATION & NOMINATION COMMITTEE

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

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
A18/F., Asia Orient Tower
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 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a loss attributable to the equity holders of the Company for the year ended 31 December 2014 of HK\$3.0 million (2013: a profit of HK\$281.7 million). The profit attributable to the equity holders of the Company for the year ended 31 December 2013 primarily represented the gain on disposal of Splendor Sheen Limited and its subsidiaries which was completed on 16 January 2013 as published in the announcement of the Company issued on 17 January 2013.

FINANCIAL REVIEW

No revenue was reported for the years ended 31 December 2014 and 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\$25.0 million (2013: HK\$41.1 million) for the year under review. The decrease in administrative and other operating expenses was mainly attributable to the decrease in exchange loss arising from the currencies conversion between United States dollars and Hong Kong dollars and Renminbi. As at 31 December 2014, the Group has no bank borrowings.

In April 2014, the Group recognised a financial liability at fair value upon completion of the disposal of 40% of the issued share capital of Elite Empire Investments Limited ("Elite Empire"). The financial liability is measured at amortised cost using the effective interest rate method. For the year ended 31 December 2014, the effective interest rate amortisation amounted to HK\$104.7 million was fully capitalised in properties under development.

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 171,000 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 387,000 square metres, with two blocks of SOHO, two blocks of service apartment/hotel and office tower and commercial/retail development.

Up to 31 December 2014, the registered capital of US\$118.1 million (equivalent to RMB762.4 million) has been injected. As of today, 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 obtained. The demolition and settlement work of the Southern lot was completed and handed over. Excavation and foundation work has been started and basement work construction has been commenced.

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. As of today, the consideration for the land use rights is RMB1,176.8 million, of which RMB235.4 million has been paid.

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. The consideration for the land use rights is RMB15.3 million. As of today, the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) have been obtained. Main contract work is expected to be commenced upon obtaining the Construction Permit (建設工程施工許可證).

In February 2014, the Group won a bid at the tender for the acquisition of the land immediately adjacent to our existing Huanghua New City property development project with a site area of 32,921 square metres and allowable GFA of approximately 99,000 square metres. As of today, the consideration for the land acquisition amounted to RMB15.5 million has been fully paid. The above newly acquired land, being the second phase to our existing Huanghua New City property development project, will further provide commercial/retail/office/hotel facilities.

Tianjin

In August 2014, the Group successfully won a bid at the tender for the acquisition of the land located at Sicundianzhen, Wuqing District, Tianjin (天津武清區泗村店鎮). The Wuqing District (武清區) property development project, with a site area of approximately 88,000 square metres for mixed development which comprises commercial/retail and residential. As of today, the consideration for the land use rights amounted to RMB106 million has been fully paid.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a current ratio of 1.8 and had no bank borrowings. As at 31 December 2013, the Group had a current ratio of 4.8 and had no bank borrowings. 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 South China (China) Limited ("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 at a consideration of HK\$600 million. As contemplated under the sales and purchase agreement, SCC and the Company entered into a deed of undertaking 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 ("Elite Empire Group") 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.

As published in the joint announcement of the Company and SCC dated 17 April 2014, the completion took place on the day immediately after the extraordinary general meetings of the Company and SCC, both held on 10 April 2014.

Chairman's Statement and Management Discussion and Analysis

According to the Deed of Undertaking, no guarantee shall be granted to any prospective lender of any member of Elite Empire Group by SCC for any loan with drawdown date falling on a date after six months from the date on the SCC independent shareholders approve the transactions. As of today, none of the members of Elite Empire Group has requested for any grant of guarantee from SCC and the aforementioned period for grant of guarantee expired.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2014, 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 2014, the Group had no pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2014, the total number of employees of the Group was 154 (2013: 141). Employees' cost (including Directors' emoluments) amounted to HK\$77.6 million for the year (2013: HK\$65.5 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 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.

Chairman's Statement and Management Discussion and Analysis

Cangzhou is located in the southeast part of Hebei Province and the prefecture-level administrative unit has a population of over 7 million. Tianjin is a metropolis in northern China and one of the five national central cities of the People's Republic of China. Tianjin borders Hebei Province and Beijing, bounded to the east by the Bohai Gulf portion of the Yellow Sea. Since the mid-19th century, Tianjin has been a major seaport and gateway to the nation's capital. The Group's property development projects in Cangzhou and Tianjin situated at the new growth pole in China and a hub of advanced industry and financial activity.

The Group will continue to focus on its core property development projects, such as Dadong District, Huanghua New City and Wuqing District projects, 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 of today, the Group has paid deposits and premiums for lands located in Cangzhou, Hebei Province, Tianjin and Shenyang, Liaoning Province with site areas of approximately 275,000 square metres in aggregate for its property development operations.

APPRECIATION

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

Ng Hung Sang

Chairman

Hong Kong, 17 March 2015

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 65, 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. He is also an executive director and the chairman of South China Financial Holdings Limited ("SCF") and South China (China) Limited ("SCC"), both being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ng 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. He 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. Ng Yuk Yeung Paul, aged 33, is an Executive Director, the Chief Executive Officer and a member of the Executive Committee of the Company. Mr. Ng is also an executive director and the vice-chairman of SCF, being listed on the Main Board of the Stock Exchange. He 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 is an associate member of the Chartered Institute of Management Accountants and a standing committee member of Liaoning Provincial 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, and is the younger 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 71, is an Executive Director and a member of the Executive Committee of the Company. Mr. Gorges is also an executive director and a vice-chairman of SCC and SCF, both being listed on the Main Board of the Stock Exchange. 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 61, 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, both being listed on the Main Board of the Stock Exchange. Ms. Cheung holds a Master degree in Business Administration from University of Illinois in the United States of America. She 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.

Directors' Biographical Details

Mr. Ng Yuk Fung Peter, aged 34, is an Executive Director and a member of the Executive Committee of the Company. Mr. Ng is also an executive director of SCC, being listed on the Main Board of the Stock Exchange. He holds a bachelor's degree in law from King's College London, University of London in the United Kingdom. Mr. Ng 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.

Mr. Law Albert Yu Kwan, aged 65, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director, the chief financial officer and company secretary of SCC, being listed on the Main Board of the Stock Exchange, 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 DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 36, is a Non-executive Director of the Company. Ms. Ng is also a non-executive director of SCC, being listed on the Main Board of the Stock Exchange, 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. Ms. Ng 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. She 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.

Directors' Biographical Details

Mr. David Michael Norman, aged 58, is a Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Mr. Norman is also an independent non-executive director of Guoco Group Limited and a non-executive director of SCC, both being listed on the Main Board of the Stock Exchange. He was formerly a non-executive director of South China Holdings Limited (now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, until 3 October 2014. Mr. Norman is a solicitor. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. Mr. Norman was appointed as a Director of the Company on 9 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Pong Scarlett Oi Lan, J.P., aged 55, 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 Councilor, 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.

Dr. Leung Tony Ka Tung, aged 65, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of SCC, being listed on the Main Board of the Stock Exchange. Dr. Leung has nearly 40 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.

Directors' Biographical Details

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 Property Federation, the Deputy Honorary Secretary of the Hong Kong Professionals and Senior Executives Association, an 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, an Honorary President of the Hong Kong Guangxi Youth Association and an 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 Chairman of the Planning and Development Division. He is also a member of the Surveyors Registration Board. Dr. Leung was appointed as a Director of the Company on 10 December 2012.

Mr. Lau Lai Chiu Patrick, aged 64, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of SCC, being listed on the Main Board of the Stock Exchange. 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.

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 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.

Directors' Biographical Details

Ms. Chan Mei Bo Mabel, aged 43, 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 Kingmaker Footwear Holdings Limited, being listed on the Main Board of 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) and China Weaving Material Holdings Limited, both being listed on the Main Board of the Stock Exchange, during the periods from June 2011 to September 2012 and December 2011 to December 2014, respectively. Ms. Chan was an independent non-executive director of Code Agriculture (Holdings) Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, from October 2009 to April 2012.

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 Vice-President 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 2014.

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 2014 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 96 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: 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 19 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 29, 30 and 31 to the audited consolidated financial statements respectively.

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

During the year ended 31 December 2014, the trustee of the Company's employee's share award scheme (the "Share Award Scheme") purchased a total of 175,104,000 shares of the Company at a total consideration of approximately HK\$20,943,000 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 Limited (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 32 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively.

Directors' Report

DISTRIBUTABLE RESERVES

As at 31 December 2014, 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\$951,035,000.

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*) (ceased on 1 October 2014)
Ng Yuk Yeung Paul (*Chief Executive Officer*)
Richard Howard Gorges
Cheung Choi Ngor
Ng Yuk Fung Peter
Law Albert Yu Kwan

Non-executive Directors:

Ng Yuk Mui Jessica
David Michael Norman (appointed on 9 December 2014)
Lo Wing Yan William (ceased on 19 March 2014)

Independent Non-executive Directors:

Pong Scarlett Oi Lan
Leung Tony Ka Tung
Lau Lai Chiu Patrick
Chan Mei Bo Mabel

In accordance with Article 116 of the Articles of Association of the Company (the "Articles of Association"), Mr. Ng Hung Sang, Ms. Ng Yuk Mui Jessica, Ms. Pong Scarlett Oi Lan, J.P. and Dr. Leung Tony Ka Tung will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the Articles of Association, Mr. David Michael Norman will retire from office by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

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 Articles of Association.

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., Dr. Leung Tony Ka Tung, Mr. Lau Lai Chiu Patrick and Ms. Chan Mei Bo Mabel for the year ended 31 December 2014 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 8 to 12 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 2014, 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 | 7,257,190,003 | 64.92% |
| | Interest of spouse | 967,923,774 | | |
| | Interest of controlled corporations | 5,925,872,490 (Note (a)) | | |
| 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 | | 4,472,000 (Note (b)) | 0.04% |

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. Paul Ng | Beneficial owner | 83,840,000 (Note (c)) | 0.75% |
| Cheung Choi Ngor ("Ms. Cheung") | Beneficial owner | 55,896,000 (Note (c)) | 0.50% |
| Mr. Peter Ng | Beneficial owner | 55,896,000 (Note (c)) | 0.50% |
| Mr. Law | Beneficial owner | 64,528,000 (Notes (c)&(d)) | 0.58% |

Notes:

- (a) The 5,925,872,490 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 Eartrade Investments Limited ("Eartrade"), 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"), 65,104,000 shares held by South China Strategic Limited ("SC Strategic") and 11,192 shares held by South China Finance And Management Limited ("SCFM"). Fung Shing, Parkfield and Ronastar were all wholly-owned by Mr. Ng. Mr. Ng holds SC Strategic and SCFM indirectly via South China (China) Limited ("SCC") and South China Financial Holdings Limited ("SCF") respectively. SCC and SCF were owned as to approximately to 60.87% and 37.21% respectively by Mr. Ng while Bannock was a wholly-owned subsidiary of Eartrade 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 65,104,000 shares held by SC Strategic, 11,192 shares held by SCFM and the aggregate 2,238,789,644 shares held by Bannock and Eartrade.
- (b) The 4,472,000 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, 736,000 shares and 3,000,000 shares of the Company on 13 April 2011, 19 July 2011 and 30 March 2012, respectively, and such award shares were vested on 31 December 2012, 30 June 2013 and 31 December 2014, respectively.
- (c) Please refer to details set out in note 30 to the audited consolidated financial statements under the section headed "Share Option Scheme".
- (d) The 8,632,000 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 8,632,000 shares of the Company on 28 March 2013, with vesting date on 31 December 2015. The 55,896,000 underlying shares of the Company held by Mr. Law were the share options granted to him on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the "Share Option Scheme").

Save as disclosed above, as at 31 December 2014, 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 30 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 2014 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 36 to the audited consolidated financial statements and under the sections 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 2014.

Directors' Report

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 36 to the audited consolidated financial statements.

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

As at 31 December 2014, 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 of interests 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 | 7,257,190,003 (Note (b)) | 64.92% |

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 5,925,872,490 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 2014, 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\$50 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 SCC. He was formerly the chairman, an executive director and the controlling shareholder of South China Holdings Limited ("SCH", now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, until 3 October 2014. Mr. Ng, personally and through controlled corporations, has a controlling shareholding interest in each of the Company and SCC, of which certain corporate interests in SCC is held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCC). Mr. Gorges and Ms. Cheung were formerly executive directors of SCH until 3 October 2014.

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 SCC with certain shareholding interest in SCC. Mr. Peter Ng was formerly an executive director of SCH until 3 October 2014.

Mr. Law, an Executive Director of the Company with certain shareholding interest in the Company, is also an executive director of SCC with certain shareholding interest in the SCC.

Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), a Non-executive Director of the Company, is also a non-executive director of SCC with certain shareholding interest in SCC. Ms. Jessica Ng was formerly a non-executive director of SCH until 3 October 2014.

Mr. David Michael Norman ("Mr. Norman"), a Non-executive Director of the Company, is also a non-executive director of SCC. Mr. Norman was a non-executive director of SCH until 3 October 2014.

Directors' Report

Since certain subsidiaries of SCC and SCH (up to around October 2014) are principally engaged in property development or investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Paul Ng, Mr. Peter Ng, Mr. Law, Ms. Jessica Ng and Mr. Norman 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 SCC and SCH and there is no direct competition amongst the said listed groups during the year.

Save as disclosed above, as at 31 December 2014, 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. Ko Pak Yau William resigned as an Executive Director and a Vice-chairman of the Company with effect from 1 October 2014.

Mr. Ng resigned as the chairman and an executive director of SCH with effect from 3 October 2014. Mr. Gorges, Ms. Cheung and Mr. Peter Ng resigned as executive directors of SCH with effect from 3 October 2014. Ms. Jessica Ng resigned as a non-executive director of SCH with effect from 3 October 2014.

Ms. Chan Mei Bo Mabel ("Ms. Mabel Chan") resigned as an independent non-executive director of China Weaving Materials Holdings Limited with effect from 22 December 2014.

With effect from 1 January 2015, Ms. Jessica Ng's director's fee has been adjusted from HK\$10,000 to HK\$100,000 per annum, and Ms. Pong Scarlett Oi Lan, J.P.'s director's fee has been adjusted from HK\$75,000 to HK\$100,000 per annum.

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 contained in Appendix 15 of the GEM Listing Rules are set out on pages 23 to 29 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 25 of this Annual Report.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 36 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 dated 17 February 2014 (the "Agreement") entered into between Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company, and Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of SCC, the Vendor had agreed to sell and the Purchaser had agreed to purchase 40% of the issued share capital of Elite Empire Investments Limited (the "Sale") for a total consideration of HK\$600 million subject to terms and conditions of the Agreement. Under the Agreement, the Company provided SCC a counter guarantee (subject to a limit of liability), the Vendor granted a put option to the Purchaser and the Purchaser granted a call option to the Vendor by entering into certain agreements (collectively with the Sale, the "Transactions"). Mr. Ng, the Chairman, Executive Director and substantial shareholder of the Company and SCC, and his associates were the existing controlling group of shareholders in the Company and SCC, the Transactions constituted connected transactions under the GEM Listing Rules. Details about the Transactions have been set out in the Company's announcement and circular dated 18 February 2014 and 19 March 2014, respectively. As published in the Company's announcement dated 17 April 2014, the completion of the Transactions took place on the day immediately after the extraordinary general meeting of the Company held on 10 April 2014.

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. Mabel Chan (Chairman of the Committee), Ms. Pong Scarlett Oi Lan, J.P. and Mr. Lau Lai Chiu Patrick and a Non-executive Director, namely Mr. Norman.

The Audit Committee is satisfied with its review of the audit fee, the independence of the Auditor and recommended to the Board the re-appointment of the Auditor in 2015 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2014 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 adequate disclosures have been made.

Directors' Report

MAJOR SUPPLIERS

During the year ended 31 December 2014, the purchase from the Group's five largest suppliers accounted for 96% and the purchases from the largest suppliers included therein accounted for 73% 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.

COMPANY SECRETARY

Mr. Shing On Wai, the company secretary of the Company, is a solicitor of the High Court of Hong Kong.

AUDITOR

Messrs. BDO Limited, the auditor of the Group, 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, 17 March 2015

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 Corporate 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 2014 except that 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 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2014, the Board consisted of 12 Directors, including the Chairman, Mr. Ng Hung Sang, the Chief Executive Officer, Mr. Ng Yuk Yeung Paul, who are Executive Directors, four additional Executive Directors, two Non-executive Directors and Four Independent Non-executive Directors. Not less than 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 8 to 12 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 Board has adopted a board diversity policy to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services.

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.

Corporate Governance Report

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 2014:

| | Attendance |
|---|-------------------|
| Executive Directors | |
| Ng Hung Sang (Chairman) | 2/5 |
| Ko Pak Yau William (Vice-chairman) (ceased on 1 October 2014) | 4/4 |
| Ng Yuk Yeung Paul (Chief Executive Officer) | 2/5 |
| Richard Howard Gorges | 5/5 |
| Cheung Choi Ngor | 5/5 |
| Ng Yuk Fung Peter | 2/5 |
| Law Albert Yu Kwan | 5/5 |
| Non-executive Directors | |
| Ng Yuk Mui Jessica | 4/5 |
| David Michael Norman (appointed on 9 December 2014) | N/A |
| Lo Wing Yan William (ceased on 19 March 2014) | 1/2 |
| Independent Non-executive Directors | |
| Pong Scarlett Oi Lan | 5/5 |
| Leung Tony Ka Tung | 4/5 |
| Lau Lai Chiu Patrick | 4/5 |
| Chan Mei Bo Mabel | 5/5 |

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 2014.

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 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 pages 30 and 31 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the Auditor of the Company received HK\$550,000 for audit services and HK\$80,000 for non-audit services provided to the Company. The non-audit services provided in connection with the sale of 40% of the issued share capital of Elite Empire Investments Limited, which details are disclosed under "Connected Transactions" of the Directors' Report of this Annual Report.

Corporate Governance Report

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 2014, the Directors participated in the following trainings:

| | Reading Materials and Updates |
|---|--|
| Executive Directors | |
| Ng Hung Sang (Chairman) | ✓ |
| Ko Pak Yau William (Vice-chairman) (ceased on 1 October 2014) | ✓ |
| Ng Yuk Yeung Paul (Chief Executive Officer) | ✓ |
| Richard Howard Gorges | ✓ |
| Cheung Choi Ngor | ✓ |
| Ng Yuk Fung Peter | ✓ |
| Law Albert Yu Kwan | ✓ |
| Non-executive Directors | |
| Ng Yuk Mui Jessica | ✓ |
| David Michael Norman (appointed on 9 December 2014) | ✓ |
| Lo Wing Yan William (ceased on 19 March 2014) | N/A |
| Independent Non-executive Directors | |
| Pong Scarlett Oi Lan | ✓ |
| Leung Tony Ka Tung | ✓ |
| Lau Lai Chiu Patrick | ✓ |
| Chan Mei Bo Mabel | ✓ |

AUDIT COMMITTEE

The Audit Committee consists of three Independent Non-executive Directors, namely Ms. Chan Mei Bo Mabel (Chairman of the Committee), Ms. Pong Scarlett Oi Lan, J.P. and Mr. Lau Lai Chiu Patrick and a Non-executive Director, Mr. David Michael Norman.

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 2014 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 Auditor was present in two of the meetings.

Attendance

| | |
|--|-----|
| Chan Mei Bo Mabel | 4/4 |
| Pong Scarlett Oi Lan | 4/4 |
| Lau Lai Chiu Patrick (appointed on 11 February 2014) | 4/4 |
| David Michael Norman (appointed on 9 December 2014) | N/A |
| Lo Wing Yan William (ceased on 19 March 2014) | 0/1 |

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2014, the internal control system and the corporate governance policy.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It consists of three Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, J.P. (Chairman of the Committee), Ms. Chan Mei Bo Mabel and Mr. Lau Lai Chiu Patrick and a Non-executive Director, Mr. David Michael Norman.

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 reviewing the structure, size and diversity of the Board, identify suitably qualified Board candidates, determine the remuneration packages of individual Executive Directors and senior management (if any) and make recommendations to the Board on the remuneration of Non-executive Directors and the remuneration policy and structure.

Corporate Governance Report

The Remuneration and Nomination Committee met once in 2014 and the attendance record is set out below:

| | Attendance |
|--|-------------------|
| Pong Scarlett Oi Lan | 0/1 |
| Chan Mei Bo Mabel | 1/1 |
| Lau Lai Chiu Patrick (appointed on 11 February 2014) | 1/1 |
| David Michael Norman (appointed on 9 December 2014) | N/A |
| Lo Wing Yan William (ceased on 19 March 2014) | 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 or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

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 disclosure 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.

Corporate Governance Report

Extraordinary general meetings of the Company (“EGM”) 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 EGM and AGM held in 2014 is set out below:

| | EGM (10 April 2014) | AGM (10 June 2014) |
|---|------------------------|-----------------------|
| Executive Directors | | |
| Ng Hung Sang (Chairman) | ✗ | ✗ |
| Ko Pak Yau William (Vice-chairman) (ceased on 1 October 2014) | ✗ | ✓ |
| Ng Yuk Yeung Paul (Chief Executive Officer) | ✗ | ✗ |
| Richard Howard Gorges | ✓ | ✓ |
| Cheung Choi Ngor | ✓ | ✓ |
| Ng Yuk Fung Peter | ✗ | ✗ |
| Law Albert Yu Kwan | ✓ | ✓ |
| Non-executive Directors | | |
| Ng Yuk Mui Jessica | ✗ | ✗ |
| David Michael Norman (appointed on 9 December 2014) | N/A | N/A |
| Lo Wing Yan William (ceased on 19 March 2014) | N/A | N/A |
| Independent Non-executive Directors | | |
| Pong Scarlett Oi Lan | ✓ | ✓ |
| Leung Tony Ka Tung | ✓ | ✓ |
| Lau Lai Chiu Patrick | ✓ | ✓ |
| Chan Mei Bo Mabel | ✓ | ✓ |

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 32 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

Independent Auditor's Report

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 2014 and of the Group's loss 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, 17 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|----------------------|------------------|
| Revenue | 5 | – | – |
| Other operating income | 6 | 294 | 288 |
| Gain on disposal of subsidiaries | 38 | – | 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 | | 378 | 305 |
| Fair value gain/(loss) on redemption option embedded in redeemable convertible preference shares of a related company | | 21,658 | (19,986) |
| Selling and distribution costs | | – | (5) |
| Administrative and other operating expenses | | (25,020) | (41,105) |
| Operating (loss)/profit | 8 | (2,690) | 283,272 |
| Finance costs | 9 | (285) | (1,865) |
| (Loss)/profit before income tax | | (2,975) | 281,407 |
| Income tax expense | 10 | – | – |
| (Loss)/profit for the year | | (2,975) | 281,407 |
| (Loss)/profit for the year attributable to: | | | |
| Equity holders of the Company | 11 | (2,975) | 281,744 |
| Non-controlling interests | | – | (337) |
| | | (2,975) | 281,407 |
| (Loss)/earnings per share attributable to equity holders of the Company during the year | 12 | | |
| – Basic and diluted | | HK(0.03) cent | HK2.52 cents |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------|------------------|------------------|
| (Loss)/profit for the year | | (2,975) | 281,407 |
| Other comprehensive income, that may be reclassified subsequently to profit or loss | | | |
| Release of exchange reserve upon disposal of subsidiaries | 38 | – | (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 | | 131,161 | 13,184 |
| Exchange differences on translation of financial statements of overseas subsidiaries | | (30,803) | 48,958 |
| Total comprehensive income for the year | | 97,383 | 195,655 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 97,383 | 195,990 |
| Non-controlling interests | | – | (335) |
| | | 97,383 | 195,655 |

Consolidated Statement of Financial Position

As at 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-------|------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 4,379 | 3,271 |
| Goodwill | 17 | 355,326 | 355,326 |
| Available-for-sale financial assets | 18 | 1,510,435 | 1,036,694 |
| | | 1,870,140 | 1,395,291 |
| Current assets | | | |
| Properties under development | 19 | 997,466 | 765,751 |
| Financial assets at fair value through profit or loss | 20 | 4,876 | 2,988 |
| Deposit paid, prepayments and other receivables | 21 | 779,674 | 707,964 |
| Tax recoverable | | 352 | 361 |
| Cash and bank balances | 22 | 57,147 | 16,355 |
| | | 1,839,515 | 1,493,419 |
| Current liabilities | | | |
| Trade payables | 23 | 1,800 | 19,595 |
| Other payables, accrued expenses and receipts in advance | 24 | 113,821 | 114,689 |
| Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company | 25 | 119,094 | 97,866 |
| Loan from a related company | 26 | 78,000 | 78,000 |
| Amount due to a related company | 27 | 32,765 | – |
| Loan payable | 28 | 695,649 | – |
| | | 1,041,129 | 310,150 |
| Net current assets | | 798,386 | 1,183,269 |
| Total assets less current liabilities | | 2,668,526 | 2,578,560 |

Consolidated Statement of Financial Position
As at 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current liabilities | | | |
| Loans from shareholders | 26 | 455,290 | 450,260 |
| Net assets | | 2,213,236 | 2,128,300 |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 29 | 111,785 | 111,785 |
| Reserves | 32 | 2,101,451 | 2,016,515 |
| Total equity | | 2,213,236 | 2,128,300 |

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Statement of Financial Position

As at 31 December 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Interests in subsidiaries | 16 | – | – |
| Current assets | | | |
| Amounts due from subsidiaries | 16 | 1,566,947 | 1,699,972 |
| Cash and bank balances | | 20,060 | 61 |
| | | 1,587,007 | 1,700,033 |
| Current liabilities | | | |
| Other payables and accrued expenses | 24 | 72,515 | 61,801 |
| Amounts due to subsidiaries | 16 | 162,802 | 245,882 |
| | | 235,317 | 307,683 |
| Net current assets | | 1,351,690 | 1,392,350 |
| Total assets less current liabilities | | 1,351,690 | 1,392,350 |
| Non-current liabilities | | | |
| Loans from shareholders | 26 | 309,700 | 336,700 |
| Net assets | | 1,041,990 | 1,055,650 |
| EQUITY | | | |
| Share capital | 29 | 111,785 | 111,785 |
| Reserves | 32 | 930,205 | 943,865 |
| Total equity | | 1,041,990 | 1,055,650 |

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 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| (Loss)/profit before income tax | | (2,975) | 281,407 |
| Adjustments for: | | | |
| Interest income | 6 | (21) | (233) |
| Depreciation | 8 | 1,187 | 1,018 |
| Gain on disposal of property, plant and equipment | 8 | (26) | – |
| 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 | | (378) | (305) |
| Fair value (gain)/loss on redemption option embedded in redeemable convertible preference shares of a related company | | (21,658) | 19,986 |
| Equity settled share-based payment expenses | 13 | 8,729 | 10,037 |
| Gain on disposal of subsidiaries | 38 | – | (394,941) |
| Interest expenses | 9 | 285 | 1,865 |
| <hr/> | | | |
| Operating loss before working capital changes | | (14,857) | (30,000) |
| Payments of properties under development | 19 | (116,622) | (580,698) |
| Purchase of financial assets at fair value through profit or loss | | (1,821) | (1,707) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | – | 429 |
| Increase in deposit paid, prepayments and other receivables | | (87,716) | (2,017) |
| (Decrease)/increase in trade payables | | (17,448) | 17,216 |
| Decrease in other payables, accrued expenses and receipts in advance | | (5,319) | (51,153) |
| <hr/> | | | |
| Net cash used in operating activities | | (243,783) | (647,930) |
| <hr/> | | | |
| Cash flows from investing activities | | | |
| Interest received | 6 | 21 | 233 |
| Net cash inflow from disposal of subsidiaries | | – | 281,147 |
| Additions of property, plant and equipment | 15 | (2,393) | (2,464) |
| Proceed from disposal of property, plant and equipment | | 52 | – |
| Proceeds from redemption of redeemable convertible preference shares | | – | 143,869 |
| Decrease in pledged bank deposits | | – | 10,853 |
| <hr/> | | | |
| Net cash (used in)/generated from investing activities | | (2,320) | 433,638 |
| <hr/> | | | |
| Cash flows from financing activities | | | |
| Repayment to a related company | | (8,783) | – |
| Loan from a related company | | 300,000 | – |
| Advances from a related company | | 32,765 | – |
| Repayments to shareholders | | (47,000) | (151,750) |
| Loans from shareholders | | 52,030 | – |
| Purchase of treasury shares | | (20,943) | (4,646) |
| Interest paid | | (20,746) | (1,535) |
| <hr/> | | | |
| Net cash generated from/(used in) financing activities | | 287,323 | (157,931) |

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------|------------------|------------------|
| Net increase/ (decrease) in cash and cash equivalents | | 41,220 | (372,223) |
| Cash and cash equivalents at 1 January | | 16,355 | 379,382 |
| Effect of foreign exchange rate changes | | (428) | 9,196 |
| Cash and cash equivalents at 31 December | | 57,147 | 16,355 |
| Analysis of the cash and cash equivalents | | | |
| – Cash and bank balances | 22 | 57,147 | 16,355 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

| | Equity attributable to 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 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 38) | - | - | - | - | - | - | - | - | - | - | (366,949) | (366,949) |
| Recognition of equity settled share-based compensation | - | - | - | - | - | - | 9,456 | - | - | 9,456 | - | 9,456 |
| Purchase of shares for share award scheme | - | - | (4,646) | - | - | - | - | - | - | (4,646) | - | (4,646) |
| Vesting of share awards under share award scheme | - | - | 5,358 | - | - | - | (6,096) | - | 738 | - | - | - |
| 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 38) | - | - | - | - | - | - | - | (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 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

| | Share capital HK\$'000 | Share premium HK\$'000 | Treasury shares HK\$'000 | Capital reserve HK\$'000 | Capital contribution reserve HK\$'000 | Available- for-sale financial assets revaluation reserve HK\$'000 | Employee compensation reserve HK\$'000 | Exchange reserve HK\$'000 | Retained earnings HK\$'000 | Total equity HK\$'000 |
|--|------------------------------|------------------------------|--------------------------------|--------------------------------|--|---|---|---------------------------------|----------------------------------|-----------------------------|
| At 31 December 2013 and 1 January 2014 | 111,785 | 771,842 | (134) | 6,044 | 291,562 | 4,445 | 3,566 | 100,576 | 838,614 | 2,128,300 |
| Transactions with owners | | | | | | | | | | |
| Recognition of equity settled share-based compensation | - | - | - | - | - | - | 8,496 | - | - | 8,496 |
| Purchase of shares for share award scheme | - | - | (20,943) | - | - | - | - | - | - | (20,943) |
| Forfeit of share awards under share award scheme | - | - | - | - | - | - | (471) | - | 471 | - |
| Vesting of share awards under share award scheme | - | - | 247 | - | - | - | (146) | - | (101) | - |
| Lapse of share options under share option scheme | - | - | - | - | - | - | (869) | - | 869 | - |
| Transactions with owners | - | - | (20,696) | - | - | - | 7,010 | - | 1,239 | (12,447) |
| Comprehensive income | | | | | | | | | | |
| Loss for the year | - | - | - | - | - | - | - | - | (2,975) | (2,975) |
| Other comprehensive income | | | | | | | | | | |
| Change in fair value of available-for-sale financial assets | - | - | - | - | - | 131,161 | - | - | - | 131,161 |
| Exchange realignment | - | - | - | - | - | - | - | (30,803) | - | (30,803) |
| Total comprehensive income for the year | - | - | - | - | - | 131,161 | - | (30,803) | (2,975) | 97,383 |
| At 31 December 2014 | 111,785 | 771,842 | (20,830) | 6,044 | 291,562 | 135,606 | 10,576 | 69,773 | 836,878 | 2,213,236 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 32 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”), which is also the functional currency of the Company.

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors on 17 March 2015.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new/revised HKFRS

During the year ended 31 December 2014, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group’s accounting policies.

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. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) 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 1 | Disclosure Initiative ¹ |
| HKFRS 9 (2014) | Financial Instruments ³ |
| HKFRS 15 | Revenue from Contracts with Customers ² |

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

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 1 – DISCLOSURE INITIATIVE

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

HKFRS 9 (2014) – FINANCIAL INSTRUMENTS

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

Based on the Group's financial assets and liabilities as at 31 December 2014, the application of this new standard is not expected to affect classification and measurement of the Group's assets and liabilities.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

HKFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group’s financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

3.1 Basis of preparation *(Continued)*

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 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.

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:

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

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 separately 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the management 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 management are determined following the Group's major operations.

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.

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

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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.

3.11 Financial assets

The Group's financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, other receivables 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

3.11 Financial assets *(Continued)*

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

3.12 Accounting for income taxes *(Continued)*

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

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

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

- (a) the 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.

3.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, amount due to a related company, loan payable and financial liabilities of redemption option embedded in redeemable convertible preference shares.

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.

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 2014

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).

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

3.20 Related parties *(Continued)*

A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) 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.

The Group measures a number of items at fair value:

- Financial assets at fair value through profit or loss (note 20)
- Available-for-sale financial assets (note 18)
- Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company (note 25)

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

5. REVENUE

There was no revenue recorded for the years ended 31 December 2014 and 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.

6. OTHER OPERATING INCOME

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Bank interest income | 21 | 233 |
| Gain on disposal of property, plant and equipment | 26 | – |
| Sundry income | 247 | 55 |
| | <hr/> 294 | <hr/> 288 |

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

7. SEGMENT INFORMATION

The Group has identified its operating segment based on the regular internal financial information reported to the Group's management for their decisions about resources allocation and review of performance. The only component in the internal reporting to the Group's management is the Group's property investment and development business and there was no revenue of the Group for the years ended 31 December 2014 and 2013. In addition, the revenue based on the location at which the services or goods delivered or provided, and core assets of the Group, are attributable to a single geographic region, the PRC. 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 (LOSS)/PROFIT

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Operating (loss)/profit is arrived at after charging/(crediting): | | |
| Auditor's remuneration | 550 | 530 |
| Exchange loss, net | 578 | 15,955 |
| Gain on disposal of property, plant and equipment | (26) | – |
| Gain on disposal of subsidiaries | – | (394,941) |
| Loss on disposal of available-for-sale financial assets | – | 51,166 |
| Depreciation | 1,187 | 1,018 |
| Less: Depreciation capitalised in properties under development | (744) | (372) |
| Depreciation charged to profit or loss | 443 | 646 |
| Employee benefit expense (including directors' emoluments) | 77,610 | 65,522 |
| Less: Employee benefit expense capitalised in properties under development | (67,324) | (57,233) |
| Employee benefit expense (including directors' emolument) charged to profit or loss (note 13) | 10,286 | 8,289 |
| Operating leases rentals | 3,724 | 3,589 |

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

9. FINANCE COSTS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Interest charged on bank borrowings wholly repayable within five years | – | 1,535 |
| Interest charged on loan from a related company | 3,889 | 3,900 |
| Interest charged on loans from shareholders | 21,980 | 23,689 |
| Effective interest on loan payable (note 28) | 104,738 | – |
| Total interest | 130,607 | 29,124 |
| Less: Interests capitalised in properties under development | (130,322) | (27,259) |
| | 285 | 1,865 |

Interests capitalised during the year arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.24% (2013: 5.50%) 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 2014 and 2013.

Taxes on income arising from subsidiaries in PRC have been 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 2014 and 2013.

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| (Loss)/profit before income tax | (2,975) | 281,407 |
| Tax at the applicable tax rates, calculated at the rates applicable to profits in the tax jurisdiction concerned | (515) | 44,433 |
| Tax effect of non-deductible expenses | 1,725 | 12,840 |
| Tax effect of non-taxable income | (5,988) | (65,297) |
| Tax effect of tax losses not recognised | 4,778 | 8,024 |
| Income tax expense | – | – |

As at 31 December 2014, the Group has estimated unused tax losses of approximately HK\$117,611,000 (2013: HK\$95,553,000) 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\$68,812,000 (2013: HK\$57,486,000) and the remaining tax losses of approximately HK\$48,799,000 (2013: HK\$38,067,000) are subject to expiry period of five years.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

11. (LOSS)/PROFIT FOR THE YEAR

Of the consolidated loss for the year attributable to equity holders of the Company of approximately HK\$2,975,000 (2013: profit of approximately HK\$281,744,000), a loss of approximately HK\$1,213,000 (2013: approximately HK\$767,000) has been dealt with in the financial statements of the Company.

12. (LOSS)/EARNINGS PER SHARE

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-----------------------|------------------|
| (Loss)/profit attributable to equity holders of the Company, used in the basic (loss)/earnings per share calculation | (2,975) | 281,744 |
| | 2014 | 2013 |
| 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 | (15,837,595) | (6,425,632) |
| Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation | 11,162,660,749 | 11,172,072,712 |

There are no material potential dilutive ordinary shares for the years ended 31 December 2014 and 2013.

The Company's share options have no dilution effect for the years ended 31 December 2014 and 2013 because the exercise price of the Company's share options were higher than the average market price of the shares for the years.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Wages and salaries | 63,945 | 54,332 |
| Equity settled share-based payment expenses | 8,729 | 10,037 |
| Defined contribution plans | 4,936 | 1,153 |
| Less: Wages and salaries and pension costs capitalised in properties under development | (67,324) | (57,233) |
| Total employee benefit expense charged to profit or loss | 10,286 | 8,289 |
| Employee benefit expense charged to profit or loss: | | |
| Wages and salaries | 8,603 | 7,144 |
| Equity settled share-based payment expenses | 873 | 1,004 |
| Pension costs – defined contribution plans | 810 | 141 |
| | 10,286 | 8,289 |

Included in employee benefit expense are key management personnel compensation and comprises the following categories:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 17,339 | 12,736 |
| Bonus | 5,000 | 2,066 |
| Equity settled share-based payment expenses | 2,606 | 8,823 |
| Defined contribution plans | 78 | 60 |
| | 25,023 | 23,685 |

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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Fees | 470 | 524 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 9,640 | 8,526 |
| Bonus | 5,000 | 2,066 |
| Equity settled share-based payment expenses | 7,820 | 8,823 |
| Defined contribution plans | 29 | 30 |
| | 22,489 | 19,445 |
| | 22,959 | 19,969 |

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

Year ended 31 December 2014

| | Fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Bonus HK\$'000 | Equity settled share-based payment expenses HK\$'000 | Defined contribution plans HK\$'000 | Total HK\$'000 |
|--|------------------|--|-------------------|---|--|-------------------|
| Executive directors | | | | | | |
| Ng Hung Sang | - | - | - | - | - | - |
| Ng Yuk Yeung Paul | - | 1,530 | - | 2,606 | 17 | 4,153 |
| Richard Howard Gorges | - | - | - | - | - | - |
| Cheung Choi Ngor | - | - | - | 1,738 | - | 1,738 |
| Ng Yuk Fung Peter | - | - | - | 1,738 | - | 1,738 |
| Ko Pak Yau William (note i) | - | 8,110 | 5,000 | - | 12 | 13,122 |
| Law Albert Yu Kwan | - | - | - | 1,738 | - | 1,738 |
| Non-Executive directors | | | | | | |
| Ng Yuk Mui Jessica | 10 | - | - | - | - | 10 |
| David Michael Norman (note iii) | 9 | - | - | - | - | 9 |
| Lo Wing Yan William (note ii) | 16 | - | - | - | - | 16 |
| Independent non-executive directors | | | | | | |
| Pong Scarlett Oi Lan | 75 | - | - | - | - | 75 |
| Leung Tony Ka Tung | 120 | - | - | - | - | 120 |
| Lau Lai Chiu Patrick | 120 | - | - | - | - | 120 |
| Chan Mei Bo Mabel | 120 | - | - | - | - | 120 |
| | 470 | 9,640 | 5,000 | 7,820 | 29 | 22,959 |

Notes to the Consolidated Financial Statements
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14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

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 | 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 | - | 4,026 | 816 | - | 11 | 4,853 |
| Ko Pak Yau William | - | 2,700 | 1,250 | 6,869 | 4 | 10,823 |
| Law Albert Yu Kwan | - | - | - | 434 | - | 434 |
| Non-Executive directors | | | | | | |
| Ng Yuk Mui Jessica | 10 | - | - | - | - | 10 |
| Lo Wing Yan William | 75 | - | - | - | - | 75 |
| Independent non-executive directors | | | | | | |
| Cheng Yuk Wo | 26 | - | - | - | - | 26 |
| Pong Scarlett Oi Lan | 75 | - | - | - | - | 75 |
| So George Siu Ming | 44 | - | - | - | - | 44 |
| Leung Tony Ka Tung | 120 | - | - | - | - | 120 |
| Lau Lai Chiu Patrick | 100 | - | - | - | - | 100 |
| Chan Mei Bo Mabel | 74 | - | - | - | - | 74 |
| | 524 | 8,526 | 2,066 | 8,823 | 30 | 19,969 |

Notes:

- (i) Mr. Ko Pak Yau William has resigned as an executive director and Vice-chairman of the Company with effect from 1 October 2014.
- (ii) Dr. Lo Wing Yan William, J.P. has resigned as non-executive director on 19 March 2014.
- (iii) Mr. David Michael Norman has been appointed as an non-executive director on 9 December 2014. The amount disclosed above represented his emoluments of the period from 9 December to 31 December 2014.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2014 and 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 two directors (2013: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the three individuals (2013: two individuals) during the year who were also members of senior management of the Group are as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 7,699 | 4,210 |
| Defined contribution plans | 49 | 30 |
| | 7,748 | 4,240 |

Their emoluments fell within the following bands:

| | Number of individuals | |
|--------------------------------|-----------------------|----------|
| | 2014 | 2013 |
| Emolument bands | | |
| HK\$1,000,001 to HK\$1,500,000 | – | 1 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | – |
| HK\$2,000,001 to HK\$2,500,000 | 1 | – |
| HK\$2,500,001 to HK\$3,000,000 | – | 1 |
| HK\$3,000,001 to HK\$3,500,000 | – | – |
| HK\$3,500,001 to HK\$4,000,000 | 1 | – |
| | 3 | 2 |

During the year ended 31 December 2014, no amount was paid by the Group to the directors or the three (2013: two) 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 2014

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 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 and 1 January 2014 | | | | |
| 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 |
| Year ended 31 December 2014 | | | | |
| Opening net book amount | 42 | 1,103 | 2,126 | 3,271 |
| Additions | 361 | 986 | 1,046 | 2,393 |
| Disposal | | | | |
| – Cost | – | – | (94) | (94) |
| – Accumulated depreciation | – | – | 68 | 68 |
| Depreciation | (41) | (518) | (628) | (1,187) |
| Exchange alignment | (3) | (21) | (48) | (72) |
| Closing net book amount | 359 | 1,550 | 2,470 | 4,379 |
| At 31 December 2014 | | | | |
| Cost | 1,641 | 2,538 | 3,822 | 8,001 |
| Accumulated depreciation | (1,282) | (988) | (1,352) | (3,622) |
| Net book amount | 359 | 1,550 | 2,470 | 4,379 |

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

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

COMPANY

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost | — | — |
| <hr/> | | |
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Amounts due from subsidiaries | 1,566,947 | 1,699,972 |
| <hr/> | | |
| Amounts due to subsidiaries | 162,802 | 245,882 |
| <hr/> | | |

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

Particulars of the Company's principal subsidiaries at 31 December 2014 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 United States Dollars ("US\$") 1 each | 100% | — | Investment holding, Hong Kong |
| Elite Empire Investments Limited ("Elite Empire") | British Virgin Islands, limited liability company | 1,000 ordinary shares 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\$130,000,000 | — | 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 |

* During the year ended 31 December 2014, the Group has entered into a financial arrangement upon a sale and purchase transaction with a purchaser regarding sale of certain equity interest of Elite Empire. For details, please refer to note 28.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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.

17. GOODWILL

GROUP

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

| | 2014 HK\$'000 | 2013 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 is discount rate of 7% (2013: 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 2014 and 2013, no impairment loss of the goodwill has been recognised or reversed by the Group.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

Available-for-sale financial assets as at 31 December 2014 represented the redeemable convertible preference shares issued by a related company which listed on the Main Board of the Stock Exchange 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 2014 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.

19. PROPERTIES UNDER DEVELOPMENT

GROUP

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Leasehold interests in land located in the PRC, at cost | 434,074 | 443,956 |
| Development costs and other direct attributable expenses capitalised | 563,392 | 321,795 |
| | 997,466 | 765,751 |
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Balance at beginning of the year | 765,751 | 146,931 |
| Additions | 116,622 | 580,698 |
| Interest capitalised | 130,322 | 27,259 |
| Exchange alignment | (15,229) | 10,863 |
| Balance at end of the year | 997,466 | 765,751 |

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

Financial assets at fair value through profit or loss as at 31 December 2014 and 2013 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.

21. DEPOSIT PAID, PREPAYMENTS AND OTHER RECEIVABLES

GROUP

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Deposit paid for land use rights in the PRC | 728,607 | 655,927 |
| Prepayments | 4,953 | 6,281 |
| Other receivables | 46,114 | 45,756 |
| | 779,674 | 707,964 |

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

Notes to the Consolidated Financial Statements
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22. CASH AND BANK BALANCES

GROUP

As at 31 December 2014, the Group had cash and bank balances denominated in Renminbi (“RMB”) of approximately HK\$16,725,000 (2013: HK\$2,619,000) 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.

23. TRADE PAYABLES

GROUP

The followings are the ageing analysis of trade payables:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | – | 17,653 |
| 31 – 60 days | – | – |
| 61 – 90 days | – | – |
| 91 – 180 days | 13 | – |
| Over 180 days | 1,787 | 1,942 |
| | 1,800 | 19,595 |

24. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------|------------------|------------------|
| Other payables | 5,850 | 10,652 |
| Accrued expenses (note i) | 90,830 | 86,589 |
| Receipts in advance | 17,141 | 17,448 |
| | 113,821 | 114,689 |

COMPANY

| | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------------------|------------------|------------------|
| Other payables | 377 | 699 |
| Accrued expenses (note ii) | 72,138 | 61,102 |
| | 72,515 | 61,801 |

24. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE *(Continued)*

Notes:

- (i) As at 31 December 2014, accrued expenses included accrued interest expenses on the loans from shareholders and the loan from a related company of approximately HK\$89,882,000 (2013: HK\$73,860,000) and HK\$Nil (2013: HK\$10,899,000), respectively, in respect of the loans made available to the Group.
- (ii) As at 31 December 2014, accrued expenses included accrued interest expenses on the loans from shareholders of approximately HK\$72,138,000 (2013: HK\$61,102,000) in respect of the loans made available to the Company.

25. 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 2014 and 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 2014 was arrived at on the basis of a valuation carried out at that date by BMI Appraisals Limited.

26. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

GROUP AND COMPANY

As at 31 December 2014 and 2013, loans from shareholders are unsecured and bear interest at floating rate with reference to prime lending rate as established from time to time by The Hongkong and Shanghai Banking Corporation Limited, except for the loans from shareholders amounted to HK\$7,000,000 (2013: HK\$ 7,000,000) which is interest free.

As at 31 December 2014, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2015. 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.

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 2014 and 2013.

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 2014 and 2013, 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 2014 and 2013.

27. AMOUNT DUE TO A RELATED COMPANY

GROUP

The amount due was unsecured, interest free and repayable on demand.

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28. LOAN PAYABLE

In February 2014, Perennial Success Limited (the “Purchaser”), an indirect wholly-owned subsidiary of South China (China) Limited (“SCC”), entered into a sales and purchase agreement (the “Agreement”) with Crystal Hub Limited (the “Vendor”), a direct wholly-owned subsidiary of the Company, in respect of the sale of 40% of the issued share capital (the “Sale Shares”) of Elite Empire at a consideration of HK\$600 million, which was satisfied by (i) a refundable deposit in the sum of HK\$10 million in cash; (ii) cash payment of HK\$290 million made by the Purchaser on or before the Transaction Completion Date (as below-mentioned); and (iii) issue of convertible preference shares by SCC to the Vendor or its nominee(s) for HK\$300 million, on the Transaction Completion Date.

Under the Agreement, the Purchaser granted to the Vendor a call option (the “Call Option”) by entering into the options agreement (the “Options Agreement”) to give the Vendor the right to require the Purchaser to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at the exercise price (i.e. HK\$700 million) during the option exercisable period, the period of 15 months commencing on the first day of the tenth month from the Transaction Completion Date and expiring on the last day of the twenty-fourth month from the Transaction Completion Date, both days inclusive. The Vendor also granted to the Purchaser a put option (the “Put Option”) to give the Purchaser the right to require the Vendor to buyback all (but not part) of the Sale Shares from the Purchaser subject to the terms and conditions of the Options Agreement, at the exercise price (i.e. HK\$700 million) during the option exercisable period, the period of 15 months commencing on the first day of the tenth month from the Transaction Completion Date and expiring on the last day of the twenty-fourth month from the Transaction Completion Date, both days inclusive.

The abovementioned transactions were completed on 11 April 2014 (the “Transaction Completion Date”). The Group has recognised (i) the sale of the Sale Shares and (ii) the grant of the Call Option by the Purchaser to the Vendor and the grant of the Put Option by the Vendor to the Purchaser at same exercise price, which is a fixed sum, and with the same option exercisable period collectively as a debt instrument. The Group recognised the said debt instrument as a financial liability in view of, among others, the followings: (i) Under the Agreement, the Purchaser is only entitled to appoint directors to the boards of Elite Empire and its subsidiaries (“Elite Empire Group”) after (1) the occurrence of any intervening event as referred to in the section headed “Management of Elite Empire Group after Completion” in the circular issued by the Company on 19 March 2014 or (2) the lapse of the Put Option and the Call Option. Furthermore, the Purchaser has agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the option exercisable period provided that there is no breach of the Agreement and Elite Empire Group is not engaged in any business; and (ii) The Put Option and the Call Option with the fixed exercise price render the Purchaser’s present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the Put Option and the Call Option with the same option exercisable period and the same exercise price resembles a forward contract whereby the Purchaser is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the exercise price on the maturity date of such forward contract. The Group has recognised the financial liability in respect of the abovementioned debt instrument at fair value on the Transaction Completion Date, which amounted to approximately HK\$591 million.

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28. LOAN PAYABLE (Continued)

As at 31 December 2014, the loan payable balance amounting to approximately HK\$695,649,000, representing the financial liability of the abovementioned debt instrument, measured at amortised cost using the effective interest rate method. The finance cost so arisen during the period from the Transaction Completion Date to 31 December 2014 has been capitalised as part of the cost of properties under development.

29. SHARE CAPITAL

GROUP AND COMPANY

| | 2014 | | 2013 | |
|----------------------------------|------------------------|------------------|---------------------|-----------|
| | 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 2014, a subsidiary of the Company acquired 175,104,000 (2013: 26,168,000) shares of the Company in the open market with a value of approximately HK\$20,943,000 (2013: HK\$4,646,000). 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.

30. SHARE OPTION SCHEME

The 2012 Share option scheme (the "2012 Scheme")

The Company's 2012 Scheme was approved by shareholders of the Company and became effective on 8 May 2012.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

30. SHARE OPTION SCHEME (Continued)

The 2012 Share option scheme (the “2012 Scheme”) (Continued)

(A) SUMMARY OF THE 2012 SCHEME (Continued)

(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 the resolution to adopt the 2012 Scheme.

(iv) Maximum entitlement of each participant

No Participants 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.

(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.

30. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the “2012 Scheme”) *(Continued)*

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

- (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 2014, the Company grants 26,576,000 (2013: 363,312,000) share options under the 2012 Scheme.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

30. SHARE OPTION SCHEME (Continued)

The 2012 Share option scheme (the “2012 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 year ended 31 December 2014 were as follows:

| Name and category of participant | Number of share options | | | | | | | Price of shares | | | |
|----------------------------------|--------------------------|-------------------------|--------------------------|---------------------------------|---------------------------|--------------------------|-------------------------------|--|---------------------------------|------------------------------------|--------------------------------|
| | Balance as at 01/01/2014 | Granted during the year | Exercise during the year | Lapsed during the year (Note i) | Cancelled during the year | Balance as at 31/12/2014 | Date of grant of share option | Exercisable Periods of share options (Note ii) | Immediately preceding the grant | Immediately preceding the exercise | |
| | | | | | | | | | Exercise price per share option | date of share option (Note iii) | date of share option (Note iv) |
| Directors | | | | | | | | | | | |
| Law Albert Yu Kwan | 55,896,000 | - | - | - | - | 55,896,000 | 1/10/2013 | 1/10/2016 ~ 30/09/2023 | 0.188 | 0.188 | N/A |
| Ko Pak Yau William | 111,784,000 | - | - | (111,784,000) | - | - | 1/10/2013 | 1/10/2016 ~ 30/09/2023 | 0.188 | 0.188 | N/A |
| Cheung Choi Ngor | 55,896,000 | - | - | - | - | 55,896,000 | 1/10/2013 | 1/10/2016 ~ 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 ~ 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 ~ 30/09/2023 | 0.188 | 0.188 | N/A |
| Sub-total | 363,312,000 | - | - | (111,784,000) | - | 251,528,000 | | | | | |

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

30. SHARE OPTION SCHEME (Continued)

The 2012 Share option scheme (the “2012 Scheme”) (Continued)

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

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2014 were as follows:

| Name and category of participant | Number of share options | | | | | | | Price of shares | | | |
|-------------------------------------|--------------------------------|-------------------------------|--------------------------------|--|---------------------------------|--------------------------------|-------------------------------------|--|-------------|--------------|-----|
| | Balance as at 01/01/2014 | Granted during the year | Exercise during the year | Lapsed during the year (Note i) | Cancelled during the year | Balance as at 31/12/2014 | Date of grant of share option | Exercisable Periods of share options (Note ii) | Immediately | Immediately | |
| | | | | | | | | | preceding | preceding | |
| | | | | | | | | | the grant | the exercise | |
| date of | date of | | | | | | | | | | |
| | option | (Note iii) | (Note iv) | | | | | HK\$ | HK\$ | HK\$ | |
| Employees in aggregate | - | 10,632,000 | - | - | - | 10,632,000 | 15/1/2014 | 15/1/2017 ~ 14/1/2024 | 0.188 | 0.168 | N/A |
| | - | 10,632,000 | - | (10,632,000) | - | - | 28/4/2014 | 28/4/2017 ~ 27/4/2024 | 0.188 | 0.138 | N/A |
| | - | 5,312,000 | - | - | - | 5,312,000 | 7/5/2014 | 28/4/2017 ~ 27/4/2024 | 0.188 | 0.133 | N/A |
| Sub-total | - | 26,576,000 | - | (10,632,000) | - | 15,944,000 | | | | | |
| Total | 363,312,000 | 26,576,000 | - | (122,416,000) | - | 267,472,000 | | | | | |

Notes:

(i) Mr. Ko Pak Yau William has resigned as an executive director and a Vice-chairman of the Company with effect from 1 October 2014 while the employee resigned in November 2014, the respective share options lapsed during the year.

(ii) 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% |
| 61th – 120th months | 100% |

(iii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange’s closing price on the trading day immediately prior to the date of the grant of the share options.

(iv) The weight average closing price of the shares immediately before the date on which the options are exercised.

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30. SHARE OPTION SCHEME (Continued)

The 2012 Share option scheme (the “2012 Scheme”) (Continued)

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

Notes: (Continued)

- (v) The fair values of share options granted under the 2012 Scheme on 1 October 2013, 15 January 2014, 28 April 2014 and 7 May 2014 and measured at the respective date of grant was approximately HK\$44,289,000, HK\$1,118,000, HK\$848,000 and HK\$400,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

| Date of grant | 1 Oct 2013 | 15 Jan 2014 | 28 Apr 2014 | 7 May 2014 |
|--------------------------|------------|-------------|-------------|------------|
| Expected volatility | 54.276% | 53.559% | 52.875% | 52.836% |
| Expected life (in years) | 10.0 | 10.0 | 10.0 | 10.0 |
| Risk free interest rate | 2.049% | 2.306% | 2.164% | 2.040% |
| Expected dividend yield | Nil | Nil | Nil | 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.

- (vi) During the year ended 31 December 2014, employee compensation expense of HK\$8,304,000 has been recognised in profit or loss (2013: HK\$2,823,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.
- (vii) Share options and weighted average exercise prices are as follows for the reporting period presented:

| | 2014 | | 2013 | |
|-------------------------------|--------------------|--------------------------------------|--------------------|--------------------------------------|
| | Number | Weighted average exercise price HK\$ | Number | Weighted average exercise price HK\$ |
| Balance at 1 January | 363,312,000 | 0.188 | – | – |
| Additions | 26,576,000 | 0.188 | 363,312,000 | 0.188 |
| Lapsed | (122,416,000) | 0.188 | – | – |
| Balance at 31 December | 267,472,000 | 0.188 | 363,312,000 | 0.188 |

The options outstanding at 31 December 2014 had exercise prices of HK\$0.188 and a weighted average remaining contractual life of 8 years. The options outstanding at 31 December 2013 had exercise prices of HK\$0.188 and a weighted average remaining contractual life of 9 years.

31. 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\$50,000,000 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 announcements dated 18 March 2011, 5 November 2013 and 7 December 2014.

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 vested and forfeited of the Company’s shares during the year ended 31 December 2014 are as follows:

| Name or category of participant | Date of grant | Balance as at 01/01/2014 | Awards granted during the year | Aggregate Awards vested during the year | Aggregate Awards forfeited during the year | Balance as at 31/12/2014 |
|---------------------------------|---------------|--------------------------|--------------------------------|---|--|--------------------------|
| Employees in aggregate | 8/10/2011 | 1,504,000 | – | (1,504,000) | – | – |
| | 30/3/2012 | 3,000,000 | – | – | (3,000,000) | – |
| | 28/1/2013 | 10,472,000 | – | – | (7,016,000) | 3,456,000 |
| Total | | 14,976,000 | – | (1,504,000) | (10,016,000) | 3,456,000 |

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

31. SHARE AWARD SCHEME (Continued)

Awards granted and vested 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 |

There is no award being granted during the year ended 31 December 2014. The fair value of the share awards granted of the Company's shares under the Share Award Scheme during the year ended 31 December 2013 is approximately HK\$7,466,000 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\$193,000 (2013: HK\$6,633,000) for the year ended 31 December 2014. 1,504,000 numbers of shares were released under the Share Award Scheme for the year ended 31 December 2014 (2013: 32,700,882). 10,016,000 numbers of shares were being forfeited during the year ended 31 December 2014 (2013: Nil).

Notes to the Consolidated Financial Statements
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31. SHARE AWARD SCHEME (Continued)

Awards vested and forfeited of the other shares during the year ended 31 December 2014 are as follows:

| Name or category of participant | Date of grant | Balance as at 01/01/2014 | Awards granted during the year | Aggregate Awards vested during the year | Aggregate Awards forfeited during the year | Balance as at 31/12/2014 |
|---------------------------------|---------------|--------------------------|--------------------------------|---|--|--------------------------|
| Employees in aggregate | 8/10/2011 | 464,000 | – | (464,000) | – | – |
| | 30/3/2012 | 520,000 | – | – | (520,000) | – |
| | 28/1/2013 | 640,000 | – | – | – | 640,000 |
| Total | | 1,624,000 | – | (464,000) | (520,000) | 640,000 |

Awards granted and vested 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 |

The expenses for the other shares as recognised in profit or loss are approximately HK\$233,000 (2013: HK\$581,000) for the year ended 31 December 2014. 464,000 numbers of other shares was released under the Share Award Scheme for the year ended 31 December 2014 (2013: 232,000). 520,000 numbers of other shares were being forfeited during the year ended 31 December 2014 (2013: Nil).

Notes to the Consolidated Financial Statements
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32. 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 39 and 40.

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 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 settle share-based compensation | - | - | - | - | 9,456 | - | 9,456 |
| Loss for the year | - | - | - | - | - | (767) | (767) |
| At 31 December 2013 and 1 January 2014 | 771,842 | (134) | 652 | 291,562 | 3,566 | (123,623) | 943,865 |
| Purchase of shares for share award scheme | - | (20,943) | - | - | - | - | (20,943) |
| Vesting of share awards | - | 247 | - | - | (146) | (101) | - |
| Forfeit of share awards | - | - | - | - | (471) | 471 | - |
| Lapse of share options | - | - | - | - | (869) | 869 | - |
| Recognition of equity settle share-based compensation | - | - | - | - | 8,496 | - | 8,496 |
| Loss for the year | - | - | - | - | - | (1,213) | (1,213) |
| At 31 December 2014 | 771,842 | (20,830) | 652 | 291,562 | 10,576 | (123,597) | 930,205 |

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve and employee compensation reserve, which was offset by 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 2014 amounted to approximately HK\$951,035,000 (2013: HK\$943,999,000).

32. RESERVES (Continued)

GROUP AND COMPANY

TREASURY SHARES

| | 2014 | | 2013 | |
|--------------------------------|---------------------|---------------|---------------------|------------|
| | Number of shares | HK\$'000 | Number of shares | HK\$'000 |
| Balance brought forward | 603,118 | 134 | 7,136,000 | 846 |
| Acquired during the year | 175,104,000 | 20,943 | 26,168,000 | 4,646 |
| Vested during the year | (1,504,000) | (247) | (32,700,882) | (5,358) |
| Balance carried forward | 174,203,118 | 20,830 | 603,118 | 134 |

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 31); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

33. OPERATING LEASE COMMITMENTS

GROUP

(A) AS LESSOR

As at the 31 December 2014 and 2013, there is no future minimum lease receivable under non-cancellable operating leases with its tenants falling due.

(B) AS LESSEE

As at 31 December 2014, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Within one year | 2,377 | 2,294 |
| In the second to fifth years, inclusive | 2,232 | 169 |
| Total | 4,609 | 2,463 |

COMPANY

As at 31 December 2014 and 2013, the Company does not have any significant operating lease commitments.

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For the year ended 31 December 2014

34. CAPITAL COMMITMENTS

GROUP

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Contracted but not provided for: | | |
| – Expenditure in respect of properties under development | 200,645 | 128,091 |
| – Expenditure in respect of leasehold interest in land (note) | 1,177,252 | 1,204,052 |
| – Investment in equity interest | 314,380 | 85,000 |
| | 1,692,277 | 1,417,143 |

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 2015.

COMPANY

As at 31 December 2014 and 2013, the Company does not have any significant capital commitments.

35. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2014 and 2013, the Group and the Company do not have any significant contingent liabilities.

36. 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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| (i) Interest expenses paid to shareholders | 21,980 | 23,689 |
| (ii) Interest expenses paid to a related company | 3,889 | 3,900 |

(b) Details of the balances with related parties at the reporting date are included in notes 16, 26, 27 and 28 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.

37. 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 and cash and bank balances. The Group's financial liabilities include trade and other payables, loans from a related company and shareholders, amount due to a related company, loan payable and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company.

(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. Such exposures 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 | |
|--|-------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Assets: | | |
| RMB | 60,304 | 50,598 |
| US\$ | 5,198 | 41 |
| | 65,502 | 50,639 |
| Liabilities: | | |
| RMB | 7,917 | 26,495 |
| Net exposure to foreign currency risk | 57,585 | 24,144 |

The Group's policy requires the management monitors 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 (loss)/profit for the year and equity during the year in regard to a 5% depreciation 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

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37. 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 (loss)/profit for the year and equity | |
|------|--|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| RMB | 2,619 | 1,205 |
| US\$ | 260 | 2 |
| | 2,879 | 1,207 |

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's (loss)/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 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 undue exposures to significant interest rate movements.

The following table demonstrates the sensitivity of the Group's (loss)/profit the year 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 in interest rate % | Effect on (loss)/profit for the year and equity HK\$'000 |
|-------------|-----------------------------------|---|
| 2014 | 0.5 | 286 |
| 2013 | 0.5 | 81 |

The same percentage decrease in interest rate would have the same magnitude on the Group's (loss)/profit for the year and equity but of opposite effect, on the basis that all variables remain constant.

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

(c) Credit risk

The Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the receivable either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

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

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.

Notes to the Consolidated Financial Statements

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37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

GROUP

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 2014 | | | | |
| Trade payables | 1,800 | – | 1,800 | 1,800 |
| Other payables | 5,850 | – | 5,850 | 5,850 |
| Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company | 119,094 | – | 119,094 | 119,094 |
| Loan from a related company | 78,000 | – | 78,000 | 78,000 |
| Amount due to a related company | 32,765 | – | 32,765 | 32,765 |
| Loan payable | 700,000 | – | 700,000 | 695,649 |
| Loans from shareholders | – | 478,055 | 478,055 | 455,290 |
| | 937,509 | 478,055 | 1,415,564 | 1,388,448 |
| 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 of a related company | 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 |

37. 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 2014 | | | | |
| Other payables | 377 | – | 377 | 377 |
| Amounts due to subsidiaries | 162,802 | – | 162,802 | 162,802 |
| Loans from shareholders | – | 325,185 | 325,185 | 309,700 |
| | 163,179 | 325,185 | 488,364 | 472,879 |
| At 31 December 2013 | | | | |
| Other payables | 699 | – | 699 | 699 |
| Amounts due to subsidiaries | 245,882 | – | 245,882 | 245,882 |
| Loans from shareholders | – | 353,535 | 353,535 | 336,700 |
| | 246,581 | 353,535 | 600,116 | 583,281 |

(e) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates 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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Available-for-sale financial assets | 1,510,435 | 1,036,694 |
| Financial assets at fair value through profit or loss | 4,876 | 2,988 |
| Loans and receivables: | | |
| – Other receivables | 46,114 | 45,756 |
| – Cash and bank balances | 57,147 | 16,355 |
| | 1,618,572 | 1,101,793 |

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Summary of financial assets and liabilities by category (Continued)

GROUP (Continued)

(ii) Financial liabilities

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Financial liabilities at amortised cost: | | |
| – Trade payables | 1,800 | 19,595 |
| – Other payables | 5,850 | 10,652 |
| – Loan from a related company | 78,000 | 78,000 |
| – Amount due to a related company | 32,765 | – |
| – Loans from shareholders | 455,290 | 450,260 |
| – Loan payable | 695,649 | – |
| Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company | 119,094 | 97,866 |
| | 1,388,448 | 656,373 |

COMPANY

(i) Financial assets

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---------------------------------|------------------|------------------|
| Loans and receivables: | | |
| – Amounts due from subsidiaries | 1,566,947 | 1,699,972 |
| – Cash and bank balances | 20,060 | 61 |
| | 1,587,007 | 1,700,033 |

(ii) Financial liabilities

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Financial liabilities at amortised cost: | | |
| – Other payables | 377 | 699 |
| – Amounts due to subsidiaries | 162,802 | 245,882 |
| – Loans from shareholders | 309,700 | 336,700 |
| | 472,879 | 583,281 |

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

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

(1) 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.

37. 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**

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 2014 | | | |
|---|---------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Equity securities of listed company | 4,876 | – | – | 4,876 |
| Available-for-sale financial assets | | | | |
| – Redeemable convertible preference shares of a related company | – | – | 1,510,435 | 1,510,435 |
| Liabilities | | | | |
| Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company | – | – | (119,094) | (119,094) |

| | At 31 December 2013 | | | |
|---|---------------------|---------------------|---------------------|-------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total 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 of a related company | – | – | 1,036,694 | 1,036,694 |
| Liabilities | | | | |
| Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company | – | – | (97,866) | (97,866) |

37. 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)

There have been no transfers between different levels during the year ended 31 December 2014.

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 ended 31 December 2014.

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 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 of a related company are denominated in HK\$. Fair values have been determined on the basis of a valuation carried out at the date by BMI Appraisals Limited. The fair value is determined using the Binomial Option Pricing Model.

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

| | Valuation techniques | Significant unobservable inputs |
|--|----------------------------------|---|
| As at 31 December 2014 | | |
| Available-for-sale financial assets | Binomial Option | Risk-free rate 1.86% |
| – Redeemable convertible preference shares of a related company | Pricing Model | Volatility 68.99% |
| Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company | Binomial Option Pricing Model | Risk-free rate 1.86% Volatility 68.99% |

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.

37. 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

| | 2014 | | 2013 | |
|--|---|---|---|---|
| | 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 | 1,036,694 | (97,866) | – | – |
| Issues of financial instruments | 342,580 | (42,886) | 1,350,993 | (107,329) |
| Fair value gain recognised in other comprehensive income | 131,161 | – | 13,184 | – |
| Fair value gain/(loss) recognised in profit or loss | – | 21,658 | – | (19,986) |
| Redemption | – | – | (327,483) | 29,449 |
| At 31 December | 1,510,435 | (119,094) | 1,036,694 | (97,866) |
| Unrealised gain/(loss) recognised in profit or loss relating to the financial instrument held at the reporting date | – | 21,658 | – | (19,986) |
| Gain in the revaluation reserve released to profit or loss upon redemption of financial instrument | – | – | 8,739 | – |

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38. DISPOSAL OF SUBSIDIARIES

Pursuant to the sales and purchase agreement dated 4 July 2012 entered into between Crystal Hub Limited, a direct wholly-owned subsidiary of the Company, and Even Dragon Limited, an indirect wholly-owned subsidiary of SCC and a related company of the Group, Crystal Hub Limited had agreed to sell and Even Dragon Limited had 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”). Please refer to the Company’s announcement and circular issued on 12 July 2012 and 19 October 2012. The Transaction for the disposal of Splendor Sheen Limited and its subsidiaries (the “Splendor Group”) was completed on 16 January 2013. Please refer to the Company’s announcement issued on 17 January 2013.

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 2014

39. 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 dates was as follows:

| | 2014 | 2013 |
|------------------------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Capital | | |
| Total equity | 2,213,236 | 2,128,300 |
| Overall financing | | |
| Loan from a related company | 78,000 | 78,000 |
| Loans from shareholders | 455,290 | 450,260 |
| Loan payable | 695,649 | – |
| | 1,228,939 | 528,260 |
| Capital-to-overall financing ratio | 180.1% | 402.9% |

Summary of Financial Information

| | Year ended 31 December | | | | |
|--|------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Revenue | | | | | |
| Continuing operations | – | – | 48,693 | 5,175 | 844 |
| Discontinued operations | – | – | – | – | 14,611 |
| | – | – | 48,693 | 5,175 | 15,455 |
| (Loss)/profit from operations | | | | | |
| Continuing operations | (2,690) | 283,272 | 62,225 | 53,002 | 1,195,485 |
| Discontinued operations | – | – | – | – | 5,490 |
| | (2,690) | 283,272 | 62,225 | 53,002 | 1,200,975 |
| Finance costs | | | | | |
| Continuing operations | (285) | (1,865) | (45,969) | (39,374) | (11,601) |
| Discontinued operations | – | – | – | – | – |
| | (285) | (1,865) | (45,969) | (39,374) | (11,601) |
| (Loss)/profit before taxation | | | | | |
| Continuing operations | (2,975) | 281,407 | 16,256 | 13,628 | 1,183,884 |
| Discontinued operations | – | – | – | – | 5,490 |
| | (2,975) | 281,407 | 16,256 | 13,628 | 1,189,374 |
| Income tax expense | | | | | |
| Continuing operations | – | – | (10,784) | (21,695) | (315,297) |
| Discontinued operations | – | – | – | – | (153) |
| | – | – | (10,784) | (21,695) | (315,450) |
| (Loss)/profit for the year | | | | | |
| Continuing operations | (2,975) | 281,407 | 5,472 | (8,067) | 868,588 |
| Discontinuing operations | – | – | – | – | 5,337 |
| | (2,975) | 281,407 | 5,472 | (8,067) | 873,925 |
| Attributable to | | | | | |
| Equity holders of the Company | (2,975) | 281,744 | 2,020 | (9,721) | 689,734 |
| Non-controlling interests | – | (337) | 3,452 | 1,654 | 184,191 |
| | (2,975) | 281,407 | 5,472 | (8,067) | 873,925 |
| Assets and liabilities and non-controlling interests | | | | | |
| Total assets | 3,709,655 | 2,888,710 | 4,640,389 | 4,211,325 | 3,635,756 |
| Total liabilities | (1,496,419) | (760,410) | (2,345,605) | (1,924,406) | (1,432,931) |
| Non-controlling interests | – | – | (367,284) | (363,447) | (347,613) |
| | 2,213,236 | 2,128,300 | 1,927,500 | 1,923,472 | 1,855,212 |

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 | 2017 | 100% | 171,000 sq.m. | 14,473 sq.m. |
| Huanghua New City property development project | Commercial/retail | Main contract work has been commenced | 2016 | 100% | 45,000 sq.m. | 32,336 sq.m. |
| Relocation project in Zhongjie | Residential | Main body of building | 2016 | 70% | 9,956 sq.m. | 6,147 sq.m. |