Great China Properties Holdings Limited
大中華地產控股有限公司

(formerly known as Waytung Global Group Limited)
(Incorporated in Hong Kong with Limited Liability)
Stock Code : 00021

MISSION FOR VISION

2013 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Shih Tsai *(Chairman)*
Ms. Huang Wenxi *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Cheng Hong Kei
Mr. Leung Kwan, Hermann
Mr. Lum Pak Sum

AUDIT COMMITTEE

Mr. Cheng Hong Kei *(Chairman)*
Mr. Leung Kwan, Hermann
Mr. Lum Pak Sum

REMUNERATION COMMITTEE

Mr. Cheng Hong Kei *(Chairman)*
Mr. Huang Shih Tsai
Mr. Leung Kwan, Hermann
Mr. Lum Pak Sum

NOMINATION COMMITTEE

Mr. Huang Shih Tsai *(Chairman)*
Mr. Cheng Hong Kei
Mr. Lum Pak Sum

COMPANY SECRETARY

Ms. So Chit Fun Lydia

AUDITOR

HLB Hodgson Impey Cheng Limited

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL COUNSEL

Reed Smith Richards Butler
Sidley Austin

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Suite 6308, 63/F.
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

WEBSITE

www.greatchinaproperties.com

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Huang Shih Tsai, aged 62, has been the Non-executive Director since 29 June 2007 and was re-designated to Executive Director on 5 April 2013. He is the chairman of the Group and the Nomination Committee of the Company and is also a member of the Remuneration Committee of the Company. Mr. Huang is the founder and chairman of the board of Great China International Investment (Groups) Limited ("Great China Groups"), which is currently involved in various businesses in property development, financial consultancy, trust management, trading, department stores, ports and logistics. The businesses of Great China Groups cover major cities nationwide. Mr. Huang is also a director of Waytung Global Fund Limited.

Mr. Huang was honoured as the pioneer for urbanisation of rural areas when he introduced the concept of "Property Acquisition for Resident Right" first in Longzhu Garden project. He developed the concept of "Removing boarder between Shenzhen and Hong Kong" in Hui Zhan Ge project and developed properties along the boarder. He was recognised as the pioneer in "Sales of Properties to non-residents" and hotel style service apartment. Through Great China International Exchange Square, he was known as the pioneer to develop the Central Business District in Shenzhen. Mr. Huang has made significant contributions to the reform and opening-up of Shenzhen.

Mr. Huang was the only Outstanding Chinese Entrepreneur as the representative to participate the 60th Anniversary of United Nation. He is the executive vice-president of the United World Chinese Association (世界華人協會), the executive vice-president of the China Enterprise Directors Association (Shenzhen) (中國企業家協會(深圳)), the vice-president of Guangdong Provincial Association of Culture (廣東省文化學會), the vice-president of Federation of Shenzhen Industries (深圳工業總會), the managing director of Global Foundation of Distinguished Chinese Limited (世界傑出華人基金會), and the president of Yan Huang Chinese Straits Entrepreneurs Association (炎黃海峽兩岸三地企業家交流協會).

Mr. Huang is the father of Ms. Huang Wenxi, the Executive Director and the Chief Executive Officer of the Company.

Ms. Huang Wenxi, aged 29, has been an Executive Director since 29 June 2007, is also the Chief Executive Officer of the Company. Ms. Huang holds a Bachelor's degree in Business Administration from the University of Wisconsin-Madison and a Master of Science Degree in Global Finance from New York University. She is also a director of Waytung Global Fund Limited and an executive director of Great China International Group (China) Company Limited. She was the deputy general manager in the Sheraton Hotel in Futian, Shenzhen, the PRC from 2005 to 2008. She has experience in setting up and operating one of the first 5-star international hotels in the Central Business District in Shenzhen, the PRC. Ms. Huang is the daughter of Mr. Huang Shih Tsai, the Executive Director and Chairman of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 59, has been an Independent Non-executive Director since 8 June 2006 and is the Chairman of the Audit Committee and Remuneration Committee of the Company, as well as a member of the Nomination Committee of the Company. Mr. Cheng studied accountancy in Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a co-founding director of Cheng & Cheng Limited and had worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He has over 30 years of experience in accounting and taxation. Mr. Cheng is also an Independent Non-executive Director of South China Holdings Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Leung Kwan, Hermann, aged 52, has been an Independent Non-executive Director since 8 June 2006 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Leung holds a Bachelor's degree in Social Sciences from the University of Hong Kong. He is a solicitor of the Hong Kong Special Administrative Region and is a partner of D.S. Cheung & Co., Solicitors. He is also a China-Appointed Attesting Officer. Mr. Leung has about 20 years of experience in legal work relating to civil litigation, commercial litigation, copyright and conveyancing.

Mr. Lum Pak Sum, aged 53, has been an Independent Non-executive Director since 21 August 2007 and is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lum holds a Master's degree in Business Administration from the University of Warwick, UK and a LLB (Honor) degree from the University of Wolverhampton, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, UK. Mr. Lum has over 20 years of experience in financial field, the money market and capital market. Currently, Mr. Lum is also a Non–executive Director of Orient Securities International Holdings Limited and an Independent Non-executive Director of Asia Resources Holdings Limited, Beautiful China Holdings Company Limited and Sinogreen Energy International Group Limited; all of which are listed companies in Hong Kong, and an independent director of Asia Green Agriculture Corporation, which is a company trading on the Over-the-Counter Bulletin Board in the United States of America.

COMPANY SECRETARY

Ms. So Chit Fun Lydia, aged 43, was appointed as the company secretary of the Company since 23 December 2013. Ms. So is a fellow member of the Hong Kong Institute of Certified Public Accountants. She obtained a Bachelor Degree of Commerce from the University of Wollongong and a Master Degree of Business Administration from The Open University of Hong Kong. Prior to joining the Company, Ms. So held senior accounting positions in a number of companies listed on The Stock Exchange of Hong Kong Limited and has over 18 years of experience in accounting and financial management.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Great China Properties Holdings Limited (the "Company" or "Great China Properties"), together with its subsidiaries (the "Group") for the year ended 31 December 2013.

FINANCIAL REVIEW HIGHLIGHTS

For the year ended 31 December 2013, the Group recorded a revenue of approximately HK$35,720,000 (2012: HK$13,008,000), representing an increase of approximately 1.75 times as compared to the previous year. Loss attributable to shareholders for the year was approximately HK$29,042,000 (2012: HK$10,065,000). The Board of Directors did not recommend the payment of any dividend (2012: Nil).

BUSINESS REVIEW

In addition to the fixed rental revenue generated from the leasing of Gold Coast Resort, the Group has also secured a new source of income from the sale of the residential portion of 東方新天地大廈 (Great China Eastern New World Square*) in Huizhou which was released to the market in May 2013.

The Group completed the acquisition of Jin Bao Cheng Project and Hong Hai Bay Project in Shanwei City, the PRC through a wholly-owned subsidiary in October 2013. The Group intends to develop Jin Bao Cheng Project into a residential property development project with a total estimated gross floor area of over 100,000 sq.m. while Hong Hai Bay Project is intended to be developed into a tourist and entertainment complex with residential development, with a total estimated gross floor area of over 720,000 sq.m., which is expected to include hotels and ancillary facilities, service apartments, residential houses and apartments, yachts club, business club and commercial streets.

The Group acquired Gold Coast Resort project in Shanwei in 2008 and has over 4 years of experience in the property market in Shanwei City. The Group expected that leveraging on its existing workforce, market knowledge and experience in the property market, in particular in Shanwei City, the Group may realise its strategy of acquiring high quality investment projects with good potential at a low cost for enhancing its investment returns and it is expected that the acquisition would facilitate the Group to capture the long-term growth in the property market and the expected increase in tourism in Shanwei City and bring in positive returns to shareholders.

In December 2012, the Group had entered into a cooperation agreement with Greenland Hong Kong Holdings Limited ("Greenland HK"), pursuant to which the parties agreed to jointly develop the land located at Pudong New Area, Shanghai, the PRC. The land is located at the prime section with strong potential in growth and sales and will positively affect the long-term profits of the Group. The cooperation with Greenland HK to develop projects will also allow the Group to apply the market knowledge, experience and resources provided by Greenland HK to achieve synergy effects and to promote the operation efficiency and brand marketing. This investment project will be a successful start of the Group's future investment in Shanghai.

BUSINESS OUTLOOK

Looking forward to 2014, it is expected that China's economy and market still face tremendous uncertainties and the economic growth may slow down. However, with the new reform measures successively promulgated by the new government, it is believed that the national economy will step into the path of healthy, balanced and sustainable development. The Group holds a prudent and positive attitude towards the mainland property market in 2014 and expects that investment and speculation have been depressed as a result of long-term control measures, which will facilitate the stable development of the property market in the long run.

CHAIRMAN'S STATEMENT

The Group officially changed its name into "Great China Properties Holdings Limited" in March 2013. Looking forward, the Group will focus on the property development and investment, commercial property investment and management, as well as the tourism real estate businesses. Leveraging on its brand new image, the Group will seize every business opportunity within the growing China real estate market. In 2014, the Group will continue to focus on the regional development strategies and further optimize regional layout. On the basis of maintaining a sound financial position, the Group will acquire high quality investment projects with good potential at low cost, in order to enhance its investment return. As always, the Group will continue to optimize its cost control system, recruit and nurture talents, build quality brand names, and enhance its overall economy of scale and economic efficiency.

APPRECIATION

I would like to express my sincere appreciation to all Directors and staff members for their contribution to the development of Great China Properties over the year. I would also like to thank our shareholders and investors for their support and trust. Great China Properties will adhere to its vision of "Build a Better Chinese Community in Greater China: Set in Asia to Build in the World for a Better Home", with a view to establishing itself as China's leading developer of commercial and residential real estates as well as tourism properties, and thus creating sustainable investment returns for our shareholders and investors with outstanding performance.

Mr. Huang Shih Tsai
Chairman

Hong Kong, 28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$35,720,000, representing an increase of approximately 1.75 times as compared to the turnover of approximately HK$13,008,000 for last year. The increase in turnover was mainly resulted from the additional revenue generated from the sales of the residential portion of 東方新天地大廈 (Great China Eastern New World Square*) ("Eastern New World Square") commenced in May 2013.

Loss attributable to the shareholders was approximately HK$29,042,000 for the year ended 31 December 2013, representing an increase of approximately 1.89 times as compared to a loss attributable to the shareholders of approximately HK$10,065,000 for last year. The increase in the loss was mainly resulted from the increase in the administrative and operating expenses and the selling and distribution expenses.

BUSINESS REVIEW

Property Development and Investment Business

The Gold Coast Project

The Company, through its indirect wholly-owned PRC subsidiary, owns a resort located in Baian Peninsula, Houmen Town, Haifeng County, Shanwei City, Guangdong Province, the PRC (the "Gold Coast Resort").

After the expiry of the tenancy agreement dated 10 October 2008 and two supplemental tenancy agreements dated 29 December 2008 and 9 March 2009 with an independent third party, the Group has entered into an agreement dated 29 March 2012 to extend the leasing period of Gold Coast Resort for a term of two years commencing from 1 April 2012 with a fixed monthly rental income of RMB800,000.

The Gold Coast PRC has completed the construction of water supply pipes connecting 鮜門鎮 (Houmen Town*) and 梅隴鎮平安洞 (Meilong Town Pinandong*) in March 2010 with a total cost of approximately HK$6,934,000 to address water supply and shortage problems in the 鮜門鎮 (Houmen Town*) area where the Gold Coast Resort is located. Extension of the operation of the water supply pipes to supply water to the local villages near the Gold Coast Resort will be considered when business opportunity arises.

Gold Coast PRC had entered into a construction contract dated 16 June 2010 and two supplemental agreements dated 10 December 2010 and 13 January 2011, respectively, with an independent third party, 深圳市焯楠建築裝飾工程有限公司 (Shenzhen Zhuonan Construction and Decoration Company Limited*) (the "Sub-contractor"), for the construction and renovation of the Gold Coast Resort at a contract price of RMB55 million (equivalent to approximately HK$70.89 million). As at 31 December 2013, Gold Coast PRC paid approximately RMB30,976,000 (equivalent to approximately HK$39,925,000) to the Sub-contractor as a prepayment of the contract sum.

In March 2014, Gold Coast PRC entered into a release contract with the Sub-contractor, pursuant to which the Sub-contractor agreed to refund the prepayment paid by the Group (after deduction of certain expenses incurred by the Sub-contractor for the construction and renovation of Gold Coast PRC). As at the date of this report, the prepayment was fully settled.

The design for the construction and renovation of the Gold Coast Resort is about to be finalized and it is currently expected that the construction of the Gold Coast Resort will commence by the end of second quarter of 2014.

* *For identification purposes only*

The Tanghai County Project

The Group entered into a sale and purchase agreement dated 27 September 2010 (the "Tanghai Acquisition Agreement") with independent third parties in relation to the acquisition of 99.99% equity interest of 唐山市曹妃甸區中泰信和房地產開發有限公司 (Tangshan Caofeidian Zhongtai Xinhe Real Estate Company Limited*) ("Tangshan Caofeidian") (formerly known as 唐海中泰信和房地產開發有限公司 (Tanghai Zhongtai Xinhe Real Estate Company Limited*)) (the "Tanghai Acquisition"), further details of the Tanghai Acquisition are set out in the Company's circular dated 25 November 2010.

The Tanghai Acquisition was approved by the shareholders at the extraordinary general meeting of the Company held on 13 December 2010. All conditions precedent to the Tanghai Acquisition Agreement have been satisfied and completion of the Tanghai Acquisition took place on 25 January 2013. Following the completion, Tanghai Zhongtai Xinhe has become an indirect subsidiary of the Company and the financial results of Tanghai Zhongtai Xinhe were consolidated into the financial statements of the Group.

The Group has paid a total sum of approximately RMB92,490,000 (equivalent to approximately HK$116,250,000) as consideration of the Tanghai Acquisition. The vendors of Tangshan Caofeidian are subject to pay the PRC individual income tax derived from the transfer of the equity interest of Tangshan Caofeidian. As at the date of completion of the Tanghai Acquisition, such PRC individual income tax had not been settled. It was agreed by the vendors that they will not require the Company to pay the remaining portion of the consideration of RMB12,000,000 (equivalent to approximately HK$15,083,000) until the outstanding PRC individual income tax is settled by them.

The Group has appointed several external firms to conduct reconnaissance and began designing work. As at the date of this report, the Group is at the preliminary stage to plan and design the ecological leisure living area or resort area.

The Daya Bay Project

The Company, through its indirect wholly-owned PRC subsidiary, owns 東方新天地大廈 (Eastern New World Square*), which is a comprehensive property development project with a total gross floor area of approximately 69,171.7 sq.m. located at No.1 Zhongxing Zhong Road, Aotou Town, Daya Bay, Huizhou City, Guangdong Province, the PRC.

The selling of the residential portion of Eastern New World Square has commenced in May 2013 and the revenue generated has contributed to the turnover of the Group for the year ended 31 December 2013.

The Shanwei Projects

On 3 July 2013, Stand Gold Limited ("Stand Gold"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Huang Shih Tsai ("Mr. Huang"), pursuant to which Stand Gold has conditionally agreed to purchase from Mr. Huang and Mr. Huang has conditionally agreed to sell to Stand Gold the entire issued share capital of Prime Rosy Limited ("Prime Rosy") at a consideration of RMB476,900,000 (equivalent to approximately HK$572,280,000) which will be settled in full by the allotment and issuance of 1,546,702,702 new shares to Mr. Huang upon completion of the acquisition (the "Shanwei Projects Acquisition"). Details of the Shanwei Projects Acquisition are set out in the announcement of the Company dated 3 July 2013 and the circular of the Company dated 26 July 2013. The core assets under the Shanwei Projects Acquisition are Jin Bao Cheng Project and Hong Hai Bay Project (as defined below respectively).

* *For identification purposes only*

(1) *Jin Bao Cheng Project*

Jin Bao Cheng Project contains two parcels of land located on 中國廣東省汕尾市區汕尾大道 (Shanwei Main Road, Shanwei City, Guangdong Province, the PRC*), with a total site area of approximately 50,656 sq.m. and three 12-storey close to completion residential blocks erected thereon, among which, (a) one parcel of land is located on at the vicinity of 汕尾大道香洲頭地段西側與紅海大道交界口 (the junction of the western side of Shanwei Main Road, Xiangzhoutou Section and Honghai Main Road*), and (b) one parcel of land is located on at the vicinity of 汕尾大道荷包嶺段西側實力汽車修配廠後面與紅海大道交界口 (the junction of the western side of Shanwei Main Road, Hebaoling Section, behind the Shili Car Repair Factory and Honghai Main Road*).

Development of the remaining portion of Jin Bao Cheng Project is expected to be completed by the third quarter of 2015.

(2) *Hong Hai Bay Project*

Hong Hai Bay Project contains four parcels of land located at the vicinity of the junction of No. S241 Province Road and No. X141 County Road Shanwei City, Guangdong Province, the PRC with a total site area of approximately 273,534.2 sq.m., among which, (a) one parcel of land is located on 遮浪南澳旅遊區「湖仔山」東側 (the east of Wuzishan, Zhelang Nanao Tourist Area*), (b) one parcel of land is located on 遮浪街道宮前南澳路東 (Gongqian Nanao Road East, Zhelangjiedao*); and (c) two parcels of land are located on 遮浪街道南澳旅遊區灣灘坑 (Wantankeng, Zhelangjiedao Nanao Tourist Area*).

It is the Board's current intention to develop Hong Hai Bay Project into a tourist and entertainment complex with residential development with a total gross floor area of approximately 720,000 sq.m.. Development of Hong Hai Bay Project is expected to be completed in the period from the end of 2014 to the second quarter of 2019 by stage.

The Shanwei Projects Acquisition constituted a major and connected transaction for the Company under the Listing Rules. Accordingly, the Shanwei Projects Acquisition was subject to the reporting, announcement and the independent shareholders' approval requirements set out in the Listing Rules. The Shanwei Projects Acquisition was approved by independent shareholders at the extraordinary general meeting held by the Company on 12 August 2013. All conditions precedent to the agreement for Shanwei Projects Acquisition have been satisfied and completion of the Shanwei Projects Acquisition took place on 16 October 2013. Following the completion, Prime Rosy became the wholly-owned subsidiary of the Company.

* *For identification purposes only*

The Heqing Project

On 16 December 2013, the Company and its wholly owned subsidiary, Great China Properties (Shanghai) Limited, entered into a cooperation agreement with Greenland Hong Kong Holdings Limited ("Greenland HK") and its subsidiaries, pursuant to which the parties to the cooperation agreement conditionally agree to jointly develop the two parcels of land located in Shanghai, the PRC (the "Land"), among which one parcel of land with boundaries East to land with Lot No. 13-02, West to Qingli Road, South to land with Lot No.13-02, North to South Huanqing Road, Heqing Town, Pudong New Area, Shanghai, the PRC* (上海浦東新區合慶鎮，四至範圍東至13-02地塊，西至上海市慶利路，南至13-02地塊，北至上海市環慶南路); and (b) one parcel of land with boundaries East to land with Lot No. 14-03, West to Lingyang Road, South to land with Lot No. 14-03, North to South Huanqing Road, Heqing Town, Pudong New Area, Shanghai, the PRC* (上海浦東新區合慶鎮，四至範圍東至14-03地塊，西至上海市凌楊路，南至14-03地塊，北至上海市環慶南路). The Land is intended to be used for commercial and office purposes.

On 10 January 2014, all the conditions precedent under the cooperation agreement had been satisfied and completion took place on the same date. Upon completion, each of the Company and Greenland HK holds a 50% stake in the project. Details please refer to the announcement of the Company dated 16 December 2013 and the circular of the Company dated 30 January 2014.

Change of Company Name

On 14 January 2013, the Board proposed to change the English name of the Company from "Waytung Global Group Limited" to "Great China Properties Holdings Limited" and the Chinese name of the Company from "滙通天下集團有限公司" to "大中華地產控股有限公司" (the "Change of Company Name"). The Board considered that the Change of Company Name can more accurately reflect the principal activities of the Group and provide the Company with a new corporate image and identity. The Change of Company Name was approved by the shareholders at the extraordinary general meeting held by the Company on 7 February 2013. The Certificate of Change of Name was issued by the Registrar of Companies in Hong Kong on 5 March 2013 confirming that the Change of Company Name has become effective.

Upon the effective of the Change of Company Name, the logo of the Company has been changed accordingly. The website of the Company has been changed to www.greatchinaproperties.com with effect from 6 March 2013. The stock short names for trading in the shares of the Company on the Stock Exchange has been changed from "WAYTUNG GLOBAL" to "GREAT CHI PPT" in English and from "滙通天下" to "大中華地產控股" in Chinese, both with effect from 12 March 2013. The stock code of the Company on the Stock Exchange remains unchanged as "21". Details are set out in the announcement of the Company dated 7 March 2013.

BUSINESS OUTLOOK

With the moderate recovery of the macro economy, increasing urbanization and growing per capita wealth of Chinese citizens, demand on mid- to high-end commercial and tourism property development is likely to be driven up. The Group's business and future strategy will continue to be focusing on mid- to high-end commercial and tourism property development and investment. Riding on its solid foundation of existing projects, the Group remains on the lookout for high quality and cost effective investment opportunities to enhance investment returns, as well as to gradually diversify its income source.

* *For identification purposes only*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESTRUCTURE

As at 31 December 2013, bank balances and cash of the Group amounted to approximately HK$15,604,000 (31 December 2012: HK$22,955,000). The Group's total current assets as at 31 December 2013 amounted to approximately HK$498,935,000, which comprised completed properties held for sales, trade receivables, other receivables, held for trading investments, bank balances and cash. The Group's total current liabilities as at 31 December 2013 amounted to approximately HK$201,544,000, which comprised trade payables, other payables, deposit received, and accrued charges, amounts due to related companies and amount due to a director.

On 10 June 2013, 203,225,000 new shares in the Company were issued and allotted to Mr. Huang Shih Tsai at an issue price of HK$0.305 each by the Company in settlement of part of the shareholders' loan advanced to the Company by Mr. Huang in the amount of HK$61,983,625 pursuant to the settlement agreement dated 22 April 2013 entered into by the Company and Mr. Huang.

On 16 October 2013, 1,546,702,702 new shares in the Company were issued and allotted to Mr. Huang Shih Tsai at an issue price of HK$0.370 each by the Company as consideration for the acquisition of subsidiaries, among which 354,458,730 shares were placed to independent third parties at a placing price of HK$0.370 each pursuant to a placing agreement entered into between Mr. Huang and a placing agent.

CAPITAL COMMITMENT

As at 31 December 2013, the Group had a total capital commitment of approximately HK$845,691,000, contracted for but not provided for in the financial statements, which comprised (i) approximately HK$3,151,000 in respect of the acquisition of plant and equipment; (ii) approximately HK$448,150,000 in respect of the construction and development of investment properties and (iii) approximately HK$394,390,000 in respect of the investment in an associate.

CHARGES ON ASSETS

As at 31 December 2013, the Group had not charged any of its assets.

EMPLOYEES

As at 31 December 2013, the Group employed 99 employees (excluding directors) (31 December 2012: 49 employees) and the related staff costs amounted to approximately HK$11,411,000 (31 December 2012: approximately HK$4,380,000). Staff remuneration packages, which are reviewed annually, include salary/wage and other benefits, such as medical insurance coverage, provident fund and share options.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of Great China Properties Holdings Limited (the "Company") has been committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interest and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period for the year ended 31 December 2013.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

THE BOARD OF DIRECTORS

The Board is responsible for reviewing, evaluating and finalising the Company's strategies and policies, annual budgets, business plans and performance, and has full access to adequate, reliable and timely information on the Group so as to enable them to make a timely decision. It also has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs.

One of the roles of the Board is to protect and enhance shareholders' value. The Board acts with integrity and due care for the best interests of the Company and its shareholders. Leading the Group in a responsible and effective manner, the Board adopts formal terms of reference which detail its functions and responsibilities, including, but not limited to, ensuring competent management, approving objectives, strategies and business plans and monitoring integrity in the Company's conduct of affairs. The management is obliged to supply the Board with adequate information in a timely manner to enable the members to make informed decisions and to discharge their duties and responsibilities. Each director has separate and independent access to the Group's senior management to acquire more information and to make further enquiries if necessary.

The Board is also responsible for performing the corporate governance duties of the Company. The duties of the Board on corporate governance functions includes developing and reviewing the Group's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management and reviewing the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board currently comprises two Executive Directors, namely Mr. Huang Shih Tsai and Ms. Huang Wenxi; and three Independent Non-executive Directors, namely Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. Mr. Huang Shih Tsai is the father of Ms. Huang Wenxi. The Company will continue in seeking right candidates for board members so as to achieve a balanced and diversified composition of the Board which can effectively exercise independent judgement.

Each director has different professional and industrial experience, which enable them to make valuable and diversified advice and guidance to the Group's activities and development. Details of the background and qualifications of the directors of the Company are set out on page 3 to 4 of this annual report. The Company has received, from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Candidates to be nominated as directors are experienced, high calibre individuals. Under the Articles of Association of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting after his appointment and shall then be subject to re-election by the shareholders. Apart from this, every director, including the non-executive director, is subject to retirement by rotation at least once every three years.

During the financial year ended 31 December 2013, inclusive of the quarterly regular meetings according to the CG Code, the Board held a total of ten board meetings. The attendance of each director is set out on page 16.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 23 August 2007, Ms. Huang Wenxi was designated as the Chief Executive Officer of the Company whereas Mr. Huang Shih Tsai was appointed as the Chairman of the Company on 29 June 2007. Mr. Huang Shih Tsai is the father of Ms. Huang Wenxi. From 23 August 2007 onwards, the role of the Chairman and the Chief Executive Officer are segregated, with a clear division of responsibilities. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

BOARD COMMITTEES

The Board has established three committees in accordance with the CG Code, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice when appropriate and upon request. Details of these board committees, including their compositions, major responsibilities and functions, and work performed during the year ended 31 December 2013 are set out below:

Remuneration Committee

The Remuneration Committee currently comprises one Executive Director, namely Mr. Huang Shih Tsai; and three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (chairman of the Remuneration Committee), Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. It reviews and determines the policy for the remuneration of directors and senior management of the Company.

The primary responsibilities of the Remuneration Committee are:

(i) conducting regular review of the remuneration policy of Group's directors and senior management;

(ii) making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;

(iii) making recommendation to the Board on remuneration packages of the Company's directors;

(iv) determining remuneration packages of senior management proposed by the directors of the Company that will attract, motivate and retain the competent staff;

(v) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(vi) reviewing and approving compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment or any compensation arrangements relating to dismissal or removal of director for misconduct; and

(vii) recommending the Board of the structure of long-term incentive plans for executive directors and certain senior management.

During the financial year ended 31 December 2013, three remuneration committee meetings were held to review and approve the appointment and remuneration of the directors of the Company and discretionary bonus of the senior management of the Company. The attendance of each committee member is set out on page 16.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (chairman of the Audit Committee), Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. The Audit Committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

The primary responsibilities of the Audit Committee are:

(i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any resignation and dismissal of that auditor;

(ii) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standard;

(iii) liaising with the Board, senior management and the auditors to monitor the integrity of financial statements, the interim and annual reports in particular on its accounting policies and practices and compliance with accounting standards, the Listing Rules and other legal requirements in relation to financial reporting;

(iv) reviewing the financial control, internal control and risk management system to ensure the management of the Company discharge its duty to have an effective internal control system; and

(v) reviewing the report and management letter submitted by external auditors; and considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

For the financial year ended 31 December 2013, four audit committee meetings were held to review the financial results and the accounting principles and practices adopted by the Group for the year; the issues in relation to the change of external auditors of the Company; and also the reviewed report on reviewing the financial system and internal control procedures of the Group issued by an independent professional firm.

Nomination Committee

The Nomination Committee was established on 6 March 2012 and comprises one Executive Director, namely Mr. Huang Shih Tsai (chairman of the Nomination Committee) and two Independent Non-executive Directors, namely Mr. Cheng Hong Kei and Mr. Lum Pak Sum. The primary responsibilities of the Nomination Committee are:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the board to complement the Company's corporate strategy;

(b) identifying and nominating for approval of the Board suitably qualified candidates as additional directors or to fill Board vacancies as they arise;

(c) making recommendations to the Board with respect to the re-election by shareholders of any director under the relevant provisions in the Company's Articles of Association;

(d) assessing the independence of the candidates in the case of appointment and re-appointment of independent non-executive directors having regard to relevant guidelines or requirements of the Listing Rules in place from time to time; and

(e) assessing the independence of independent non-executive directors on an annual basis having regard to relevant guidelines or requirements of the Listing Rules in place from time to time.

1 meeting was held by the Nomination Committee during the year ended 31 December 2013 to make recommendation to the board on the re-appointment of directors.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at general meetings and meetings of the Board and Committees during the year ended 31 December 2013:

	General Meeting	Board Meeting	Meeting of Audit Committee	Meeting of Remuneration Committee	Meeting of Nomination Committee
Executive Directors					
Huang Shih Tsai	1/4	10/10	N/A	3/3	1/1
Huang Wenxi	4/4	10/10	N/A	N/A	N/A
Independent Non-executive Directors					
Cheng Hong Kei	3/4	10/10	4/4	3/3	1/1
Leung Kwan, Hermann	3/4	10/10	4/4	3/3	N/A
Lum Pak Sum	3/4	10/10	4/4	3/3	1/1

DELEGATION BY THE BOARD

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to senior staffs that are responsible for different aspects of the operations of the Group.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance coverage in respect of legal action against the Directors in compliance with the CG Code. The insurance coverage is reviewed on an annual basis.

TRAINING AND SUPPORT FOR DIRECTORS

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company. The Company will also arrange and provide finance for suitable training, placing an appropriate emphasis on the roles, functions and duties of its Directors.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged suitable trainings for Directors in the form of seminar and provision of training materials. A summary of training received by Directors during the year ended 31 December 2013 according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, insider information and other relevant topics
Executive Directors	
Mr. Huang Shih Tsai	✓
Ms. Huang Wenxi	✓
Independent non-executive Directors	
Mr. Cheng Hong Kei	✓
Mr. Leung Kwan, Hermann	✓
Mr. Lum Pak Sum	✓

ACCOUNTABILITY AND AUDIT

The Board is responsible to ensure the preparation of the financial statements of the Company and the Group is in accordance with the relevant statutory requirements and applicable accounting standards and to ensure the published financial statements should be in a timely manner and can provide a true and fair view of the business and financial information of the Group. In preparing the financial statements, the Board has adopted Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinances that are relevant to its operations.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditor's Report attached to the Company's financial statements for the year ended 31 December 2013.

The Board has conducted a review of the effectiveness of the Group's internal control system with an aim to safeguard the shareholders' investment and the Company's assets in compliance with the provision of the CG Code. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Group's business objectives.

AUDITORS' REMUNERATION

Remuneration paid and payable to the auditors of the Company in respect of their services for the year ended 31 December 2013 are as follows:

Services rendered	HK$'000
Audit related services	753
Non-audit related services	759

The non-audit related services mainly consist of provision of professional services for major and connected transaction during the year.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited, who were appointed as the Company's auditors under the name of HLB Hodgson Impey Cheng on 20 January 2012 to fill the casual vacancy arising from the resignation of Grant Thornton Jingdu Tianhua on 17 January 2012.

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited which has been appointed as the auditors of the Company by the shareholders at the annual general meeting held on 29 May 2012.

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by LO & LO CPA Limited who were appointed as the Company's auditors on 15 November 2010 to fill the casual vacancy arising from the resignation of SHINEWING (HK) CPA Limited on 5 November 2010. On 1 April 2011, LO & LO CPA Limited had joined Grant Thornton Jingdu Tianhua. The combined firm was continued to practice under the name of Grant Thornton Jingdu Tianhua and was continued to provide its audit services to the Group till its resignation on 17 January 2012.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

INTERNAL CONTROL

On 11 February 2014, the Company has appointed an independent professional firm to conduct a review on the operations of the Group during the year ended 31 December 2013 on the human resource, the construction and the construction payment cycles, as well as the compliance of the Corporate Governance Code and Corporate Governance Report.

The review report issued by the independent professional firm has been discussed and reviewed by the Audit Committee. The review report did not reveal significant deficiencies in operations of the Group on the human resource, the construction and the construction payment cycles, as well as the compliance of the Corporate Governance Code and Corporate Governance Report.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management functions.

COMPANY SECRETARY

Ms. Ng Ling Ling, who was the secretary of the Company until her resignation on 6 December 2013, confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 December 2013.

Ms. So Chit Fun, Lydia has been appointed as the secretary of the Company on 23 December 2013. Her biography details are set out in section headed "Directors and Senior Management Profiles" in this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and to put forward proposals at Shareholders' meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company by mail at Suite 6308, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting on the date not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) himself (themselves) may do so in the same manner, 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.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Suite 6308, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

INVESTOR RELATIONS

Constitutional Documents

The Change of Company Name became effective on 5 March 2013. In view of such change, the Memorandum and Articles of Association of the Company ("M&A") has been changed accordingly. Details of the amendment to the M&A are set out in the circular of the Company dated 16 January 2013. The latest M&A has also been published on the websites of the Stock Exchange and the Company.

Communication with Shareholders

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public at large, the Company maintains a website (www.greatchinaproperties.com) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and shareholders circulars are being made available.

The Board is endeavour to maintain an on-going dialogue with shareholders. The chairman of the Board and members of the Board Committee will attend the annual general meeting to answer questions.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 46 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the Consolidated Statement of Comprehensive Income on page 30 of this annual report.

DIVIDENDS

The Board did not recommend the payment of dividend during the year.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 98 of this annual report.

FIXED ASSETS

Details of movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 15 and 16 respectively to the financial statements.

SHARE CAPITAL

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

RESERVES

Details of movement in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 33.

DIRECTORS

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

Executive Directors

Huang Shih Tsai (re-designated from Non-executive Director on 5 April 2013)
Huang Wenxi

Independent Non-executive Directors

Cheng Hong Kei
Leung Kwan, Hermann
Lum Pak Sum

In accordance with clause 103(A) of the Company's Articles of Association, Ms. Huang Wenxi, Mr. Cheng Hong Kei and Mr. Leung Kwan, Hermann will retire by rotation and will offer themselves for re-election at the forthcoming annual general meeting.

Save as prescribed in the Listing Rules and the respective service contracts, the term of office of each Independent Non-executive Director is for a period from the date of appointment up to the next annual general meeting and subjected to rotation pursuant to the Company's Articles of Association.

SERVICE CONTRACTS OF DIRECTORS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2013, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Directors	Capacity in which interests are held	Number of Shares/underlying Shares interested				Approximate percentage of the issued share capital of the Company *(Note 1)*
		Personal interests	Corporate interests	Underlying interests	Total	
Mr. Huang Shih Tsai *(Note 2)*	Beneficial Owner	1,811,672,476	–	38,000,000	1,849,672,476	55.84
Ms. Huang Wenxi *(Note 3)*	Beneficial Owner	353,667,996	282,133,413	1,000,000	636,801,409	19.22
Mr. Cheng Hong Kei *(Note 4)*	Beneficial Owner	–	–	1,000,000	1,000,000	0.03
Mr. Leung Kwan, Hermann *(Note 4)*	Beneficial Owner	–	–	1,000,000	1,000,000	0.03
Mr. Lum Pak Sum *(Note 4)*	Beneficial Owner	–	–	1,000,000	1,000,000	0.03

Notes:

1. The percentage shareholding in the Company is calculated on the basis of 3,312,698,406 Shares in issue as at 31 December 2013.

2. The interest disclosed represents (i) Mr. Huang's personal interest in 1,811,672,476 shares; (ii) underlying interests in the remaining 37,000,000 underlying shares pursuant to an option deed dated 31 August 2009 entered into between Mr. Huang and CCB International Asset Management Limited; and (iii) 1,000,000 unlisted physically settled options granted pursuant to the 2011 Share Option Scheme.

3. The interest disclosed represents (i) Ms. Huang's personal interest in 353,667,996 shares; (ii) 282,133,413 shares held by Brilliant China Group Limited which is 100% owned by Ms. Huang; and (iii) 1,000,000 unlisted physically settled options granted pursuant to the 2011 Share Option Scheme.

4. The relevant interests are unlisted physically settled options granted pursuant to the 2011 Share Option Scheme.

Save as disclosed above, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or its subsidiaries or jointly controlled entity, a party to any arrangements that enabled any director of the Company to acquire benefits by means of the acquisition of shares in the Company or of any other body corporate.

None of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, so far as is known to any Director or chief executive of the Company, the following person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in the shares of the Company

Name of Shareholders	Type of interests	Total number of shares held	Approximate percentage holding of total issued shares %
Brilliant China Group Limited	Corporate *(Note 2)*	282,133,413	8.52

Notes:

1. The percentage shareholding in the Company is calculated on the basis of 3,312,698,406 Shares in issue as at 31 December 2013.

2. Brilliant China Group Limited ("Brilliant China") is a company 100% owned by Ms. Huang Wenxi. By virtue of the SFO, Ms. Huang is deemed to be interested in 282,133,413 Shares held by Brilliant China. Ms. Huang is the sole director of Brilliant China.

Save as disclosed above, as at 31 December 2013, the Company has not been notified of any other person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of its independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has also assessed the independence of the independent non-executive directors and was satisfied that they were independent. Thus, the Company considers all of the independent non-executive directors are independent.

RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed in note 44 to the financial statements.

CONTINUING CONNECTED TRANSACTION

Property Leasing Agreement

On 31 January 2013, 滙通天下控股(中國)有限公司 (Waytung Global Holding (China) Limited*) ("Waytung China"), a wholly-owned subsidiary of the Company, entered into a property leasing agreement with 大中華國際集團(中國)有限公司 (Great China International Group (China) Limited*) ("GCI") in relation to the leasing of an office from GCI for a term of two years commencing from 1 February 2013. Waytung China shall pay a monthly rental of RMB180,000 and a monthly management fee, air-conditioning and maintenance fees of RMB36,480. The rent free period commenced from 1 February 2013 for 3 months to 30 April 2013. GCI is indirectly wholly-owned by Mr. Huang Shih Tsai, a substantial shareholder, the Chairman and the Executive Director of the Company. Ms. Huang Wenxi, a substantial shareholder, the Chief Executive Officer and the Executive Director of the Company, is the authorised representative and the chairman of the board of GCI. As such, GCI is a connected person of the Company. Accordingly, the transaction constitutes a continuing connected transaction of the Company.

The above continuing connected transactions did not exceed the relevant annual cap amounts. The Independent Non-executive Directors have reviewed the continuing connected transactions of the Company and confirmed that they were:

i. entered into in the ordinary and normal course of business of the Group;

ii. on normal commercial terms; and

iii. entered into in accordance with the relevant agreements regulating these transactions and on terms that are reasonable and fair and are in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has appointed the auditor of the Company to carry out certain procedures on the above continuing connected transactions on the sample basis in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants.

HLB Hodgson Impey Cheng Limited, the auditor of the Company, has provided a letter to the Board in respect of the continuing connected transaction disclosed above for the year ended 31 December 2013 and confirmed that:

i. the continuing connected transactions have been approved by the Board;

ii. in relation to those transactions involving provisions of goods and services of the Group, the pricing of the transactions, on a sample basis, were in accordance with the pricing policy of the Group;

iii. the transactions, on a sample basis, were entered into in accordance with the relevant agreements governing these continuing connected transactions; and

iv. the values of all the above continuing connected transactions did not exceed the relevant annual caps.

COMPETITION AND CONFLICTS OF INTEREST

During the year up to the date hereof, save as disclosed in note 44, none of the directors or the controlling shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined under the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

* *For identification purposes only*

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of listed companies (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Company has adopted and complied generally with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013. Details of the Corporate Governance Report of the Company are set out in pages 12 to 19.

SHARE OPTION SCHEME

The Company adopts a share option scheme on 23 May 2011 (the "2011 Share Option Scheme"). Particulars of share options outstanding under the 2011 Share Option Scheme at the beginning and at the end of the year ended 31 December 2013 and share options granted, exercised, lapsed or cancelled under the 2011 Share Option Scheme during such period are as follows:

Participants	Date of grant	Exercise period of share option	Exercise price of share options HK$	Number of share options held as at 1 January 2013	Granted during the year ended 31 December 2013	Exercised during the year ended 31 December 2013	Lapsed/ cancelled during the year ended 31 December 2013	Number of share options held as at 31 December 2013
Directors								
Mr. Huang Shih Tsai	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	1,000,000	–	–	1,000,000
Ms. Huang Wenxi	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	1,000,000	–	–	1,000,000
Mr. Cheng Hong Kei	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	1,000,000	–	–	1,000,000
Mr. Leung Kwan, Hermann	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	1,000,000	–	–	1,000,000
Mr. Lum Pak Sum	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	1,000,000	–	–	1,000,000
Sub-total				**-**	**5,000,000**	**-**	**-**	**5,000,000**
Employees	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	4,000,000	–	1,000,000	3,000,000
Others	23/1/2013	23/1/2015 to 22/1/2023	0.440	–	1,000,000	–	–	1,000,000
Total				**-**	**10,000,000**	**-**	**1,000,000**	**9,000,000**

EMOLUMENT POLICY

The emoluments of the employees of the Group are determined on the basis of their merit, qualification and competence. The management's remuneration proposals are reviewed and approved by the remuneration committee with reference to the Board's corporate goals and objectives.

The emoluments of the directors and senior management of the Company are determined by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the directors' emoluments for the year ended 31 December 2013 is set out in note 11 to the financial statements.

As at 31 December 2013, the Group employed 99 employees (excluding directors) (31 December 2012: 49 employees) and the related staff costs amounted to approximately HK$11,411,000 (31 December 2012: approximately HK$4,380,000). Staff remuneration packages, which are reviewed annually, include salary/wage and other benefits, such as medical insurance coverage, provident fund and share options.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme for the year ended 31 December 2013 is set out in note 37 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, revenue of approximately HK$12,153,000 (2012: HK$12,890,000) arose from the Group's largest customer.

The Group has none major suppliers as defined under the Listing Rules.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's major customer.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements as set out in Appendix 14 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Cheng Hong Kei (chairman of the Audit Committee), Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. The Group's final result for the year ended 31 December 2013 has been reviewed by the Audit Committee.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited, who were appointed as the Company's auditors under the name of HLB Hodgson Impey Cheng on 20 January 2012 to fill the casual vacancy arising from the resignation of Grant Thornton Jingdu Tianhua on 17 January 2012.

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited which has been appointed as the auditors of the Company by the shareholders at the annual general meeting held on 29 May 2012.

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by LO & LO CPA Limited who were appointed as the Company's auditors on 15 November 2010 to fill the casual vacancy arising from the resignation of SHINEWING (HK) CPA Limited on 5 November 2010. On 1 April 2011, LO & LO CPA Limited had joined Grant Thornton Jingdu Tianhua. The combined firm was continued to practice under the name of Grant Thornton Jingdu Tianhua and was continued to provide its audit services to the Group till its resignation on 17 January 2012.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

On behalf of the Board

Huang Shih Tsai
Chairman

Hong Kong, 28 March 2014

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

TO THE SHAREHOLDERS OF GREAT CHINA PROPERTIES HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Great China Properties Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 the 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2013, 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 Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate number: P05467

Hong Kong, 28 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**35,720**	13,008
Cost of sales		**(24,193)**	–
		11,527	13,008
Gain arising on change in fair value of held for trading investments		**6**	108
Gain (loss) on fair value change of investment properties		**6,229**	(4,598)
Loss on disposal of held for trading investments		**(39)**	(3)
Bargain purchase gain recognised in a business combination		**–**	803
Other operating (loss) income		**(10,078)**	45
Selling and distribution expenses		**(2,359)**	(136)
Administrative and operating expenses		**(36,187)**	(19,309)
Loss before taxation	9	**(30,901)**	(10,082)
Taxation	10	**1,859**	17
Loss for the year		**(29,042)**	(10,065)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations during the year		**15,411**	3,215
Total comprehensive loss for the year		**(13,631)**	(6,850)
Loss for the year attributable to:			
Owners of the Company		**(29,042)**	(10,065)
Non-controlling interests		**–**	–
		(29,042)	(10,065)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(13,631)**	(6,850)
Non-controlling interests		**–**	–
		(13,631)	(6,850)
Loss per share – basic and diluted	14	**(1.45) HK cents**	(0.85) HK cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	3,352	3,305
Investment properties	16	244,729	231,822
Goodwill	17	209,877	–
Properties under development	18	598,313	73,826
Prepayment for acquisition of plant and equipment		–	662
Prepayment for investment properties under development	19	39,925	38,903
Prepayment for acquisition of a subsidiary	20	–	108,641
Prepaid lease payment	21	36	84
		1,096,232	457,243
Current assets			
Completed properties held for sale	22	464,508	195,544
Trade receivables	23	3,393	2,009
Other receivables	24	15,247	32,387
Held for trading investments	25	183	768
Bank balances and cash	26	15,604	22,955
		498,935	253,663
Current liabilities			
Trade payables	27	32,002	31,908
Other payables, deposit received and accrued charges	28	50,982	57,973
Amounts due to related companies	30	68,198	65,905
Amount due to a director	31	50,362	51,237
		201,544	207,023
Net current assets		297,391	46,640
Total assets less current liabilities		1,393,623	503,883
Capital and reserves			
Share capital	32	33,127	15,628
Share premium and reserves		1,126,753	375,457
Equity attributable to owners of the Company		1,159,880	391,085
Non-controlling interests		13	(1)
		1,159,893	391,084
Non-current liabilities			
Amounts due to related companies	30	58,001	56,515
Deferred tax liabilities	33	175,729	56,284
		233,730	112,799
		1,393,623	503,883

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

Huang Shih Tsai
Director

Huang Wenxi
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**1**	5
Interests in subsidiaries	34	**1,229,327**	450,690
		1,229,328	450,695
Current assets			
Other receivables	24	**448**	273
Held for trading investments	25	**183**	768
Bank balances and cash	26	**1,835**	6,156
		2,466	7,197
Current liabilities			
Other payables, deposit received and accrued charges	28	**2,170**	1,728
Amount due to a subsidiary	29	**9,566**	9,586
Amount due to a director	31	**56,644**	57,513
		68,380	68,827
Net current liabilities		**(65,914)**	(61,630)
Total assets less current liabilities		**1,163,414**	389,065
Capital and reserves			
Share capital	32	**33,127**	15,628
Share premium and reserves	35	**1,130,287**	373,437
		1,163,414	389,065

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

Huang Shih Tsai
Director

Huang Wenxi
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Capital reduction reserve HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	463,827	35,767	–	–	15,607	(230,155)	285,046	(1)	285,045
Exchange difference arising on translation of foreign subsidiaries	–	–	–	–	3,215	–	3,215	–	3,215
Loss for the year	–	–	–	–	–	(10,065)	(10,065)	–	(10,065)
Total comprehensive loss for the year	–	–	–	–	3,215	(10,065)	(6,850)	–	(6,850)
Capital reduction *(note 32(ii)(b), 35(i), (ii) and (iii))*	(452,231)	(35,767)	265,505	–	–	222,493	–	–	–
Issue of shares in respect of acquisition of subsidiaries	4,032	108,865	–	–	–	–	112,897	–	112,897
Cost attributable to issue of shares in respect of acquisition of subsidiaries	–	(8)	–	–	–	–	(8)	–	(8)
At 31 December 2012 and 1 January 2013	15,628	108,857	265,505	–	18,822	(17,727)	391,085	(1)	391,084
Exchange difference arising on translation of foreign subsidiaries	–	–	–	–	15,411	–	15,411	–	15,411
Loss for the year	–	–	–	–	–	(29,042)	(29,042)	–	(29,042)
Total comprehensive loss for the year	–	–	–	–	15,411	(29,042)	(13,631)	–	(13,631)
Recognised of equity-settled share-based payment	–	–	–	1,235	–	–	1,235	–	1,235
Non-controlling interests arising on the acquisition of assets through acquisition of a subsidiary	–	–	–	–	–	–	–	13	13
Release upon dissolution of a subsidiary	–	–	–	–	–	–	–	1	1
Issue of shares *(note 32(i), 35)*	2,032	59,951	–	–	–	–	61,983	–	61,983
Issue of shares in respect of acquisition of subsidiaries *(note 32(v), 35)*	15,467	703,750	–	–	–	–	719,217	–	719,217
Cost attributable to issue of shares in respect of loan settlement	–	(9)	–	–	–	–	(9)	–	(9)
At 31 December 2013	33,127	872,549	265,505	1,235	34,233	(46,769)	1,159,880	13	1,159,893

Notes:

(i) Translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are reclassified to accumulated losses on the disposal of the foreign operations.

(ii) Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(30,901)**	(10,082)
Adjustments for:		
Interest income	**(24)**	(16)
Gain arising on change in fair value of held for trading investments	**(6)**	(108)
Depreciation of property, plant and equipment	**1,059**	1,117
Gain on fair value change of investment properties	**(6,229)**	4,598
Impairment loss recognised on other receivable	**2,915**	–
Write-down on properties held for sale	**7,465**	–
Loss on disposal of held for trading investments	**39**	3
Bargain purchase gain recognised in a business combination	**–**	(803)
Loss on disposal of property, plant and equipment	**14**	–
Shared-based payment expense	**1,235**	–
Operating cash flows before movements in working capital	**(24,433)**	(5,291)
Decrease in completed properties held for sales	**3,392**	–
Decrease in held for trading investments	**552**	5
(Increase) decrease in trade receivables	**(1,384)**	15
Decrease (increase) in other receivables, deposit paid and prepayments	**4,419**	(16,032)
Decrease in trade payables	**(2,079)**	(468)
Increase in amounts due to related companies	**423**	439
(Decrease) increase in other payables, deposit received and accrued charges	**(36,618)**	515
Cash used in operations	**(55,728)**	(20,817)
Interest received	**24**	16
Taxation	**(145)**	(1,626)
NET CASH USED IN OPERATING ACTIVITIES	**(55,849)**	(22,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(339)**	(903)
Payment of properties under development	**(6,380)**	(73,050)
Payment for investment properties under development	**(493)**	(780)
Prepayment for purchase of plant and equipment	**(3,974)**	–
Prepayment for acquisition of a subsidiary	**–**	(24,434)
Acquisition of subsidiaries, net of cash acquired of	**(8,960)**	2,025
NET CASH USED IN INVESTING ACTIVITIES	**(20,146)**	(97,142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue expenses	**(9)**	(8)
Advance from a director	**56,638**	80,379
Repayment to a director	**–**	(22,902)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**56,629**	57,469
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(19,366)**	(62,100)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**22,955**	85,000
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**12,015**	55
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Bank balances and cash	**15,604**	22,955

1. GENERAL

Great China Properties Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are Suite 6308, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property development and investment, investment holding and security investment.

The consolidated financial statements are presented in Hong Kong Dollars, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated. The Group's major subsidiaries are operated in the People's Republic of China (the "PRC") with Renminbi ("RMB") as their functional currency.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1 January 2013. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle Issued in June 2012
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The application of HKFRS 10, HKFRS 11, HKFRS 12 HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on consolidated statements of comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle Issued in January 2014[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle Issued in January 2014[2]
HKFRS 9	Financial Instruments[5]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 No mandatory effective date yet determined but is available for adoption.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in the consolidated statement of comprehensive income. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010–2012 Cycle* will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Annual Improvements to HKFRSs 2011–2013 Cycle

The *Annual Improvements to HKFRSs 2011–2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011–2013 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in the consolidated statement of comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the consolidated statement of comprehensive income. Changes in fair value of financial liabilities attributable to changes in the financial liabilities credit risk are not subsequently reclassified to consolidated statement of comprehensive income. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in the consolidated statement of comprehensive income.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the defined benefit plan had no contribution made by employees or third parties.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made in the future.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company anticipate that the application of these amendments to HKAS 36 may result in more disclosures being made in the future.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effect will have no significant impact on the Group's financial performance and financial position for the future and/or the disclosure set out in the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instrument that are measured at fair values, as explained in the accounting policies below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Certain comparative figures of prior years have been re-presented to conform with the current year's presentation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of properties are recognised when the risks and rewards of properties are transferred to the purchasers, which is when the completion of sales contracts with customers; completion of construction of relevant properties; registration of sales contracts with local authority completed and the properties have been delivered to the purchasers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as receipts in advance from customers and grouped under current liabilities.

Rental income under operating leases of investment properties is recognised on a straight-line basis over the lease term.

Interest income from a financial asset is recognised when it is probable that economic benefits with flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Property management fee income is recognised in accordance with terms of respective agreements over the relevant period in which the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Furniture and fixtures	20%
Computer equipment	33.33%
Motor vehicles	20% – 30%
Machinery	10%
Leasehold improvement	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. These include land held for undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Properties under development

Properties under development represent construction in progress on lands and are carried at cost less any identified impairment loss.

Completed properties held for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated statement of comprehensive income in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of their tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group or the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Retirement benefits scheme

Payments to defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme in Hong Kong and the state-managed retirement benefit scheme in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

The full-time employees of the Group in the PRC are covered by state-managed retirement benefit scheme under which the employees are entitled to a monthly pension based on certain formulas. (The relevant government agencies are responsible for the pension liability to these retired employees.) The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'loans and receivables', 'held-to-maturity investments' and 'available-for-sale ("AFS") financial assets'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at FVTPL.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and have a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporated any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 (including trade receivables, other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less any impairment.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group or the Company has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see accounting policy on impairment losses on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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 are measured at cost less any identified impairment losses at the end of the each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the investment, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on other receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through 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.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities, including trade payables, other payables, deposit received and accrued charges, amount due to a director and amounts due to related companies, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group or the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

The Group or the Company derecognises financial liabilities when, and only when, the Group's or the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation 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 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.

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

Related party transactions

A party is considered to be related to the Group if:

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 the key management personnel of the Group or the Group's parent.

An entity is related to the Group if any of the following conditions applies:

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 employees of either the Group or an entity related to the Group.

vi. the entity is controlled or jointly controlled by a person identified in (a).

vii. a person identified in (a)(i) has significant influence over the entity or is a member of the 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 by, that person in their dealings with the entity.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operation decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainly

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtor of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowance may be required.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

Estimated fair value of investment properties

The investment properties were stated at fair value at the end of the reporting period based on a valuation carried out by an independent qualified valuer, as mentioned in note 16, and adopted by the directors of the Company. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In assessing the valuation, information from current prices in an active market for similar properties are considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

Estimates for net realisable value of completed properties held for sale

The Group assesses the carrying amounts of completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for completed properties held for sale at 31 December 2013.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated write-downs of completed properties held for sale

The Group writes completed properties held for sale to net realisable value based on assessment of the realisability of completed properties for sale, taking into account net sales value based on past experience and prevailing market conditions. If there is a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of completed properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. If the expectation is different, it will impact the carrying value and write-downs of completed properties held for sale in the period in which such estimate is changed.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit(s) to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2012, the goodwill was fully impaired. Details of the impairment loss calculation are disclosed in note 17.

Income tax

Deferred tax liabilities are provided for using the liability method, on all taxable temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each reporting date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the deductible temporary differences, the asset balance will be reduced and charged to profit or loss.

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on the asset's value-in-use. These assessments require the use of estimates.

The value-in-use primarily use cash flow projections based on financial budgets approved by management and estimated terminal values at the end of the period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value.

Key assumptions include the expected growth in revenues and operating margin, effective tax rate, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and/or prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (representing borrowings less cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves). The gearing ratio of the Group, based on total borrowings (including all interest bearing loan such as bank loan) to the equity (including all capital and reserves) of the group was 0% as at 31 December 2013 (31 December 2012: 0%). The Group and the Company are not subject to any externally imposed capital requirement.

The directors of the Company review the capital structure on a semi-annual basis and consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues and issue of new debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

THE GROUP

	2013 HK$'000	2012 HK$'000
Financial assets		
Financial assets at FVTPL		
Held for trading investments	**183**	768
Loans and receivables (including bank balances and cash)	**29,521**	56,175
	29,704	56,943
Financial liabilities		
Amortised cost	**248,743**	232,746

THE COMPANY

	2013 HK$'000	2012 HK$'000
Financial assets		
Financial assets at FVTPL		
Held for trading investments	**183**	768
Loans and receivables (including bank balances and cash)	**1,867**	331,160
	2,050	331,928
Financial liabilities		
Amortised cost	**11,736**	11,314

6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, other receivables, held for trading investments, bank balances and cash, trade payables, other payables, deposit received and accrued charges, amount due to a subsidiary, amounts due to related companies and amount due to a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

The Group's and the Company's exposure to risk resulting from changes in foreign currency exchange rates is mainly arising from financial assets and liabilities held by entities in the Group that are denominated in currencies other than their respective functional currencies.

THE GROUP

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**7,881**	22	**–**	–

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against USD. The sensitivity rate of 5% is used for reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong dollars strengthen 5% against USD. For a 5% weakening of the Hong Kong dollars against USD, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of USD	
	2013	2012
	HK$'000	HK$'000
Sensitivity rate	**5%**	5%
Effect on profit after tax and retained profits	**296**	1

THE COMPANY

The Company has no exposure to significant risk resulting from change in foreign currency rates.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Interest rate risk

The Group's and the Company's exposure to interest rate risk is minimal as the Group and the Company has no significant interest bearing financial assets and liabilities.

Other price risk

The Group and the Company are exposed to equity price risk through investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's equity price risk is mainly concentrated on equity securities listed on the Stock Exchange. In addition, the Group has appointed a team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's and the Company's exposure to equity price risk is minimal as the Group and the Company do not have significant investments in listed equity securities.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period at a sensitivity rate of 5%.

If equity prices had been 5% higher/lower, post-tax profit for the year ended 31 December 2013 would decrease/increase by approximately HK$8,000 (2012: decrease/increase by approximately HK$33,000). This is mainly due to the changes in fair value of held-for-trading investments.

Credit risk

As at 31 December 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

In respect of bank balances and cash, the Group and the Company limits their exposure to credit risk by transacting with approved and reputable banks with high credit ratings. Bankruptcy or insolvency of these banks may cause the Group's and the Company's rights with respect to these assets held to be delayed or limited. The Group and the Company monitors the credit ratings of these banks on an ongoing basis, and considers that the Group's and the Company's exposure to credit risk at 31 December 2013 and 2012 were minimal.

The Group and the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flow.

The maturity of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

THE GROUP

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

		At 31 December 2013				
	Weighted average effective interest rate	Within 1 year HK$'000	Within 2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	–	32,002	–	–	32,002	32,002
Other payables, deposit received and accrued charges	–	40,180	–	–	40,180	40,180
Amounts due to related companies	–	68,198	58,001	–	126,199	126,199
Amount due to a director	–	50,362	–	–	50,362	50,362
	–	190,742	58,001	–	248,743	248,743

		At 31 December 2012				
	Weighted average effective interest rate	Within 1 year HK$'000	Within 2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	–	31,908	–	–	31,908	31,908
Other payables, deposit received and accrued charges	–	27,181	–	–	27,181	27,181
Amounts due to related companies	–	65,905	56,515	–	122,420	122,420
Amount due to a director	–	51,237	–	–	51,237	51,237
	–	176,231	56,515	–	232,746	232,746

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

THE COMPANY

The table below analyses the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

		At 31 December 2013				
	Weighted average effective interest rate	Within 1 year HK$'000	Within 2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Other payables, deposit received and accrued charges	–	2,170	–	–	2,170	2,170
Amount due to a subsidiary	–	9,566	–	–	9,566	9,566
Amount due to a director	–	56,644	–	–	56,644	56,644
Total	–	68,380	–	–	68,380	68,380

		At 31 December 2012				
	Weighted average effective interest rate	Within 1 year HK$'000	Within 2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Other payables, deposit received and accrued charges	–	1,728	–	–	1,728	1,728
Amount due to a subsidiary	–	9,586	–	–	9,586	9,586
Amount due to a director	–	57,513	–	–	57,513	57,513
Total	–	68,827	–	–	68,827	68,827

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The carrying amounts of financial assets and financial liabilities reported in the Group's and the Company's statements of financial position approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. There were no financial instruments that were measured subsequent to initial recognition at fair value grouped into Level 2 and 3 at the end of the reporting period (2012: Nil) and there were no transfers between Levels 1 and 2 in both years.

Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from 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).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value (Continued)

THE GROUP AND THE COMPANY

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2013				
Fair value on a recurring basis				
Held for trading investments				
– Listed equity instruments	183	–	–	183

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2012				
Fair value on a recurring basis				
Held for trading investments				
– Listed equity instruments	768	–	–	768

There were no transfers between Levels 1, 2 and no transfers into or out of Level 3 in the current year and prior years.

7. TURNOVER

	2013 HK$'000	2012 HK$'000
Rental income	13,125	13,008
Sales of properties	22,097	–
Property management income	498	–
	35,720	13,008

8. SEGMENT INFORMATION

The Group has single reportable segment based on the location of the operations, which is the property development and investment located in the People's Republic of China (the "PRC"). The chief decision-maker of the Company reviews the revenue and the profit for the year of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the chief decision-maker of the Company. Therefore, no additional reportable segment and geographical information have been presented.

Information about major customers

During the year ended 31 December 2013, revenue of approximately HK$12,153,000 (2012: HK$12,890,000) arose from rental income from the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both years.

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Notes	2013 HK$'000	2012 HK$'000
Directors' remuneration	11	2,742	1,192
Share-based payment expenses (excluding directors)		412	–
Other staff costs		9,962	3,981
Retirement benefit scheme contributions (excluding directors)		1,037	399
Total staff costs		14,153	5,572
Auditors' remuneration		753	551
Cost of properties sold (included in cost of sales)		23,756	–
Depreciation of property, plant and equipment	15	1,059	1,117
Gain arising on change in fair value of held for trading investments		(6)	(108)
(Gain) loss on fair value change of investment properties		(6,229)	4,598
Loss on disposal of held for trading investments		39	3
Write-down of completed properties held for sale (included in other operating (loss) income)		7,465	–
Impairment loss recognised in respect of other receivables (included in other operating (loss) income)		2,915	–
Loss on disposal of property, plant and equipment		14	–
Bargain purchase gain recognised in a business combination	38	–	(803)
Operating lease rentals in respect of premises		4,395	2,746
Share-based payment expenses in respect of consulting services		137	–
Net foreign exchange loss (gain)		978	(6)
Dividend income from held for trading investments		–	(23)
Interest income (included in other operating (loss) income)		(24)	(16)
Gross rental income from investment properties		(13,125)	(13,008)
Direct operating expenses from investment properties that generated rental income during the year		2,011	1,974
		(11,114)	(11,034)

10. TAXATION

	Note	2013 HK$'000	2012 HK$'000
Current tax:			
Hong Kong Profits Tax		623	1,144
Over-provision in prior year:			
Hong Kong Profits Tax		(10)	(12)
Deferred tax	33	(2,472)	(1,149)
Taxation credit		(1,859)	(17)

10. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2012: 25%).

No provision for PRC Enterprise Income Tax has been made for both years as the Group has no assessable profit arising in PRC.

The tax for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Loss before taxation	(30,901)	(10,082)
Notional tax on loss before taxation	(4,984)	(1,595)
Tax effect of expenses not deductible for tax purpose	1,828	1,491
Tax effect of income not taxable for tax purpose	(1,303)	(899)
Under provision in prior year	(10)	(12)
Tax effect of tax losses not recognised	5,082	2,147
Tax effect of recognised temporary difference	(2,472)	(1,149)
Tax charge for the year	(1,859)	(17)

11. DIRECTORS' REMUNERATIONS

	2013 HK$'000	2012 HK$'000
Directors' fees:		
Executive director	261	150
Non-executive director	39	150
Independent non-executive directors	450	450
Other emoluments:		
Salaries and other benefits	1,291	428
Share-based payment	686	–
Retirement benefit scheme contributions	15	14
Total emoluments	2,742	1,192

There was no arrangement under which directors waived or agreed to waive any emoluments in the year ended 31 December 2013 and 2012. No emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office in both years.

11. DIRECTORS' REMUNERATIONS (Continued)

The remuneration of each director of the Company and the chief executive officer for the year are set out as follows:

	2013 HK$'000	2012 HK$'000
Director's remuneration of executive directors:		
Huang Wenxi (Chief Executive Officer)		
– Director's fee	150	150
– Share-based payment	138	–
– Salaries and other benefits	1,291	428
– Retirement benefit scheme contributions	15	14
	1,594	592
Huang Shih Tsai		
– Director's fee	111	–
– Share-based payment	102	–
	213	–
Director's remuneration of non-executive director:		
Huang Shih Tsai		
– Director's fee	39	150
– Share-based payment	35	–
	74	150
Director's remuneration of independent non-executive directors:		
Cheng Hong Kei		
– Director's fee	150	150
– Share-based payment	137	–
	287	150
Leung Kwan, Hermann		
– Director's fee	150	150
– Share-based payment	137	–
	287	150
Lum Pak Sum		
– Director's fee	150	150
– Share-based payment	137	–
	287	150
	2,742	1,192

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: one) was director of the Company, whose emoluments are set out in note 11.

The emoluments of the remaining four (2012: four) highest paid individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits	**3,040**	1,822
Retirement benefit scheme contributions	**58**	87
Share-based payment	**343**	–
	3,441	1,909

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
Nil to HK$ 1,000,000	**3**	4
HK$ 1,000,001 to HK$ 1,500,000	**1**	–

No emoluments were paid to the employees as inducement to join or upon joining the Group or as compensation for loss of office in both years.

13. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(29,042)**	(10,065)

	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,003,201**	1,179,397

The denominators used are same as those detailed above for both basic and diluted earnings per share for both years.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of share option was higher than the average market price of the Company's shares for the year ended 31 December 2013.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST						
At 1 January 2012	1,371	1,629	621	1,411	950	5,982
Additions	200	8	–	695	–	903
Acquired on acquisition of subsidiaries	26	8	–	95	–	129
Exchange alignment	12	11	7	14	–	44
Disposals	(189)	(1)	–	–	–	(190)
At 31 December 2012 and 1 January 2013	1,420	1,655	628	2,215	950	6,868
Additions	207	30	13	–	89	339
Acquired on acquisition of subsidiaries *(note 38, 39)*	36	–	–	–	–	36
Transfer from prepayment for acquisition of plant and equipment	–	–	–	–	662	662
Exchange alignment	48	40	21	44	23	176
Disposals	(21)	(12)	–	–	(13)	(46)
At 31 December 2013	**1,690**	**1,713**	**662**	**2,259**	**1,711**	**8,035**
ACCUMULATED DEPRECIATION						
At 1 January 2012	847	598	214	667	287	2,613
Charge for the year	224	290	71	342	190	1,117
Exchange alignment	8	7	5	3	–	23
Eliminated on disposals	(189)	(1)	–	–	–	(190)
At 31 December 2012 and 1 January 2013	890	894	290	1,012	477	3,563
Charge for the year	180	295	73	310	201	1,059
Exchange alignment	34	24	13	16	6	93
Eliminated on disposals	(14)	(12)	–	–	(6)	(32)
At 31 December 2013	**1,090**	**1,201**	**376**	**1,338**	**678**	**4,683**
CARRYING AMOUNT						
At 31 December 2013	**600**	**512**	**286**	**921**	**1,033**	**3,352**
At 31 December 2012	530	761	338	1,203	473	3,305

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

THE COMPANY

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Total HK$'000
COST			
At 1 January 2012, 31 December 2012 and 1 January 2013	113	61	174
Disposals	(6)	(11)	(17)
At 31 December 2013	**107**	**50**	**157**
ACCUMULATED DEPRECIATION			
At 1 January 2012	87	53	140
Charge for the year	22	7	29
At 31 December 2012 and 1 January 2013	109	60	169
Charge for the year	3	1	4
Eliminated on disposals	(6)	(11)	(17)
At 31 December 2013	**106**	**50**	**156**
CARRYING AMOUNT			
At 31 December 2013	**1**	**–**	**1**
At 31 December 2012	4	1	5

16. INVESTMENT PROPERTIES

THE GROUP

	Note	Investment properties completed (at fair value) HK$'000	Investment properties under development (at cost) HK$'000	Total HK$'000
At 1 January 2012		89,374	14,906	104,280
Additions		–	780	780
Exchange alignment		625	121	746
Acquired on acquisition of subsidiaries	*38*	130,614	–	130,614
Net decrease in fair value recognised in profit or loss		(4,598)	–	(4,598)
At 31 December 2012 and 1 January 2013		216,015	15,807	231,822
Additions		–	493	493
Exchange alignment		5,762	423	6,185
Net increase in fair value recognised in profit or loss		6,229	–	6,229
At 31 December 2013		**228,006**	**16,723**	**244,729**

(a) The investment properties represent interests in land held under medium term leases in the PRC and buildings erected or being erected thereon.

(b) Investment properties under development are carried at cost as the management of the Company considers the fair value of investment properties under development cannot be reliably determined due to some construction still not commenced at 31 December 2013.

(c) The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

16. INVESTMENT PROPERTIES (Continued)

THE GROUP (Continued)

(d) ***Investment properties***

The valuation was arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. There has been no change from the valuation technique used in the prior year.

	Investment properties at 31 December 2013 HK$'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in Huizhou	139,459	Level 3	Direct comparison method – based on price per square meter, using market observable comparable prices of similar properties ranging from HK$19,334/sq.m. to HK$32,223/sq.m., and adjusted taking into account of locations and other individual factors such as size of property and conditions of prices.	The higher the price, the higher the fair value.
Investment properties in Haifeng County	88,547	Level 3	Direct comparison method – based on price per square meter, using market observable comparable prices of similar properties ranging from HK$365/sq.m. to HK$1,800/sq.m., and adjusted taking into account of locations and other individual factors such as road frontage, size of property and conditions of prices.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES (Continued)

THE GROUP (Continued)

(e) Fair value measurement of properties

(i) Fair value hierarchy

		Group Recurring fair value measurement		
	Fair value at 31 December 2013 HK$'000	**quoted market price Level 1** HK$'000	**using observable inputs Level 2** HK$'000	**with significant unobservable inputs Level 3** HK$'000
Investment properties located in PRC	228,006	–	–	228,006

During the year ended 31 December 2013, there was no transfer into or out of Level 3.

(ii) Reconciliation of fair value measurement in Level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 properties, measured at fair value using a valuation technique with significant unobservable inputs:

	Investment properties completed (at fair value) HK$'000
At 1 January 2013	216,015
Surplus on revaluation	
– Credited to statement of comprehensive income	6,229
Exchange alignment	5,762
	228,006

17. GOODWILL

THE GROUP

	Note	HK$'000
COST		
At 1 January 2012		14,118
Exchange alignment		107
At 31 December 2012 and 1 January 2013		14,225
Addition	38	209,877
Exchange alignment		240
At 31 December 2013		**224,342**
ACCUMULATED IMPAIRMENT		
At 1 January 2012		(14,118)
Exchange alignment		(107)
At 31 December 2012 and 1 January 2013		(14,225)
Exchange alignment		(240)
At 31 December 2013		**(14,465)**
CARRYING AMOUNT		
At 31 December 2013		**209,877**
At 31 December 2012		–

For the year ended 31 December 2013

For the purpose of impairment testing, goodwill has been allocated to a cash generating unit (the "CGU"). The CGU including two subsidiaries, 汕尾大中華國際實業有限公司 and 汕尾市大中華實業有限公司 in property development and investment segment.

The recoverable amount of the CGU of property development and investment has been determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 28.27% per annum. The cash flows for the 5-year period are assumed constant with zero growth rate. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions on which recoverable amount is based would not cause the aggregate carrying amount of the CGU of sales of properties to exceed the aggregate recoverable amount of the CGU of property development and investment.

At 31 December 2013, the directors of the Company have assessed the recoverable amount of goodwill generated from property development and investment and determined that no impairment loss associated with the CGU of property development and investment was recognised for the year.

For the year ended 31 December 2012

Goodwill has been allocated to a CGU. The CGU including three subsidiaries, Mega Top Capital Resources Limited, Gold Coast Tourism Development Limited and 海豐金麗灣度假村有限公司 (Haifeng Jinliwan Resort Company Limited*) ("Gold Coast PRC") in property development and investment segment.

The recoverable amount of the CGU that total impairment losses in the amount of approximately HK$14,225,000 were fully impaired.

* *For identification purpose only*

18. PROPERTIES UNDER DEVELOPMENT

THE GROUP

	2013 HK$'000	2012 HK$'000
Properties under development	598,313	73,826

Amount of approximately HK$361,496,000 and HK$147,015,000 were arising from acquisition of Prime Rosy Limited and its wholly owned subsidiaries (the "Prime Rosy Group") and 唐山市曹妃甸區中泰信和房地產開發有限公司 (Tangshan Caofeidian Zhongtai Xinhe Real Estate Company Limited*) ("Tangshan Caofeidian") (formerly known as 唐海中泰信和房地產開發有限公司 (Tanghai Zhongtai Xinhe Real Estate Company Limited*) respectively. Details are set out in notes 38 and 39 respectively.

The properties under development are located in the PRC and held under medium term lease.

19. PREPAYMENT FOR INVESTMENT PROPERTIES UNDER DEVELOPMENT

THE GROUP

On 16 June 2010, a subsidiary of the Company, Gold Coast PRC, entered into a construction contract with 深圳市焯楠建築裝飾工程有限公司 (Shenzhen Zhuonan Construction and Decoration Company Limited*) (the "Sub-contractor") for the construction and renovation of Gold Coast Resort in the sum of RMB55,000,000 (equivalent to approximately HK$70.89 million) of which initial payment of RMB22,500,000 (equivalent to approximately HK$29,000,000) was paid by the Group during 2010. During the year ended 31 December 2011, a further prepayment of approximately RMB8,476,000 (equivalent to approximately HK$10,925,000) was paid to the Sub-contractor by the Group. As at 31 December 2013, the Group paid an aggregated amount of approximately RMB30,976,000 (equivalent to approximately HK$39,925,000) to the Sub-contractor as the prepayment of the contract sum.

In March 2014, Gold Coast PRC entered into a release contract with the Sub-contractor, pursuant to which the Sub-contractor agreed to refund the prepayment paid by the Group (after deduction of certain expenses of approximately RMB1,928,000 (equivalent to approximately HK$2,485,000) incurred by the Sub-contractor for the construction and renovation of Gold Coast PRC). The prepayment of approximately RMB29,048,000 (equivalent to approximately HK$37,440,000) was settled.

20. PREPAYMENT FOR ACQUISITION OF A SUBSIDIARY

THE GROUP

The amount comprised a prepayment and other capital outlay in relation to the acquisition of the 99.99% equity interests of Tangshan Caofeidain. The acquisition was completed on 25 January 2013. Details of the acquisition are set out in note 39.

21. PREPAID LEASE PAYMENT

THE GROUP

	2013 HK$'000	2012 HK$'000
Operating lease payment prepaid in respect of land in the PRC	**84**	197
Analysed for reporting purposes as:		
Non-current assets	**36**	84
Current assets (included in other receivables)	**48**	113
	84	197

The Group's prepaid land lease payments represent payment for land use rights outside Hong Kong under medium term leases.

22. COMPLETED PROPERTIES HELD FOR SALE

	2013 HK$'000	2012 HK$'000
Completed properties held for sale	**464,508**	195,544

The completed properties held for sale are located in the PRC.

Completed properties held for sale are stated at cost less impairment.

For the year ended 31 December 2013, amount of approximately HK$7,465,000 (2012: Nil) of completed properties held for sale was written-down to the consolidated statement of comprehensive income as a result of decrease in net realisable value of certain completed properties.

For the year ended 31 December 2013, amount of completed properties held for sale of approximately HK$282,018,000 was arising on acquisition of Prime Rosy Group. Details are set out in note 38.

For the year ended 31 December 2012, amount of completed properties held for sale of approximately HK$195,544,000 was arising on acquisition of Guo Rong Limited ("Guo Rong") and its wholly owned subsidiaries (the "Guo Rong Group"). Details are set out in note 38.

23. TRADE RECEIVABLES

THE GROUP

	2013 HK$'000	2012 HK$'000
Trade receivables	**3,393**	2,009

Trade receivables are derived from (i) sales of properties, consideration are paid in accordance with the terms of sale and purchase agreements, (ii) lease of properties, rental are paid in accordance with terms of rental agreement and (iii) building management fee. There are basically no credit terms for the sales of properties, the leases of properties business and building management fee.

The following is an aging analysis of trade receivables presented based on the income date and net of allowance for doubtful debts:

	2013 HK$'000	2012 HK$'000
0 – 30 days	**1,082**	9
31 – 60 days	**51**	9
61 – 90 days	**–**	9
Over 90 days	**2,260**	1,982
	3,393	2,009

The amount of trade receivables that are past due but not impaired is the same as above aging analysis of trade receivables.

Trade receivables that were past due but not impaired, relate to a number of independent customers. The directors of the Company consider that no impairment allowance is necessary in respect of these balances as there was no indication and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The directors of the Company closely review the trade receivable balances and any overdue balances on an ongoing basis and assessments are made by the directors of the Company on the collectability of overdue balances.

24. OTHER RECEIVABLES

THE GROUP

	2013 HK$'000	2012 HK$'000
Deposit paid	808	15,201
Other receivables *(note (i), (ii))*	12,672	16,010
Other prepayments	4,723	1,176
Allowance for bad and doubtful debts	(2,956)	–
	15,247	32,387

Movement in the allowance for doubtful debt

	2013 HK$'000	2012 HK$'000
Balance at the beginning of the year	–	–
Impairment losses recognised on other receivables	2,956	–
Balance at the end of year	2,956	–

Included in the allowance for doubtful debts are individually impaired other receivables with a balance of approximately HK$2,956,000 which have been under legal preceding. The impairment recognised represents the difference between the carrying amount of the other receivables and the expected recoverable amount. The Group does not hold and collated over these balance.

THE COMPANY

	2013 HK$'000	2012 HK$'000
Other receivables	448	273

Notes:

(i) Other receivables represent the amounts which are non-interest bearing and unsecured.

(ii) Included in other receivables, approximately of HK$48,000 in regards to prepaid land lease payments for land use rights outside Hong Kong under medium term leases.

25. HELD FOR TRADING INVESTMENTS

THE GROUP AND THE COMPANY

	2013 HK$'000	2012 HK$'000
Equity securities listed in Hong Kong, at fair value	183	768

At the end of the reporting period, all financial assets at FVTPL are stated at fair value. Fair values of listed securities are determined with reference to quoted market bid prices.

26. BANK BALANCES AND CASH

THE GROUP

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	**15,604**	22,955

THE COMPANY

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	**1,835**	6,156

As at 31 December 2013, the Group had bank balances and cash amounted to approximately HK$5,627,000 (2012: HK$6,603,000) were denominated in RMB; these funds are subject to exchange controls and other restrictions for general use by the Company and its subsidiaries and bank balances and cash of approximately HK$7,881,000 (2012: HK$22,000) were denominated in US dollar.

Bank balance carry interest at floating rates based on daily bank deposit rates and placed with creditworthy banks with no recent history of default by the Group and the Company. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and the Company.

27. TRADE PAYABLES

THE GROUP

	2013 HK$'000	2012 HK$'000
Trade payables	**32,002**	31,908

The aging analysis of trade payables was as follows:

	2013 HK$'000	2012 HK$'000
0 – 30 days	**285**	–
31 – 60 days	**–**	–
61 – 90 days	**64**	–
Over 90 days	**31,653**	31,908
	32,002	31,908

28. OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUED CHARGES

THE GROUP

	2013 HK$'000	2012 HK$'000
Deposit received	1,224	1,222
Receipts in advance	10,802	30,792
Other payables and accrued charges	38,956	25,959
	50,982	57,973

THE COMPANY

	2013 HK$'000	2012 HK$'000
Other payables and accrued charges	2,170	1,728
	2,170	1,728

29. AMOUNT DUE TO A SUBSIDIARY

THE COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

30. AMOUNTS DUE TO RELATED COMPANIES

THE GROUP

As at 31 December 2013, a total amount of approximately HK$68,198,000 (2012: HK$65,905,000) is unsecured, non-interest bearing and repayable on demand and a total amount of approximately HK$58,001,000 (2012: HK$56,515,000) is unsecured, non-interest bearing and will be repayable after one year. Related companies represent companies in which Mr. Huang has share interests and/or directorships and over which Mr. Huang is able to exercise control.

31. AMOUNT DUE TO A DIRECTOR

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

32. SHARE CAPITAL

THE GROUP AND THE COMPANY

	Number of shares		Share capital	
	2013	2012	**2013**	2012
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$ 0.01 each				
Authorised				
At the beginning of the year	**20,000,000**	2,500,000	**200,000**	1,000,000
Capital reduction *(note (ii)(a))*	**–**	–	**–**	(975,000)
Capital Increase *(note (iii))*	**–**	17,500,000	**–**	175,000
At the end of the year	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid				
At the beginning of the year	**1,562,770**	1,159,567	**15,628**	463,827
Issue of shares in respect of loan settlement *(note (i))*	**203,225**	–	**2,032**	–
Capital reduction *(note (ii)(b))*	**–**	–	**–**	(452,231)
Issue of shares in respect of acquisition of subsidiaries *(note (iv) and (v))*	**1,546,703**	403,203	**15,467**	4,032
At the end of the year	**3,312,698**	1,562,770	**33,127**	15,628

Notes:

(i) On 10 June 2013, 203,225,000 settlement shares were issued and allotted at HK$0.305 per settlement share in full and final satisfaction of the Company's payment obligations in respect of part of the shareholder's loan in the amount of HK$61,983,625. The settlement shares rank pari passu in all respects with the existing shares of the Company. Details of the issue of settlement shares were set out in the circular of the Company dated 31 May 2013.

(ii) By virtue of the special resolution passed at the extraordinary general meeting of the Company held on 20 August 2012 with the sanction of an Order of the High Court dated 5 December 2012 (the "Capital Reduction"):

(a) under the Capital Reduction, the authorised share capital of the Company was reduced from HK$1,000,000,000 divided into 2,500,000,000 shares of HK$0.40 each to HK$25,000,000 divided into 2,500,000,000 shares of HK$0.01 each.

(b) under the Capital Reduction, the issued share capital of the Company was reduced from approximately HK$463,827,000 divided into 1,159,567,200 shares of HK$0.40 each to approximately HK$11,596,000 divided into 1,159,567,200 shares of HK$0.01 each.

(iii) Upon completion of the Capital Reduction, the authorised share capital of the Company was increased from HK$25,000,000 divided into 2,500,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares by the creation of an additional 17,500,000,000 new shares at a nominal value of HK$0.01 each on 10 December 2012.

(iv) On 14 December 2012, 403,203,504 consideration shares were issued and allotted and were recognised at fair value on completion of acquisition of the Guo Rong Group.

(v) On 16 October 2013, 1,546,702,702 new shares were issued at an issue price of HK$0.37 per share in full for the settlement of the acquisition of the entire equity interest in Prime Rosy Limited. Details of the acquisition are stated in note 39.

33. DEFERRED TAX LIABILITY

THE GROUP

The following is the major deferred tax liabilities recognised and movements thereof during the current and prior years:

	Notes	Investment properties HK$ '000	Completed properties held for sale HK$ '000	Properties under development HK$ '000	Total HK$ '000
At 1 January 2012		14,928	–	–	14,928
Acquisition of subsidiaries	38	22,620	19,785	–	42,405
Credited to consolidated statement of comprehensive income	10	(1,149)	–	–	(1,149)
Exchange alignment		100	–	–	100
At 31 December 2012 and 1 January 2013		36,499	19,785	–	56,284
Acquisition of subsidiaries	38	–	44,200	76,273	120,473
Charged to consolidated statement of comprehensive income	10	1,557	–	–	1,557
Credited to consolidated statement of comprehensive income	10	–	(4,029)	–	(4,029)
Exchange alignment		980	464	–	1,444
At 31 December 2013		**39,036**	**60,420**	**76,273**	**175,729**

At the end of the reporting period, the Group has unused tax losses of approximately HK$56,836,000 (2012: HK$33,759,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. Out of these tax losses, the unrecognised tax loss of HK$38,813,000 (2012: HK$24,325,000) will expire within 5 years and the remaining balance of the unrecognised tax loss may be carried forward indefinitely.

34. INTERESTS IN SUBSIDIARIES

THE COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	68,446	68,446
Amounts due from subsidiaries	1,160,960	382,317
	1,229,406	450,763
Impairment losses recognised	(79)	(73)
	1,229,327	450,690

The amounts due from subsidiaries are unsecured and non-interest bearing. In the opinion of the directors, demand for repayment for the amounts due from subsidiaries will not be made within the next twelve months from the end of the reporting period. Accordingly, the amounts are classified as non-current.

At 31 December 2013 and 2012, the directors of the Company consider that the carrying amounts of the amounts due from subsidiaries net of impairment losses recognised approximate to their recoverable amounts.

Details of the Company's subsidiaries at 31 December 2013 are set out in note 46.

35. SHARE PREMIUM AND RESERVES

THE GROUP

Movement of the group's share premium and reserves for the current and prior years are presented in the consolidated statement of change in equity on pages 30 on the consolidated financial statements.

THE COMPANY

	Share premium HK$'000	Accumulated losses HK$'000	Share-based payment reserve HK$'000	Capital reduction reserve HK$'000	Total HK$'000
At 1 January 2012	35,767	(218,999)	–	–	(183,232)
Capital reduction *(note i, ii and iii)*	(35,767)	222,493	–	265,505	452,231
Issue of shares in respect of acquisition of subsidiaries	108,865	–	–	–	108,865
Loss for the year	–	(4,419)	–	–	(4,419)
Cost attributable to issue of shares in respect of acquisition of subsidiaries	(8)	–	–	–	(8)
At 31 December 2012 and 1 January 2013	108,857	(925)	–	265,505	373,437
Recognised of equity-settled share-based payment	–	–	1,235	–	1,235
Issue of shares	59,951	–	–	–	59,951
Issue of shares in respect of acquisition of subsidiaries	703,750	–	–	–	703,750
Loss for the year	–	(8,077)	–	–	(8,077)
Cost attributable to issue of shares in respect of loan settlement	(9)	–	–	–	(9)
At 31 December 2013	**872,549**	**(9,002)**	**1,235**	**265,505**	**1,130,287**

The Company has no reserve available for distribution for both years.

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

Notes:

In relation to the Capital Reduction as mentioned in Note 32 (ii):

i. The share premium account of the Company was reduced to nil.

ii. The accumulated losses account of the Company was eliminated approximately amounted to HK$222,493,000.

iii. Any surplus credit arises out of the Capital Reduction after (i) and (ii) (approximately HK$265,505,000) is put into a capital reduction reserve account.

iv. The capital reduction reserve account of the Company represents the Capital Reduction, the capital reduction reserve shall not be distributable until and unless the creditors of the Company as at the date of the sanction of the reduction of capita are fully settled.

36. LOSS ATTRIBUTABLE TO EQUITY OWNERS OF COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK$8,071,000 (2012: HK$4,346,000) which has been dealt in the financial statements of the Company.

THE COMPANY

	2013 **HK$'000**	2012 HK$'000
Amount of consolidated loss attributable to owners dealt with the company's financial statements	**(8,071)**	(4,346)
Impairment loss on amount due from a subsidiary recognised during the year	**(6)**	(73)
Company's loss for the year	**(8,077)**	(4,419)

37. RETIREMENT BENEFIT SCHEME

THE GROUP AND THE COMPANY

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contribution to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to 1 June 2012).

The Group's subsidiaries in the PRC participate in social insurance schemes operated by the relevant local government authorities in compliance with the applicable regulations of the PRC. The insurance premium is contributed by the Group on a specified proportion of the employee's salaries laid down under relevant PRC laws.

The total sum recognised as expenses in the consolidated statement of comprehensive income of approximately HK$1,052,000 (2012: HK$413,000) represents contributions paid and payable to these schemes by the Group at rates or amounts specified in the rules of the schemes.

38. BUSINESS COMBINATION

For the year ended 31 December 2013

On 16 October 2013, the Group completed the acquisition of the entire equity interest in Prime Rosy Limited ("Prime Rosy") and its wholly owned subsidiaries (the "Prime Rosy Group") (the "Acquisition"). The consideration for such Acquisition (the "Consideration") was RMB476,900,000 (equivalent to approximately HK$572,280,000) which was satisfied in full by issuing 1,546,702,702 new shares in the Company at an issue price of HK$0.37 to Mr. Huang Shih Tsai, the vendor of the Acquisition. The Acquisition had been accounted for using the acquisition method.

38. BUSINESS COMBINATION (Continued)

For the year ended 31 December 2013 (Continued)

	HK$'000
Fair value of Consideration	719,217

The fair value of Consideration is approximately HK$719,217,000 which is the fair value of the 1,546,702,702 ordinary shares issued by the Company determined using the open market price of the Company's shares on 16 October 2013 at HK$0.465 per share (being an amount of approximately HK$719,217,000).

The Board considers that the Acquisition of Prime Rosy Group is in line with the Group's business strategy. The Board also considers that the Acquisition represents an excellent opportunity for the Group to leverage the existing workforce, market knowledge and experience in the property market in Shanwei City, and allow the Group to further participate and strengthen its existing property development businesses in Shanwei City where there would be synergistic effect in terms of operation effectiveness and branding.

Goodwill arising on the Acquisition of the Prime Rosy Group was recognised at approximately HK$209,877,000 which was recognised to the consolidated statement of financial position and was arising from the difference between (a) the fair value of the Consideration of approximately HK$719,217,000; and (b) the acquisition-date fair value of identifiable net assets acquired of approximately HK$509,340,000. Details of the Acquisition were set out in the Company's announcement dated 3 July 2013 and circular dated 26 July 2013.

Acquisition-related costs amounting to approximately HK$1,325,000 have been excluded from the Consideration and have been recognised as expenses in the year they were incurred within the administrative and operating expenses in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of Acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment	28
Properties under development	361,496
Completed properties held for sale	282,018
Other receivables	242
Bank balances and cash	452
Trade payables	(1,327)
Other payables	(13,751)
Deferred tax liabilities	(119,818)
	509,340

38. BUSINESS COMBINATION (Continued)

For the year ended 31 December 2013 (Continued)

Goodwill arising on Acquisition of Prime Rosy Group

	HK$'000
Fair value of net assets acquired	509,340
Less: Consideration	719,217
Goodwill on Acquisition	(209,877)

Since its acquisition, the Prime Rosy Group contributed approximately HK$58,000 of loss to the Group's result for the year ended 31 December 2013.

Had the acquisition taken place at the beginning of the year (i.e. 1 January 2013), the revenue and the profit of the total Group for the year ended 31 December 2013 would have been approximately HK$210,318,000 and HK$122,644,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

Net cash inflow on acquisition of subsidiaries

	HK$'000
Cash and cash equivalent balances acquired	452

For the year ended 31 December 2012

THE GROUP

On 14 December 2012, the Group completed the acquisition of the entire equity interest in Guo Rong Limited ("Guo Rong") and its wholly own subsidiaries (the "Guo Rong Group"). The consideration for such acquisition was to be satisfied by (i) paying HK$5,000,000 in cash; (ii) issuing and allotting 403,203,504 consideration shares; and (iii) issuing a promissory note with principal amount of HK$197,259,299 (before downward adjustment) no later than the first anniversary of completion of the acquisition. The acquisition had been accounted for using the acquisition method.

	HK$'000
Fair value of consideration transferred	111,621

The fair value of total consideration transferred is approximately HK$111,621,000 which includes (i) a sum of HK$5,000,000 in cash; (ii) the fair value of the 403,203,504 ordinary shares issued by the Company determined using the open market price of the Company's shares on 14 December 2012 at HK$0.28 per share (being a sum of approximately HK$112,897,000); and (iii) in respect of the acquisition of the entire equity interest in Guo Rong, the consideration for the acquisition of Guo Rong is subject to downward adjustment before issuing the promissory note, details of which are set out in the Company's circular dated 25 July 2012, the downward adjustment resulted in an amount of approximately HK$6,276,000 which the vendor would repay (without interest) in cash to the purchaser within 30 days of receipt of the adjustment notice issued by the purchaser, as such no promissory note was needed to be issued.

38. BUSINESS COMBINATION (Continued)

For the year ended 31 December 2012 (Continued)

THE GROUP (Continued)

A gain from bargain purchase arising from the acquisition of the Guo Rong Group was recognised at approximately HK$803,000 which was mainly attributable to fair value gains on properties during the period between the dates of the sale and purchase agreement and completion. The amount which was recognised to the consolidated statement of comprehensive income was arising from the difference between (a) the fair value of the consideration transferred of approximately HK$111,621,000; and (b) the acquisition-date fair value of identifiable net assets acquired of approximately HK$112,424,000. Details of the acquisition were set out in the Company's announcements dated 14 June 2012, 14 December 2012 and circular dated 25 July 2012.

Acquisition-related costs amounting to approximately HK$3,639,000 have been excluded from the consideration transferred and have been recognised as expenses in the period they were incurred within the administrative and operating expenses in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the completion date of acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment	129
Investment properties	130,614
Completed properties held for sale	195,544
Trade receivables	2,025
Other receivables	10,501
Bank balances and cash	7,025
Trade payables	(32,382)
Other payables, deposit received and accrued charges	(37,086)
Amounts due to related companies	(121,541)
Deferred tax liabilities	(42,405)
	112,424

Gain from bargain purchase arising on acquisition of the Guo Rong Group

	HK$'000
Fair value of net assets acquired	112,424
Less: Consideration transferred	111,621
Gain from bargain purchase	803

At the completion date of acquisition and as at 31 December 2012 Guo Rong Group has contingent liabilities of approximately HK$991,000 and approximately HK$1,015,000 respectively, details of which is set out in note 45.

38. BUSINESS COMBINATION (Continued)

For the year ended 31 December 2012 (Continued)

Gain from bargain purchase arising on acquisition of the Guo Rong Group (Continued)

Since its acquisition, the Guo Rong Group contributed approximately HK$118,000 of revenue to the Group and approximately HK$260,000 of loss to the Group's result for the year ended 31 December 2012.

Had the acquisition taken place at the beginning of the year (i.e. 1 January 2012), the revenue and the profit of the total Group for the year ended 31 December 2012 would have been approximately HK$24,136,000 and HK$8,974,000 respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

39. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 25 January 2013, the Group completed the acquisition of the 99.99% equity interest of Tangshan Caofeidain through a wholly-owned subsidiary at a consideration of approximately RMB104,490,000 (equivalent to approximately HK$131,333,000). This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

Attributable value of assets and liabilities recognised at the date of acquisition:

	HK$'000
Net assets acquired	
Properties under development	147,015
Property, plant and equipment	8
Bank balances and cash	1
Other receivables	11
Other payables and accrued charges	(1,291)
Amount due to a related company	(14,398)
Net assets	131,346
Non-controlling interest	(13)
Consideration	131,333
Satisfied by:	
Transfer from prepayment for acquisition of a subsidiary	106,837
Consideration payable	15,083
Cash	9,413
	131,333
Net cash outflow arising on acquisition:	
Cash consideration paid	9,413
Less: Bank balances and cash acquired	(1)
	9,412

40. SHARE OPTIONS

The Company adopted a share option scheme on 23 May 2011 (the "2011 Share Option Scheme").

The purpose of the 2011 Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Company and the shares for the benefit of the Company and the shareholders as a whole. The board of directors of the Company may, at its sole discretion, invite directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group to take up options to subscribe for shares in the Company. The participants need to remit HK$1 as consideration for the grant of an option.

The 2011 Share Option Scheme is adopted for a period of 10 years commencing on 23 May 2011. The option period shall not exceed 10 years from the date of grant of option.

The maximum number of shares which may be granted under the 2011 Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2011 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained. Options granted to a substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the total number of shares in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the board of directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the 2011 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time.

Details of the share options granted by the Company under the 2011 Share Option Scheme are as follows:

Date of grant	Exercisable period	Number of share options granted	Exercise price HK$	Fair value at grant date HK$
23 January 2013	23 January 2015 to 22 January 2023	10,000,000	0.44	0.292

The fair value of the share options granted was HK$0.292 per option and the Group recognised a share-based payment expense of approximately HK$1,235,000 for the year ended 31 December 2013 (2012: Nil).

40. SHARE OPTIONS (Continued)

The fair value of the share options granted at the date of grant was calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

Expected volatility	:	58.690%
Risk-free rate	:	0.975%
Expected life of option	:	8 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporate into measurement of the fair value.

Details of the movement of the Company's share options during the year ended 31 December 2013 are as follows:

				Number of Shares in respect of Options				
Name or Category of participant	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2013
Directors:								
Huang Shih Tsai	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	1,000,000	–	–	1,000,000
Huang Wenxi	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	1,000,000	–	–	1,000,000
Cheng Hong Kei	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	1,000,000	–	–	1,000,000
Leung Kwan, Hermann	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	1,000,000	–	–	1,000,000
Lum Pak Sum	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	1,000,000	–	–	1,000,000
			Subtotal	–	5,000,000	–	–	5,000,000
Employees:								
In aggregate	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	4,000,000	–	(1,000,000)	3,000,000
Consultant:								
In aggregate	23/1/2013	0.44	23/1/2015 – 22/1/2023	–	1,000,000	–	–	1,000,000
			Total	–	10,000,000	–	(1,000,000)	9,000,000

41. NON-CASH TRANSACTION

THE GROUP

For the year ended 31 December 2013

As disclosed in note 38, the Group acquired the entire equity interest in Prime Rosy Group. The Consideration for such Acquisition was satisfied by issuing and allotting 1,546,702,702 ordinary shares. The Group did not receive cash in respect of the Consideration.

As disclosed in note 44(b), the Group entered into a settlement agreement to allot and issue 203,225,000 settlement shares at an issue price of HK$0.305 per settlement share of HK$0.01 each to Mr. Huang in full and final satisfaction of the Company's payment obligation in respect of part of the loan in the amount of HK$61,983,625. The Group did not receive cash in respect of the settlement shares transactions.

For the year ended 31 December 2012

As disclosed in note 38, the Group acquired the entire equity interest in Guo Rong Group. Part of the consideration for such acquisition was satisfied by issuing and allotting 403,203,504 consideration shares at fair value. The Group did not receive cash in respect of the consideration shares transactions.

42. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**4,371**	2,857
In the second to fifth years inclusive	**4,130**	1,254
After five years	**7,026**	7,027
	15,527	11,138

Rentals payable represent operating lease payments for certain land, office properties and staff quarter. Leases are negotiated for terms of one year to fifty years and initial rentals are fixed for one year to five years with adjustments fixed for every one year to five years. The group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group as lessor

Property rental income earned during the year was approximately HK$13,125,000 (2012: HK$13,008,000). The properties are expected to generate rental yields of 12% (2012: 14.2%) on an ongoing basis.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 **HK$'000**	2012 HK$'000
Within one year	**4,973**	12,394
In the second to fifth years inclusive	**9,434**	4,082
After five years	**5,686**	540
	20,093	17,016

43. CAPITAL COMMITMENTS
THE GROUP

	Note	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided for in the consolidated financial statements		**3,151**	23
Capital expenditure in respect of the construction and development of investment properties contracted for but not provided for in the consolidated financial statements		**448,150**	62,221
Capital expenditure in respect of the acquisition of subsidiary contracted for but not provided for in the consolidated financial statements	47	**394,391**	24,477

44. RELATED PARTY TRANSACTIONS
(a) Compensation of key management personnel

The details of the remuneration of directors and other members of key management during the two years ended 31 December 2013 and 2012 were disclosed in notes 11 and 12 respectively.

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Amount due to a director

During the year ended 31 December 2013, Mr. Huang Shih Tsai ("Mr. Huang"), the Chairman of the Company, has provided interest-free and unsecured loans to Company in the totally amount of approximately HK$56,637,000 for funding the subsidiaries working capital requirements (2012: HK$80,379,000).

The Group has not settled any loan amount in cash (2012: HK$22,866,000).

On 22 April 2013, the Company and Mr. Huang entered into a settlement agreement (the "Settlement Agreement"), pursuant to which the Company has conditionally agreed to allot and issue 203,225,000 settlement shares (the "Settlement Shares") at an issue price of HK$0.305 per settlement share of HK$0.01 each to Mr. Huang in full and final satisfaction of the Company's payment obligation in respect of part of the loan in the amount of HK$61,983,625 on the terms and subject to the conditions set out in the Settlement Agreement. The Settlement Shares rank pari passu in all respects with the existing shares of the Company. The transaction is a connected transaction as defined under Chapter 14A of the Listing Rules, details of which please refer to the announcement dated 31 January 2013.

The Settlement Agreement was approved by independent shareholders at the extraordinary general meeting held by the Company on 5 June 2013. All conditions precedent under the Settlement Agreement have been satisfied and the completion took place on 10 June 2013.

Details of the outstanding balances with directors are set out in note 31.

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Other transactions with related parties

(i) The Group has leased an office property from 大中華國際集團（中國）有限公司 (Great China International Group (China) Limited*) (the "GCI") with a monthly rental payment of RMB28,913 from 1 February 2010 for a fixed term of three years and entered into a new lease with a monthly rental payment of RMB180,000 since 31 January 2013 for a fixed term of two years. GCI is indirectly wholly-owned by Mr. Huang, a substantial shareholder, the chairman and the executive Director of the Company. Ms. Huang Wenxi, a substantial shareholder, the Chief Executive Officer and the Executive Director of the Company, is the authorised representative and the chairman of the board of GCI. The total rentals payable by the Group to GCI during the year ended 31 December 2013 amounted to approximately HK$1,470,000 (2012: HK$431,000). The transaction is a continuing connected transaction as defined under Chapter 14A of the Listing Rules. Details of which were set out in the Company's announcement dated 31 January 2013.

(ii) The Group has leased a car park space from GCI with a monthly rental payment of RMB1,300. The total rentals paid by the Group to GCI during the year ended 31 December 2013 amounted to approximately HK$20,000 (2012: HK$18,000).

(iii) As at 31 December 2013, the rental deposit paid of approximately HK$75,000 (2012: HK$73,000) to GCI and the rental prepayment of approximately of HK$Nil (2012: HK$2,000) to GCI, which are unsecured and non-interest bearing, are recorded in "other receivables" disclosed in note 24.

(iv) On 8 June 2012, Mr. Huang (Vendor) and the Group (Purchaser) entered into the Sale and Purchase Agreement in relation to acquisition of 100% equity interest in Guo Rong Limited and its wholly-owned subsidiaries. The acquisition were completed on 14 December 2012. This acquisition constitutes a very substantial acquisition and connected transaction for the Company under the Listing Rules. Details of the transaction were set out in the Company's announcement dated 14 June 2012 and circular dated 25 July 2012.

(d) Amounts due to related companies

Included in amounts due to related companies of approximately of HK$126,199,000 (2012: HK$122,420,000) represents the balances with the companies in which Mr. Huang has share interests and/or directorships and is able to exercise control over these companies. Other than the aforesaid, details of the outstanding balances with related companies are set out in the note 30.

45. CONTINGENT LIABILITY

The Group had no other significant contingent liabilities as at 31 December 2013.

46. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ paid-in/registered capital	Proportion of nominal value of issued share capital/paid-in/ registered capital held by the Company Direct %	Indirect %	Principal activities
Mega Top Capital Resources Limited	Hong Kong	1 ordinary share of HK$1 each	100	–	Property investment
China Waytung Group Limited	Hong Kong	1 ordinary share of HK$1 each	100	–	Investment holding
Gold Coast Tourism Development Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	–	100	Investment holding
海豐金麗灣度假村有限公司 *(Note (i))*	The PRC	US$ 9,549,929	–	100	Operation of resort business
Great China Financial Holding (Hong Kong) Limited (formerly known as Waytung Global Financial Holding Limited)	Hong Kong	10,000,000 ordinary shares of HK$ 1 each	100	–	Inactive
Waytung Fund Limited	Hong Kong	10,000,000 ordinary shares of HK$ 1 each	–	100	Inactive
China Waytung Securities Limited	Hong Kong	10,000,000 ordinary shares of HK$ 1 each	–	100	Inactive
滙通天下控股（中國）有限公司 *(Note (i))*	The PRC	RMB 50,000,000	100	–	Investment holding
Asiatic Talent Limited	British Virgin Islands ("BVI")	US$ 1	100	–	Investment holding
Guo Rong Limited	BVI	US$ 1	–	100	Investment holding
Great China Property Group Limited	Hong Kong	10,000,000 ordinary shares of HK$ 1 each	–	100	Investment holding

46. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ paid-in/registered capital	Proportion of nominal value of issued share capital/paid-in/ registered capital held by the Company Direct %	Indirect %	Principal activities
大中華實業(惠州)有限公司	The PRC	RMB 45,000,000	–	100	Property development, provision of management services to and operation of properties
# Great China Hotel Management Limited	Hong Kong	1 ordinary share of HK$ 1 each	100	–	Inactive
# Great China Properties (Shanghai) Limited	Hong Kong	1 ordinary share of HK$ 1 each	100	–	Property development
# Great China Properties Enterprises Limited	Hong Kong	1 ordinary share of HK$ 1 each	100	–	Inactive
# Stand Gold Limited	BVI	US$ 1	100	–	Investment holding
# Prime Rosy Limited	BVI	US$ 1	–	100	Investment holding
# Great China International Holding Group Limited	Hong Kong	30,000,000 ordinary shares of HK$ 1 each	–	100	Investment holding
# 汕尾大中華國際實業有限公司 *(Note (i))*	The PRC	RMB 50,000,000	–	100	Investment holding
# 汕尾市大中華實業有限公司 *(Note (ii))*	The PRC	RMB 10,000,000	–	100	Investment holding
# 唐山市曹妃甸區中泰信和房地產開發有限公司 *(Note (ii))*	The PRC	RMB 10,000,000	–	99.99	Investment holding
# 惠州喜悦生活物業管理有限公司 *(Note (i))*	The PRC	RMB 500,000	–	100	Property development

\# New subsidiaries to the Group

Notes:

(i) Registered under the laws of the PRC as wholly-owned foreign enterprise.

(ii) Registered under the laws of the PRC as domestic enterprise.

47. EVENT AFTER THE REPORTING PERIOD

(a) On 16 December 2013, the Company and its wholly owned subsidiary, Great China Properties (Shanghai) Limited, entered into a cooperation agreement with Greenland Hong Kong Holdings Limited ("Greenland HK") and its subsidiaries, pursuant to which the parties to the cooperation agreement conditionally agree to jointly develop the two parcels of land located in Shanghai, the PRC (the "Land"), among which one parcel of land with boundaries East to land with Lot No. 13-02, West to Qingli Road, South to land with Lot No.13-02, North to South Huanqing Road, Heqing Town, Pudong New Area, Shanghai, the PRC* (上海浦東新區合慶鎮，四至範圍東至13-02地塊，西至上海市慶利路，南至13-02地塊，北至上海市環慶南路); and (b) one parcel of land with boundaries East to land with Lot No. 14-03, West to Lingyang Road, South to land with Lot No. 14-03, North to South Huanqing Road, Heqing Town, Pudong New Area, Shanghai, the PRC* (上海浦東新區合慶鎮，四至範圍東至14-03地塊，西至上海市淩楊路，南至14-03地塊，北至上海市環慶南路). The Land is intended to be used for commercial and office purposes.

On 10 January 2014, all the conditions precedent under the cooperation agreement had been satisfied and completion took place on the same date. Upon completion, each of the Company and Greenland HK holds a 50% stake in the project. Details please refer to the announcement of the Company dated 16 December 2013 and the circular of the Company dated 30 January 2014.

(b) On 16 June 2010, a subsidiary of the Company, Gold Coast PRC entered into a construction contract with 深圳市焯楠建築裝飾工程有限公司 (Shenzhen Zhuonan Construction and Decoration Company Limited*) (the "Sub-contractor") for the construction and renovation of Gold Coast Resort in the sum of RMB55 million (equivalent to approximately HK$70.89 million) of which initial payment of RMB22,500,000 (equivalent to approximately HK$29,000,000) was paid by the Group during 2010. During the year ended 31 December 2011, a further prepayment of approximately RMB8,476,000 (equivalent to approximately HK$10,925,000) was paid to the Sub-contractor by the Group. As at 31 December 2013, the Group paid approximately RMB30,976,000 (equivalent to approximately HK$39,925,000) to the Sub-contractor as the prepayment of the contract sum.

In March 2014, Gold Coast PRC entered into a release contract with the Sub-contractor, pursuant to which the Sub-contractor agreed to refund the prepayment paid by the Group (after deduction of certain expenses incurred by the Sub-contractor for the construction and renovation of Gold Coast PRC). As at the date of this report, the prepayment was fully settled.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
TURNOVER	**35,720**	13,008	15,671	15,524	10,596
LOSS FOR THE YEAR	**(29,042)**	(10,065)	(23,191)	(5,182)	(2,763)

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**1,595,167**	710,906	320,890	183,828	175,330
TOTAL LIABILITIES	**(435,274)**	(319,822)	(35,845)	(37,847)	(29,772)
NET ASSETS	**1,159,893**	391,084	285,045	145,981	145,558

MAJOR PROPERTIES AS AT 31 DECEMBER 2013

INVESTMENT PROPERTY

Location	Intended Use	Category of lease term	Group's interest (%)
Jinliwan Resort Complex located in Baian Peninsula, Houmen Town, Haifeng County, Shanwei City, Guangdong Province, The PRC.	Commercial use	Medium	100%
Great China Eastern New World Square located at No. 1 Zhongxing Zhong Road, Aotou Town, Daya Bay, Huizhou City, Guangdong Province, The PRC.	Commercial use	Medium	100%

PROPERTIES HELD FOR SALE

Location	Intended Use	Category of lease term	Group's interest (%)
Residential units of Block 1 and Block 2 Great China Eastern New World Square located at No. 1 Zhongxing Zhong Road, Aotou Town, Daya Bay, Huizhou City, Guangdong Province, The PRC.	Residential use	Medium	100%
Three close to completion residential blocks and a parcel of land pending for development located at Honghai Main road, Shanwei City, Guangdong Province, the PRC	Residential use	Medium	100%

MAJOR PROPERTIES AS AT 31 DECEMBER 2013

PROPERTIES UNDER DEVELOPMENT

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group Interest	Anticipated completion
Two land parcels beside the Jinliwan Resort Complex located in Baian Peninsula, Houmen Town, Haifeng Country, Shanwei City, Guangdong Province, the PRC.	97,069	Developing Stage	2052 for commercial use 2082 for residential use	100%	2018
No. 2 Island & No.3 Island inside Tonggang Reservoir of the Seventh Farm, Tangshan Country, Tangshan, Hebei Province, the PRC	189,661	Pending for development	2048 for commercial uses	99.99%	
A parcels of land located on the eastern side of Wuzishan, Zhelang Nanao Tourist Area; a parcel of land located on Gongqian Nanao Road East, Zhelangjiedao and two parcels of land located in Wantankeng, Zhelangjiedao Nanao Tourist Area, Shanwei City, Guangdong Province, the PRC	273,534	Developing stage	2054	100%	2019