

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

ANNUAL REPORT

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*This annual report is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhuang Yuekai (*Chairman*)  
(appointed on 10 February 2015)  
Mr. Shi Zhen (*Chief Executive Officer*)  
(appointed on 10 February 2015)  
Ms. Wang Xianrong (appointed on 10 February 2015)  
Ms. Zhao Chengmin (appointed on 10 February 2015)  
Dr. Lee Tse Ching, Elaine  
(also known as Dr. Eick Lee Tse Ching, Elaine)  
Mr. Cheng Bun  
Dr. Lee Kai Hung  
(resigned on 10 February 2015)  
Ms. Chan Koon Woon  
(also known as Mrs. Lee Chan Koon Woon)  
(resigned on 10 February 2015)

### 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 (*Chairman*)  
Mr. Wong Tat Yan, Paul  
Mr. Chan Chun Yee

## REMUNERATION COMMITTEE

Mr. Wong Tat Yan, Paul (*Chairman*)  
Mr. Zhuang Yuekai (appointed on 16 March 2015)  
Mr. Wong Chi Wai  
Mr. Chan Chun Yee

## NOMINATION COMMITTEE

Mr. Zhuang Yuekai (*Chairman*)  
(appointed on 16 March 2015)  
Mr. Chan Chun Yee\*  
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

\* Ceased as Chairman of the Nomination Committee following the appointment of Mr. Zhuang Yuekai as Chairman on 16 March 2015

## **CORPORATE INFORMATION**

### **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 ADVISERS AS TO HONG KONG LAW**

Chiu & Partners

### **STOCK CODE**

1908

### **COMPANY'S WEBSITE**

[www.southwesteco.com](http://www.southwesteco.com)

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to the shareholders (the "Shareholders") of South West Eco Development Limited (the "Company") the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Year").

2014 is a remarkable year of the Group. During the Year, so far as our operations were concerned, the People's Republic of China (the "PRC") central government's persistent monetary and credit tightening policies and property market control measures had continued. The revenue of the Group decreased by approximately 10.6% as compared to the corresponding period in 2013 to HK\$342.6 million, of which the revenue from projects sold and delivered decreased by approximately 9.5% to HK\$280.9 million. However, the rental income from investment properties of the Group increased by approximately 7.8% as compared to the corresponding period in 2013 to HK\$52.1 million. In the capital market, the listing of the Company's shares was successfully transferred from the Growth Enterprise Market ("GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In December 2014, Well Land International Limited (益能國際有限公司) ("Well Land") was introduced as a new shareholder and acquired 75% of the issued share capital of the Company.

Well Land is a wholly-owned subsidiary of Well Honour International Limited (益鴻國際有限公司), which is a wholly-owned subsidiary of C&D Real Estate Corporation Limited (建發房地產集團有限公司). C&D Real Estate Corporation Limited is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipality. The investor group of companies (the "Xiamen C&D Group") is a modern service enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC.

I believe that through the dedicated efforts of our past and present directors, management and staff over the years and under the leadership of the management team of Xiamen C&D Corporation Limited, the Group will continue to enhance the level of all aspects of the properties and continue to strive to provide environmental friendly and comfortable accommodation to our customers so as to achieve the best interests of our shareholders.

## CHAIRMAN'S STATEMENT

### APPRECIATION

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

**Zhuang Yuekai**

*Chairman*

Hong Kong, 16 March 2015

# 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 is an award winning green building property developer and has more than 20 years of experience in developing and leasing properties and approximately 12 years of experience in managing properties in numerous locations in Nanning, the PRC.

The Group's results of operation may fluctuate or vary significantly from period to period depending on, among other factors, the overall development schedule of the development project(s) undertaken by the Group and the timing of sale and delivery of such development project(s).

In December 2014, the Group completed the Li Yuan Project (荔園項目) and approximately 29,079 square metres ("sq. m.") of residential units were sold and delivered to the purchasers for the Year.

The Group recorded a profit attributable to owners of the Company for the Year of approximately HK\$31.3 million (2013: HK\$ 63.5 million). It represented a decrease in the profit by approximately 50.8% as compared to that of the year of 2013. The primary reason for the decrease in profit was that the Group's major source of revenue had switched from the sales of Fond England (裕豐英倫) in the year of 2013 to the sales of Li Yuan in the Year, and the selling prices of Li Yuan's residential units were substantially lower than those of Fond England as Fond England is situated in a relatively prime location.

### Property development business

**Li Yuan**, a lohas residential project with a total saleable gross floor area (the "GFA") of over 46,000 sq. m. in New & Hi-Tech Industrial Development Zone, Nanning, was aggregately sold and pre-sold for over 70% as at 31 December 2014. For the Year, approximately 29,079 sq. m. of residential units with revenue of approximately HK\$255.3 million were sold and delivered to the purchasers.

**Fond England**, a green residential project with a total GFA of over 150,000 sq. m. in Nanning, was aggregately sold and pre-sold for over 97% as at 31 December 2014. For the Year, approximately 3,179 sq. m. (including residential units and car parking spaces) with revenue of approximately HK\$25.6 million were sold and delivered to the purchasers.

### Property leasing business

The leasing fee income from the Group's property leasing business was approximately HK\$52.1 million for the Year (2013: HK\$48.3 million).

The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of 31 December 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 23,774 sq. m. in the PRC, of which an aggregate GFA of approximately 17,851 sq.m. in the PRC were leased out.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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\$9.4 million (2013: HK\$19.1 million) and HK\$0.3 million (2013: HK\$5.4 million) respectively were contributed to the Group's revenue for the Year.

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by independent third party property owners or users. The Group's property management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environmental protection policies, event planning and consultancy 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\*)) ("Golden Yu Feng"), 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 31 December 2014, the Group derived its property management income mainly from Yu Feng Plaza (裕豐大廈), Wan Guo Plaza (萬國廣場) (formerly named as Yu Feng High Street) and International Kitchen Supplies Centre (國際廚櫃中心) in Nanning.

For the property consultancy business, the Group provides consultancy services to independent third party property owners or permitted users on business promotion events, sub-leasing and management of their properties.

\* For identification purpose only



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the Year, the Group's revenue was derived from (i) sales of properties (most of which were residential units of Li Yuan); (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

The following table sets forth the Group's revenue from each of these segments and as a percentage of total revenue for the financial years indicated:

	2014		2013	
	HK\$'000	%	HK\$'000	%
Sales of properties	280,870	82.0	310,269	81.0
Rental income of investment properties	52,101	15.2	48,335	12.6
Building management income	9,373	2.7	19,046	5.0
Consultancy service income	257	0.1	5,414	1.4
	<b>342,601</b>	<b>100</b>	383,064	100

Sales of properties decreased by about 9.5% from approximately HK\$310.3 million (derived mainly from Fond England) in 2013 to approximately HK\$280.9 million (derived mainly from Li Yuan) in 2014. Saleable GFA delivered for the financial years ended 31 December 2013 and 2014 were approximately 25,772 sq. m. and approximately 32,258 sq. m. respectively. The rise in saleable GFA in the Year as compared to last year did not bring up the revenue derived from the sales of properties for the Year because the selling prices of Li Yuan's residential units were substantially lower than those of Fond England (as Fond England is situated in a relatively prime location).

### Cost of Sales

Cost of sales increased by about 6.7% from approximately HK\$244.6 million for the year ended 31 December 2013 to approximately HK\$260.9 million for the Year. This result was primarily attributable to the increase in the unit costs of saleable GFA sold and delivered in relation to Li Yuan during the Year.

### Gross Profit and Gross Profit Margin

The gross profit amounted to approximately HK\$138.5 million and approximately HK\$81.7 million for the years ended 31 December 2013 and 2014 respectively, representing a gross profit margin of approximately 36.1% and 23.8% respectively. The overall decrease in gross profit margin was mainly due to the decrease in gross profit margin of the sales of properties in the Year.

### Other Income

Other income decreased from approximately HK\$4.4 million in the previous financial year to approximately HK\$1.5 million for the Year. The main reason for the decrease was that dividend income was no longer received after the disposal of the available-for-sale financial assets in the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Borrowing Costs

Borrowing costs incurred for the construction projects and improvement in investment properties are capitalised during the Year. Other borrowing costs are expensed when incurred.

Capitalised borrowing costs decreased from approximately HK\$6.2 million for the year ended 31 December 2013 to approximately HK\$5.9 million for the Year. The decrease was mainly due to the repayment of bank loans advanced for the purpose of construction projects.

## Gain on Changes in Fair Value of Investment Properties

The gain on changes in fair value of investment properties for the Year decreased to approximately HK\$22.3 million from approximately HK\$31.5 million in the previous financial year. The decrease reflected the adjustments in the property value in Nanning during the Year.

## Administrative Expenses

Administrative expenses decreased by about 6.3% to approximately HK\$39.9 million for the Year from approximately HK\$42.6 million for the year ended 31 December 2013. This was primarily due to the decrease in staff costs, which was partially offset by (i) an one-off professional expense amounting to approximately HK\$1.8 million incurred in connection with the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange (the "Transfer of Listing"); and (ii) the charitable donations of approximately HK\$1.0 million made by the Group during the Year.

## Selling Expenses

Selling expenses decreased by about 44.0% to approximately HK\$7.0 million for the Year from approximately HK\$12.5 million for the year ended 31 December 2013, primarily due to reduction in promotion expenses incurred in the Year.

## Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before income tax of approximately HK\$58.7 million for the Year, representing a decrease of approximately 50.8% from approximately HK\$119.3 million in the previous financial year.

## Income Tax Expense

Income tax expense decreased from approximately HK\$50.0 million in the previous financial year to approximately HK\$21.8 million for the Year. The decrease in income tax was mainly due to a decrease in land appreciation tax ("LAT") and income tax payable in the PRC resulting from the drop in assessable appreciation value and profit margin of properties delivered to customers in relation to Li Yuan during the Year.

## Profit for the Year Attributable to the Owners of the Company

The profit attributable to the owners of the Company decreased by about 50.8% from approximately HK\$63.5 million in the previous financial year to approximately HK\$31.3 million for the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 received in advance from the pre-sale of properties, which were used to finance its business operations and investment in construction projects. The Group's liquidity position was well-managed in the Year.

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2014, the Group's cash and cash equivalents and restricted cash amounted to approximately HK\$194.6 million (2013: HK\$105.1 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$1,200.0 million (2013: HK\$1,244.5 million) and HK\$693.2 million (2013: HK\$682.3 million), respectively. As at 31 December 2014, the Group's working capital amounted to approximately HK\$190.7 million (2013: HK\$131.6 million). As at 31 December 2014, the Group did not have any net debt gearing and recorded a net cash balance of HK\$106.2 million, while the Group recorded a net cash balance of HK\$54.6 million as at 31 December 2013.

As at 31 December 2014, the Group had (i) bank borrowings of HK\$83.0 million (2013: HK\$44.3 million) denominated in Renminbi ("RMB") and bore a floating interest rate of 7.69% to 8.19% (2013: 7.86%) per annum, and (ii) a loan facility of approximately HK\$5.4 million (2013: HK\$6.2 million) denominated in Hong Kong dollar and bore a floating interest rate of 3.5% per annum. No particular trend of seasonality was observed for the Group's borrowing requirements for the Year.

The Group's gearing ratio (total borrowings divided by total equity) returned to 11.5% as at 31 December 2014 as the total borrowings increased in the Year.

Of the total borrowings, approximately HK\$14.1 million was repayable within one year while approximately HK\$74.3 million was repayable after one year.

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

## Financial Guarantee Contracts

The Group had arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The balance as at 31 December 2014 was approximately HK\$112.5 million (2013: HK\$257.1 million). The decrease was mainly attributable to the termination of the guarantees upon the issuance of the real estate ownership certificates to the purchasers and the settlement of mortgage loan by purchasers of Fond England in the Year.

## Capital Commitments

Capital commitments were those contracts concluded but not provided for the construction of properties under development. There was no contracted capital commitment as at 31 December 2014 (2013: HK\$84.1 million). The decrease was attributable to the completion of Li Yuan Project in the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Pledge of Assets

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

## Capital Structure

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

## Foreign Currency Exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Company's subsidiaries denominated mainly in RMB.

Among the Group's cash and cash equivalents (which include bank deposits and net proceeds derived from the Company's listing on GEM in December 2012 (the "GEM Listing")), approximately 1.3% (2013: 13.6%) were denominated in Hong Kong dollar and 98.7% (2013: 86.4%) were denominated in RMB.

Among the Group's total borrowings of approximately HK\$88.4 million (2013: HK\$50.5 million), 6.1% (2013: 12.4%) were denominated in Hong Kong dollar and 93.9% (2013: 87.6%) were denominated in RMB.

Any significant exchange rate fluctuations of Hong Kong dollar against RMB as the Group's functional currency may have a financial impact on the Group.

As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent Liabilities

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

## Employees and Emolument Policy

As at 31 December 2014, the Group employed a total of 103 full-time employees (2013: 193 employees). Total staff costs, including Directors' emoluments, of the Group were approximately HK\$25.9 million (2013: HK\$36.0 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme has been adopted to attract and retain eligible employees to contribute to the Group.

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

## OUTLOOK

Looking forward, the Group will continue to adhere to the strategy previously formulated of putting emphasis on quality, comfort, and, above all, environmental friendliness in the property development, property leasing and property related management businesses. The Group strives to expand its (i) property leasing, (ii) property related management and consultancy, and (iii) property development businesses by the application of green technology, including the operation and management of featured theme shopping mall, commercial and residential properties and the development of property projects with a green-focus. The Group will also proactively explore business and/or investment opportunities for the Group, both within and outside Nanning.

## FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the Year (2013: HK 1.8 cents).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Friday, 24 April 2015 to Tuesday, 28 April 2015 (both days inclusive) during which no transfer of shares in the Company may be effected. In order to qualify for attending the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 23 April 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## STATUS OF ACHIEVEMENT OF BUSINESS OBJECTIVES

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 November 2012 (the "Prospectus") with the Group's actual business progress for the Year (the "Review Period") is set out below:

### Business objectives

### Actual business progress up to 31 December 2014

*Continue to develop possible potential featured theme shopping mall*

- Conduct feasibility study on the possible potential featured theme on the shopping mall
- Commence market research for the possible potential featured theme on the shopping mall
- Identify appropriate property for the establishment of possible potential featured theme shopping mall
- Confirm the location of the possible potential featured theme shopping mall
- Commence negotiations on the terms of the leasing agreement
- Select good tenant mix and sound product mix for and operate the leasing of the possible potential featured theme shopping mall
- Develop market positioning strategies for the possible potential featured theme shopping mall
- Decoration of the possible potential featured theme shopping mall
- Continue the promotion and advertising of the possible potential featured theme shopping mall in multi-media and internet

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 the leasing agreement had also been started. The project was, however, abandoned due to failure in reaching an agreement on the terms of tenancy with the landlord of the shopping mall. Selection of good tenant mix and sound product mix and formulation of market positioning strategies for the project were therefore put to a halt.

The Group had yet to locate any appropriate location and property for the establishment or development of featured theme shopping mall in the Year and will continue to seek appropriate property for featured theme shopping mall development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business objectives

### Actual business progress up to 31 December 2014

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

- Complete the property development of Phase 2 of Fond England  
Development of Phase 2 of Fond England was completed in March 2013.
- Continue and complete the property development of the Li Yuan Project  
Fond England was awarded and granted a 2-star Certificate of Green Building Label by The Ministry of Housing and Urban Rural Development of the PRC in September 2014.
- Continue to identify suitable location for development of property project with a green-focus  
Development of the Li Yuan Project was completed in December 2014.  
  
The Group had identified some locations for development of property project with a green-focus in 2013 and assessed and evaluated their development potentials in 2014. The Group will continue to identify appropriate location or development of property project with a green-focus.

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

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

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

- Continue to organise promotional and marketing events  
The Group had continued to organise promotional and marketing events. In the Year, more than 16 promotional and marketing events including the marketing activity celebrating the 17th anniversary of Yu Feng Plaza.
- Continuing to develop market positioning strategies for properties owned by the Group  
Various marketing positioning strategies for the properties owned by the Group had also been developed and the Group had re-arranged the tenent mix of Wan Guo Plaza (formerly known as Yu Feng High Street) by inviting a fashion group to lease the whole ground floor of Wan Guo Plaza. The Group will continue to formulate new strategies from time to time to respond to market changes.
- Continue to provide environmentally friendly and value-added consultancy services  
Furthermore, the Group continues to engage in the provision of environmentally friendly and value-added consultancy services.

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PLACING PROCEEDS

The net proceeds from the issue of 75,000,000 new shares (the "Placing Shares") in the Company under the placing as set out in the Prospectus were approximately HK\$25.5 million, which was based on the final placing price of HK\$0.66 per Placing Share after deducting the actual expenses relating 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 (that is, 14 December 2012) (the "GEM Listing Date") to 31 December 2014, the net proceeds from the GEM Listing had been applied as below (which application was in line with that stated in the Prospectus):

	<b>Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 31 December 2014 HK\$ million</b>	<b>Actual use of proceeds from the GEM Listing Date to 31 December 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
	<hr/> 25.5	<hr/> 2.5

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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 the Shareholders to allow flexibility in the use of the unutilised 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 unutilised net proceeds are not applied for such purposes, they will be utilised 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 suitable opportunities(ies) is/are identified.

All the unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and the PRC.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### Mr. ZHUANG Yuekai (莊躍凱) (“Mr. Zhuang”)

Mr. Zhuang, aged 49, was appointed as the chairman of the Board and an executive Director of the Company on 10 February 2015. He was also appointed as a member and the chairman of the nomination committee of the Board (the “Nomination Committee”), and as a member of the remuneration committee of the Board (the “Remuneration Committee”) with effect from 16 March 2015. He graduated from Fuzhou University in 1986 with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer, a registered enterprise legal adviser and a certified real estate appraiser in the PRC and is entitled to special government allowances of the State Council of the PRC. Mr. Zhuang has extensive experience in, among others, real estate development, investment in merger and acquisition, capital utilisation and commercial operation.

Mr. Zhuang has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years and currently serves as, among others, the vice-general manager and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and the chairman of C&D Real Estate Corporation Limited.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited (of which Mr. Zhuang is a director) which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

### Mr. SHI Zhen (施震) (“Mr. Shi”)

Mr. Shi, aged 49, was appointed as the chief executive officer and an executive Director of the Company on 10 February 2015. He also serves as a director of some subsidiaries of the Group. Mr. Shi graduated from Fuzhou University with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer and a certified real estate appraiser in the PRC and has years of experience in, among others, real estate development, investment management and enterprise operation management.

Mr. Shi has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years and currently serves as a director and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and a director and the general manager of C&D Real Estate Corporation Limited. Mr. Shi is also a director of Well Land International Limited (a controlling shareholder of the Company) and Well Honour International Limited (the holding company of Well Land International Limited).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited (a controlling shareholder of the Company).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Ms. WANG Xianrong (王憲榕) (“Ms. Wang”)**

Ms. Wang, aged 63, was appointed as an executive Director of the Company on 10 February 2015. She graduated in 1974 from the Faculty of Economics of Xiamen University, majoring in accounting and finance. She is a senior accountant.

Ms. Wang has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years and currently serves as a director of Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited. Ms. Wang is also a director of Xiamen C&D Inc., a Shanghai-listed company (stock code: 600153). Ms. Wang was a director of Xiamen Overseas Chinese Electronic Co., Ltd., a Shanghai-listed company (stock code: 600870), and the chairperson of Xiamen C&D Corporation Limited. She was also a representative of the 11th National People’s Congress.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc.. Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

### **Ms. ZHAO Chengmin (趙呈閩) (“Ms. Zhao”)**

Ms. Zhao, aged 45, was appointed as an executive Director of the Company on 10 February 2015 and is one of the authorised representatives of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Ms. Zhao also serves as director of some subsidiaries of the Group and the legal representative of some PRC subsidiaries of the Group. She graduated from Xiamen University with a master’s degree in business administration and is a senior accountant. Ms. Zhao has many years’ experience in finance management and investment operation management and has held senior management positions in PRC-listed companies or key holding subsidiaries of PRC-listed companies for many years.

Ms. Zhao has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years and currently serves as, among others, a supervisor of Xiamen C&D Corporation Limited and a director and vice-general manager of C&D Real Estate Corporation Limited. Ms. Zhao worked as finance controller and vice general manager in Xiamen Overseas Chinese Electronic Co., Ltd., a Shanghai-listed company (stock code: 600870).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited (of which Ms. Zhao is a director), a controlling shareholder of the Company.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Dr. Lee Tse Ching, Elaine (李紫清) (also known as Dr. Eick Lee Tse Ching, Elaine) (“Dr. Elaine Eick”)**

Dr. Elaine Eick, aged 44, has been an executive Director of the Company since 18 February 2011. She graduated from the University of Manchester Institute of Science and Technology (now known as the University of Manchester) in England with a master’s degree in science in 1994, and obtained her doctorate degree in philosophy from the University of Cambridge in England in 1998. She joined the Group in October 2007. She is primarily responsible for planning and departmental coordination and implementation of business strategies and of the overall operational management of the Group.

Prior to joining the Group, in 2001, Dr. Elaine Eick had been a director for the Asia-Pacific region of a company headquartered in England with offices abroad and engaging in the medical communications business. She had also been the founder and managing director of Pharma Frontiers Limited since 2003, a medical communications agency where she was responsible for planning and implementing communication strategies for a range of pharmaceutical and biotechnology clients. Her expertise includes strategic counselling, promotional, marketing and business planning for corporate and product-focused clients. She has more than 12 years of experience in business management and commercial communication functions.

Dr. Elaine Eick is the daughter of Dr. Lee Kai Hung (李啟鴻) (“Dr. Lee”) (the former chairman of the Board, an executive Director and the chief executive officer of the Company until 10 February 2015) and Ms. Chan Koon Woon (陳莞媛) (also known as Mrs. Lee Chan Koon Woon) (李陳莞媛) (“Mrs. Lee”) (the former executive Director of the Company until 10 February 2015) and the cousin of Mr. Cheng Bun, an executive Director of the Company.

As disclosed in the Company’s announcement dated 16 March 2015, due to the change in control of the Company in December 2014, Dr. Elaine Eick has tendered her resignation to resign as executive Director with effect from 1 April 2015.

### **Mr. Cheng Bun (鄭鑛) (“Mr. Cheng”)**

Mr. Cheng, aged 50, has been an executive Director of the Company since 18 February 2011. He is also the compliance officer of the Company and a director and the general manager of various subsidiaries of the Company. Mr. Cheng is primarily responsible for formulating the overall development strategies and managing the daily operations of the Group’s subsidiaries in the PRC. He is also responsible for internal management, investment planning and administrative functions of the Group. He graduated from the University of Sheffield in England with a post-graduate diploma in business in 1990 and obtained a master’s degree of computer science in the University of Salford in England in 1992. He joined the Group in 1993 as a project leader of the Group.

Mr. Cheng was awarded with the Honorary Credential for Outstanding Entrepreneurs 2006 of Qin Xiu District\* (2006年度青秀區優秀企業家榮譽證書) jointly issued by the Committee of Qin Xiu District of the PRC\* (中共南寧市青秀區委員會) and the People’s Government of Qin Xiu District, Nanning\* (南寧市青秀區人民政府) in March 2007. He was also appointed by the Guangxi Returned Scholars Chamber of Commerce (廣西歸國留學人員商業界人士聯合會) (the “GRSCC”) in December 2010 as a council member of the first session of the council of the GRSCC for a term of 5 years. In October 2011, he was appointed as a committee member of Nanning Municipal Committee of the Chinese People’s Political Consultative Conference for a term of 5 years.

Mr. Cheng is the nephew of Dr. Lee (the former chairman of the Board, an executive Director and the chief executive officer of the Company until 10 February 2015) and Mrs. Lee (the former executive Director of the Company until 10 February 2015) and the cousin of Dr. Elaine Eick, an executive Director.

As disclosed in the Company’s announcement dated 16 March 2015, due to the change in control of the Company in December 2014, Mr. Cheng has tendered his resignation to resign as executive Director with effect from 20 March 2015. Consequent to his resignation, He will cease to be the compliance officer of the Company on the same date.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Wong Chi Wai (黃馳維) (“Mr. Wong”)

Mr. Wong, aged 48, has been an independent non-executive director of the Company since 23 November 2012. He is also the chairman of the audit committee of the Board (the “Audit Committee”) and a member of the Remuneration Committee and the Nomination Committee. He currently also serves as an independent non-executive director for Bonjour Holdings Limited (stock code 653), Kin Yat Holdings Limited (stock code 638), China Ludao Technology Company Limited (stock code 2023) and Arts Optical International Holdings Limited (stock code 1120), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited, China Ludao Technology Company Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of Kin Yat Holdings Limited. Mr. Wong obtained a bachelor’s degree in social science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Wong has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has over 26 years of experience in the accountancy profession. He is currently the sole proprietor of Albert Wong & Co. and a managing director of AWC (CPA) Limited, both are certified public accountants firms in Hong Kong.

### Mr. Wong Tat Yan, Paul (黃達仁) (“Mr. Wong”)

Mr. Wong, aged 45, has been an independent non-executive director of the Company since 23 November 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He obtained a bachelor’s degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master’s degree in business administration from the University of Queensland in Australia in 2004. Mr. Wong is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 20 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently a partner of Paul Wong & Co., a certified public accountants firm in Hong Kong.

### Mr. Chan Chun Yee (陳振宜) (“Mr. Chan”)

Mr. Chan, aged 37, has been an independent non-executive director of the Company since 23 November 2012. He had been the chairman of the Nomination Committee during the Year and up to the date of this report. He is also a member of the Audit Committee and the Remuneration Committee. He obtained a bachelor’s degree in laws from the City University of Hong Kong in 1999 and a master’s degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. Mr. Chan is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong for more than ten years in general legal practice and in different areas of law. Mr. Chan has been working as a solicitor at the law firm of C.T. Chan & Co., Solicitors since 2002. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

### Mr. Kwan Kei-Chor (關基楚) (“Mr. Kwan”)

Mr. Kwan, aged 48, is the finance manager of the Group. He is a bachelor’s degree holder in business administration awarded by the Open Learning Institute of Hong Kong (now known as the Open University of Hong Kong) in 1996, and a master’s degree holder in accounting awarded by the Curtin University of Technology (now known as Curtin University) in Australia in 2004. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 2008, Mr. Kwan had worked in the fields of financing, financial reporting and company secretarial in other companies in Hong Kong. He held executive directorship in South East Group Limited (stock code: 726) from December 2002 to May 2006 and had acted as the company secretary in Smart Rich Energy Finance (Holdings) Limited (now known as G-Resources Group Limited) (stock code: 1051) from May 2007 to October 2007, the shares of both companies are listed on the Main Board of the Stock Exchange.

### Ms. Huang Fu Wei-Hong (皇甫衛紅) (“Ms. Huang Fu”)

Ms. Huang Fu, aged 58, is the vice general manager of 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited\*) (“WTS Real Estate”), an indirect non-wholly owned subsidiary of the Company. She is primarily responsible for the marketing and brand promotion of the Group’s business of property development in Nanning, the PRC, including Fond England and Li Yuan, both being residential projects of the Group. She has accumulated over 39 years of experience and knowledge in the construction and property development business from financial management to overall project management. In 1999, Ms. Huang Fu graduated from the Chongqing Jianzhu University (重慶建築大學) (now known as the Chongqing University (重慶大學)) in the PRC, majoring in construction accounting. From 1975 to 2001, she had been the finance department head, finance bureau head and deputy chief accountant of 廣西建工集團機械有限公司 (Guangxi Construction Group Mechanics Company Limited\*). She joined the Group in 2001. She was awarded with the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in finance issued by the Bureau of Scientific and Technological Personnel, Guangxi Zhuang Autonomous Region\* (廣西壯族自治區科技幹部局) in 1993, the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in 2008 and the 全國企業經濟管理人才庫資格證書 (Certificate of Qualification of the National Entrepreneurial, Economic and Managerial Talent Bank\*) issued by 人事部全國人才流動中心 (National Centre for Human Resources\*) in 2007. She was also a member of the Society of Registered Financial Planners, Hong Kong in 2008.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Mr. Yim Ka Chi (嚴嘉智) (“Mr. Yim”)

Mr. Yim, aged 42, is the finance manager of the Group and had been the general manager of Golden Yu Feng, an indirect non-wholly owned subsidiary of the Company, during the Year. He is a holder of Honors Diploma in Accounting of Shue Yan University. He obtained the associate membership of the Hong Kong Institute of Certified Public Accountants in 1999 and became a fellow member in 2006. He has over 15 years’ experience in financing, accounting and taxation gained in various listed companies. He joined the Group in January 2013.

### Mr. Chen Wei-Han (陳慰漢) (“Mr. Chen”)

Mr. Chen, aged 49, is the the general manager of 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited\*) (“Nanning Yu Feng”), an indirect non-wholly owned subsidiary of the Company, and was previously the vice-general manager of WTS Real Estate and the general manager of various subsidiaries of the Company. He is mainly responsible for the engineering division of the Group’s property development business in Nanning, in which he is in charge of formulating, implementing and managing the engineering of projects. He is also responsible for the cost control division of the Group’s property development business in Nanning, in which he is in charge of reviewing and approving budgets, financial statements and cost management of projects and daily operations. He graduated from the school of civil engineering in the South China University of Technology (華南理工大學) in the PRC in 1992, majoring in construction. He has accumulated experience and knowledge in property development and construction. He had worked in various construction companies and a property development company in the PRC from 1985 to 1993 and from 1996 to 2004 prior to joining the Group in 2006, and had been responsible for civil engineering as well as in charge of technology and project management. He was awarded with the Qualification Certificate of Intermediate Level of Specialty and Technology (中級專業技術資格證書) in industrial and civil construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region\* (廣西壯族自治區人事廳) in 2005. In 2013, he was awarded the Certificate of Industrial and Civil Construction Senior Professional and Technical Qulification (高級工程師資格證書) issued by Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障).

### Mr. He Jia-Quan (何家荃) (“Mr. He”)

Mr. He, aged 57, is the vice-general manager and office supervisor of Guangxi Nanning Bai Yi Commercial Company Limited\* (廣西南寧百益商貿有限公司) (“Bai Yi Commercial”), an indirect non-wholly owned subsidiary of the Company. He assists in formulating and implementing the annual operational plans, and is responsible for the execution of decisions made by the board of directors, the administrative management and the daily operations of Bai Yi Commercial. He is also the supervisor of Golden Yu Feng and Nanning Yu Feng. Prior to joining the Group in 2006, he had over 1 year of working experience in the hotel operation business from 1972 to 1974. He had then held various positions, including the administrative department deputy head and the management office deputy head with 南寧市飲食公司 (Nanning Food and Beverage Company\*), the predecessor of Bai Yi Commercial, from 1974 onwards, and had been responsible for daily operations of this company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## COMPLIANCE OFFICER

### Mr. Cheng Bun (鄭贛) (“Mr. Cheng”)

Mr. Cheng, aged 50, is the Compliance Officer of the Group. For details of his qualifications and experience, please refer to the section headed “EXECUTIVE DIRECTORS” above.

## COMPANY SECRETARY

### Mr. Kwok Siu Man (郭兆文) (“Mr. Kwok”)

Mr. Kwok, aged 56, was appointed as the Company Secretary of the Company on 27 December 2013. He is also one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules. He is the Head of Corporate Secretarial in Boardroom Corporate Services (HK) Limited. Mr. Kwok has over 25-years’ in-house legal, corporate secretarial and management experience gained from reputable listed companies in Hong Kong (including Hang Seng Index Constituent and Hang Seng Mid-Cap 50 Index stock companies) and overseas. He was the managing director of a top-notch financial printer with international affiliation and has been a director of a charity fund since its incorporation in 1992. Having been the reviewer and the examiner of the “Hong Kong Company Secretarial Practice/Corporate Secretaryship” of the international qualifying examinations of The Hong Kong Institute of Chartered Secretaries (“HKICS”) and participated in the review of the Hong Kong law variant modules thereof for about a decade, Mr. Kwok has served as a council member and director of the HKICS for 19 years, which was the maximum length of services that a member can hold such office. He was also a founding member of the Company Secretaries Panel and the vice-chairman of the Technical Committee thereof. Further, he was a member of the Board of Review appointed by the Hong Kong government under the Inland Revenue Ordinance and has been acting as an external examiner/adviser/member of the validation panel of corporate management courses organised by recognised academic and vocational institutions for tertiary education in Hong Kong since the mid-1990s.

Mr. Kwok matriculated from Queen’s College, holds a professional diploma in company secretaryship and administration, a bachelor’s degree of arts and a post-graduate diploma in laws and has passed the Common Professional Examination in England and Wales.

Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrator in England, The Institute of Financial Accountants in England, the HKICS, the Association of Hong Kong Accountants and the Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He possesses other professional qualifications in arbitration, tax, financial planning and human resource management. In 1999, he received induction into the International WHO’s WHO of Professionals, an international organisation which establishes a network of international elite professionals. He was one of the adjudicators for the “Best Annual Reports Awards” organised by the Hong Kong Management Association in the early 1990’s and the late 2000’s.

Mr. Kwok is not in the full-employment of the Group and currently also serves as the company secretary and joint company secretary of a number of companies listed on the Main Board and the GEM of the Stock Exchange respectively. In addition, he is an independent non-executive director of a company listed on the Main Board of the Stock Exchange.



## **DIRECTORS' REPORT**

The Directors are pleased to present to the Shareholders their annual report and the audited consolidated financial statements of the Group for the Year.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

### **RESULTS**

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2014 are set out in the consolidated financial statements and their accompanying notes on pages 51 to 119 of this annual report.

### **DIVIDENDS**

The Board does not recommend any payment of final dividend for the Year (2013: HK1.8 cents).

### **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the "AGM") for the Year is scheduled to be held on Tuesday, 28 April 2015.

### **FINANCIAL SUMMARY**

A summary of the financial results as well as the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

### **SHARE CAPITAL**

Details of the movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

### **RESERVES**

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 31 to the consolidated financial statements and the consolidated statement of changes in equity on page 55 respectively.

## **DIRECTORS' REPORT**

### **DISTRIBUTABLE RESERVES**

As at 31 December 2014, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately HK\$630.6 million.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately HK\$24.2 million may be applied for paying distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

### **PRE-EMPTIVE RIGHTS**

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

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 16 to the consolidated financial statements.

### **INVESTMENT PROPERTIES**

Details of the movements in the investment properties of the Group for the Year are set out in note 18 to the consolidated financial statements.

### **CHARITABLE DONATIONS**

During the Year, the Group had made charitable donations of approximately HK\$1.0 million (2013: Nil).

### **MAJOR CUSTOMERS AND SUPPLIERS**

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 1.7% and 5.4% of the Group's total revenue for the Year respectively.

During the Year, the Group's largest suppliers were general contractors. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 18.8% and 32.2% of the Group's total purchases for the Year respectively.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the Year.

# DIRECTORS' REPORT

## BOARD OF DIRECTORS

The Directors who were in office during the Year and up to the date of this annual report are named as follows:

### Executive Directors

Mr. Zhuang Yuekai (莊躍凱) (*Chairman*) (appointed on 10 February 2015)<sup>R/N</sup>

Mr. Shi Zhen (施震) (*Chief Executive Officer*) (appointed on 10 February 2015)

Ms. Wang Xianrong (王憲榕) (appointed on 10 February 2015)

Ms. Zhao Chengmin (趙呈閩) (appointed on 10 February 2015)

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

*(Vice-chairman during the Year and until 10 February 2015*

*but remained as executive Director)*

Mr. Cheng Bun (鄭鑛)

Dr. Lee Kai Hung (李啟鴻) (resigned on 10 February 2015)

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

(resigned on 10 February 2015)

### Independent Non-executive Directors (the "INEDs")

Mr. Wong Chi Wai (黃馳維) <sup>A/R/N</sup>

Mr. Wong Tat Yan, Paul (黃達仁) <sup>A/R/N</sup>

Mr. Chan Chun Yee (陳振宜) <sup>A/R/N</sup>

A: Member of the Audit Committee

R: Member of the Remuneration Committee

N: Member of the Nomination Committee

Further, as announced by the Company on 16 March 2015, (i) Ms. Wu Xiaomin (吳小敏) will be appointed as a non-executive Director with effect from 20 March 2015; (ii) Dr. Lee Tse Ching, Elaine will resign as an executive Director with effect from 1 April 2015; and (iii) Mr. Cheng Bun will resign as an executive Director with effect from 20 March 2015.

In accordance with Article 105 of the Articles of Association, Mr. Wong Chi Wai and Mr. Chan Chun Yee will retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming AGM.

In accordance with Article 109 of the Articles of Association, the office of Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Wang Xianrong, Ms. Zhao Chengmin and Ms. Wu Xiaomin will end at the forthcoming AGM. Each of them, being eligible, will offer himself or herself for re-election at the forthcoming AGM.

### CONFIRMATION OF INDEPENDENCE OF INEDs

The Company has received from each of the INEDs, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company still considered all of them to be independent.

### SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

# DIRECTORS' REPORT

## CHANGE IN INFORMATION IN RESPECT OF DIRECTORS OR CHIEF EXECUTIVE OFFICER

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51B(1) of the Listing Rules since the publication of the 2013 annual report of the Company up to the date of this annual report are set out below:

Due to a change in control of the Company:

- (a) Dr. Lee Kai Hung resigned as an executive Director, the chairman of the Board and the chief executive officer of the Company with effect from 10 February 2015;
- (b) Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon) resigned as an executive Director with effect from 10 February 2015;
- (c) Dr. Lee Tse Ching Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) retired from her role as vice-chairman of the Board with effect from 10 February 2015 and remains as an executive Director until 31 March 2015;
- (d) Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Wang Xianrong and Ms. Zhao Chengmin were appointed as executive Directors with effect from 10 February 2015;
- (e) Mr. Shi Zhen was appointed as the chief executive officer of the Company with effect from 10 February 2015;
- (f) Mr. Zhuang Yuekai was appointed as the chairman of the Board with effect from 10 February 2015, and was appointed as a member and the chairman of the Nomination Committee, and as a member of the Remuneration Committee with effect from 16 March 2015; and
- (g) Mr. Cheng Bun has tendered his resignation to resign as executive Director with effect from 20 March 2015 and consequent to and upon his resignation, he will cease to be the compliance officer of the Company.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE(S)' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2014, none of the Directors or chief executive of the Company have interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2014, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued shares and the underlying shares:

#### Long positions

Ordinary shares of HK\$0.10 each of the Company (the "Shares")

Name of Shareholders	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 3)
Well Land International Limited (益能國際有限公司) ("Well Land") (Note 1)	Beneficial owner	225,000,000	75%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour") (Note 1)	Interest of controlled corporation	225,000,000	75%
C & D Real Estate Corporation Limited (建發房地產集團有限公司) ("C & D Real Estate") (Note 1)	Interest of controlled corporations	225,000,000	75%
Xiamen C & D Inc. (廈門建發股份有限公司) (Note 1)	Interest of controlled corporations	225,000,000	75%
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("Xiamen C & D") (Note 1)	Interest of controlled corporations	225,000,000	75%
Ms. Huang Yuanning (黃元寧)	Beneficial owner	22,864,000	7.62%
Mr. Zhang Liming (張麗銘) (Note 2)	Interest of spouse	22,864,000	7.62%

Notes:

- (1) These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in all the Shares in which Well Land is interested by virtue of the SFO.
- (2) These Shares were registered in the name of Ms. Huang Yuanning who is Mr. Zhang Liming's wife. 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.
- (3) The percentage of shareholding was calculated based on the Company's total issued share capital of 300,000,000 shares in issue as at 31 December 2014.

## **DIRECTORS' REPORT**

### **ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

Save as provided under the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

There was no contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director had, whether directly or indirectly, a material interest, nor was there any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling Shareholder or any of its subsidiaries.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the Year and up to the date of this annual report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

### **MANAGEMENT CONTRACT**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

### **RELATED PARTY TRANSACTIONS**

Details of the significant related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 35 to the consolidated financial statements, and saved as disclosed in the paragraphs headed "Connected Transaction" and "Continuing Connected Transaction" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and the Listing Rules (as appropriate) of the Company during the Year and as at 31 December 2014.

## DIRECTORS' REPORT

### CONNECTED TRANSACTION

On 10 December 2013, WTS Real Estate, as vendor and Mr. Cheng Bun ("Mr. Cheng"), an executive Director, as purchaser, entered into (i) a commodity property sale and purchase agreement for the sale and purchase of a commodity property in Nanning, Guangxi, the People's Republic of China (the "Property") at a consideration of RMB2,560,445 (equivalent to approximately HK\$3,215,919); and (ii) a car park usage agreement for the use of four ancillary car parks to the Property by Mr. Cheng (the "Transactions"). Please refer to the Company's announcement dated 10 December 2013 for details of the Transactions. The Transactions were completed on 25 February 2014.

Pursuant to Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules (as appropriate), Mr. Cheng, being an executive Director, is a connected person of the Company and the Transactions constitute connected transactions of the Company. The Transactions are exempted from the independent shareholders' approval requirements, but are subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules (as appropriate), which have been complied with by the Company.

### CONTINUING CONNECTED TRANSACTION

Pursuant to a tenancy agreement dated 17 October 2011 (as supplemented by an addendum dated 28 May 2012) entered into between Leepark Holdings Limited ("Leepark Holdings"), a wholly-owned subsidiary of the Company, as landlord and Pharma Frontiers Limited ("Pharma Frontiers") as tenant (the "Tenancy Agreement"), Leepark Holdings had leased a portion of an office premises located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong to Pharma Frontiers for a term of three years from 1 May 2011 to 30 April 2014 at a monthly rental of HK\$22,000. As Dr. Elaine Eick, an executive Director, has sole beneficial shareholding interest in Pharma Frontiers, Pharma Frontiers is a connected person of the Company under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules (as appropriate). Accordingly, the Tenancy Agreement constitutes a continuing connected transaction of the Company. Since each of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules and Rules 14.07 of the Listing Rules (as appropriate) on an annual basis is less than 0.1%, the transaction contemplated under the Tenancy Agreement was not subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules. Upon its expiration of the Tenancy Agreement, the management of the Company decided not to renew the tenancy agreement.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") in 2012 for the purpose of providing incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group's operations. The principal terms of the Share Option Scheme are set out below:

### Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for ordinary shares (the "Shares") of HK\$0.10 each in the Company:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

### Maximum number of Shares under the Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of listing of the Company's shares on the GEM of the Stock Exchange (that is, 30,000,000 Shares).

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company.



## **DIRECTORS' REPORT**

### **Maximum entitlement of each participant**

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options). In addition, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates in aggregate over 0.1% of the Shares in issue or with an aggregate value, based on the closing price of the Shares at the date of each offer, in excess of HK\$5 million, in the 12-month period up to and including the date of such grant, must be approved by the Shareholders in general meeting of the Company.

### **Time of acceptance and exercise of option**

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option to be accompanied by the payment of consideration of HK\$1, being acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

### **Subscription price for the Shares and consideration for the option**

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

### **Remaining life of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of 10 years commencing on 14 December 2012, being the adoption date of the Share Option Scheme.

No share options were granted, exercised or cancelled by the Company or lapsed under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2014.

## **RETIREMENT BENEFIT SCHEMES/PENSION SCHEME**

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by respective local social security bureau in accordance with government regulations in different jurisdictions. Please refer to note 4.16 to the consolidated financial statements for the Year for more information.

# DIRECTORS' REPORT

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

During the Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 36 to 48 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 11.23 of the GEM Listing Rules and Rule 8.08 of the Listing Rules (as appropriate) during the Year and up to 9 February 2015.

As disclosed in the Company's announcements dated 23 December 2014, Well Land completed on 23 December 2014 the acquisition of an aggregate of 75% of the issued share capital of the Company (representing a total of 225,000,000 shares in the Company (the "Sale Shares")) (the "Acquisition") from the then controlling shareholders of the Company (namely First Beijing International Limited, Ease Gain Holdings Limited and Chosen Leader Limited) (together, the "Vendors") at the consideration of HK\$3.2668 per Sale Share and pursuant to a share purchase agreement entered into by, among others, Well Land and the Vendors on 10 December 2014.

As a result of the completion of the Acquisition and pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission, Well Land (together with parties acting in concert with it) was required to make, and had made, a mandatory unconditional general offer (the "Mandatory Cash Offer") in cash for all the issued shares in the Company (other than those already owned or agreed to be acquired by Well Land (together with parties acting in concert with it) (the "Offer Shares") at HK\$3.2668 per Offer Share.

As disclosed in the Company's announcement dated 10 February 2015, upon the close of the Mandatory Cash Offer, 73,412,000 Shares, representing approximately 24.47% of the entire issued share capital of the Company, were held by the public (as defined in the Listing Rules). Accordingly, the minimum public float requirement as set out under Rule 8.08(1) (a) of the Listing Rules is not satisfied by the Company.

The Company has made an application to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 10 February 2015 (being the closing date of the Mandatory Cash Offer) to 31 March 2015. As at the date of this annual report, the prescribed amount of public float as required under the Listing Rules was yet to be met. Well Land and the Company will continue to take appropriate steps to restore the required minimum public float as soon as practicable.

# DIRECTORS' REPORT

## 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 31 December 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 (one lease agreement was involved); and
- the lack of the relevant building ownership certificates (two 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 Wan Guo Plaza (萬國廣場) (formerly known as Yu Feng High Street), the property ownership certificate was issued on 11 May 2012 in respect of the refurbished Wan Guo Plaza 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 Wan Guo Plaza.

As at 31 December 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.

## INTEREST OF COMPLIANCE ADVISER

As notified by Haitong International Capital Limited ("Haitong"), the Company's compliance adviser, neither Haitong nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Haitong in December 2012) as at 31 December 2014.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the three INEDs, namely Mr. Wong Chi Wai (committee chairman), Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee) has reviewed the audited consolidated financial statements of the Company for the Year with the management.

## DIRECTORS' REPORT

### INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by BDO Limited. BDO Limited will retire as auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the "AGM"). The Board has resolved, with the recommendation of the Audit Committee, to propose the appointment of Grant Thornton Hong Kong Limited as the new auditor at the AGM following the retirement of BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the AGM.

On behalf of the Board

**Mr. Zhuang Yuekai**

*Chairman*

Hong Kong, 16 March 2015

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the Year.

The Company is committed to fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder value through solid corporate governance.

## CORPORATE GOVERNANCE PRACTICES

The listing of the Company's shares was transferred from GEM to the Main Board of Stock Exchange on 26 May 2014. The Company had followed the principles of the Corporate Governance Code (the "CG Code") contained in (i) Appendix 15 to the GEM Listing Rules during the period from 1 January 2014 to 25 May 2014; and (ii) Appendix 14 to the Listing Rules during the period from 26 May 2014 to 31 December 2014 by adopting the code provisions and certain recommended best practices set out in the CG Code as its own code of corporate governance. Throughout the Year, the Company had complied with the code provisions set out in the CG Code, except for the deviation from code provision A.2.1 of the CG Code.

### Chairman and the Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any Board member.

Dr. Lee Kai Hung ("Dr. Lee") acted as both the chairman and the chief executive officer of the Company during the Year and up to 9 February 2015. The Board is of the view that given that Dr. Lee had been primarily responsible for leading the strategic planning and business development of the Group, the arrangement would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. In addition, Dr. Lee's involvement in the Nanning property market industry would enable the Group to tap into the latest market development. The Board considers that the arrangement was overall beneficial to the management and development of the Group's business.

Upon the completion of the mandatory unconditional cash offer (the "Mandatory Cash Offer") as disclosed in the Company's announcement dated 10 February 2015, Mr. Zhuang Yuekai and Mr. Shi Zhen were appointed as chairman and chief executive officer of the Company respectively on 10 February 2015 and the roles of chairman and chief executive officer have been separated since then.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a set of codes of conduct pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules from 1 January 2014 to 25 May 2014 and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules from 26 May 2014 to 31 December 2014 as its own code of conduct for dealings in securities of the Company by its Directors. The Company had made specific enquiries of all Directors and each of them confirmed that they had complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the Year.

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, reviewing the Company's financial results and performance and approving its quarterly, interim and annual results; approving appointment, removal or re-appointment of the Board members upon the recommendation of the Nomination Committee; approving the remuneration package of Directors and senior management of the Company upon the recommendation of the Remuneration Committee, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance; and all other functions reserved to the Board under the Articles of Association.

The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The senior management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

During the Year, the Board comprised the following seven Directors:

### Executive Directors

Dr. Lee (Chairman and Chief Executive Officer), Ms. Chan Koon Woon (also known as Mrs. Lee Chan Koon Woon) ("Mrs. Lee"), Dr. Lee Tse Ching, Elaine (also known as Dr. Eick Lee Tse Ching, Elaine) ("Dr. Elaine Eick") (Vice-Chairman) and Mr. Cheng Bun.

### Independent Non-Executive Directors (the "INEDs")

Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

Currently, the Board comprised the following nine Directors:

### Executive Directors

Mr. Zhuang Yuekai (Chairman) ("Mr. Zhuang"), Mr. Shi Zhen (Chief Executive Officer) ("Mr. Shi"), Ms. Wang Xianrong ("Ms. Wang"), Ms. Zhao Chengmin ("Ms. Zhao"), Dr. Elaine Eick and Mr. Cheng Bun.

### INEDs

Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee.

# CORPORATE GOVERNANCE REPORT

## *Relationships among Directors*

Save as disclosed below, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board:

- Dr. Lee is the husband of Mrs. Lee, the father of Dr. Elaine Eick and the uncle of Mr. Cheng Bun.
- Mrs. Lee is the wife of Dr. Lee, the mother of Dr. Elaine Eick and the aunt of Mr. Cheng Bun.
- Dr. Elaine Eick is the daughter of Dr. Lee and Mrs. Lee and the cousin of Mr. Cheng Bun.
- Mr. Cheng Bun is the nephew of Dr. Lee and Mrs. Lee and the cousin of Dr. Elaine Eick.

## *Roles and responsibilities of the Directors*

The executive Directors were/are responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances and were/are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to effectively exercise independent judgement on the corporate actions of the Company so as to protect shareholders' interest and overall interest of the Group.

Throughout the Year, the Company had three INEDs and at all times met the requirements of the GEM Listing Rules and the Listing Rules (as appropriate) that the number of INEDs must represent at least one-third of the Board members and at least one of the INEDs had appropriate professional qualifications or accounting or related financial management expertise.

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

## **Confirmation of independence**

Each of the INEDs has made an annual confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules for the period from 1 January 2014 to 25 May 2014 and Rule 3.13 of the Listing Rules for the period from 26 May 2014 up to the date of the annual report and the Board is satisfied that all the independent non-executive Directors were independent and met the guidelines of independence set out in Rule 5.09 of the GEM Listing Rules and Rule 3.10 and Rule 3.10A of the Listing Rules during the Year and up to the date of this annual report.

# CORPORATE GOVERNANCE REPORT

## Directors' induction and continuing professional development

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the applicable laws, rules and regulations.

The Company has from time to time provided briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense. They have been required to provide the Company with their training records.

During the Year, the then incumbent Directors had participated in continuous professional development (the "CPD") to develop and refresh their knowledge and skills by reading materials and/or attending briefings by the company secretary to the Company (the "Company Secretary") and finance manager or seminars organised by professional bodies on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director.

The individual record of each Director who received training for the Year and up to the date of this annual report is summarised as follows:

Directors	Type of CPD
<b>Executive Directors</b>	
Mr. Zhuang <sup>(1)</sup>	A
Mr. Shi <sup>(1)</sup>	A
Ms. Wang <sup>(1)</sup>	A
Ms. Zhao <sup>(1)</sup>	A
Dr. Lee <sup>(2)</sup>	A
Mrs. Lee <sup>(2)</sup>	A
Dr. Elaine Eick	A and B
Mr. Cheng Bun	A and B
<b>INEDs</b>	
Mr. Wong Chi Wai	A and B
Mr. Wong Tat Yan, Paul	A and B
Mr. Chan Chun Yee	A and B

### Notes:

A: attending briefings/seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates on laws, rules and regulations relating to directors' roles and functions

(1) Appointment effective from 10 February 2015

(2) Resignation effective from 10 February 2015



# CORPORATE GOVERNANCE REPORT

## Meetings of the Board and the Board Committees and Directors' attendance records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For additional Board meetings which require discussion and resolution of significant issues arising from the operation of or other situations concerning the Group, reasonable notice in advance is given. Before each regular Board meeting, a draft agenda is sent out to all Directors at least three days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters proposed to be put forward for consideration at the meeting are sent to all Directors three days or such other period as agreed before each Board meeting.

The Company Secretary or his delegate is responsible for keeping all minutes of the Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection. Any directors and their associates with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and will not be counted in the quorum at meetings.

Any Director may, if considered necessary or appropriate and in furtherance of his or her duties, take independent professional advice at the Company's expense. Directors get familiar with the Group's principal activities through initial induction, ongoing participation at the Board and committee meetings, and meeting with key members of the management. The Directors are encouraged to update their skills and knowledge.

During the Year, six Board meetings and one annual general meeting (the "AGM") were held. Details of the attendance of the Directors are as follows:

<b>Directors</b>	<b>Attendance of Board meetings</b>	<b>AGM</b>
<b>Executive Directors</b>		
Dr. Lee	6/6	1/1
Mrs. Lee	6/6	1/1
Dr. Elaine Eick	6/6	1/1
Mr. Cheng Bun	6/6	1/1
<b>INEDs</b>		
Mr. Wong Chi Wai	6/6	1/1
Mr. Wong Tat Yan, Paul	6/6	1/1
Mr. Chan Chun Yee	6/6	1/1

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

The Board has adopted a Board diversity policy with effect from 1 September 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments were and will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. Ultimate decision is made upon the merits and contribution that the selected candidates may bring to the Board.

## BOARD COMMITTEES

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each Board committee were/are in line with the GEM Listing Rules and the Listing Rules (as appropriate) and they are posted on the websites of the Stock Exchange and the Company.

### Audit Committee

The Audit Committee has established its terms of reference which are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal controls of the Group.

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. Mr. Wong Chi Wai is the chairman of the Audit Committee.

The responsibilities of the Audit Committee include, among others:

- 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;
- discussing with the external auditor the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;
- developing and implementing a policy on engaging an external auditor to supply non-audit services;
- reviewing the Company's financial statements and annual report and accounts, half-year/quarterly report before submission to the Board;
- reviewing the Company's financial controls, internal control and risk management systems;
- discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- reviewing the Group's financial and accounting policies and practices;

## CORPORATE GOVERNANCE REPORT

- reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; and
- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the Year, the Audit Committee held 4 meetings to review and supervise the financial reporting process and internal control review of the Group.

It had, in conjunction with BDO Limited ("BDO" or the "External Auditor"), the external auditor of the Company, reviewed the Group's audited results for the Year, unaudited quarterly results for the three months ended 31 March 2014 and unaudited interim results for the six months ended 30 June 2014 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

The Audit Committee also carried out and discharged its other duties as set out in the CG Code. These other duties included the review of the independence and objectivity of the External Auditor, the nature and scope of the audit and reporting obligations, as well as the terms of their engagement. The Audit Committee was satisfied with the findings of their above review, and the Board shared the same views of the Audit Committee.

As BDO will retire as auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the "AGM"), the Audit Committee had considered the background and independence of the candidate for the external auditor, Grant Thornton Hong Kong Limited ("Grant Thornton"), and made recommendation to the Board. The Board accepted the recommendation of the Audit Committee on the appointment of Grant Thornton as the new external auditor of the Company following the retirement of BDO at the AGM, subject to the approval of the Company's shareholders at the AGM.

Details of the attendance of the Audit Committee meetings during the Year are as follows:

<b>Members</b>	<b>Attendance</b>
Mr. Wong Chi Wai ( <i>Chairman</i> )	4/4
Mr. Wong Tat Yan, Paul	4/4
Mr. Chan Chun Yee	4/4

At its meeting held on 16 March 2015, the Audit Committee, amongst other matters, reviewed the Group's audited consolidated financial results for the Year.

# CORPORATE GOVERNANCE REPORT

## Remuneration Committee

The Remuneration Committee has adopted written terms of reference which are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are to formulate the training and compensation policies and to determine and manage the compensation of the senior management.

The Remuneration Committee consists of one executive Director, Mr. Zhuang Yuekai (appointed on 16 March 2015, also the chairman of the Board), and three independent non-executive Directors, namely Mr. Wong Tat Yan, Paul, Mr. Wong Chi Wai, and Mr. Chan Chun Yee. Mr. Wong Tat Yan, Paul is the chairman of the Remuneration Committee.

The responsibilities of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing a remuneration policy;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for the loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive; and
- reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate.

During the Year, the Remuneration Committee held one meeting to review the Company's existing policy and structure for, and the remuneration packages of all Directors (including the terms of the executive Directors' service agreements) with reference to and/or after evaluating the relevant Directors' experience, knowledge, qualification, duties and responsibilities within the Group, the prevailing market conditions and performance, and make recommendations to the Board on the remuneration proposal for all Directors.

Details of the attendance of the Remuneration Committee meeting during the Year are as follows:

<b>Members</b>	<b>Attendance</b>
Mr. Wong Tat Yan, Paul ( <i>Chairman</i> )	1/1
Mr. Wong Chi Wai	1/1
Mr. Chan Chun Yee	1/1

# CORPORATE GOVERNANCE REPORT

## Nomination Committee

The Nomination Committee has adopted written terms of reference which are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee are to evaluate the status of the Board, establish criteria for and assist the Board in the selection of the appointment of Directors and recommend on the Board's succession planning. The Nomination Committee consists of one executive Director, Mr. Zhuang Yuekai (appointed on 16 March 2015, also the chairman of the Board), and three independent non-executive Directors, namely Mr. Chan Chun Yee, Mr. Wong Chi Wai and Mr. Wong Tat Yan, Paul. Mr. Chan Chun Yee had been the chairman of the Nomination Committee during the Year and up to the date of this annual report, and Mr. Zhuang Yuekai was appointed as the chairman of the Nomination Committee with effect from 16 March 2015. The other responsibilities of the Nomination Committee include, among others:

- reviewing and proposing the structure, size and composition of the Board;
- making recommendations to the Board regarding the responsibilities, organisation and membership of all Board committees;
- reviewing the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time, and to review the progress of achieving those objectives;
- assessing the independence of the independent non-executive Directors; and
- making recommendations to the Board on the appointment and re-appointment of Directors.

During the Year, the Nomination Committee held one meeting to review, based on the Board diversity policy, and make recommendation on the re-appointment of the retiring Directors for shareholders' approval at the AGM held on 28 April 2014.

Details of the attendance of the Nomination Committee meeting during the Year are as follows:

<b>Members</b>	<b>Attendance</b>
Mr. Chan Chun Yee ( <i>Chairman</i> )	1/1
Mr. Wong Chi Wai	1/1
Mr. Wong Tat Yan, Paul	1/1

## Corporate governance functions of the Board

The Board is responsible for performing the corporate governance functions of the Company, which are set out in the written terms of reference. The Board has reviewed this corporate governance report in discharge of its corporate governance functions and to ensure compliance with the Listing Rules.

## Appointment and re-election of Directors

Dr. Elaine Eick and Mr. Cheng, executive Directors, have each entered into a service contract with the Company pursuant to which each of them has agreed to act as executive Director for an initial fixed term of two years with effect from the GEM Listing Date, which is renewable automatically for successive terms of one year each upon expiry of the then current term. The appointment of an executive Director may be terminated by the giving of three months' written notice by the Company to that executive Director or vice versa.

## CORPORATE GOVERNANCE REPORT

In addition, Mr. Zhuang, Mr. Shi, Ms. Wang and Ms. Zhao, executive Directors, has each entered into a service agreement with the Company for an initial term of three years commencing on 10 February 2015 (being the closing date of the Mandatory Cash Offer), which is renewable automatically for successive terms of one year commencing on the day immediately after the expiry of the then current term of his/her appointment, unless terminated in accordance with the terms of the service agreement.

Further, as announced by the Company on 16 March 2015, Ms. Wu Xiaomin (吳小敏) (“Ms. Wu”) will be appointed as a non-executive Director with effect from 20 March 2015. Ms. Wu has entered into a service agreement with the Company for an initial term of three years commencing from 20 March 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of her appointment, unless terminated in accordance with the terms of the service agreement.

Each of the INEDs has been appointed for an initial term of one year commencing on the GEM Listing Date, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term. The appointment of an INED may be terminated by the giving of three months’ written notice by the Company to that INED or vice versa.

The Articles of Association provides that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

The Articles of Association also provides that any Director appointed to fill a casual vacancy on the Board or as an additional to the Board shall hold office until the next following general meeting of the Company after his/her appointment and shall then be eligible for re-election at such meeting. According to code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by the shareholders at the first general meeting after appointment.

In accordance with the Articles of Association and the CG Code, Mr. Wong Chi Wai, Mr. Chan Chun Yee, Mr. Zhuang, Mr. Shi, Ms. Wang, Ms. Zhao and Ms. Wu will retire from office by rotation at the forthcoming AGM and being eligible, have offered themselves for re-election.

### Remuneration of Directors and Senior Management

Particulars of the Directors’ remuneration for the Year are set out in note 13 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) for the Year by band is set out below:-

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	10
1,000,001 to 1,500,000	-

# CORPORATE GOVERNANCE REPORT

## INDEPENDENT AUDITOR'S REMUNERATION

During the Year, the audit fees of the external auditor of the Company for auditing the consolidated financial statements of the Group for the Year was HK\$750,000. In addition, the external auditor had been engaged in providing non-audit services in relation to transfer of listing at a fee of HK\$330,000.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and were properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

In addition, BDO has stated their reporting responsibility in the independent auditor's report of the consolidated financial statements for the Year.

## INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate and effective internal control system of the Group. The Group's internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard the Group's assets against unauthorised use and disposition, to ensure compliance with relevant legislation and regulations, and to protect the interests of the Company's shareholders.

In order to maintain a sound internal control system, the Company has established and maintained stringent internal control procedures, including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees were encouraged by the management to report promptly any potential or actual non-compliance. A professional independent consultant has been engaged to provide internal audit/control review, and an external legal adviser of the PRC has been retained to work closely with the internal legal department of the Group, which is headed by Mr. Cheng (an executive Director and the compliance officer of the Group) and supported by a group of senior staff and other personnel in legal and other disciplines, to ensure compliance with the relevant PRC laws and regulations by the Group. The Board considers that, as the internal legal department could have recourse to seek timely advice and assistance from the external PRC legal adviser as and when required, the current organisation structure and manpower of the internal legal department is appropriate and sufficient to serve the needs of the Group. The management of the Company has been constantly reviewing the structure of the internal legal department to ensure that sufficient resources are deployed to meet the business and operational needs of the Group (including but not limited to the employment of in-house qualified legal and other professionals) as and when required.

## CORPORATE GOVERNANCE REPORT

The internal legal department of the Group was also responsible for coordinating ongoing trainings for the staff by selecting and recommending suitable courses for the Directors, the management and other employees of the Group. Periodic review of the Company's human resources policies has also been carried out to ensure sufficient manpower for the implementation of internal control measures. The Board has regularly evaluated the internal control procedures in order to prevent or early detect any insufficiencies or deficiencies in the Company's internal control procedures.

### COMPANY SECRETARY

Mr. Kwok Siu Man ("Mr. Kwok") was appointed as the Company Secretary with effect from 27 December 2013. Mr. Kwok has been nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") under an engagement letter made between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting is Mr. Kwan Kei-Chor, the Group Finance Manager, in relation to corporate secretarial matters. As Mr. Kwok was appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at most of the material times since then, he is not required to receive at least 15 hours of relevant professional training in the Year under the GEM Listing Rules and the Listing Rules (as appropriate).

### SHAREHOLDERS' RIGHTS

#### Procedures for Shareholders to convene an extraordinary general meeting (the "EGM")

Shareholders are encouraged to attend all general meetings of the Company. According to Article 64 of the Articles of Association, Shareholders holding not less than 10% of the paid up capital of the Company can convene an EGM by depositing a requisition in writing to the Directors or the Company Secretary for the purpose of requiring the convening of the EGM. The written requisition shall be deposited to the Company's office presently located at Office no. 3517, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

#### Procedures for Shareholders to send enquiries to the Board

The Group is committed to regular and proactive communication with its shareholders. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Company has complied with the GEM Listing Rules and the Listing Rules (as appropriate) by posting announcements, notices, quarterly reports, interim reports, annual reports and Shareholders' circulars on the respective websites of the Stock Exchange and the Company (<http://www.southwesteco.com>).

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the Group, or for putting forward any proposals at a Shareholders' meeting:

Address: Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong  
Telephone no.: (852) 2525 7922  
Fax no.: (852) 2525 7890  
Attention: The Board of Directors/The Company Secretary



# CORPORATE GOVERNANCE REPORT

## **Procedures for Shareholders to propose a person for election as a Director**

The following procedures are subject to the Articles of Association and the applicable legislation and regulations.

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the member himself/herself) for election as a Director at that meeting, he/she/it can deposit a written notice at either of the following addresses:

### ***Head office and principal place of business of the Company in Hong Kong***

Office No. 3517,  
35th Floor,  
Wu Chung House,  
213 Queen's Road East,  
Wanchai, Hong Kong

### ***Hong Kong branch share registrar and transfer office of the Company***

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

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected.

## **CONSTITUTIONAL DOCUMENTS**

Pursuant to Rule 17.102 of the GEM Listing Rules and Rule 13.90 of the Listing Rules (as appropriate), the Company has published on the respective websites of the Stock Exchange and the Company its memorandum of association and Articles of Association. During the Year, no amendments were made to the constitutional documents of the Company.

# INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號  
永安中心25樓

## TO THE SHAREHOLDERS OF SOUTH WEST ECO DEVELOPMENT LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of South West Eco Development Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 51 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

*Certified Public Accountants*

### **Lam Hung Yun, Andrew**

Practising Certificate Number P04092

Hong Kong, 16 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Revenue</b>	7	<b>342,601</b>	383,064
Cost of sales		<b>(260,899)</b>	(244,594)
<b>Gross profit</b>		<b>81,702</b>	138,470
Other income	8	<b>1,542</b>	4,383
Gain on changes in fair value of investment properties		<b>22,317</b>	31,502
Administrative expenses		<b>(39,885)</b>	(42,581)
Selling expenses		<b>(6,997)</b>	(12,510)
<b>Profit before income tax</b>	10	<b>58,679</b>	119,264
Income tax expense	11	<b>(21,760)</b>	(49,957)
<b>Profit for the year</b>		<b>36,919</b>	69,307
<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>(16,794)</b>	17,559
<b>Other comprehensive income for the year, net of tax</b>		<b>(16,794)</b>	17,559
<b>Total comprehensive income for the year</b>		<b>20,125</b>	86,866
<b>Profit attributable to:</b>			
Owners of the Company		<b>31,273</b>	63,514
Non-controlling interests		<b>5,646</b>	5,793
		<b>36,919</b>	69,307
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>16,296</b>	79,149
Non-controlling interests		<b>3,829</b>	7,717
		<b>20,125</b>	86,866
<b>Earnings per share for profit attributable to the owners of the Company</b>	15		
– Basic (HK cents)		<b>10.4</b>	21.2
– Diluted (HK cents)		<b>10.4</b>	21.2

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	17,193	9,725
Interests in leasehold land	17	403	427
Investment properties	18	845,208	847,597
Available-for-sale financial assets	20	—	8,102
		<b>862,804</b>	865,851
<b>Current assets</b>			
Inventories of properties	21	127,424	247,699
Trade receivables	22	5,334	7,116
Deposits, prepayments and other receivables	23	6,648	17,638
Tax prepaid		3,201	1,040
Cash and cash equivalents	25	194,574	105,136
		<b>337,181</b>	378,629
<b>Current liabilities</b>			
Trade payables	26	38,596	37,796
Accruals, deposits received and other payables	27	59,945	62,567
Advances received from the pre-sale of properties under development and properties held for sale		19,495	123,569
Amount due to a director	24	—	983
Interest-bearing borrowings	28	14,113	12,298
Taxation liabilities		14,301	9,825
		<b>146,450</b>	247,038
<b>Net current assets</b>		<b>190,731</b>	131,591
<b>Total assets less current liabilities</b>		<b>1,053,535</b>	997,442

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	28	74,259	38,205
Deferred tax liabilities	29	208,913	203,599
		<b>283,172</b>	241,804
<b>Net assets</b>		<b>770,363</b>	755,638
<b>EQUITY</b>			
Share capital	30	30,000	30,000
Proposed final dividend	12	—	5,400
Other reserves	31	663,228	646,932
<b>Equity attributable to the owners of the Company</b>		<b>693,228</b>	682,332
<b>Non-controlling interests</b>		<b>77,135</b>	73,306
<b>Total equity</b>		<b>770,363</b>	755,638

Lee Tse Ching, Elaine  
Director

Cheng Bun  
Director

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	19	614,901	614,901
<b>Current assets</b>			
Prepayments	23	125	376
Amounts due from subsidiaries	24	31,126	31,792
Cash and cash equivalents	25	15,964	27,744
		47,215	59,912
<b>Current liabilities</b>			
Accruals and other payables	27	1,491	1,540
<b>Net current assets</b>			
		45,724	58,372
<b>Total assets less current liabilities</b>			
		660,625	673,273
<b>Net assets</b>			
		660,625	673,273
<b>EQUITY</b>			
Share capital	30	30,000	30,000
Proposed final dividend	12	—	5,400
Other reserves	31	630,625	637,873
<b>Total equity</b>			
		660,625	673,273

Lee Tse Ching, Elaine  
Director

Cheng Bun  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Equity attributable to the owners of the Company										
	Share capital HK\$'000	Share premium* HK\$'000	Statutory reserve* HK\$'000	Exchange reserve* HK\$'000	Capital reserve* HK\$'000	Revaluation reserve* HK\$'000	Proposed final dividend HK\$'000	Retained earnings* HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>As at 1 January 2013</b>	30,000	24,150	32,432	44,206	23,514	3,090	12,000	445,791	615,183	65,589	680,772
Dividend paid	—	—	—	—	—	—	(12,000)	—	(12,000)	—	(12,000)
<b>Transactions with owners</b>	—	—	—	—	—	—	(12,000)	—	(12,000)	—	(12,000)
Profit for the year	—	—	—	—	—	—	—	63,514	63,514	5,793	69,307
Other comprehensive income											
– Exchange gain on translation of financial statements of foreign operations	—	—	—	15,635	—	—	—	—	15,635	1,924	17,559
<b>Total comprehensive income for the year</b>	—	—	—	15,635	—	—	—	63,514	79,149	7,717	86,866
Transfer between reserves	—	—	219	—	—	—	—	(219)	—	—	—
Proposed final dividend (note 12)	—	—	—	—	—	—	5,400	(5,400)	—	—	—
<b>As at 31 December 2013 and 1 January 2014</b>	30,000	24,150	32,651	59,841	23,514	3,090	5,400	503,686	682,332	73,306	755,638
Dividend paid	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)
<b>Transactions with owners</b>	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)
Profit for the year	—	—	—	—	—	—	—	31,273	31,273	5,646	36,919
Other comprehensive income											
– Exchange loss on translation of financial statements of foreign operations	—	—	—	(14,977)	—	—	—	—	(14,977)	(1,817)	(16,794)
<b>Total comprehensive income for the year</b>	—	—	—	(14,977)	—	—	—	31,273	16,296	3,829	20,125
<b>As at 31 December 2014</b>	<b>30,000</b>	<b>24,150</b>	<b>32,651</b>	<b>44,864</b>	<b>23,514</b>	<b>3,090</b>	<b>—</b>	<b>534,959</b>	<b>693,228</b>	<b>77,135</b>	<b>770,363</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		58,679	119,264
Adjustments for:			
Amortisation of interests in leasehold land	10	14	14
Depreciation of property, plant and equipment	10	1,981	2,009
Dividend income from available-for-sale financial assets	8	—	(982)
Gain on changes in fair value of investment properties	18	(22,317)	(31,502)
Loss/(Gain) on disposals of property, plant and equipment	10	104	(5)
Interest income	8	(1,437)	(718)
<b>Operating profit before working capital changes</b>		<b>37,024</b>	88,080
Decrease in inventories of properties		115,669	67,647
Decrease/(Increase) in trade receivables		1,620	(5,234)
Decrease in deposits, prepayments and other receivables		10,639	5,017
Increase in trade payables		1,728	19,542
Decrease in accruals, deposits received and other payables		(1,163)	(17,605)
Decrease in advances received from the pre-sale of properties under development and properties held for sale		(101,977)	(90,391)
(Decrease)/Increase in amount due to a director		(966)	970
<b>Cash generated from operations</b>		<b>62,574</b>	68,026
Income tax paid		(8,893)	(29,986)
<b>Net cash generated from operating activities</b>		<b>53,681</b>	38,040
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(50)	(2,395)
Purchases of investment properties		(1,426)	(369)
Placement of structured bank deposits		(100,480)	—
Proceeds from disposals of property, plant and equipment		55	40
Proceeds from disposals of available-for-sale financial assets		7,956	—
Withdrawal of structured bank deposits		100,480	—
Dividend received from available-for-sale financial assets		—	834
Decrease in restricted and pledged bank deposits		2,996	1,781
Interest received		1,437	718
<b>Net cash generated from investing activities</b>		<b>10,968</b>	609

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from financing activities</b>			
Dividend paid		(5,400)	(12,000)
Interest paid		(5,884)	(6,205)
Proceeds from new borrowings		87,920	—
Repayments of borrowings		(48,723)	(48,037)
<b>Net cash generated from/(used in) financing activities</b>		<b>27,913</b>	<b>(66,242)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>92,562</b>	<b>(27,593)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>98,929</b>	<b>125,610</b>
<b>Effect of foreign exchange rates changes on cash and cash equivalents</b>		<b>4</b>	<b>912</b>
<b>Cash and cash equivalents as at 31 December</b>	25	<b>191,495</b>	<b>98,929</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

South West Eco Development Limited (the "Company") was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under Companies Law, Cap 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman 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 has 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 ("GEM") of the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19 to the consolidated financial statements.

As disclosed in the announcement of the Company dated 14 December 2014, pursuant to the conditional agreement in relation to the sale and purchase of shares in the Company between Well Land International Limited ("Well Land") and the then controlling shareholders of the Company (i.e. First Beijing International Limited, Ease Gain Holdings Limited and Chosen Leader Limited), Well Land agreed to acquire 225,000,000 shares, representing 75% of the entire issued share capital of the Company at a cash consideration of HK\$735,030,000.

Well Land was incorporated in the British Virgin Islands ("BVI") with limited liability on 27 May 2014, and it is an indirect wholly owned subsidiary of Xiamen C&D Inc., a Shanghai-listed company which is a subsidiary of Xiamen C&D Corporation Limited. Following the completion of the transaction on 23 December 2014, Well Land and Xiamen C&D Corporation Limited became the Company's immediate and ultimate holding companies respectively.

The consolidated financial statements on pages 51 to 119 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements, which for the financial year and the comparative period continue to be those of the Hong Kong Companies Ordinance, Cap. 32, in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap. 622 "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also complied with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. ADOPTION OF HKFRSs

### (a) Adoption of new/revised HKFRSs

In the current year, the Group has applied, for the first time, the following new or revised standards and amendments (“the new HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK (IFRIC) - Interpretation 21	Levies

#### *Amendments to HKAS 32 – Presentation – Offsetting Financial Assets and Financial Liabilities*

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

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

#### *Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-financial Assets*

The amendments limit the requirements to disclose the recoverable amount of an amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The directors concluded that the adoption of the amendments has no impact on the Group’s financial position or performance as it affects the disclosure only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. ADOPTION OF HKFRSs *(Continued)*

### (a) Adoption of new/revised HKFRSs *(Continued)*

#### *Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities*

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these consolidated financial statements as the Company is not an investment entity.

#### *HK (IFRIC) - Interpretation 21 – Levies*

HK (IFRIC) - Interpretation 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation occurs. The interpretation has been applied retrospectively.

The adoption of the interpretation has no impact on these consolidated financial statements as it is consistent with the Group's previous application of its accounting policies on provisions.

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

The following new or revised HKFRSs, that have been issued, but are not yet effective in the financial year of which the consolidated financial statements were prepared, have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>5</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
HKFRSs (Amendment)	Annual Improvements 2010 - 2012 Cycle <sup>2</sup>
HKFRSs (Amendment)	Annual Improvements 2011 - 2013 Cycle <sup>1</sup>
HKFRSs (Amendment)	Annual Improvements 2012 - 2014 Cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. ADOPTION OF HKFRSs *(Continued)*

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

#### *Amendments to HKAS 27 – Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### *HKFRS 9 (2014) – Financial Instruments*

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. ADOPTION OF HKFRSs *(Continued)*

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

#### *HKFRS 15 – Revenue from Contracts with Customers*

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

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

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

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

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

## 3. BASIS OF PREPARATION

The significant accounting policies that have been used in the preparation of consolidated financial statements are summarised below. These policies have been consistently applied to all years presented unless otherwise stated.

The consolidated financial statements have been prepared under historical cost basis except for investment properties, which are stated at fair value as explained in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.1 Business combination and basis of consolidation *(Continued)*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

### 4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### 4.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.3 Foreign currency translation *(Continued)*

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

### 4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 4.15). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the lease terms
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 $\frac{1}{3}$ %
Plant and machinery	9 to 20%
Motor vehicles	4 to 20%

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.5 Interests in leasehold land

Interests in leasehold land represent upfront payments made to acquire land held under an operating lease. They are stated at costs less accumulated amortisation and any accumulated impairment losses (note 4.15). The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.11. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

### 4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting in accordance with HKAS 16 shall be its fair value at the date of change in use.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.7 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below. Financial assets are classified as loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at each reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets.

Derecognition of financial assets occurs when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### *Available-for-sale financial assets*

Non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.7 Financial assets *(Continued)*

#### *Impairment of financial assets*

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

#### *Loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.7 Financial assets *(Continued)*

#### *Available-for-sale financial assets*

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment losses of financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivables are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

### 4.8 Inventories of properties

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The costs of inventories of properties consist of land held under operating lease (see note 4.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimated cost to completion and estimated selling expenses.

### 4.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.10 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, amount due to a director and interest-bearing borrowings. They are separately shown on the face of the statement of financial position.

Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4.17).

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

#### *Interest-bearing borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### *Other financial liabilities*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### *Assets leased out under operating leases as the lessee*

The total rental payable under operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

For property interest in land included in properties under development and properties held for sale, the amortisation of prepaid land lease is capitalised as part of the building cost during the development period but charged to profit or loss for completed properties sold. Other amortisation of prepaid land lease is expensed.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 4.13 Share capital and share premium

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

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuance of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 4.14 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised upon the properties have been delivered to the purchasers and collectability of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under advances received from the pre-sale of properties under development and properties held for sale.

Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

Building management income and consultancy service income are recognised in the accounting period when the respective services are rendered.

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

Dividend income is recognised in the accounting period when the right to receive payment is established.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.15 Impairment of non-financial assets

Property, plant and equipment, interests in leasehold land and interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.16 Employee benefits

#### *Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the People's Republic of China ("PRC") make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the group entities incorporated in Hong Kong manages a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans. No forfeited contributions are available to reduce the contribution payable by the Group in future years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.16 Employee benefits *(Continued)*

#### *Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group restructuring costs involving the payment of termination benefits.

### 4.17 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

### 4.18 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.18 Accounting for income tax *(Continued)*

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

Deferred tax assets and liabilities are not recognised if the temporary differences arising from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

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

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

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.19 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where the consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4.12 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

### 4.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker i.e. the executive directors for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group’s line of business.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. All inter-segment transfers, if any, are carried out at arm’s length prices. The following summary describes the operations in each of the Group’s reportable segments:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.20 Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except for dividend income from available-for-sale financial assets, corporate income and expenses (including income tax expense) which are not directly attributable to the business activities of any operating segment and are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except for available-for-sales financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include taxation liabilities and deferred tax liabilities, which are not directly attributable to the business activities of any operating segment.

### 4.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### 4.22 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.23 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### Fair value measurement of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions.

The fair value measurement of investment properties utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: observable inputs other than quoted prices included within Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detail information in relation to the fair value measurement of the investment properties, please refer to note 18.

### Estimated net realisable value of inventories of properties

Management reviews the net realisable value of inventories of properties at the end of each reporting period. The net realisable value is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management determines the net realisable value of inventories of properties by using prevailing market data such as most recent sale transactions and market survey reports available from independent professional valuers and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 4.14. The assessment of when an entity has transferred the significant risks and rewards of ownership to purchasers requires the examination of the circumstances of the transactions. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales is appropriate and is the current practice in the PRC.

### Income tax and deferred taxation

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

### PRC land appreciation tax

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

## 6. SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four business lines as operating segments as further described in note 4.20.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION (Continued)

### Segment revenue and results

	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Advisory and consultancy services HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
Reportable segment revenue	52,499	280,870	9,485	1,799	344,653
Reportable segment profit	34,423	26,917	177	22	61,539
Other segment information:					
Interest income	285	722	12	3	1,022
Amortisation of interests in leasehold land	14	—	—	—	14
Gain on changes in fair value of investment properties	22,317	—	—	—	22,317
Income tax expense	8,969	533	—	—	9,502
Depreciation of property, plant and equipment	1,050	709	83	2	1,844
	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Advisory and consultancy services HK\$'000	Total HK\$'000
<b>Year ended 31 December 2013</b>					
Reportable segment revenue	48,592	310,269	19,488	5,432	383,781
Reportable segment profit	41,864	59,537	589	29	102,019
Other segment information:					
Interest income	121	121	11	5	258
Amortisation of interests in leasehold land	14	—	—	—	14
Gain on changes in fair value of investment properties	31,502	—	—	—	31,502
Income tax expense	11,100	12,385	—	—	23,485
Depreciation of property, plant and equipment	868	510	398	126	1,902

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities

	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Advisory and consultancy services HK\$'000	Total HK\$'000
<b>As at 31 December 2014</b>					
Reportable segment assets	874,874	285,666	5,112	545	1,166,197
Reportable segment liabilities	(268,472)	(117,000)	(4,246)	(87)	(389,805)
Other segment information:					
Additions to non-current assets	5,532	10	—	—	5,542
	Property leasing HK\$'000	Property development HK\$'000	Building management services HK\$'000	Advisory and 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	5,146	1,266	33	—	6,445

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

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

	2014 HK\$'000	2013 HK\$'000
Reportable segment revenue	344,653	383,781
Inter-segment revenue elimination	(2,052)	(717)
<b>Consolidated revenue</b>	<b>342,601</b>	383,064
Reportable segment profit	61,539	102,019
Dividend income from available-for-sale financial assets	—	982
Unallocated income and expenses	(12,362)	(7,222)
Unallocated income tax expense	(12,258)	(26,472)
<b>Consolidated profit for the year</b>	<b>36,919</b>	69,307
	2014 HK\$'000	2013 HK\$'000
Reportable segment assets	1,166,197	1,203,167
Available-for-sale financial assets	—	8,102
Unallocated corporate assets	33,788	33,211
<b>Total consolidated assets</b>	<b>1,199,985</b>	1,244,480
Reportable segment liabilities	389,805	457,396
Unallocated taxation liabilities	14,301	9,825
Unallocated deferred tax liabilities	18,262	16,352
Unallocated corporate liabilities	7,254	5,269
<b>Total consolidated liabilities</b>	<b>429,622</b>	488,842

Segment assets consist primarily of property, plant and equipment, investment properties, interests in leasehold land, inventories of properties, trade and other receivables, tax prepaid and cash and cash equivalents.

Segment liabilities consist primarily of advances received from the pre-sale of properties under development and properties held for sale, trade and other payables, interest-bearing borrowings and deferred tax liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

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

For the years ended 31 December 2014 and 2013, the Group did not depend on any single customer under each of the segments.

## 7. REVENUE

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

	2014 HK\$'000	2013 HK\$'000
Building management income	9,373	19,046
Consultancy service income	257	5,414
Rental income of investment properties (note)	52,101	48,335
Sales of properties	280,870	310,269
	<b>342,601</b>	383,064

Note: The Group has contingent rental income of investment properties of approximately HK\$2,628,000 (2013: HK\$2,526,000) for the year ended 31 December 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.

## 8. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Interest income		
– from bank deposits	887	718
– from structured bank deposits (note a)	550	—
	<b>1,437</b>	718
Dividend income from available-for-sale financial assets	—	982
Gain on disposals of property, plant and equipment	—	5
Gain on exchange differences, net	—	1,379
Government grants (note b)	—	554
Sundry income	105	745
	<b>1,542</b>	4,383

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. OTHER INCOME (Continued)

Notes:

- (a) During the year ended 31 December 2014, interest income have been derived from the structured bank deposits which carried effective interest rates ranging from 3.4% to 3.8% per annum and had original maturity of 31 days to 94 days (2013: Nil). The structured bank deposits are principal-protected yield enhancement bank deposits which are fully withdrawn upon the maturity. There were no structured bank deposits held by the Group as at 31 December 2014 (2013: Nil).
- (b) During the year ended 31 December 2013, government grants have been received from 南寧市財政局 for one of the Group's subsidiaries carrying on business activities in this area. There are no unfulfilled conditions or contingencies related to these grants.

## 9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest charges on:		
Bank borrowings wholly repayable within five years	205	235
Bank borrowings not wholly repayable within five years	5,679	3,725
Other borrowings wholly repayable within five years	—	2,245
Total borrowing costs	5,884	6,205
Less: interest capitalised	(5,884)	(6,205)
	—	—

The analysis shows the finance costs of bank and other 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\$205,000 (2013: HK\$235,000) for the year ended 31 December 2014.

The weighted average capitalisation rate of general borrowings was 3.52% (2013: 3.52%) per annum for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. PROFIT BEFORE INCOME TAX

	2014 HK\$'000	2013 HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of interests in leasehold land	14	14
Auditor's remuneration	1,054	1,006
Cost of properties sold	221,542	194,029
Depreciation of property, plant and equipment	1,981	2,009
Donation	1,025	—
Loss/(Gain) on disposals of property, plant and equipment	104	(5)
Loss/(Gain) on exchange differences, net	1,430	(1,379)
Operating lease charges	5,404	5,968
Outgoings in respect of investment properties that generated rental income	5,468	4,376

## 11. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
<b>Current income tax</b>		
PRC corporate income tax	9,937	19,117
PRC land appreciation tax	1,526	17,878
	<b>11,463</b>	36,995
<b>Deferred tax (note 29)</b>		
PRC corporate income tax	7,426	8,854
PRC land appreciation tax	550	(2,428)
PRC withholding income tax	2,321	6,536
	<b>10,297</b>	12,962
<b>Total income tax expense</b>	<b>21,760</b>	49,957

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. INCOME TAX EXPENSE *(Continued)*

### Hong Kong profits tax

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

### PRC corporate income tax

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

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

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

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

Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited\*) ("WTS Real Estate") is subject to LAT and the LAT is calculated at 5% to 7% (2013: 5% to 7%) of its sales of properties in accordance with the authorised taxation method.

\* The English translation of the Company name is for reference only. The official name of this Company is in Chinese.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. INCOME TAX EXPENSE (Continued)

### PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

A reconciliation of the income tax expense to profit before income tax at the statutory rates (PRC corporate income tax rate of 25% and Hong Kong profits tax of 16.5%) for the regions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rates, is as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	58,679	119,264
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	15,757	30,350
Tax effect of non-deductible expenses	1,086	1,796
LAT deductible for calculation of income tax	(932)	(2,039)
LAT charges	2,076	15,450
Effect of withholding income tax at 10% on distributable profits of the Group's PRC subsidiaries	2,321	6,536
Others	1,452	(2,136)
Income tax expense	21,760	49,957

## 12. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Proposed final dividend (2013: HK1.8 cents per ordinary share) (note)	—	5,400

Note: The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

For the year ended 31 December 2013, a final dividend of HK1.8 cents per ordinary share, amounting to HK\$5,400,000, was declared and paid to the shareholders of the Company. This final dividend was reflected as an appropriation of retained earnings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. DIRECTORS' REMUNERATION AND EMOULMENTS OF FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Listing Rules and Section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 which requires compliance with Section 161 of the Hong Kong Companies Ordinance, Cap. 32 is as follows:

#### Year ended 31 December 2014

	Fees HK\$'000	Salaries and benefits in kind HK\$'000	Performance related bonus* HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Dr. Lee	—	4,532	—	—	4,532
Mrs. Lee	—	4,532	—	—	4,532
Dr. Elaine Eick	—	1,056	—	17	1,073
Mr. Cheng Bun	—	926	—	17	943
	—	11,046	—	34	11,080
<b>Independent non- executive directors:</b>					
Mr. Wong Chi Wai	120	—	—	—	120
Mr. Wong Tat Yau, Paul	120	—	—	—	120
Mr. Chan Chun Yee	120	—	—	—	120
	360	—	—	—	360
Total emoluments	360	11,046	—	34	11,440

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' emoluments (Continued)

#### Year ended 31 December 2013

	Fees HK\$'000	Salaries and benefits in kind HK\$'000	Performance related bonus* HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Dr. Lee	—	4,557	379	—	4,936
Mrs. Lee	—	4,557	379	—	4,936
Dr. Elaine Eick	—	1,032	88	15	1,135
Mr. Cheng Bun	—	913	76	15	1,004
	—	11,059	922	30	12,011
<b>Independent non- executive directors:</b>					
Mr. Wong Chi Wai	120	—	10	—	130
Mr. Wong Tat Yau, Paul	120	—	10	—	130
Mr. Chan Chun Yee	120	—	10	—	130
	360	—	30	—	390
Total emoluments	360	11,059	952	30	12,401

\* The directors of the Company are entitled to bonus payments which are determined on the business performance of the Group.

### (b) Five highest paid individuals

The five highest paid individuals in the Group include four (2013: four) directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining one (2013: one) individual were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and benefits in kind	600	560
Performance related bonus	—	48
Retirement scheme contribution	17	15
	617	623

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. DIRECTORS' REMUNERATION AND EMOULMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (b) Five highest paid individuals *(Continued)*

The above emoluments were within following bands:

	No. of individuals	
	2014	2013
Emolument bands		
Nil to HK\$1,000,000	1	1

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the year (2013: Nil).

### (c) Senior management personnel

The emoluments paid or payable to members of senior management were within following bands:

	No. of individuals	
	2014	2013
Emolument bands		
Nil to HK\$1,000,000	10	10

## 14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOULMENTS)

	2014	2013
	HK\$'000	HK\$'000
Wages and salaries	21,164	30,028
Retirement scheme contribution	2,917	4,276
Other benefits	1,808	1,702
	25,889	36,006

## 15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the year ended 31 December 2014 of approximately HK\$31,273,000 (2013: HK\$63,514,000), and the ordinary shares of 300,000,000 (2013: 300,000,000) in issue during the year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2013</b>						
Cost	6,309	6,938	4,480	1,580	4,436	23,743
Accumulated depreciation	(2,336)	(4,163)	(3,323)	(981)	(3,654)	(14,457)
<b>Net carrying amount</b>	<b>3,973</b>	<b>2,775</b>	<b>1,157</b>	<b>599</b>	<b>782</b>	<b>9,286</b>
<b>Year ended 31 December 2013</b>						
Opening net book amount	3,973	2,775	1,157	599	782	9,286
Additions	—	—	826	231	1,338	2,395
Disposals	—	—	—	(35)	—	(35)
Depreciation	(177)	(818)	(595)	(161)	(327)	(2,078)
Exchange differences	4	67	34	18	34	157
<b>Closing net carrying amount</b>	<b>3,800</b>	<b>2,024</b>	<b>1,422</b>	<b>652</b>	<b>1,827</b>	<b>9,725</b>
<b>At 31 December 2013 and 1 January 2014</b>						
Cost	6,348	7,132	5,425	1,493	5,910	26,308
Accumulated depreciation	(2,548)	(5,108)	(4,003)	(841)	(4,083)	(16,583)
<b>Net carrying amount</b>	<b>3,800</b>	<b>2,024</b>	<b>1,422</b>	<b>652</b>	<b>1,827</b>	<b>9,725</b>
<b>Year ended 31 December 2014</b>						
Opening net book amount	3,800	2,024	1,422	652	1,827	9,725
Additions	—	—	36	14	—	50
Transfer from investment properties (note 18)	9,750	—	—	—	—	9,750
Disposals	—	(10)	(67)	(82)	—	(159)
Depreciation	(177)	(813)	(513)	(185)	(354)	(2,042)
Exchange differences	(2)	(43)	(29)	(15)	(42)	(131)
<b>Closing net carrying amount</b>	<b>13,371</b>	<b>1,158</b>	<b>849</b>	<b>384</b>	<b>1,431</b>	<b>17,193</b>
<b>At 31 December 2014</b>						
Cost	16,064	6,950	5,135	1,361	5,772	35,282
Accumulated depreciation	(2,693)	(5,792)	(4,286)	(977)	(4,341)	(18,089)
<b>Net carrying amount</b>	<b>13,371</b>	<b>1,158</b>	<b>849</b>	<b>384</b>	<b>1,431</b>	<b>17,193</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
In PRC:		
Leases of between 10 to 50 years	<b>41</b>	108
In Hong Kong:		
Leases of between 10 to 50 years	<b>13,330</b>	3,692

The bank borrowings are secured by property, plant and equipment with a carrying amount of approximately HK\$13,371,000 (2013: HK\$3,800,000) as at 31 December 2014 (note 28).

Depreciation charges have been included in:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Consolidated statement of financial position		
– capitalised in inventories of properties	<b>61</b>	69
Consolidated statement of comprehensive income (note 10)		
– cost of sales	<b>659</b>	663
– selling expenses	<b>30</b>	23
– administrative expenses	<b>1,292</b>	1,323
	<b>1,981</b>	2,009
	<b>2,042</b>	2,078

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. INTERESTS IN LEASEHOLD LAND – GROUP

The interests in leasehold land represented prepaid operating payments and the movements in the net carrying amounts are analysed as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Opening net carrying amount	<b>427</b>	429
Amortisation	<b>(14)</b>	(14)
Exchange differences	<b>(10)</b>	12
Closing net carrying amount	<b>403</b>	427

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
In PRC:		
Leases of between 10 to 50 years	<b>403</b>	427

The bank borrowings are secured by interests in leasehold land with a carrying amount of approximately HK\$403,000 (2013: HK\$427,000) as at 31 December 2014 (note 28).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INVESTMENT PROPERTIES – GROUP

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January	<b>847,597</b>	789,599
Change in fair value of investment properties	<b>22,317</b>	31,502
Additions	<b>5,528</b>	4,094
Transfer to property, plant and equipment (note 16)	<b>(9,750)</b>	—
Exchange differences	<b>(20,484)</b>	22,402
Carrying amount at 31 December	<b>845,208</b>	847,597

The carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates, were approximately HK\$3,494,000 (2013: HK\$3,581,000) as at 31 December 2014. The Group has not obtained the land use rights certificates and building ownership certificates of these properties. The fair values of these properties were estimated assuming the Group had valid land use rights certificates and building ownership certificates of these properties and all land premium and related fees for the grant of certificates have been fully settled. The land premium and related fees for the grant of certificates are not significant. The Group has rented out and received rental income from these properties during the year. The application for the land use right certificates and building ownership certificates of these properties are in progress. As advised by the Company's PRC legal advisor, the Group has significant risks and rewards of ownership of these properties and is entitled to use and lease these properties notwithstanding the absence of title certificates. Further, subject to the Group complying with applicable PRC laws and regulations, there is no legal impediment for the Group to obtain the title certificates for these properties. As such, the control, significant risks and rewards of ownership of these properties were vested with the Group and the Group has recognised these properties as investment properties.

The bank borrowings are secured by investment properties with a carrying value of approximately HK\$400,046,000 (2013: HK\$770,729,000) as at 31 December 2014 (note 28).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INVESTMENT PROPERTIES – GROUP (Continued)

The analysis of the net carrying amounts of investment properties according to lease periods are as follows:

	2014 HK\$'000	2013 HK\$'000
In PRC:		
Leases of between 10 to 50 years	845,208	837,847
In Hong Kong:		
Leases of between 10 to 50 years	—	9,750

During the year ended 31 December 2014, the Group did not renew the lease to related company in respect of a parcel of office premise, which is now used for self-occupation and administrative purpose, and this portion has been reclassified to property, plant and equipment (note 16). The fair value of the property was approximately HK\$9,750,000 immediately before the transfer.

Investment properties were valued at 31 December 2014 and 2013 by independent, professional qualified valuers, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who has the relevant experience in the location and category of properties being valued. DTZ have used direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

### Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurements categorised into			Fair value HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurement</b>				
<b>As at 31 December 2014</b>				
Investment properties	—	—	845,208	845,208
<b>As at 31 December 2013</b>				
Investment properties	—	—	847,597	847,597

There were no transfers into or out of Level 3 during the year. The Group's policy is to recognise transfers between levels of fair value hierarchy in the reporting period in which they occur.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INVESTMENT PROPERTIES – GROUP *(Continued)*

### Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements within Level 3 of fair value hierarchy are as below:

	<b>Investment properties HK\$'000</b>
<b>Carrying amount at 1 January 2013</b>	789,599
Additions	4,094
Changes in fair value recognised in profit or loss during the year	31,502
Exchange differences	22,402
<b>Carrying amount at 31 December 2013 and 1 January 2014</b>	847,597
Additions	5,528
Transfer to property, plant and equipment	(9,750)
Changes in fair value recognised in profit or loss during the year	22,317
Exchange differences	(20,484)
<b>Carrying amount at 31 December 2014</b>	<b>845,208</b>

Fair value adjustment of investment properties is recognised in the line item "Gain on changes in fair value of investment properties" on the face of the consolidated statement of comprehensive income.

Exchange adjustment of properties is recognised in other comprehensive income in "Exchange reserve".

The fair value of investment properties is determined using the direct capitalisation method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate and factors adjustment, and negatively correlated to capitalisation rate.

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Range As at 31 December 2014</b>	2013
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc (RMB/sq.m.)	<b>33 - 1,150</b>	32 - 1,250
		Capitlisation rate of reversionary income	<b>3.50% - 7.50%</b>	3.50% - 7.50%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. INVESTMENT PROPERTIES – GROUP *(Continued)*

### Fair value hierarchy *(Continued)*

There was no change to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

## 19. INTERESTS IN SUBSIDIARIES – COMPANY

	2014 HK\$'000	2013 HK\$'000
Equity investments stated at cost		
– Unlisted	<b>614,901</b>	614,901

Particulars of the subsidiaries, each of which is a limited liability company, as at 31 December 2014, were as follows:

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
<i>Interests held directly</i>					
Global Touch Holdings Limited	Corporation	BVI 8 November 2010	10,000 ordinary shares of US\$1.00 each	100%	Investment holding, Hong Kong
<i>Interests held indirectly</i>					
Leepark Holdings Limited	Corporation	Hong Kong 5 June 2006	Ordinary shares of HK\$1,000,000	100%	Investment holding and property leasing, Hong Kong
New Merit Holdings Limited	Corporation	BVI 25 November 2009	1 ordinary share of US\$1.00 each	100%	Investment holding, Hong Kong
Ruby Properties Limited	Corporation	Hong Kong 19 October 2009	Ordinary shares of HK\$200	100%	Investment holding, Hong Kong
Leepark (Netherlands) Limited	Corporation	Hong Kong 27 May 2006	Ordinary shares of HK\$10,000	100%	Investment holding, Hong Kong
廣西都安利柏商務服務有限公司 (Guangxi Duan Leepark Business Service Company Limited) *	Corporation	PRC 26 January 2014	RMB2,000,000	100%	Investment holding, PRC
廣西南寧利柏商務服務有限公司 (Guangxi Nanning Leepark Business Service Company Limited) *	Corporation	PRC 29 September 2003	RMB800,000	100%	Investment holding, PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Form of business structure	Country/place and date of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held by the Company	Principal activities and place of operation
<i>Interests held indirectly (Continued)</i>					
廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) *	Corporation	PRC 9 September 1997	RMB23,408,000	87.52%	Property leasing and property development, PRC
南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Services Company Limited) *	Corporation	PRC 4 August 2003	RMB3,000,000	98.77%	Property management, property consultancy and property leasing, PRC
南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) *	Corporation	PRC 27 July 1993	RMB33,544,000	93.84%	Property leasing, PRC
WTS Real Estate	Corporation	PRC 3 August 2001	RMB10,000,000	93.84%	Property development, PRC

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

As at 31 December 2014 and 2013, none of the subsidiaries had issued any debt securities.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2014 HK\$'000	2013 HK\$'000
Equity investments stated at cost		
– Unlisted	—	8,102

The unlisted equity securities are measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

During the year ended 31 December 2014, the Group entered into agreement with an independent third party to dispose of all of its unlisted equity investments at a cash consideration of approximately HK\$7,956,000 (or equivalent to RMB6,334,000), which was the same as its carrying amount. The disposal was completed on 21 March 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. INVENTORIES OF PROPERTIES – GROUP

	2014 HK\$'000	2013 HK\$'000
Properties under development	—	213,293
Properties held for sale	<b>127,424</b>	34,406
	<b>127,424</b>	247,699
Properties under development include:		
– cost of leasehold land	—	69,280
– construction costs and capitalised expenditure	—	135,928
– interests capitalised	—	8,085
	—	213,293

The properties under development and properties held for sale are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2013, properties held under development were scheduled to be sold within twelve months.

## 22. TRADE RECEIVABLES – GROUP

	2014 HK\$'000	2013 HK\$'000
Trade receivables	<b>5,494</b>	7,280
Less: Impairment loss recognised	<b>(160)</b>	(164)
Trade receivables, net	<b>5,334</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 fee income and consultancy service income, the income is paid in accordance with the terms of the respective agreements and the balance is due on presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. TRADE RECEIVABLES – GROUP *(Continued)*

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current and within 1 month	<b>3,948</b>	5,964
1-3 months	<b>849</b>	381
4-6 months	<b>332</b>	594
7-12 months	<b>127</b>	93
Over 12 months	<b>78</b>	84
	<b>5,334</b>	7,116

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>3,313</b>	5,280
Less than 1 month past due	<b>635</b>	684
1-3 months past due	<b>849</b>	381
4-6 months past due	<b>332</b>	594
7-12 months past due	<b>127</b>	93
Over 12 months past due	<b>78</b>	84
	<b>5,334</b>	7,116

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. Trade receivables that were neither past due nor impaired relate to a number of independent buyers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of tenants and customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believed that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered to be fully recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. TRADE RECEIVABLES – GROUP (Continued)

The below table reconciles the impairment loss of trade receivables for the years ended 31 December 2014 and 2013.

	2014 HK\$'000	2013 HK\$'000
As at 1 January	164	159
Exchange differences	(4)	5
As at 31 December	160	164

The Group recognised impairment loss on trade receivables on individual assessment based on the accounting policy stated in note 4.7.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on an individual or collective basis.

The directors of the Company considered that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception at the reporting date.

## 23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Deposits	1,387	3,122	—	—
Prepayments	626	1,533	125	376
Other receivables	4,635	12,983	—	—
	6,648	17,638	125	376

The directors of the Company considered that the fair values of deposits, prepayments and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. The other receivables were neither past due nor impaired. The other receivables were related to counterparties for which there was no recent history of default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/A DIRECTOR – GROUP AND COMPANY

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

Particulars of the amounts due from subsidiaries, disclosed pursuant to Section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 which requires compliance with Section 161B of the Hong Kong Companies Ordinance, Cap.32, are as follows:

	<b>Maximum outstanding balance during the year HK\$'000</b>	<b>2014 HK\$'000</b>	Maximum outstanding balance during the year HK\$'000	2013 HK\$'000
<b>Company</b>				
<b>Subsidiaries:</b>				
Leepark Holdings Limited	3,952	1,096	2,024	1,792
Ruby Properties Limited	10	10	—	—
Leepark (Netherlands) Limited	10	10	—	—
New Merit Holdings Limited	5	5	—	—
Global Touch Holdings Limited	30,005	30,005	30,000	30,000
		<b>31,126</b>		31,792

Amount due to a director is disclosed as follows:

	<b>2014 HK\$'000</b>	2013 HK\$'000
<b>Group</b>		
<b>Director:</b>		
Mr. Cheng Bun (note)	—	983

Note: Pursuant to the commodity property sale and purchase agreement and the car park usage agreement both dated 10 December 2013 entered into between WTS Real Estate as vendor and Mr. Cheng as purchaser, WTS Real Estate had pre-sold a commodity property in Nanning, Guangxi, the PRC and granted the right of using four ancillary car parks to the property to Mr. Cheng at a consideration of approximately RMB2,560,000 (or equivalent to approximately HK\$3,215,000). Mr. Cheng had paid 30% of consideration amounting to approximately RMB768,000 (or equivalent to approximately HK\$983,000) upon the signing of the commodity property sale and purchase agreement. As at 31 December 2013, the property is not yet delivered to Mr. Cheng and the balance of the consideration shall be settled by means of mortgage loan. The transaction was completed on 25 February 2014 upon the delivery of properties to Mr. Cheng and collection of remaining consideration from bank (note 35).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank and in hand	<b>194,574</b>	105,136	<b>15,964</b>	27,744
Less: Pledged bank deposits	—	(2,213)	—	—
Less: Restricted bank deposits	<b>(3,079)</b>	(3,994)	—	—
Cash and cash equivalents per the consolidated statement of cash flows	<b>191,495</b>	98,929	<b>15,964</b>	27,744

As at 31 December 2014, included in bank and cash balances of the Group are approximately HK\$177,415,000 (2013: HK\$73,534,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the Regulation for Foreign Exchange Control of PRC and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As at 31 December 2013, bank deposits have been pledged to secure bank borrowings (note 28). The deposit has maturity period of 1 month and is interest-bearing approximately at 0.35% per annum as at 31 December 2013.

Restricted bank deposits included (i) bank deposits placed in designated bank accounts which can only be used for property maintenance and (ii) guaranteed deposits placed with banks in relation to mortgage facilities granted to the purchasers of the Group's properties.

## 26. TRADE PAYABLES – GROUP

	2014 HK\$'000	2013 HK\$'000
Trade payables	<b>38,596</b>	37,796

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26. TRADE PAYABLES – GROUP *(Continued)*

The credit terms of trade payables vary according to the terms agreed with different suppliers. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0 - 30 days	<b>28,192</b>	136
31 - 90 days	<b>250</b>	65
91 - 180 days	<b>111</b>	58
Over 180 days	<b>10,043</b>	37,537
As at 31 December	<b>38,596</b>	37,796

All amounts due are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of their fair values.

## 27. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES – GROUP AND COMPANY

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Accruals and other payables	<b>26,427</b>	26,138	<b>1,491</b>	1,540
Deposits received	<b>17,839</b>	23,291	—	—
Receipts in advance	<b>15,679</b>	13,138	—	—
	<b>59,945</b>	62,567	<b>1,491</b>	1,540

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28. INTEREST-BEARING BORROWINGS – GROUP

	2014 HK\$'000	2013 HK\$'000
<b>Current</b>		
Bank loans, secured	14,113	12,298
<b>Non-current</b>		
Bank loans, secured	74,259	38,205
<b>Total borrowings</b>	<b>88,372</b>	50,503

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

	2014 HK\$'000	2013 HK\$'000
<b>Current</b>		
Portion of bank loans due for repayment within one year	9,607	6,921
Portion of bank loans due for repayment after one year which contain repayment on demand clause	4,506	5,377
	<b>14,113</b>	12,298
<b>Non-current</b>		
Portion of bank loans due for repayment after one year	74,259	38,205
	<b>88,372</b>	50,503

The Group's bank loans are repayable as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year or on demand	14,113	12,298
In the second year	8,736	6,549
In the third to fifth year	26,208	23,071
After the fifth year	39,315	8,585
	<b>74,259</b>	38,205
	<b>88,372</b>	50,503

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28. INTEREST-BEARING BORROWINGS – GROUP *(Continued)*

The Group's bank loans are secured by legal charges over:

- (a) certain of the Group's property, plant and equipment with carrying value of approximately HK\$13,371,000 (2013: HK\$3,800,000) (note 16);
- (b) certain of the Group's interests in leasehold land with carrying value of approximately HK\$403,000 (2013: HK\$427,000) (note 17);
- (c) certain of the Group's investment properties with carrying value of approximately HK\$400,046,000 (2013: HK\$770,729,000) (note 18);
- (d) pledged bank deposits with carrying value of approximately HK\$ 2,213,000 as at 31 December 2013 (note 25); and
- (e) assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties.

As at 31 December 2014, the bank loan amounted to approximately HK\$82,995,000 (2013: HK\$44,254,000) was denominated in RMB and bore a floating interest rate ranging from 7.69% to 8.19% (2013: 7.86%) per annum. The bank loan of approximately HK\$5,377,000 (2013: HK\$6,249,000) was denominated in HK\$ which bore a floating interest rate of 3.5% (2013: 3.5%) per annum.

## 29. DEFERRED TAX LIABILITIES – GROUP

The components of deferred tax liabilities and the movements during the year are as follows:

	LAT HK\$'000	Revaluation of inventories of properties HK\$'000	Revaluation of investment properties HK\$'000	Withholding tax HK\$'000	Total HK\$'000
<b>As at 1 January 2013</b>	2,647	5,376	167,794	9,515	185,332
(Credited)/Charged to profit or loss (note 11)	(2,428)	(3,066)	11,920	6,536	12,962
Exchange differences	44	112	4,848	301	5,305
<b>As at 31 December 2013 and 1 January 2014</b>	263	2,422	184,562	16,352	203,599
Charged/(Credited) to profit or loss (note 11)	550	(1,543)	8,969	2,321	10,297
Exchange differences	(10)	(49)	(4,513)	(411)	(4,983)
<b>As at 31 December 2014</b>	<b>803</b>	<b>830</b>	<b>189,018</b>	<b>18,262</b>	<b>208,913</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. SHARE CAPITAL

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

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

## 31. RESERVES

### Group

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

#### *Share premium*

The share premium account of the Group represents the premium arising from the issuance of shares of the Company at premium.

#### *Statutory reserve*

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

#### *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31. RESERVES (Continued)

### Group (Continued)

#### Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies now comprising the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests.

#### Revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment properties.

### Company

	Share premium* HK\$'000	Capital reserve* (Note) HK\$'000	Proposed final dividend HK\$'000	Retained earnings* HK\$'000	Total HK\$'000
<b>As at 1 January 2013</b>	24,150	604,901	12,000	17,136	658,187
Dividend paid	—	—	(12,000)	—	(12,000)
Transactions with owners	—	—	(12,000)	—	(12,000)
Loss for the year and total comprehensive income for the year	—	—	—	(2,914)	(2,914)
Proposed final dividend (note 12)	—	—	5,400	(5,400)	—
<b>As at 31 December 2013 and 1 January 2014</b>	24,150	604,901	5,400	8,822	643,273
Dividend paid	—	—	(5,400)	—	(5,400)
Transactions with owners	—	—	(5,400)	—	(5,400)
Loss for the year and total comprehensive income for the year	—	—	—	(7,248)	(7,248)
<b>As at 31 December 2014</b>	<b>24,150</b>	<b>604,901</b>	<b>—</b>	<b>1,574</b>	<b>630,625</b>

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

Note: The capital reserve of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing on the GEM of the Stock Exchange.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. OPERATING LEASE ARRANGEMENTS

### a. As lessor

#### Group

As at 31 December 2014, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	27,874	32,716
After one year but within five years	59,341	43,965
After five years	39,941	2,021
	<b>127,156</b>	78,702

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to ten years (2013: one to ten years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

#### Company

The Company did not have any minimum lease receipts under non-cancellable operating leases as at 31 December 2014 and 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. OPERATING LEASE ARRANGEMENTS *(Continued)*

### b. As lessee

#### Group

As at 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of the Group's properties as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	6,295	6,766
After one year but within five years	24,960	22,526
After five years	35,893	46,290
	<b>67,148</b>	75,582

The Group leases properties under operating leases. The leases run for an initial period of one to twenty years (2013: one to twenty years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases includes contingent rental.

#### Company

The Company did not have any minimum lease payments under non-cancellable operating leases as at 31 December 2014 and 2013.

## 33. CAPITAL COMMITMENTS

### Group

As at 31 December 2014, the commitments for the construction of properties under development:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for – properties under development	—	84,134

### Company

The Company did not have any significant capital commitments as at 31 December 2014 and 2013.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34. FINANCIAL GUARANTEE CONTRACTS

### Group

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Guarantees given to banks and financial institutions for mortgage facilities granted to purchasers of the Group's properties	<b>112,462</b>	257,129

The amount represented the guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Group's property units. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and financial institutions and the Group is entitled to take over the legal title and possession of the related properties. In case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements. The directors of the Company considered that the fair value of financial guarantee is insignificant due to low applicable default rate.

### Company

The Company did not have any financial guarantee contracts as at 31 December 2014 and 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35. RELATED PARTY TRANSACTIONS

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

<b>Name of related parties</b>	<b>Nature of transactions</b>	<b>2014 HK\$'000</b>	<b>2013 HK\$'000</b>
<b>Director:</b>			
Mr. Cheng (note 24)	Sales of properties	<b>3,215</b>	—
<b>Related company:</b>			
Pharma Frontiers Limited (note)	Rental income	<b>88</b>	264

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

During the year ended 31 December 2014, the management of the Company decided not to renew the tenancy agreement upon its expiration.

Key management of the Group are also the members of the board of directors. Key management personnel remuneration is set out in note 13.

## 36. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### 36.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities. See note 4.7 and 4.10 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets:				
Unlisted equity securities	—	8,102	—	—
Loans and receivables:				
Trade receivables	5,334	7,116	—	—
Other receivables	3,986	7,604	—	—
Amounts due from subsidiaries	—	—	31,126	31,792
Cash and cash equivalents	194,574	105,136	15,964	27,744
	<b>203,894</b>	127,958	<b>47,090</b>	59,536
<b>Financial liabilities</b>				
Amortised cost:				
Trade payables	38,596	37,796	—	—
Accruals and other payables	26,427	26,138	1,491	1,540
Amount due to a director	—	983	—	—
Interest-bearing borrowings	88,372	50,503	—	—
	<b>153,395</b>	115,420	<b>1,491</b>	1,540

### 36.2 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the Group entities hold majority of their assets and liabilities in their own functional currency. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### 36.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings which bore interests at floating interest rates which expose the Group to cash flow interest rate risk. The interest rate and repayment terms of the borrowings outstanding at the end of the reporting period are disclosed in note 28.

The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's profit for each of the reporting periods and retained earnings as at the end of each of the reporting periods. The Group adopts centralised treasury policy in cash and financial management and focuses on reducing the Group's overall interest expenses.

### 36.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 34.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In this regard, directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group, except for leases which generally require the tenants to pay security deposits.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and the PRC.

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

The credit policies have been followed by the Group and the Company since prior years and are considered to have been effective in limiting the Group's and the Company's exposure to credit risk to a desirable level.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### 36.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. Management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2014 and 2013. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, interest-bearing borrowings subject to a repayment on demand clause which can be exercised at the bank's sole direction, are included in the "on demand" time band as the lenders have unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the schedule repayment dates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### 36.5 Liquidity risk *(Continued)*

The contractual maturity analysis of the Group and the Company below is based on the undiscounted cash flows of the financial liabilities:

#### Group

	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000	Total contractual amount HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2014</b>						
Trade payables	38,596	—	—	—	38,596	38,596
Accruals and other payables	26,427	—	—	—	26,427	26,427
Other interest-bearing borrowings	14,970	14,228	38,628	46,561	114,387	82,995
Interest-bearing borrowings subject to a repayment on demand clause	5,377	—	—	—	5,377	5,377
	<b>85,370</b>	<b>14,228</b>	<b>38,628</b>	<b>46,561</b>	<b>184,787</b>	<b>153,395</b>
Financial guarantees issued						
Maximum amount guaranteed	112,462	—	—	—	112,462	—
<b>As at 31 December 2013</b>						
Trade payables	37,796	—	—	—	37,796	37,796
Accruals and other payables	26,138	—	—	—	26,138	26,138
Amount due to a director	983	—	—	—	983	983
Other interest-bearing borrowings	9,358	9,359	28,073	8,945	55,735	44,254
Interest-bearing borrowings subject to a repayment on demand clause	6,249	—	—	—	6,249	6,249
	<b>80,524</b>	<b>9,359</b>	<b>28,073</b>	<b>8,945</b>	<b>126,901</b>	<b>115,420</b>
Financial guarantees issued						
Maximum amount guaranteed	257,129	—	—	—	257,129	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36. FINANCIAL RISK MANAGEMENT *(Continued)*

### 36.5 Liquidity risk *(Continued)*

Company	Within 1 year or on demand HK\$'000	Total contractual amount HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2014</b>			
Accruals and other payables	1,491	1,491	1,491
<b>As at 31 December 2013</b>			
Accruals and other payables	1,540	1,540	1,540

### 36.6 Fair value measurements

As at 31 December 2014, the carrying values of trade and other receivables, amounts due from subsidiaries, cash and cash equivalents, trade and other payables, amount due to a director, and current portion of interest-bearing borrowings are estimated to approximate their fair values based on the nature or short-term maturity of these financial instruments.

As at 31 December 2013, the carrying amounts of the Group's available-for-sale financial assets carried at cost are not materially different from their fair values.

## 37. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio of less than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37. CAPITAL MANAGEMENT (Continued)

The Group's net debt to equity ratio at the reporting date was:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Interest-bearing borrowings	<b>88,372</b>	50,503
Less: Cash at bank and in hand	<b>(194,574)</b>	(105,136)
Net debt	<b>N/A</b>	N/A
Total equity	<b>770,363</b>	755,638
Net debt to equity ratio	<b>N/A</b>	N/A

## 38. EVENTS AFTER THE REPORTING DATE

Followed by the completion of a mandatory unconditional cash offer on 10 February 2015, Well Land further increased its equity interest to 75.53% of the total issued share capital of the Company and has become the substantial controlling shareholder of the Company.

On the same day, the Board announced that Dr. Lee and Mrs. Lee resigned as executive directors and consequent to the resignation, Dr. Lee also ceased to be the chairman of the Board and the chief executive officer of the Company with immediate effect.

Mr. Zhuang Yuekai, Ms. Wang Xianrong, Mr. Shi Zhen and Ms. Zhao Chengmin have been appointed as executive directors, and Mr. Zhuang Yuekai and Mr. Shi Zhen have also been appointed as chairman of the Board and the chief executive officer of the Company respectively.

## 39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 16 March 2015.



# FINANCIAL SUMMARY

## FINANCIAL RESULTS

	Year ended 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	<b>342,601</b>	383,064	410,273	328,436	163,082
Gross profit	<b>81,702</b>	138,470	151,596	131,362	63,259
Profit before income tax	<b>58,679</b>	119,264	152,278	134,594	47,986
Profit for the year	<b>36,919</b>	69,307	88,329	78,294	24,529
Profit attributable to the owners of the Company	<b>31,273</b>	63,514	79,177	70,373	21,942

## ASSETS, LIABILITIES AND EQUITY

	2014	2013	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<b>862,804</b>	865,851	807,049	738,295	629,145
Current assets	<b>337,181</b>	378,629	473,072	522,902	502,220
Non-current liabilities	<b>283,172</b>	241,804	228,335	214,270	275,054
Current liabilities	<b>146,450</b>	247,038	371,014	510,859	421,387
Net current assets	<b>190,731</b>	131,591	102,058	12,043	80,833
Total equity	<b>770,363</b>	755,638	680,772	536,068	434,924

# PROPERTIES PORTFOLIO

## PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2014

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Yu Feng Plaza	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail, office and carparks	8,579	31 March 2074
2. Wan Guo Plaza and other properties	Front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	8,048	31 May 2044 and 25 February 2044
3. Other properties	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	36	31 May 2044
4. Other properties	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	347	10 July 2044
5. No. 10 West Street	Front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Office and retail	2,188	25 February 2044 and 6 September 2044
6. Other properties	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	478	31 August 2044
7. Other properties	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	863	16 April 2044

## PROPERTIES PORTFOLIO

### PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2014 *(Continued)*

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
8. Other properties	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	2,237	25 February 2044
9. Other properties	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	250	6 September 2044
10. Other properties	No. 99 and 99-1 Huaqiang Road and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	22 April 2044
11. Other properties	1/F of Block No.1 of No. 220-4 and No. 220-5 and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	217	25 February 2044
12. Other properties	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	381	20 February 2044 and 6 September 2044
13. Other properties	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	20 February 2044
14. Other properties	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Industrial	1,141	16 November 2054
15. Other properties	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	510	7 September 2044

## PROPERTIES PORTFOLIO

### PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2014 (Continued)

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
16. Other properties	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	161	Note 1
17. Other properties	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail and residential	879	25 May 2049 (retail unit) and 25 May 2079 (residential units)

Note:

- 1 According to the remark stated in the State-owned Land Use Rights Certificate No. (2010) 518938, the property is situated on a site on which a road is planned to be built and is used temporarily by the Group.

### PROPERTIES CONTRACTED TO BE HELD FOR INVESTMENT AS AT 31 DECEMBER 2014

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Other properties	4 retail units on 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	Note	Note

Note: As at 31 December 2014, the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property have not been obtained. According to the Resettlement Agreement entered into between 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) (Party A) and 南寧百益實業有限公司 (Nanning Bai Yi Industrial Enterprise Limited) (Party B) dated 31 October 2002, Party B agreed that 4 retail units with a gross floor area of 127.00 sq.m. on 1/F of Lvdu Shangsha shall be assigned by Party A to Party B after redevelopment of the original buildings. According to the Treatment Scheme for Guangxi Nanning Bai Yi Commercial Company Limited's Resettled Property issued by 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) on 30 December 2009, the resettled 4 residential units has a total gross floor area of 94.87 sq.m.

# PROPERTIES PORTFOLIO

## COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2014

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
1. Fond England	The unsold carpark units of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	65,965 <sup>(note 1)</sup>	Carparks	4,301	93.84
2. Li Yuan	The unsold portion of Li Yuan Residential Development, No. 128 Daxue East Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	9,074 <sup>(note 2)</sup>	Residential, retail and carparks	16,951	87.52

Notes:

- (1) According to the State-owned Land Use Rights Certificate No. (2014)648323 issued by People's Government of Nanning dated 19 December 2014, the land use rights of the property with a total site area of 65,964.88 sq.m. have been granted to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) for urban composite residential use, which are due to expire on 25 March 2074.
- (2) According to the State-owned Land Use Rights Certificate Nos. (2011)584349 and (2011)584350 issued by People's Government of Nanning both dated 19 December 2011, the land use rights of the property with a total site area of 9,074.37 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for urban residential and commercial uses starting from 10 November 2011.