

# South West Eco Development Limited

## 西南環保發展有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1908



2014  
Interim Report

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Dr. Lee Kai Hung (*Chairman & Chief Executive Officer*)

Ms. Chan Koon Woon

(also known as Mrs. Lee Chan Koon Woon)

Dr. Lee Tse Ching, Elaine

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

(*Vice Chairman*)

Mr. Cheng Bun

#### Independent Non-executive Directors

Mr. Wong Chi Wai

Mr. Wong Tat Yan, Paul

Mr. Chan Chun Yee

### COMPLIANCE OFFICER

Mr. Cheng Bun

### COMPANY SECRETARY

Mr. Kwok Siu Man

### AUDIT COMMITTEE

Mr. Wong Chi Wai (*Committee Chairman*)

Mr. Wong Tat Yan, Paul

Mr. Chan Chun Yee

### REMUNERATION COMMITTEE

Mr. Wong Tat Yan, Paul (*Committee Chairman*)

Mr. Wong Chi Wai

Mr. Chan Chun Yee

### NOMINATION COMMITTEE

Mr. Chan Chun Yee (*Committee Chairman*)

Mr. Wong Chi Wai

Mr. Wong Tat Yan, Paul

### INDEPENDENT AUDITOR

BDO Limited

### PRINCIPAL BANKERS

Bank of China

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

### REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office No. 3517

35th Floor, Wu Chung House

213 Queen's Road East

Wanchai

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### COMPLIANCE ADVISER

Haitong International Capital Limited

### LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

### STOCK CODE

1908

### COMPANY'S WEBSITE

[www.southwesteco.com](http://www.southwesteco.com) (the contents of which do not form part of this report)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of South West Eco Development Limited (the "Company") is pleased to announce the following unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
<b>Revenue</b>	4	<b>51,565</b>	278,263
Cost of sales		<b>(27,165)</b>	(169,108)
<b>Gross profit</b>		<b>24,400</b>	109,155
Other income	5	<b>446</b>	2,152
Gain on changes in fair value of investment properties		<b>8,184</b>	2,054
Administrative expenses		<b>(21,678)</b>	(18,912)
Selling expenses		<b>(2,449)</b>	(7,242)
<b>Profit before income tax</b>	7	<b>8,903</b>	87,207
Income tax expense	8	<b>(3,999)</b>	(38,907)
<b>Profit for the period</b>		<b>4,904</b>	48,300
<b>Other comprehensive income, after tax</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange (loss)/gain on translation of financial statements of foreign operations		<b>(17,124)</b>	9,307
<b>Other comprehensive income for the period, net of tax</b>		<b>(17,124)</b>	9,307
<b>Total comprehensive income for the period</b>		<b>(12,220)</b>	57,607
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>3,693</b>	44,888
Non-controlling interests		<b>1,211</b>	3,412
		<b>4,904</b>	48,300
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(11,586)</b>	53,169
Non-controlling interests		<b>(634)</b>	4,438
		<b>(12,220)</b>	57,607
<b>Earnings per share for profit attributable to the owners of the Company</b>	10		
– Basic (HK cents)		<b>1.23</b>	14.96
– Diluted (HK cents)		<b>1.23</b>	14.96

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8,373	9,725
Interests in leasehold land		409	427
Investment properties		837,234	847,597
Available-for-sale financial assets		—	8,102
		<b>846,016</b>	865,851
<b>Current assets</b>			
Inventories of properties		271,547	247,699
Trade receivables	11	6,431	7,116
Deposits, prepayments and other receivables		28,485	17,638
Tax prepaid		2,283	1,040
Cash and cash equivalents		113,819	105,136
		<b>422,565</b>	378,629
<b>Current liabilities</b>			
Trade payables	12	16,440	37,796
Accruals, deposits received and other payables		48,567	62,567
Advances received from the pre-sale of properties under development and properties held for sale		209,780	123,569
Amount due to a director		—	983
Interest-bearing borrowings		10,056	12,298
Taxation liabilities		7,556	9,825
		<b>292,399</b>	247,038
<b>Net current assets</b>		<b>130,166</b>	131,591
<b>Total assets less current liabilities</b>		<b>976,182</b>	997,442

	Notes	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings		37,098	38,205
Deferred tax liabilities		201,066	203,599
		<b>238,164</b>	241,804
<b>Net assets</b>			
		<b>738,018</b>	755,638
<b>EQUITY</b>			
Share capital	13	30,000	30,000
Proposed final dividend		—	5,400
Other reserves		635,346	646,932
<b>Equity attributable to the Company's owners</b>			
		<b>665,346</b>	682,332
<b>Non-controlling interests</b>			
		<b>72,672</b>	73,306
<b>Total equity</b>			
		<b>738,018</b>	755,638

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Statutory reserve* HK\$'000	Exchange reserve* HK\$'000	Capital reserve* HK\$'000	Revaluation reserve* HK\$'000	Proposed final dividend HK\$'000	Retained earnings* HK\$'000	Total HK\$'000			
<b>As at 1 January 2013 (audited)</b>	30,000	24,150	32,432	44,206	23,514	3,090	12,000	445,791	615,183	65,589	680,772	
Dividend to shareholders	—	—	—	—	—	—	(12,000)	—	(12,000)	—	(12,000)	
<b>Transactions with owners</b>	—	—	—	—	—	—	(12,000)	—	(12,000)	—	(12,000)	
Profit for the period	—	—	—	—	—	—	—	44,888	44,888	3,412	48,300	
Other comprehensive income												
– Exchange gain on translation of financial statements of foreign operations	—	—	—	8,281	—	—	—	—	8,281	1,026	9,307	
<b>Total comprehensive income for the period</b>	—	—	—	8,281	—	—	—	44,888	53,169	4,438	57,607	
<b>As at 30 June 2013 (unaudited)</b>	30,000	24,150	32,432	52,487	23,514	3,090	—	490,679	656,352	70,027	726,379	
<b>As at 1 January 2014 (audited)</b>	30,000	24,150	32,651	59,841	23,514	3,090	5,400	503,686	682,332	73,306	755,638	
Dividend to shareholders	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)	
<b>Transactions with owners</b>	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)	
Profit for the period	—	—	—	—	—	—	—	3,693	3,693	1,211	4,904	
Other comprehensive income												
– Exchange loss on translation of financial statements of foreign operations	—	—	—	(15,279)	—	—	—	—	(15,279)	(1,845)	(17,124)	
<b>Total comprehensive income for the period</b>	—	—	—	(15,279)	—	—	—	3,693	(11,586)	(634)	(12,220)	
<b>As at 30 June 2014 (unaudited)</b>	30,000	24,150	32,651	44,562	23,514	3,090	—	507,379	665,346	72,672	738,018	

\* The total of these balances represented “Other reserves” in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash generated from operating activities	11,539	1,483
Net cash generated from investing activities	11,670	1,544
Net cash used in financing activities	(9,694)	(29,131)
Net increase/(decrease) in cash and cash equivalents	13,515	(26,104)
Cash and cash equivalents as at 1 January	98,929	125,610
Effect of foreign exchange rates changes on cash and cash equivalents	(1,328)	532
Cash and cash equivalents as at 30 June	111,116	100,038
Add: Pledged bank deposits	—	2,185
Add: Restricted deposits	2,703	5,061
Cash at banks and in hand as at 30 June	113,819	107,284

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 1. GENERAL INFORMATION

South West Eco Development Limited (the "Company") was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The listing of the Company's shares have been transferred to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 May 2014 after their initial listing on the Growth Enterprise Market of the Stock Exchange ("GEM") on 14 December 2012.

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

### 2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

The basis of preparation and accounting policies adopted in preparing these unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the new and revised HKFRSs issued by the HKICPA that have become effective for accounting period beginning on 1 January 2014 (the "New and Revised HKFRSs").

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements have been prepared under historical basis except for investment properties, which are stated at fair value and have not been audited.

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



### 3. SEGMENT INFORMATION

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

#### Segment revenue and results

	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2014</b>					
Reportable segment revenue	26,367	19,024	6,296	123	51,810
Reportable segment profit/(loss)	14,406	(1,425)	(19)	(3)	12,959
Other segment information:					
Interest income	126	18	6	3	153
Amortisation of leasehold land	7	—	—	—	7
Gain on fair value of investment properties	8,184	—	—	—	8,184
Income tax expense	2,823	1,195	—	—	4,018
Depreciation of property, plant and equipment	639	276	55	—	970

	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2013</b>					
Reportable segment revenue	23,901	242,567	9,699	2,432	278,599
Reportable segment profit/(loss)	11,946	65,134	(658)	1,467	77,889
Other segment information:					
Interest income	66	54	6	3	129
Amortisation of leasehold land	7	—	—	—	7
Gain on fair value of investment properties	2,054	—	—	—	2,054
Income tax expense	1,583	9,809	—	—	11,392
Depreciation of property, plant and equipment	442	220	201	50	913

### 3. SEGMENT INFORMATION - CONTINUED

#### Segment assets and liabilities

	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>As at 30 June 2014</b>					
Reportable segment assets	856,153	376,582	9,702	675	1,243,112
Reportable segment liabilities	(258,457)	(237,151)	(7,803)	(178)	(503,589)
Other segment information: Additions to non-current assets	14	—	—	—	14
	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
<b>As at 31 December 2013</b>					
Reportable segment assets	872,579	321,016	6,942	2,630	1,203,167
Reportable segment liabilities	(267,285)	(175,422)	(11,321)	(3,368)	(457,396)
Other segment information: Additions to non-current assets	1,422	1,266	33	—	2,721

### 3. SEGMENT INFORMATION - CONTINUED

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Reportable segment revenue	<b>51,810</b>	278,599
Inter-segment revenue elimination	<b>(245)</b>	(336)
Revenue	<b>51,565</b>	278,263
Reportable segment profit	<b>12,959</b>	77,889
Dividend income from available-for-sale financial assets	—	975
Unallocated income and expenses	<b>(8,074)</b>	(3,049)
Unallocated income tax credit/(expense)	<b>19</b>	(27,515)
Profit for the period	<b>4,904</b>	48,300
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Reportable segment assets	<b>1,243,112</b>	1,203,167
Available-for-sale financial assets	—	8,102
Unallocated corporate assets	<b>25,469</b>	33,211
Total consolidated assets	<b>1,268,581</b>	1,244,480
Reportable segment liabilities	<b>503,589</b>	457,396
Unallocated taxation liabilities	<b>7,556</b>	9,825
Unallocated deferred tax liabilities	<b>15,608</b>	16,352
Unallocated corporate liabilities	<b>3,810</b>	5,269
Total consolidated liabilities	<b>530,563</b>	488,842

#### 4. REVENUE

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

	For the six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Building management income	6,249	9,491
Consultancy service income	123	2,369
Rental income of investment properties (note)	26,169	23,773
Sales of properties	19,024	242,630
	<b>51,565</b>	278,263

Note:

The Group has contingent rental income of investment properties of approximately HK\$1,271,000 (2013: HK\$1,208,000) for the six months ended 30 June 2014. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

#### 5. OTHER INCOME

	For the six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Bank interest income	367	348
Dividend income from available-for-sale financial assets	—	975
Gain on exchange differences, net	—	699
Sundry income	79	130
	<b>446</b>	2,152

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Interest charges on:		
Bank borrowings not wholly repayable within five years	2,581	2,041
Other borrowings wholly repayable within five years	—	1,942
Total borrowing costs	2,581	3,983
Less: interest capitalised	(2,581)	(3,983)
	—	—

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. The interest charges on bank borrowings which contain a repayment on demand clause amounted to approximately HK\$106,000 and HK\$121,000 for the six months ended 30 June 2014 and 2013 respectively.

## 7. PROFIT BEFORE INCOME TAX

	For the six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of interests in leasehold land	7	7
Auditors' remuneration	195	142
Cost of properties sold	13,346	139,443
Depreciation of property, plant and equipment	1,058	1,000
Loss/(gain) on exchange differences, net	1,461	(699)
Loss on disposals of property, plant, and equipment	94	—
Operating lease charges	2,694	2,875
Outgoings in respect of investment properties that generated rental income	2,457	2,193

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
<b>Current income tax</b>		
PRC corporate income tax	318	21,035
PRC land appreciation tax	1,130	13,967
	<b>1,448</b>	35,002
<b>Deferred tax</b>	<b>2,551</b>	3,905
<b>Total income tax expense</b>	<b>3,999</b>	38,907

### Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the period.

### PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, the deferred tax assets and liabilities of the Group's subsidiaries operated in the PRC are calculated based on corporate income tax rate of 25%.

## 8. INCOME TAX EXPENSE - CONTINUED

### PRC land appreciation tax ("LAT")

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012 and its subsequent changes, 南寧威特斯房地產開發投資有限公司 Nanning WTS Real Estate Development and Investment Company Limited\* is subject to LAT and the LAT is calculated at 5% to 8% of its sales of properties in accordance with the authorised taxation method.

## 9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the six months ended 30 June 2014 of approximately HK\$3,693,000 (2013: HK\$44,888,000), and the number of ordinary shares of 300,000,000 (2013: 300,000,000) in issue during the period.

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the period.

## 11. TRADE RECEIVABLES

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (audited) HK\$'000
Trade receivables	<b>6,595</b>	7,280
Less: Impairment loss recognised	<b>(164)</b>	(164)
Trade receivables, net	<b>6,431</b>	7,116

Receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. For the receivables derived from rental income, building management income and consultancy service income, the income is paid in accordance with the terms of the respective agreements.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoices dates, as at the end of reporting period:

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (audited) HK\$'000
Current and within 1 month	<b>5,635</b>	5,964
1-3 months	<b>538</b>	381
4-6 months	<b>115</b>	594
7-12 months	<b>63</b>	93
Over 12 months	<b>80</b>	84
	<b>6,431</b>	7,116



## 11. TRADE RECEIVABLES - CONTINUED

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

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (audited) HK\$'000
Neither past due nor impaired	5,358	5,280
Less than 1 month past due	277	684
1-3 months past due	538	381
4-6 months past due	115	594
7-12 months past due	63	93
Over 12 months past due	80	84
	<b>6,431</b>	7,116

## 12. TRADE PAYABLES

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (audited) HK\$'000
Trade payables	16,440	37,796

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as at the end of reporting period:

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (audited) HK\$'000
0-30 days	—	136
31-90 days	—	65
91-180 days	30	58
Over 180 days	16,410	37,537
	<b>16,440</b>	37,796

### 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.1 each		
At 31 December 2013 and 30 June 2014	1,000,000,000	100,000
	Number of shares	Amount HK\$'000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.1 each		
At 31 December 2013 and 30 June 2014	300,000,000	30,000

### 14. CAPITAL COMMITMENTS

The commitments for the construction of property under development are as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (audited) HK\$'000
Contracted but not provided for – property under development	35,970	84,134

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The Group recorded a profit attributable to owners of the Company for the six months ended 30 June 2014 of approximately HK\$3.7 million (2013: HK\$44.9 million). It represented a decrease in the profit by approximately 91.8% as compared to that of the corresponding period of 2013. The primary reason for the decline in the profit was that the saleable gross floor area (the "GFA") sold and delivered in respect of Fond England decreased substantially for the six months ended 30 June 2014 compared to that of the corresponding period of 2013.

The substantial decline in the profit for the period is as anticipated. As disclosed in the paragraph headed "*Profit warning in respect of the first three quarters of 2014*" of the Company's announcement dated 16 May 2014, the Group's revenue is derived principally from the sale of properties comprised in the property development projects undertaken by the Group (that is, Fond England and the Li Yuan Project currently). The Group's results of operation may, therefore, fluctuate or vary significantly from period to period depending on, among other factors, the overall development schedule and the timing of sale and delivery of such properties.

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

#### Property Development Business

**Fond England**, a green residential project with a total GFA of over 150,000 square meters ("sq.m.") in Nanning, was aggregately sold and pre-sold for over 97.0% as at 30 June 2014. For the six months ended 30 June 2014, approximately 2,232 sq.m. including residential units and car parking spaces were sold and delivered to the purchasers. The revenue of this segment was approximately HK\$19.0 million (2013: HK\$242.6 million) for the six months ended 30 June 2014.

As regards the **Li Yuan** property development project (the "Li Yuan Project"), it is a residential and commercial project with a site area of 9,074 sq.m. and located in the New & Hi-Tech Industrial Development Zone in Nanning. The Group had obtained the project listing approval and the Construction Land Planning Permits for the development in November 2011 and February 2012 respectively. In addition, the Li Yuan Project was awarded a 3-star Certificate of Green Building Design Label and the National Innovation Award of Green Building by the Ministry of Housing and Urban-Rural Development of the PRC in 2013. The Group is developing the Li Yuan Project site into a residential and commercial complex with a total of GFA of approximately 46,792 sq.m., consisting of high rise residential apartments with a total GFA of approximately 32,719 sq.m., retail shops with a total GFA of approximately 3,579 sq.m., car parking space with a total GFA of approximately 9,735 sq.m. and public facilities with a total GFA of approximately 759 sq.m. The Group has commenced the construction work of the Li Yuan Project in mid 2012 and expects to complete the development by late 2014.

### Property Leasing Business

The leasing fee income from the Group's property leasing business was approximately HK\$26.2 million (2013: HK\$23.8 million) for the six months ended 30 June 2014.

The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of 30 June 2014, the Group's retail units (which were held for the purpose of leasing to independent third parties) comprised an aggregate rentable GFA of approximately 23,432 sq.m. in the PRC, of which the aggregate GFA of approximately 16,342 sq.m. in the PRC had been leased out.

### Property Management and Consultancy Business

The property management and consultancy service fee income from the Group's property management and consultancy business of approximately HK\$6.2 million (2013: HK\$9.5 million) and HK\$0.1 million (2013: HK\$2.4 million) respectively were contributed to the Group's revenue for the six months ended 30 June 2014.

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by independent third party property owners or users. During the period, the Group had streamlined its building management business by gradually shifting its participation in building management projects with low profit margin to building management projects in high-end offices and commercial areas in Nanning. The Group's management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environment protection policies, event planning and consulting services. These business activities are carried out under 南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Service Co., Limited\*) (formerly known as 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Co., Limited\*)) (an indirect non-wholly owned subsidiary of the Company) which holds a valid Class 3 qualification allowing it to carry out property management of up to 200,000 sq.m. for each residential property and up to 50,000 sq.m. for each non-residential property it manages. As of 30 June 2014, the Group derived its property management income mainly from Yu Feng Plaza, Fond England, International Kitchen Supplies Centre and Guangxi International Trade Centre.

For the property consultancy business, the Group provides consultancy services to independent third party property owners or permitted users on sub-leasing or management of their properties. In addition, consultancy services that the Group offers include (i) locating prospective tenants; (ii) determining the market positioning of each property, or each level, or the units within the properties; and (iii) developing featured theme shopping malls, or selecting appropriate tenants. The Group also provides property agency services in respect of sale of properties.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2014, the Group's revenue was derived from (i) sales of properties (most of which were residential units and car parking spaces of Fond England); (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

Sales of properties decreased by 92.2% from approximately HK\$242.6 million in the six months ended 30 June 2013 to approximately HK\$19.0 million in the corresponding period in 2014. This decrease was primarily due to an decrease in the saleable GFA sold and delivered in respect of Fond England during the period of 2014. Saleable GFA delivered for the six months ended 30 June 2014 and 2013 were approximately 2,232 sq.m. and 17,804 sq.m. respectively.

### Cost of Sales

Cost of sales decreased by 83.9% to approximately HK\$27.2 million for the six months ended 30 June 2014 from approximately HK\$169.1 million for the six months ended 30 June 2013. This result was also primarily attributable to the decrease in saleable GFA sold and delivered in relation to Fond England during the six months ended 30 June 2014.

### Gross Profit and Gross Profit Margin

The gross profit amounted to approximately HK\$24.4 million and approximately HK\$109.2 million for the six months ended 30 June 2014 and 2013 respectively, representing a gross profit margin of approximately 47.3% and 39.2% respectively. The overall increase in gross profit margin was mainly due to an increase in gross profit margin in the rental income of investment properties for the six months ended 30 June 2014.

### Other Income

Other income amounted to approximately HK\$0.4 million and HK\$2.2 million for the six months ended 30 June 2014 and 2013 respectively.

### Borrowing Costs

Borrowing costs incurred for the construction and improvement in investment properties were capitalised during the period.

Capitalised borrowing costs decreased from approximately HK\$4.0 million for the six months ended 30 June 2013 to approximately HK\$2.6 million for the six months ended 30 June 2014. The decrease was mainly due to the repayment of bank loans for the purpose of construction.

### **Gain on Changes in Fair Value of Investment Properties**

There was a gain on changes in fair value of investment properties for the six months ended 30 June 2014 of approximately HK\$8.2 million while there was a gain of approximately HK\$2.1 million in the previous corresponding financial period. The increase in gain reflected a short term fluctuation of property value in Nanning.

### **Administrative Expenses**

Administrative expenses increased by 14.8% to approximately HK\$21.7 million for the six months ended 30 June 2014 from approximately HK\$18.9 million for the six months ended 30 June 2013. The increase was primarily attributable to an one-off professional expense amounting to approximately HK\$1.8 million and donation of approximately HK\$1.0 million incurred in connection with the transfer of listing of the Company's shares from the GEM Board to the Main Board of the Stock Exchange (the "Transfer of Listing") during the six months ended 30 June 2014.

### **Selling Expenses**

Selling expenses decreased to approximately HK\$2.5 million for the six months ended 30 June 2014 from approximately HK\$7.2 million in the previous corresponding period. The main reason for the decrease was the decrease in the promotion costs and the commission expenses resulting from the decrease in sales of properties during the six months ended 30 June 2014.

### **Profit before Income Tax**

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK\$8.9 million for the six months ended 30 June 2014, representing a decrease of 89.8% from approximately HK\$87.2 million in the previous corresponding financial period.

### **Income Tax Expense**

Income tax expense decreased to approximately HK\$4.0 million for the six months ended 30 June 2014 from approximately HK\$38.9 million in the previous corresponding period. The decrease in income tax was mainly due to i) the decrease in LAT payable in the PRC resulting from the decrease in income in GFA sold and delivered in relation to Fond England; and ii) the decrease in corporate income tax resulting from lower profit recorded during the six months ended 30 June 2014.

### **Profit for the period attributable to the Owners of the Company**

The profit for the period attributable to the owners of the Company decreased by approximately 91.8% to approximately HK\$3.7 million for the six months ended 30 June 2014 from approximately HK\$44.9 million in the previous corresponding financial period.

## Liquidity and Financial Resources

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds derived from receipt in advance from the pre-sale of properties, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in the six months ended 30 June 2014.

The Group's gearing ratio (total borrowings divided by total equity) dropped to 6.4% as at 30 June 2014 (31 December 2013: 6.7%). The Group had net cash (total borrowings less cash and cash equivalents) of approximately HK\$66.7 million as at 30 June 2014 (31 December 2013: HK\$54.6 million, net cash).

The Group's cash and cash equivalents and restricted cash amounted to approximately HK\$113.8 million in total as at 30 June 2014 (31 December 2013: HK\$105.1 million). Total borrowings as at 30 June 2014 was approximately HK\$47.2 million (31 December 2013: HK\$50.5 million). Of the total borrowings, approximately HK\$10.1 million (31 December 2013: HK\$12.3 million) was repayable within one year while approximately HK\$37.1 million (31 December 2013: HK\$38.2 million) was repayable after one year.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

## Capital Commitments

Capital commitments were those contracts concluded but not provided for the construction of properties under development. The balance as at 30 June 2014 were approximately HK\$36.0 million (31 December 2013: HK\$84.1 million). The decrease was attributable to the completion of certain parts of Li Yuan Project in the six months ended 30 June 2014.

## Pledge of Assets

The Group utilised facilities from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by property, plant and equipment, interests in leasehold land, investment properties, bank deposits and assignments of rental income arising from the leasing of certain properties of the Group's subsidiaries.

## Capital Structure

As at 30 June 2014, the Company's issued share capital was HK\$30,000,000, divided into 300,000,000 ordinary shares (the "Shares") of HK\$0.1 each (31 December 2013: HK\$30,000,000 divided into 300,000,000 Shares).

### **Foreign Currency Exposure**

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 30 June 2014, the Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2014, the Group did not use any financial instruments for hedging purposes.

### **Contingent Liabilities**

As at 30 June 2014, the Group did not have any material contingent liabilities (31 December 2013: Nil).

### **Employees and Emolument Policy**

As at 30 June 2014, the Group employed a total of 120 full-time employees (31 December 2013: 193 employees). The total salaries and related costs (including the Directors' fee) amounted to approximately HK\$13,980,000 (2013: HK\$16,628,000) for the six months ended 30 June 2014. Employees were remunerated on the basis of their performance, experience and the remuneration level prevailing in the industry. The Group reviews the remuneration policies and packages on a regular basis. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme was adopted on 23 November 2012 to attract and retain eligible employees to contribute to the Group. As at 30 June 2014, no option had been granted under the share option scheme.



## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus issued by the Company dated 30 November 2012 (the "Prospectus") with the Group's actual business progress for the six months ended 30 June 2014 (the "Review Period") is set out below:

### Business Objectives for the Review Period

### Actual Business Progress up to 30 June 2014

*Continue to develop possible potential featured theme shopping mall*

- \* Decoration of the possible potential featured theme shopping mall
- \* Promote and advertise the possible potential featured theme shopping mall in multi-media and internet
- \* Commence leasing of the possible potential featured theme shopping mall

A potential shopping mall had been identified with a featured theme selected. Feasibility study and preliminary market research on the selected theme had commenced. Negotiation on the terms of leasing had also been initiated. The project was however abandoned due to failure in reaching an agreement on the leasing terms with the landlord of the shopping mall and marketing planning for it was put on hold.

Nevertheless, the Group has kept on identifying shopping malls suitable for developing into potential featured theme shopping malls. The Group has also dedicated efforts in transforming its existing shopping malls through the offering of better ambience, spectacular design and/or layout, the selection of the right mix of tenants that fits the purchasing behavior and appeals to its target customers so as to encourage more shoppers to visit the shopping malls, as well as reviewing its sales marketing plans and strategies to retain existing tenants and attract new tenants. In addition, more marketing promotions are being organized for the second half of 2014 to continue to secure and/or attract more shoppers and tenants.

*Continue to develop the Group's property development project with a green-focus*

- \* Continue the property development of the Li Yuan Project

Block A and Block B of the Li Yuan Project were constructed to 32nd floor respectively. As at 30 June 2014, green-focus facilities and products for Li Yuan Project had been constructed and/or installed, or were in the process of installing.

## Business Objectives for the Review Period

## Actual Business Progress up to 30 June 2014

- \* Final inspection of 3A Technical Standards for Performance Assessment of Residential Buildings ("PARB") for Li Yuan Project  
Application of 3A Technical Standards for PARB of the Li Yuan Project was withdrawn as the nature of the 3A Technical Standards for PARB is similar to that of the Green Buildings Standard (3 stars) in January 2013.
- \* Continue to identify suitable location for development of property project with a green-focus  
The Group had identified some locations for development of property project with a green-focus in 2013. The Group was in the process of assessing the development potentials of these locations during the first half of 2014 and will carry on the evaluation in the second half of 2014. The Group will continue to identify appropriate location for development of property project with a green-focus.

Marketing campaigns that describe the development in the Group's green technology knowledge base and other achievements in the environmental preservation commitment had been launched in 2013 and extended to the first half of 2014. The Group will continue with the marketing promotions and campaigns.

### *Pursue potential acquisition opportunities or invest in the property development and property leasing industry*

- \* Evaluate and explore possible potential acquisitions opportunities  
The Group had not yet identified any acquisition opportunities but will continue to seek appropriate ones.

### *Enhancing brand recognition on property-related business in Nanning*

- \* Continue to organise promotional and marketing events  
During the first half of 2014, 10 promotional and marketing events had been organized, including the marketing activity for celebrating the 17th anniversary of Yu Feng Plaza.
- \* Continue to develop market positioning strategies for properties owned by the Group  
Various marketing positioning strategies for the properties owned by the Group had been developed and the Group will continue to formulate new strategies from time to time to respond to changes of market.
- \* Continue to provide environmentally friendly and value-added consultancy services  
The Group had provided and will continue to provide environmentally friendly and value-added consultancy services.

## Use of Proceeds

The net proceeds from the initial listing of the Company's shares on GEM of the Stock Exchange (the "GEM Listing") were approximately HK\$25.5 million, which was based on the final placing price of HK\$0.66 per share and the actual expenses related to the GEM Listing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

During the period from the date of the GEM Listing (i.e. 14 December 2012) (the "Listing Date") to 30 June 2014, the net proceeds from the GEM Listing had been applied (which application was in line with that stated in the Prospectus) as follows:

	<b>Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 30 June 2014 HK\$ million</b>	<b>Actual use of proceeds from the GEM Listing Date to 30 June 2014 HK\$ million</b>
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	—
The pursuit of potential acquisition opportunities or invest in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and or property consulting companies or business)	9.8	—
General working capital and other general corporate purposes of the Group	2.5	2.5
	25.5	2.5

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Furthermore, as disclosed in the Company's announcement dated 16 May 2014, while the Directors do not have any immediate plan to change the use of the remaining portion of the net proceeds from the GEM Listing as stated above, the Directors consider that it is in the overall interests of the Company and its shareholders to allow flexibility in the use of the unutilized net proceeds of HK\$13.2 million originally allocated for use in the development and operation of featured theme shopping mall and maintenance of other investment properties in that, to the extent that the unutilized net proceeds are not applied for such purposes, they will be utilized to fund any potential acquisition or investment opportunities in the property related industry, whether in the PRC, Hong Kong or other overseas countries, as and when any suitable opportunity(ies) is/are identified.

All the unutilised balances have been placed in licensed banks in Hong Kong and the PRC.

## **ADDITIONAL DISCLOSURES**

### **Registration of lease agreements in the PRC**

As disclosed in the Prospectus, some lease agreements in respect of certain investment properties in the PRC held or leased by the Group, which are required to be registered under the PRC laws, were not registered or registrable.

As at 30 June 2014, there were still 3 lease agreements pending to be registered due to:

- the delay or refusal of the counter-parties to provide the necessary information to effect registration in a timely manner (1 lease agreement was involved); and
- the lack of the relevant building ownership certificates (2 lease agreements were involved).

The Company will keep monitoring the registration status of these lease agreements with the aim of completing their registration as early as practicable.

### **Property ownership certificate of Yu Feng High Street**

As disclosed in the Prospectus, following the refurbishment and renovation of Yu Feng High Street (formerly known as Wan Guo Shopping Mall (萬國商場)), the property ownership certificate issued on 11 May 2012 in respect of the refurbished Yu Feng High Street approved and covered a GFA of 7,484 sq. m. It was later transpired that there was a shortfall in GFA of approximately 770 sq. m. which was yet to be covered under the property ownership certificate. The Group has delegated a senior management staff to keep liaising with the relevant PRC authorities and following up on the application procedure for a new property ownership certificate of Yu Feng High Street.

As at 30 June 2014, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so as to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

## **OUTLOOK**

Looking forward, the Group will continue to engage in the property development, property leasing and property related management and consultancy businesses with emphasis on quality, comfort, and, above all, environmental friendliness. The Group aims to expand the application of green technology towards its property leasing, property related management and consultancy, and property development businesses, including the operation and management of featured theme shopping mall, commercial and residential properties and the development of property projects with a green-focus.

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

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

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571, the laws of Hong Kong (the "SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b), pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c), pursuant to (i) Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") prior to the transfer of Listing and (ii) the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules after the Transfer of Listing, to be notified to the Company and the Stock Exchange were as follows:

### Long positions

#### Ordinary shares of the Company ("Shares")

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding (Note 4)
Lee Kai Hung ("Dr. Lee")	Interest of a controlled corporation (Note 1)	90,000,000	30%
Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon) ("Mrs. Lee")	Interest of a controlled corporation (Note 2)	90,000,000	30%
Lee Tse Ching, Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) ("Dr. Elaine Eick")	Interest of a controlled corporation (Note 3)	45,000,000	15%

Notes:

- (1) These Shares were registered in the name of First Beijing International Limited ("First Beijing"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Dr. Lee, the chairman, the chief executive officer and an executive Director. Dr. Lee is deemed to be interested in all the Shares in which First Beijing is interested by virtue of the SFO. Dr. Lee is the sole director of First Beijing.
- (2) These Shares were registered in the name of Ease Gain Holdings Limited ("Ease Gain"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mrs. Lee, an executive Director. Mrs. Lee is deemed to be interested in all the Shares in which Ease Gain is interested by virtue of the SFO. Mrs. Lee is the sole director of Ease Gain.
- (3) These Shares were registered in the name of Chosen Leader Limited ("Chosen Leader"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Dr. Elaine Eick, the vice-chairman and an executive Director. Dr. Elaine Eick is deemed to be interested in all the Shares in which Chosen Leader is interested by virtue of the SFO. Dr. Elaine Eick is the sole director of Chosen Leader.
- (4) The percentage of shareholding was calculated based on the total issued share capital of 300,000,000 Shares as at 30 June 2014.

Saved as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any interest or short position in the shares of the Company or any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the GEM Listing Rules and Listing Rules, respectively.

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

As at 30 June 2014, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interests and short positions in the Shares, underlying Shares and/or debentures of the Company as recorded in the register kept under section 336 of the SFO were as follows:

### Long positions

#### Shares

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding (Note 5)
First Beijing (Note 1)	Beneficial owner	90,000,000	30%
Ease Gain (Note 2)	Beneficial owner	90,000,000	30%
Chosen Leader (Note 3)	Beneficial owner	45,000,000	15%
Dr. Holger Eick (Note 3)	Interest of spouse	45,000,000	15%
Ms. Huang Yuanning (黃元寧)	Beneficial owner	22,864,000	7.62%
Mr. Zhang Liming (張麗銘) (Note 4)	Interest of spouse	22,864,000	7.62%

Notes:

- (1) These Shares were registered in the name of First Beijing, the entire issued share capital of which is owned by Dr. Lee, the chairman, the chief executive officer and an executive Director. Dr. Lee is deemed to be interested in all the Shares in which First Beijing is interested by virtue of the SFO. Dr. Lee is the sole director of First Beijing.
- (2) These Shares were registered in the name of Ease Gain, the entire issued share capital of which is owned by Mrs. Lee, an executive Director. Mrs. Lee is deemed to be interested in all the Shares in which Ease Gain is interested by virtue of the SFO. Mrs. Lee is the sole director of Ease Gain.
- (3) These Shares were registered in the name of Chosen Leader, the entire issued share capital of which is owned by Dr. Elaine Eick, the vice chairman and an executive Director. Dr. Elaine Eick is deemed to be interested in all the Shares in which Chosen Leader is interested by virtue of the SFO. Dr. Elaine Eick is the sole director of Chosen Leader. As Dr. Holger Eick is the spouse of Dr. Elaine Eick, he is deemed, or taken to be, interested in the Shares which Dr. Elaine Eick is deemed, or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of Ms. Huang Yuanning, who is the spouse of Mr. Zhang Liming. By virtue of the SFO, Mr. Zhang Liming is deemed to be interested in the Shares which Ms. Huang Yuanning is interested in for the purposes of the SFO.
- (5) The percentage of shareholding was calculated based on the total issued share capital of 300,000,000 Shares as at 30 June 2014.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 23 November 2012. The purpose of the Scheme is to provide incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group. No options to subscribe for ordinary shares in the Company were granted under the Scheme during the period.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2014.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a set of codes of conduct for securities transactions by Directors (the "Securities Dealing Code"), which was and is on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") prior to the Transfer of Listing and set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules after the Transfer of Listing. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Securities Dealing Code during the six months ended 30 June 2014.

## CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules during the period from 1 January 2014 to 25 May 2014 and the applicable code provisions contained in Appendix 14 to the Listing Rules during the period from 26 May 2014 to 30 June 2014, except that Dr. Lee Kai Hung acts as both the chairman and the chief executive officer of the Company while code provision A.2.1 of the CG Code requires that the responsibilities between these two positions shall be segregated and not be performed by the same individual. The Board is of the view that, given that Dr. Lee has been primarily responsible for leading the strategic planning and business development of the Group, the current arrangement would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. In addition, Dr. Lee's involvement in the Nanning property market industry would enable the Group to tap into the latest market development. The Board, therefore, considers that the current arrangement is overall beneficial to the management and development of the Group's business. The Board will continue to review the current management structure from time to time and may make changes if and when appropriate.

## AUDIT COMMITTEE REVIEW

The Board has established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Company. The audit committee consists of all the independent non-executive Directors, namely, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2014 and is of the opinion that such statements comply with the applicable accounting standards and requirement, and that adequate disclosure has been made.

## APPRECIATION

We would like to take this opportunity to express our sincere gratitude to the shareholders for their continuing support, and our appreciation to all staff members for the dedication and loyalty to the Group.

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

Hong Kong, 19 August 2014

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

\* for identification purpose only