NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

ANNUAL REPORT

2014

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Han Junran (Chairman)
Mr. Fu Yiu Kwong
Mr. Luo Min

Independent Non-Executive Directors
Mr. Chan Yiu Tung, Anthony
Mr. Seto Man Fai
Mr. Zheng Qing
Dr. Ouyang Qingru (appointed on 16 December 2014)

COMPANY SECRETARY
Ms. Lo Moon Fong

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit D, 17/F, MG Tower,
133 Hoi Bun Road,
Kowloon,
Hong Kong

AUDITORS
Ascenda Cachet CPA Limited
13F Neich Tower,
128 Gloucester Road,
Wanchai,
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank
China Citic Bank International Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG
Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES
Mr. Han Junran
Mr. Fu Yiu Kwong

Financial Highlights

	2014 **HK$'000**	2013 HK$'000	Change
Revenue	**43,808**	51,504	-15%
Profit from operations	**32,996**	122,749	-73%
Profit for the year	**32,964**	122,706	-73%
Total equity	**442,447**	419,251	6%
Total assets	**774,665**	763,858	1%
Total liabilities	**(332,218)**	(344,607)	-4%
Basic earnings per share (HK cents)	**1.30**	4.82	-73%

Chairman's Statement

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a turnover of approximately HK$43,808,000 and recorded a profit after tax of approximately HK$32,964,000 for the year.

Major business arrangements

Continuing Connected Transactions

The old tenancy agreements of the Group's office premises in Hong Kong and the staff quarter and car parking space, which ended on 24 May 2014, were extended on the same terms of the respective agreement for the period from 25 May 2014 to 31 May 2014. On 30 May 2014, new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of two years commencing from 1 June 2014. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Details of which, please refer to the Company's announcement dated 30 May 2014.

OUTLOOK

The Company continues its focus on city development and identifies business opportunities along with its long established development strategy.

Going forward, urbanization is believed to be the prominent direction of economic growth in the People's Republic of China ("PRC") and will offer tremendous business opportunities for the Company. Aligned with the direction of China's economy growth and also to adhere to the Group's strategic development, we shall actively explore profitable projects including real estate developments, medicare, environmental protection and education. The Group will continue to build strategic business alliance with various professional enterprises, so that all parties can contribute their proficiencies and efforts for conducting business in the arena of city development. In this way, the Company's financial performance can be strengthened and optimal benefits will be brought to its Shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and staff for their dedication and contribution to the Group.

Han Junran
Chairman

FINANCIAL REVIEW

Result

For the year under review, the Group reported a turnover which represented the rental income and management fee income of approximately HK$43,808,000 (2013: HK$51,504,000). The Group's net profit for the year was approximately HK$32,964,000 (2013: HK$122,706,000). The basic earnings per share for the year was approximately 1.30 HK cents (2013: 4.82 HK cents). Administrative expenses was approximately HK$21,900,000 (2013: HK$20,800,000). Finance costs was approximately HK$12,854,000 (2013: HK$14,375,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2014, the Group had obligations under hire purchase contracts of approximately HK$420,000 (2013: HK$563,000).

As at 31 December 2014, the Group's total assets was approximately HK$774,665,000 (2013: HK$763,858,000) and total liabilities were of approximately HK$332,218,000 (2013: HK$344,607,000). As at 31 December 2014, the cash and bank balances was approximately HK$25,199,000 (2013: HK$33,352,000) and the current ratio (current assets/current liabilities) was 0.99 as at 31 December 2014 (2013: 0.94).

Litigation

Details of the litigation are set out in note 32 to the consolidated financial statement.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 24% as at 31 December 2014 (2013: 26%).

Capital Structure

There is no change in the capital structure of the Company.

Exchange Risks

The majority of the Group's operations are located in the PRC and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assessing exchange risks.

Dividends

The Directors did not recommend any dividend for the year ended 31 December 2014 (2013: Nil).

Management Discussion and Analysis

Prospect

Guangzhou Changliu project is currently the Group's main operating unit. While the general economy is less than robust, the rental income of Guangzhou Changliu project has remained fairly stable. The Group's management target is, apart from stabilizing the rental income and management fee income, to exploit every opportunity to improve the rental income through improving services quality of the site. Service fee income has initiated by providing value added services to tenants. On the other hand, according to Three Oldies Reform Policy formulated by the Guangdong Provincial Government and Guangzhou Municipal Government, as well as the correspondence with the Renovation Office of the Peoples' Government of Haizhu District, Guangzhou City, the Group will continue to coordinate the progress in the redevelopment of the Guangzhou Changliu project at a pace which would correspond with the overall progress of the local government in the region.

In November 2013, the Group has entered into an agreement to acquire a parcel of land for scientific research use in Qingdao City, the PRC. The Group undertook active steps for construction planning approval. After rounds of discussion and correspondence with the government and according to the overall planning opinion of the government, the Group has engaged an international planning and design firm, Parsons Brinckerhoff, which has prepared a design plan for the project. The Group has entered into a supplemental agreement with the Vendor in January 2015 and strives to obtain the construction planning approval by June 2015. The construction work will commence upon the approval so that economic benefits will bring to Shareholders.

Upon various reviews and discussions, the Group is planning to participate in a project in the medicare business and will conduct this medicare business in various cities in the PRC. It is anticipated that quality technology in this medicare field will bring into Chinese citizens. The Group shall disclose the development and the potential financial benefits about the project should the details be crystallized.

Employees

As at 31 December 2014, the Group has employed about 50 (2013: 50) employees in Hong Kong and PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

Significant Investments and Material Acquisitions

Except for detailed in note 30 to the consolidated financial statement, the Group did not have any significant investments or material acquisitions for the year ended 31 December 2014.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2014.

Commitments

Details of the commitments are set out in notes 29 and 30 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and believes that good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company and (iv) safeguard the interests of the Shareholders and the Company as a whole.

The Company has complied with all the code provisions ("Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), save for the deviations listed below:

The Chairman of the Company is also the Chief Executive Officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. As the current nature of the Group's business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the Non-Executive Directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that Non-Executive Directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all Directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that Non-Executive Directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. In respect of Code Provision A.6.7 of the CG Code, one Executive Director and two Independent Non-Executive Directors did not attend the annual general meeting of the Company held on 26 June 2014. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At presence, the Chairman's continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman's role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2014.

Corporate Governance Report

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.newcitychina.com). The 2014 Annual Report will be despatched to our Shareholders on or before 30 April 2015 and will be available at the websites of the Stock Exchange and the Company.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") will be held on 22 June 2015. A circular containing the notice of the Annual General Meeting will be published on the Company's website and the Stock Exchange's website and sent to the Shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 18 June 2015 to 22 June 2015 (both dates inclusive). In order to determine the identity of the Shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 pm on 17 June 2015.

THE BOARD OF DIRECTORS

Composition and role of the Board

The Board is responsible for the overall strategic development and business operation of the Group and also monitors the financial performance and control on business operation. The Board will from time to time review the Company's governance practices and will provide complete and sufficient information to its members so as to ensure effective performance of their responsibilities. Currently, the Board is comprised of three Executive Directors and four Independent Non-Executive Directors, which includes:

Executive Directors	:	Mr. Han Junran (Chairman) Mr. Fu Yiu Kwong Mr. Luo Min
Independent Non-Executive Directors	:	Mr. Chan Yiu Tung, Anthony Mr. Seto Man Fai Mr. Zheng Qing Dr. Ouyang Qingru (appointed on 16 December 2014)

Biographical details (including age, gender and length of service) of the Board members are set out on page 17 and page 18 of this annual report.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-Executive Directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The Board considers that each Independent Non-Executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules.

The Company has received from each Independent Non-Executive Director an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's business to the Executive Directors, senior management and certain specific responsibilities to the Board Committees.

DIRECTORS' TRAINING

According to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a Director of a listed company.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2014 to the Company.

The Company has also continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received for the year ended 31 December 2014 is summarized below:–

Names of Directors	**Attending or participating in seminars/conferences/ corporate events or visits/ reading relevant to the business/Directors' duties**
Executive Director:	
Mr. Han Junran *(Chairman)*	√
Mr. Fu Yiu Kwong	√
Mr. Luo Min	√
Independent Non-Executive Directors:	
Mr. Chan Yiu Tung, Anthony	√
Mr. Seto Man Fai	√
Mr. Zheng Qing	√
Dr. Ouyang Qingru (appointed on 16 December 2014)	

During the year ended 31 December 2014, 8 full Board meetings were held by the Company and complies with the Code Provision A.1.1. The 2014 annual general meeting was held by the Company on 26 June 2014. The Company has already established a profound regime to ensure effective communication among the Directors.

The attendance record of each Director at the Board meetings and the 2014 annual general meeting is as follows:

Names of Directors	Attendance/Number of Board meetings	Attendance of 2014 annual general meeting
Mr. Han Junran	8/8	√
Mr. Fu Yiu Kwong	8/8	√
Mr. Luo Min	7/8	
Mr. Chan Yiu Tung, Anthony	7/8	
Mr. Seto Man Fai	6/8	√
Mr. Zheng Qing	6/8	
Dr. Ouyang Qingru (appointed on 16 December 2014)	0/0	

Chairman and Chief Executive Officer

According to Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. During the year ended 31 December 2014, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Han Junran. As the current nature of the Group's business is not complicated, the Board believes the current management structure is sufficient for monitoring and controlling the operation of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals with diversity of perspectives in accordance with Code Provision A.3. The Board currently comprises three Executive Directors and four Independent Non-Executive Directors and therefore has a strong independence element in its composition. The Company will review its structure from time to time and make relevant arrangements to observe the provisions of the Listing Rules whenever necessary.

Appointment, re-election and removal of the Directors

The Non-Executive Directors of the Company are not appointed for specific terms, thus deviates from Code Provision A.4.1. In addition, the Chairman of the Board and/or the managing Directors of the Company are not subject to retirement by rotation, which also deviates from Code Provision A.4.2. However, in view of the fact that Non-Executive Directors are subject to retirement by rotation in accordance with the Articles of Association of the Company, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. Nevertheless, the Company will review its relevant Articles of Association and will propose any amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

Mr Chan Yiu Tung Anthony, being an Independent Non-Executive Director, has served the Company for more than nine years, and will retire and being eligible, has offered himself for re-election at 2015 annual general meeting of the Company (the "AGM"). The Nomination Committee considered that his long service will not affect his exercise of independent judgment and was satisfied that he has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director. Taking into consideration the above, the Board is of the view that Mr Chan Yiu Tung Anthony remains independent notwithstanding the length of his service and should be re-elected at the forthcoming AGM. In accordance with the Code, the re-election of Mr Chan Yiu Tung Anthony will be subject to a separate resolution to be approved at the forthcoming AGM.

During the year, the Nomination Committee recommended and the Board approved the appointment of Dr. Ouyang Qingru as a new Independent Non-Executive Director with effect from 16 December 2014, who is subject to retirement and re-election at the forthcoming Annual General Meeting.

BOARD COMMITTEES

The Board has established various committees under the Board, namely Audit Committee, Remuneration Committee and Nomination Committee (collectively, "Board Committees"), to oversee different aspects of the Group's affairs and to assist in the execution of the Board's responsibilities.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee shall consist members of Non-Executive Directors of the Company. The Audit Committee currently comprises three Independent Non-Executive Directors, namely Mr. Seto Man Fai (as Chairman), Mr. Chan Yiu Tung, Anthony and Mr. Zheng Qing. The quorum of meetings of the Audit Committee shall be any two members. The terms of reference of the Audit Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Audit Committee are aligned with the Code Provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with reporting and accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2014, the Audit Committee held 2 meetings. Each committee meeting has been supplied with the necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted.

Names of members	Attendance/Number of meetings
Mr. Seto Man Fai *(Chairman)*	2/2
Mr. Chan Yiu Tung, Anthony	2/2
Mr. Zheng Qing	2/2

During the year under review, the Audit Committee had performed the following work:

– reviewed the annual results for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014;

– discussed with the management of the Company over the completeness, fairness and adequacy of reporting and accounting standards and policies of the Group in the preparation of the 2014 interim and annual financial statements;

– reviewed and discussed with the external auditor over the financial reporting of the Company;

– recommended to the Board, for the approval by Shareholders, of the re-appointment of the auditor; and

– reviewed the internal control procedures of the Group.

The Board also delegated certain corporate governance functions to the Audit Committee, including the review and monitoring of (a) the Group's policies and practices on corporate governance and make recommendations to the Board; (b) the training and continuous professional development of Directors and senior management; (c) the Group's policies and practices on compliance with legal and regulatory requirements; (d) the code of conduct of the Group applicable to employees and Directors; and (e) the Group's compliance with the Code and disclosure in the Corporate Governance Report.

REMUNERATION COMMITTEE

The Company formulated written terms of reference for the Remuneration Committee in accordance with requirements of the Stock Exchange. The Remuneration Committee shall comprise at least three members with majority of Independent Non-Executive Directors, and an Independent Non-Executive Director should take up the role of Chairman of the Remuneration Committee. The Remuneration Committee currently comprises two Independent Non-Executive Directors, namely, Mr. Chan Yiu Tung, Anthony (as Chairman), and Mr. Seto Man Fai and one Executive Director, Mr. Han Junran. The quorum of meetings of Remuneration Committee shall be any two members. The terms of reference of the Remuneration Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Remuneration Committee are aligned with the Code Provisions set out in the CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and to make recommendations to the Board on the remuneration of Independent Non-Executive Directors.

During the year ended 31 December 2014, the Remuneration Committee held 2 meetings for reviewing the remuneration package of the Directors of the Company and approving the proposed remuneration of a senior management.

Names of members	Attendance/Number of meetings
Mr. Chan Yiu Tung, Anthony *(Chairman)*	2/2
Mr. Seto Man Fai	2/2
Mr. Han Junran	2/2

The emolument payable to Directors and senior management will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 8 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 1 April 2012. Prior to the establishment of the Nomination Committee, its role and functions were performed by the Board. The Chairman from time to time reviewed the composition of the Board with particular regard to the number and the independence of the Independent Non-Executive Directors. The Board also reviewed and determined the suitability and terms for re-appointment of Directors.

The Company formulated written terms of reference for the Nomination Committee in accordance with requirements of the Stock Exchange and amended the same on 23 August 2013. The Nomination Committee shall comprise at least three members with a majority of Independent Non-Executive Directors, and the Chairman of the Board or an Independent Non-Executive Director should take up the role of Chairman of the Nomination Committee. The Nomination Committee currently consists of one Executive Director, Mr. Han Junran (as Chairman), and three Independent Non-Executive Directors, namely, Mr. Seto Man Fai and Mr. Chan Yiu Tung, Anthony and Mr. Zheng Qing. The quorum of meetings of the Nomination Committee shall be any two members. The terms of reference of the Nomination Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the Code Provisions set out in the CG Code.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of Independent Non-Executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive.

The Company adopted a board diversity policy in August 2013 to enhance the quality of its performance in accordance with Code Provision A.5.6. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All board appointments will be based on meritocracy, and candidates will be selected based on a range of diversity perspectives, including gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee will review the policy as appropriate to ensure its effectiveness and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2014, the Nomination Committee reviewed the composition of the Board and the retirement and re-election of Directors, one of whom has served the Company for over nine years. The Nomination Committee recommended to the Board for approval of the appointments of Directors and the newly appointment of Dr. Ouyang Qingru as an Independent Non-Executive Director. The Committee held two meetings during the year and the attendance records of the members at the meetings are set out below:

Names of members	Attendance/Number of meetings
Mr. Han Junran *(Chairman)*	2/2
Mr. Chan Yiu Tung, Anthony	2/2
Mr. Seto Man Fai	2/2
Mr. Zheng Qing	2/2

SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors of the Company. All the members of the Board have confirmed, following the specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2014. The Model Code also applies to other specified senior management of the Group.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company on their reporting responsibilities for the Group's consolidated financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to the Company's external auditors in respect of audit and non-audit services for the year ended 31 December 2014 are as follows:

Nature of services	**Amount (HK$'000)**
Audit services	380
Other assurance services	–
Non-assurance services	52

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results of operations and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors acknowledge their responsibility to prepare the consolidated financial statements as set out on pages 28 to 97 of this annual report. The statement of the external auditors about their reporting responsibilities on the consolidated financial statements is set out in the paragraph headed "Independent Auditors' Report" on pages 26 to 27 of this annual report.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group' assets against unauthorized use or disposition, and to protect the interests of Shareholders of the Company.

During the year ended 31 December 2014, the Board conducted an annual review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management.

COMPANY SECRETARY

During the year ended 31 December 2014, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH THE SHAREHOLDERS

Communication between the Company and its Shareholders are achieved through various means including the convening of general meetings, the dispatch of annual reports, interim reports and circulars. The Chairman of the Board also proposes separate resolution for each substantive issue including re-election of Directors.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Articles 58 of the Articles of Association, an extraordinary general meeting ("EGM") may be convened by the Board on a written requisition of any one or more Shareholders of the Company holding not less than 10% of the paid up capital of the Company carrying the right of voting at general meeting of the Company. The EGM shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) of the Company.

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

Articles of Association

There was no change to the Articles of Association to the Company during the year ended 31 December 2014.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of interim and annual reports, the publishing and posting of notices, announcements and circulars on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.newcitychina.com) in a timely manner in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

EXECUTIVE DIRECTORS

Mr. Han Junran, aged 58, obtained a professional law diploma from China Politics and Laws University in 1988. In 2001, Mr. Han also obtained a master's degree in enterprise management from Capital University of Economics and Business. Mr. Han has worked for Beijing Urban Construction Group Company Limited, the office of The Standing Committee of the National People's Congress of Beijing City and the office of the Beijing Municipal Government since 1983. Mr. Han joined the Group in December 1999 as the Group's general manager. Mr. Han is currently responsible for the Group's overall strategic development and management. Mr. Han was appointed as an Executive Director of the Company in December 1999 and the Chairman of the Company in December 2002.

Mr. Fu Yiu Kwong, PhD, aged 57, has over 30 years of experience in the accounting profession. Mr. Fu has worked for various local listed companies. He has extensive experience in auditing, merger and acquisition, business re-engineering and company re-structuring. Mr. Fu joined the Group in March 2003 as an Executive Director of the Group.

Mr. Luo Min, aged 48, is an engineer and has extensive experience in property development, investments and management. Mr. Luo was appointed as a Non-Executive Director of the Company in May 2008. On 1 March 2012, Mr. Luo has been re-designated from a Non-Executive Director to an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yiu Tung, Anthony, aged 56, graduated from University of Toronto in 1982. Mr. Chan has over 20 years experience in the construction and property investment field and is currently the managing Director of Chan Shum Kee Sam Lee Construction Company Limited. Mr. Chan is currently the member of various organizations including Lions Club of Hong Kong West (President during the years 1996/97 and 2001/02), Hong Kong Registered Contractors Association (President), The Hong Kong Construction Association Ltd (Council Member), H.K. General Building Contractors Association Ltd (President for 2011-2013), Kwong Yuet Tong Hong Kong (Council Member), Association of Hong Kong Nanjing Fellows Ltd (Director), The Chinese General Chamber of Commerce (Shamshuipo) (Council Member), Commercial & Industrial Committee of DAB (Council Member), Guangzhou Overseas Friendship-Liaison Association (Council Member), Yan Oi Tong (Directors for the years 2006 to 2009 and 2011 to 2014), Mr. Chan was appointed as an Independent Non-Executive Director of the Company in August 2002.

Directors' Profile

Mr. Seto Man Fai, aged 47, graduated from the Chinese University of Hong Kong with a bachelor's degree in accounting. He is a member of the American Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants in England and Wales. Mr. Seto has extensive experiences in accounting, auditing and corporate finance. Mr. Seto is currently the partner of two accounting firms in Hong Kong. Mr. Seto was appointed as an Independent Non-Executive Director of the Company in October 2009.

Mr. Zheng Qing, aged 49, has extensive experience in property development and management. Mr. Zheng is a Director of various companies in the fields of property development management and securities investment in PRC. Mr. Zheng was appointed as an Independent Non-Executive Director of the Company in September 2004.

Dr. Ouyang Qingru, aged 48, graduated from the Shanghai Second Medical University, is the engineer of the Anesthesiology division of a leading hospital. Working in the Hospital, Dr. Ouyang is familiar with clinical anesthesia and medical equipment application and has immersed experience in the hospital management. Dr. Ouyang was appointed as an Independent Non-Executive Director of the Company in December 2014.

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, "the Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in property development and investment in the PRC which has not been changed during the year. Details of the principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on page 28 to 97.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 28 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of special reserve and share premium less accumulated losses. Under the Companies Law of the Cayman Islands, the special reserve and share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2014, the Company's reserves available for distribution are as follows: (2013: HK$108,625,000)

	HK$'000
Share premium account	253,344
Special reserve	306,450
Accumulated losses	(463,236)
	96,558

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Han Junran (Chairman)
Mr. Fu Yiu Kwong
Mr. Luo Min

Independent Non-Executive Directors

Mr. Chan Yiu Tung, Anthony
Mr. Seto Man Fai
Mr. Zheng Qing
Dr. Ouyang Qingru (appointed on 16 December 2014)

In accordance with the Articles of Association, Mr. Seto Man Fai, Mr. Chan Yiu Tung, Anthony and Dr. Ouyang Qingru shall retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Mr. Chan Yiu Tung, Anthony has served as an Independent Non-Executive Director for more than nine years. Pursuant to the CG Code, his re-election will be subject to a separate resolution.

The Company has received annual confirmations of independence from each of the Independent Non-Executive Directors of the Company and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Han Junrun, the Chairman and Executive Director, has entered into a service agreement with the Company commencing 16 December 2002 for a period of three years and continuing thereafter until his Directorship is terminated.

Mr. Fu Yiu Kwong, the Executive Director, has entered into a service agreement with the Company for a period of two years commencing 13 March 2003 and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

Mr. Luo Min, the Executive Director has entered into a service agreement with the Company commencing 1 March 2012 for a period of 1 year and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of Independent Non-Executive Directors is from the date they were last elected to the date of their retirement by rotation in accordance with the Company's Articles of Association.

Apart from the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were 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 the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of underlying shares held	Approximate % of shareholding
Han Junran	Interests of controlled corporation	–	1,036,200,000 (1)	40.72

Note:

(1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 1,036,200,000 Shares, representing 40.72% of the issued share capital. For the purposes of the SFO, both Junyi Investments Limited and Mr. Han Junran were deemed to be interested in 1,036,200,000 Shares.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had 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 he/she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions and connected transaction disclosed in note 31 to the consolidated financial statements, there were no contract of significance to which the Company, its holding companies and any of its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 which will remain in force for a period of 10 years from the date of adoption. The share option scheme expired on 14 June 2012.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of it subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACTS

On 30 November 2010, Tong Sun Limited entered into a management agreement with the Company (as amended by a supplemental agreement dated 23 March, 2011), pursuant to which the Company will provide property management services for Tong Sun Limited and in return receive a management fee of HK$8 million per annum for three years commencing from 1 January 2011. Tong Sun Limited will pay the management fee quarterly. The management agreement expired on 31 December 2013. Save as disclosed above, no contract of significance had been entered into between the Company or any of the subsidiaries and the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2014, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name	Capacity	Number of Shares held	Approximate % of shareholding
Junyi Investments Limited	Beneficial owner	1,036,200,000[(1)]	40.72
Trinty Grace Limited	Beneficial owner	496,500,000[(2)]	19.51
Zhou Xi Quan	Interest of controlled corporation	496,500,000[(2)]	19.51
Grandfield Holdings Limited	Beneficial owner	198,600,000[(3)]	7.80
Beijing Chengda Shunyi Shangmao Company Limited	Interest of controlled corporation	198,600,000[(3)]	7.80
Xu Tao	Interest of controlled corporation	198,600,000[(3)]	7.80
Zhong Hui Yin	Interest of controlled corporation	198,600,000[(3)]	7.80

Notes:

(1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an Executive Director.

(2) Trinty Grace Limited held 496,500,000 Shares, representing 19.51% of the issued share capital of the Company. Mr. Zhou Xi Quan held 100% of the issued share capital of Trinty Grace Limited. For the purposes of the SFO, both Trinty Grace Limited and Mr. Zhou Xi Quan were deemed to be interested in 496,500,000 Shares.

(3) Grandfield Holdings Limited ("Grandfield") held 198,600,000 Shares, representing 7.8% of the issued share capital of the Company. Grandfield was a company wholly-owned by Beijing Chengda Shunyi Shangmao Company Limited ("Beijing Chengda") and Ms. Zhong Hui Yin and Mr. Xu Tao held 30% and 70% of the issued share capital of Beijing Chengda respectively. For the purposes of the SFO, Grandfield, Beijing Chengda, Ms. Zhong Hui Yin and Mr. Xu Tao were deemed to be interested in 198,600,000 Shares.

Save as disclosed above, as at 31 December 2014, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

For the year ended 31st December 2014, the Group has the following continuing connected transactions which are exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules:

The old tenancy agreements of the Group's office premises in Hong Kong and the staff quarter and car parking space, which ended on 24 May 2014, were extended on the same terms of the respective agreement for the period from 25 May 2014 to 31 May 2014. On 30 May 2014, the new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the Residential Properties. The New Tenancy Agreements are for a term of two years commencing from 1 June 2014 at a monthly rental of HK$128,485. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As announced by the Company on 30 May 2014, the aggregate Annual Caps for the New Tenancy Agreements, the consideration for the Tenancy Agreements on an annual basis falls within the threshold prescribed in Rule 14A.34 of the Listing Rules. The entering into of the New Tenancy Agreements is therefore subject to the reporting and announcement requirements and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the requirement to obtain independent Shareholders' approval.

The Independent Non-Executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

1. in the normal and usual course of the Group's business;
2. on normal commercial terms; and
3. have been carried out in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have reviewed the above continuing connected transactions and provided a letter to the Company confirming that the above continuing connected transactions:

1. have received the approval of the Board;
2. have been entered into in accordance with the relevant agreements governing the transactions; and
3. have not exceeded the annual caps as disclosed in the Company's announcements dated 30 May 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 18 June 2015 to 22 June 2015 (both dates inclusive). In order to determine the identity of the Shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 pm on 17 June 2015.

MAJOR SUPPLIERS

There is no property development project during the year and therefore no purchase payment was paid or payable to suppliers by the Group during the year ended 31 December 2014.

AUDITORS

The consolidated financial statements for the years ended 31 December 2010, 2011, 2012, 2013 and 2014 have been audited by Ascenda Cachet CPA Limited, who retire and a resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Ascenda Cachet CPA Limited.

On behalf of the Board

Han Junran
Chairman

26 March 2015, Hong Kong

Independent Auditors' Report

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

To the shareholders of New City Development Group Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of New City Development Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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 ("HKICPA") 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you. 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 HKICPA. 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 auditors' 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 auditors consider 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.

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.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately HK$329,000 as at 31 December 2014. The consolidated financial statements have been prepared on a going concern basis. As further detailed in note 2.1 to the consolidated financial statements, we consider that the adoption of the going concern basis is appropriate as (i) the Group may enlarge and strengthen its capital base through various fund raising exercises of the Company and (ii) funding from continuing financial supports has been provided by a substantial shareholder of the Company, who has confirmed his willingness to continue financing the operation of the Group to meet its future obligations. In addition, as detailed in note 22 to the consolidated financial statements, 北京誠達順逸商貿有限公司 (one of its major creditors and a substantial shareholder of the Company) has also agreed not to demand for repayment of the loans and amount due to it with an aggregate amount of approximately HK$19,748,000 in the next 12 months from the date of this report and until the Group is financially viable to do so. We consider that the fundamental uncertainty has been properly disclosed in the consolidated financial statements. Our report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
26 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	*5*	**43,808**	51,504
Cost of services provided		**(3,943)**	(3,656)
Gross profit		**39,865**	47,848
Other income and gains	*5*	**41,900**	150,321
Administrative and other operating expenses		**(21,900)**	(20,800)
Finance costs	*7*	**(12,854)**	(14,375)
PROFIT BEFORE TAX	*6*	**47,011**	162,994
Income tax expense	*10*	**(14,047)**	(40,288)
PROFIT FOR THE YEAR		**32,964**	122,706
Attributable to:			
Owners of the Company	*11*	**32,964**	122,706
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*12*		
Basic		**1.30 cents**	4.82 cents
Diluted		**1.30 cents**	4.82 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR	**32,964**	122,706
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,768)**	8,430
Less: Income tax effect	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(9,768)**	8,430
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**23,196**	131,136
Attributable to:		
Owners of the Company	**23,196**	131,136

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,534**	3,516
Investment properties	15	**737,508**	714,240
Investment in an associate	17	**–**	–
Available for sales investment	18	**–**	–
Total non-current assets		**740,042**	717,756
CURRENT ASSETS			
Trade receivable	19	**–**	2,000
Prepayments, deposits and other receivables	20	**9,413**	10,750
Due from an associate	17	**6**	–
Due from a related company	18	**5**	–
Cash and bank balances	21	**25,199**	33,352
Total current assets		**34,623**	46,102
CURRENT LIABILITIES			
Other payables and accruals	22	**2,002**	17,792
Deposits received		**8,007**	7,165
Finance lease payable	23	**154**	143
Interest bearing bank and other borrowings, secured	24	**20,515**	20,122
Due to directors	25	**1,205**	1,080
Tax payable		**3,069**	2,803
Total current liabilities		**34,952**	49,105
NET CURRENT LIABILITIES		**(329)**	(3,003)
TOTAL ASSETS LESS CURRENT LIABILITIES		**739,713**	714,753
NON-CURRENT LIABILITIES			
Other payables	22	**19,748**	–
Finance lease payable	23	**266**	420
Interest bearing bank and other borrowings, secured	24	**113,959**	137,805
Deferred tax liabilities	26	**163,293**	157,277
Total non-current liabilities		**297,266**	295,502
Net assets		**442,447**	419,251
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**10,179**	10,179
Reserves	28(a)	**432,268**	409,072
Total equity		**442,447**	419,251

Han Junran
Director

Fu Yiu Kwong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the Company					
	Issued capital HK$'000	**Share premium account*** HK$'000	**Contributed surplus*** HK$'000	**Translation reserve*** HK$'000	**Retained profits*** HK$'000	**Total equity** HK$'000
At 1 January 2013	10,179	253,344	4,755	3,631	16,206	288,115
Profit for the year	–	–	–	–	122,706	122,706
Exchange differences on translation of foreign operations	–	–	–	8,430	–	8,430
At 31 December 2013 and at 1 January 2014	**10,179**	**253,344**	**4,755**	**12,061**	**138,912**	**419,251**
Profit for the year	**–**	**–**	**–**	**–**	**32,964**	**32,964**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(9,768)**	**–**	**(9,768)**
At 31 December 2014	**10,179**	**253,344**	**4,755**	**2,293**	**171,876**	**442,447**

* These reserve accounts comprise the consolidated reserve of HK$432,268,000 (2013: HK$409,072,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**47,011**	162,994
Adjustments for:			
Finance costs	7	**12,854**	14,375
Interest income		**(710)**	(946)
Depreciation of property, plant and equipment	14		
– owed assets		**801**	1,213
– leased assets		**184**	184
Gain on disposal of items of property, plant and equipment		**(8)**	–
Write-back of loan interest accrued		**–**	2,619
Fair value gains on investment properties	15	**(41,180)**	(146,644)
Write-off of items of property, plant and equipment	14	**–**	36
		18,952	33,831
Decrease in trade receivable		**2,000**	–
Decrease in prepayments, deposits and other receivables		**1,241**	562
Increase/(Decrease) in other payables and accruals		**4,390**	(20,906)
Increase in deposits received		**999**	2,491
Increase/(Decrease) in amounts due to directors		**125**	(154)
Cash generated from operations		**27,707**	15,824
Overseas taxes paid		**(3,821)**	(2,605)
Net cash flows from operating activities		**23,886**	13,219
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in amount due from an associate		**(6)**	–
Increase in amount due from a related company		**(5)**	–
Purchases of items of property, plant and equipment	14	**(49)**	(111)
Proceeds from disposal of items of property, plant and equipment		**8**	–
Interest received		**656**	185
Net cash flows from investing activities		**604**	74
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(12,854)**	(14,375)
Capital element of finance lease rental payments		**(143)**	(134)
Repayment of bank loans		**(19,493)**	(12,452)
Net cash flows used in financing activities		**(32,490)**	(26,961)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,000)**	(13,668)
Cash and cash equivalents at beginning of year	**33,352**	46,740
Effect of foreign exchange rate changes, net	**(153)**	280
CASH AND CASH EQUIVALENTS AT END OF YEAR	**25,199**	33,352
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**25,199**	33,352

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSET			
Investment in subsidiaries	*16*	**44,765**	62,828
CURRENT ASSETS			
Trade receivable	*19*	**–**	2,000
Prepayments, deposits and other receivables	*20*	**3,917**	4,396
Due from subsidiaries	*16*	**129,820**	117,224
Cash and bank balances	*21*	**19,261**	28,701
Total current assets		**152,998**	152,321
CURRENT LIABILITIES			
Other payables and accruals	*22*	**853**	986
Due to subsidiaries	*16*	**88,968**	94,279
Due to directors	*25*	**1,205**	1,080
Total current liabilities		**91,026**	96,345
NET CURRENT ASSETS		**61,972**	55,976
Net assets		**106,737**	118,804
EQUITY			
Issued capital	*27*	**10,179**	10,179
Reserves	*28(b)*	**96,558**	108,625
Total equity		**106,737**	118,804

Han Junran
Director

Fu Yiu Kwong
Director

1. CORPORATE INFORMATION

New City Development Group Limited (the "Company") is a limited liability company incorporated in Cayman Islands on 10 August 1998. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business in Hong Kong is situated at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively known as the "Group") are principally engaged in property development and investment in the People's Republic of China ("PRC") which has not been changed during the year.

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 May 2000.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance, Cap. 32, in accordance with 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. The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Despite the fact that the Group had net current liabilities of approximately HK$329,000 as at 31 December 2014, these consolidated financial statements have been prepared on the basis that the Group and the Company will continue to operate as a going concern. The directors are of the opinion that the Group and the Company are able to continue as a going concern and to meet in full their financial obligations. In view of the liquidity problems faced by the Group, the directors consider that (i) the Group may enlarge and strengthen its capital base through various fund raising exercises of the Company and (ii) funding from continuing financial support has been provided by a substantial shareholder of the Company, who has confirmed his willingness to continue financing the operation of the Group to meet its future obligations. In addition, as detailed in note 22 to the consolidated financial statements, 北京誠達順逸商貿有限公司 (one of its major creditors and a substantial shareholder of the Company), has also agreed not to demand for repayment of the loans and amount due to it with an aggregate amount of approximately HK$19,748,000 in the next 12 months from the date of this report and until the Group is financially viable to do so.

2.1 BASIS OF PREPARATION (CONTINUED)

Taking into consideration of the net assets value of the Group of approximately HK$442,447,000 and the net current liabilities of approximately HK$329,000, as at 31 December 2014 and a letter of support has been provided by a substantial shareholder of the Company, the directors are of confident that the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group and the Company to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group and the Company's liquidity position as at 31 December 2014.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs and new interpretation for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies
Amendment to HKFRS 2 included in Annual Improvements 2010-2012 Cycle	Definition of Vesting Condition[1]
Amendment to HKFRS 3 included in Annual Improvements 2010-2012 Cycle	Accounting for Contingent Consideration in a Business Combination[1]
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	Meaning of Effective HKFRSs

1 Effective from 1 July 2014

Other than as further explained below regarding the impact of HKFRS 10 and HKFRS 13 Amendments, the adopting of these new and revised HKFRS has had no significant effect on these consolidated financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 9	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

In addition, the Hong Kong Companies Ordinance, Cap. 622, will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group’s voting rights and potential voting rights.

The results of subsidiaries are included in the Company’s statement of profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

The results of associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Fair value measurement

The Group measures its investment properties, at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or joint controlled by a person identified in (a); and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold building	Over the lease term
Leasehold improvement	Over the lease term
Furniture, fixtures and equipment	18%-35%
Motor vehicles	15%-25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance lease, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investment and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, deposits received, finance lease payable, interest-bearing bank and other borrowings, and amounts due to directors.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated of profit or loss statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

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

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the provision of management services, when the services are rendered;

(b) rental income and related management service income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled in employee benefit expenses. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a year represents the movement in the cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefits scheme

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

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including these current creditworthiness and the past collection history of each customer.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimated fair value of investment properties

The estimation of fair value of investment properties required the Group to estimate the future market value expected to be recovered from the disposal of the investment properties and a suitable discount rate in order to calculate the present value.

Impairment of amount due from subsidiaries

The policy for the provision for impairment of amounts due from subsidiaries is based on the evaluation of recoverables of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of the amount.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of interest in subsidiaries

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's primary operating segment is property development and investment in the PRC. Since this is the only operating segment of the Group, no further analysis thereof is presented.

Geographical information

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC and over 90% of the revenue are generated in the PRC. Accordingly, no further geographical information of total asset and revenue was disclosed.

Information about a major customer

Property management fee income

The major customer of the Group during the year ended 31 December 2013 was Tong Sun Limited ("Tong Sun"), a subsidiary being disposed by the Group during the year ended 31 December 2010. The Group managed a property for Tong Sun in the PRC at an annual management fee (the "Property Management Fee Income") of HK$8,000,000 payable on a quarterly basis for a term of 3 years commencing from January 2011. The management agreement of the property was expired on 31 December 2013 and accordingly, no Property Management Fee Income was recorded by the Group during the year ended 31 December 2014.

Rental income and related management service income

There are no significant concentrations of credit risk within the Group because there is a large number of diversified tenants.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the value of property management services rendered and gross rental income received and receivable from the investment properties.

An analysis of revenue, other income and gains is as follows:

	2014 **HK$'000**	2013 HK$'000
Revenue		
Property management fee income	**–**	8,000
Rental income and related management service income	**43,808**	43,504
	43,808	51,504
Other income and gains		
Write-back of loan interest accrued	**–**	2,619
Interest income	**710**	946
Gain on disposal of items of property, plant and equipment	**8**	–
Fair value gains on investment properties *(note 15)*	**41,180**	146,644
Others	**2**	112
	41,900	150,321
Total revenue, other income and gains	**85,708**	201,825

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014 **HK$'000**	2013 HK$'000
Auditors' remuneration	**380**	360
Cost of services provided	**3,943**	3,656
Depreciation		
– owned assets	**801**	1,213
– leased assets	**184**	184
	985	1,397

6. PROFIT BEFORE TAX (CONTINUED)

	2014 HK$'000	2013 HK$'000
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**9,533**	7,999
Pension scheme contributions	**262**	236
	9,795	8,235
Minimum lease payments under operating leases on land and buildings*	**1,501**	1,065
Write-off of property, plant and equipment *(note 14)*	**–**	36
Rental income on investment properties included in the rental income and related management service income less direct operating expenses of approximately HK$2,344,000 (2013: HK$2,445,000)	**22,123**	22,482
Write-back of loan interest accrued *(note 22)*	**–**	(2,619)
Gain on disposal of items of property, plant and equipment	**(8)**	–
Fair value gains on investment properties *(note 15)*	**(41,180)**	(146,644)
Interest income	**(710)**	(946)

* Minimum lease payments under operating leases on land and buildings included rental for the director's quarter of HK$624,000 (2013: HK$260,000).

7. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank and other borrowings, secured and wholly repayable:		
Beyond five years	**12,822**	14,332
Finance leases	**32**	43
	12,854	14,375

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, with reference to Section 161 of the predecessor Hong Kong Companies Ordinance, Cap. 32, is as follows:

	2014 HK$'000	2013 HK$'000
Fees	**365**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**3,781**	3,422
Pension scheme contributions	**51**	45
	3,832	3,467
	4,197	3,827

	Fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Pension scheme contributions HK$'000**	**Total remuneration HK$'000**
2014				
Executive directors				
Mr. Han Junran	**–**	**1,924**	**17**	**1,941**
Mr. Fu Yiu Kwong	**–**	**1,040**	**17**	**1,057**
Mr. Luo Min	**–**	**817**	**17**	**834**
	–	**3,781**	**51**	**3,832**
Independent non-executive directors				
Mr. Chan Yiu Tung, Anthony	**120**	**–**	**–**	**120**
Mr. Zheng Qing	**120**	**–**	**–**	**120**
Mr. Seto Man Fai	**120**	**–**	**–**	**120**
Dr. Ouyang Qingru (appointed on 16 December 2014)	**5**	**–**	**–**	**5**
	365	**–**	**–**	**365**
	365	**3,781**	**51**	**4,197**

8. DIRECTORS' REMUNERATION (CONTINUED)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors				
Mr. Han Junran	–	1,560	15	1,575
Mr. Fu Yiu Kwong	–	1,040	15	1,055
Mr. Luo Min	–	822	15	837
	–	3,422	45	3,467
Independent non-executive directors				
Mr. Chan Yiu Tung, Anthony	120	–	–	120
Mr. Zheng Qing	120	–	–	120
Mr. Seto Man Fai	120	–	–	120
	360	–	–	360
	360	3,422	45	3,827

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2013: Nil).

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2014	2013
Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$2,000,000	**2**	2
	7	6

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2013: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2013: two) non-directors, highest paid employees for the year are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,502**	1,232
Pension scheme contributions	**46**	53
	1,548	1,285

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**2**	2

10. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") is calculated at a rate of 25% (2013: 25%) on the Group's estimated assessable profits arising in the PRC during the year.

	2014	2013
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	–
PRC	**4,159**	3,877
(Over)/under provision in previous year	**(72)**	117
	4,087	3,994
Deferred tax *(note 26)*	**9,960**	36,294
Total tax charge for the year	**14,047**	40,288

10. INCOME TAX EXPENSES (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to effective tax rates, are as follows:

	2014		2013	
	HK$'000	**%**	HK$'000	%
Profit before tax	**47,011**		162,994	
Tax at the statutory tax rates	**12,774**	**27.2**	40,121	24.6
Income not subject to tax	**(113)**	**(0.2)**	(1,451)	(0.9)
Expenses not deductible for tax	**1,420**	**3.0**	1,395	0.8
Tax benefit not recognised	**38**	**0.1**	106	0.1
(Over)/under provision in previous year	**(72)**	**(0.2)**	117	0.1
Tax charge at effective rate	**14,047**	**29.9**	40,288	24.7

As at 31 December 2014 and 2013, the Group has not provided deferred tax assets in respect of tax losses available and decelerated depreciation for offsetting future assessable profits calculated at the rate of 16.5% (2013: 16.5%) as follows:

	2014	2013
	HK$'000	HK$'000
Tax losses	**255**	255
Decelerated depreciation	**156**	118
	411	373

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of approximately HK$6,535,000 (2013: a profit of HK$2,354,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2014 and 2013.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONTINUED)

The calculation of basic earnings per share are based on:

	2014	2013
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**32,964**	122,706

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,544,787,999**	2,544,787,999

No adjustment has been made to the basic earnings per share amounts for the years ended 31 December 2014 and 2013 in respect of a dilution because there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2014 and 2013.

13. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2014 (2013: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014					
At 1 January 2014:					
Cost	1,136	1,207	1,811	1,849	6,003
Accumulated depreciation	(167)	(964)	(717)	(639)	(2,487)
Net carrying amount	969	243	1,094	1,210	3,516
At 1 January 2014, net of accumulated depreciation	969	243	1,094	1,210	3,516
Additions	–	–	49	–	49
Disposal	–	–	–	–	–
Re-allocation	–	–	–	–	–
Depreciation provided during the year	(22)	(243)	(324)	(396)	(985)
Exchange realignment	(25)	–	(21)	–	(46)
At 31 December 2014, net of accumulated depreciation	922	–	798	814	2,534
At 31 December 2014:					
Cost	1,107	1,435	1,603	1,770	5,915
Accumulated depreciation	(185)	(1,435)	(805)	(956)	(3,381)
Net carrying amount	922	–	798	814	2,534

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013					
At 1 January 2013:					
Cost	1,106	1,265	1,730	1,855	5,956
Accumulated depreciation	(141)	(380)	(412)	(243)	(1,176)
Net carrying amount	965	885	1,318	1,612	4,780
At 1 January 2013, net of accumulated depreciation	965	885	1,318	1,612	4,780
Additions	–	15	96	–	111
Re-allocation	–	(63)	63	–	–
Write-off *(note 6)*	–	(7)	(24)	(5)	(36)
Depreciation provided during the year	(22)	(606)	(372)	(397)	(1,397)
Exchange realignment	26	19	13	–	58
At 31 December 2013, net of accumulated depreciation	969	243	1,094	1,210	3,516
At 31 December 2013:					
Cost	1,136	1,207	1,811	1,849	6,003
Accumulated depreciation	(167)	(964)	(717)	(639)	(2,487)
Net carrying amount	969	243	1,094	1,210	3,516

The carrying amount of the Group's motor vehicle held under finance leases (note 23) included in the total amount of motor vehicles at 31 December 2014 amounted to HK$459,070 (2013: HK$642,699).

15. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**714,240**	550,732
Change in fair value of investment properties *(note 5)*	**41,180**	146,644
Exchange realignment	**(17,912)**	16,864
Carrying amount at 31 December	**737,508**	714,240

Investment properties are situated at Nos. 20-22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, PRC and are held under medium term leases.

Investment properties were leased to tenants under operating leases for rental income and management service income (note 5), further summary details of which are included in note 29(a) to the consolidated financial statements. The investment properties were stated at fair value at the end of the reporting period.

At 31 December 2014, the Group's investment properties with a carrying value of approximately HK$737,508,000 (2013: HK$714,240,000) were pledged to secure the bank borrowings, details of which are set out in note 24 to the consolidated financial statements.

The fair value of the investment properties have been assessed by an independent valuer, Savills Valuation and Professional Services Limited ("Savills"), by using the direct comparison approach to be RMB591,000,000 (2013: RMB558,000,000) (equivalent to approximately HK$737,508,000 (2013: HK$714,240,000)) as at 31 December 2014.

A change in fair value of investment properties of approximately HK$41,180,000 (note 5) was recognised in the line item "other income and gain" in the consolidated statement of profit or loss. The directors of the Company have reviewed the valuation performed by Savills for financial reporting purpose.

At each financial year, the directors:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

15. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	**Significant observable inputs (level 2) HK$'000**	**Significant unobservable inputs (level 3) HK$'000**	**Total HK$'000**
As at 31 December 2014				
Industrial properties located in the PRC	**–**	**–**	**737,508**	**737,508**
As at 31 December 2013				
Industrial properties located in the PRC	–	–	714,240	714,240

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil).

The investment properties are located in an old industrial zone of Haizhu district, Guangzhou, PRC which is to be developed into a commercial area. Developments in the neighbourhood comprise mainly old industrial and residential properties are to be resumed.

The investment properties comprise a parcel of land (the "Land") with a site area of 27,080.54 square meters with a total gross floor area of 45,006.62 square meters, which was completed in 2003.

The investment properties have been included in an urban redevelopment scheme of Guangzhou, PRC (the "Scheme"). As advised by the directors of the Company, portion of the investment properties with a site area of approximately 14,000.00 square meters is zoned as "Green Belt" under the Scheme and will be resumed by the government (the "Resumption Portion"), while the remaining portion of the investment properties with a site area of 13,080.54 square meters is zoned as "Business and Commercial" under the Scheme and can be re-developed after payment of land premium for the change of land use with the government (the "Redevelopment Portion"). The proposed gross floor area of the Redevelopment Portion is 79,886.00 square meters.

15. INVESTMENT PROPERTIES (CONTINUED)

Pursuant to a reply letter of enquiry results – Hai Geng Xin Cha Han (2012) No. 25 (海更新查函(2012) 25號) issued by the Urban Renewal and Redevelopment Works Office of the People's Government of Haizhu District, Guangzhou (廣州市海珠區城市更新改造工作辦公室) dated 8 October 2012, it was confirmed that the Land has been included in the Scheme.

Pursuant to certain announcements issued by the Guangzhou Municipal Land Resources and Housing Administrative Bureau (廣州市國土資源和房產管理局) in January 2013 and 2014, respectively, development of certain areas of the Scheme has been commenced during the years ended 31 December 2013 and 2014.

Pursuant to Savills' valuation report dated 19 March 2015, the fair value was determined based on the direct comparison approach, which used observable inputs (e.g. (i) gross floor area; (ii) land prices by reference to the comparable market transactions published by the relevant government authorities; and (iii) the compensation to be received from the government for the Resumption Portion by reference to the similar compensation for the previous transaction, etc) and taking into account the estimated land premium (the "Estimated Land Premium"), which used unobservable inputs, to be payable for the change of land use from industrial use to commercial use for the Redevelopment Portion by reference to the refer rate published by Guangzhou Real Estate Valuation Administrative Office (廣州市房地產估價管理所), but subject to the further negotiation with the People's Government of Haizhu District, Guangzhou on a case by case basis.

Information about the Level 3 fair value measurements is as follows:

Description	Fair value at 31 December 2014	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	737,508,000	Direct comparison approach	Estimated Land Premium of RMB 866 per square metre	The higher the Estimated Land Premium, the lower the fair value

15. INVESTMENT PROPERTIES (CONTINUED)

Description	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	714,240,000	Direct comparison approach	Estimated Land Premium of RMB 866 per square metre	The higher the Estimated Land Premium, the lower the fair value

16. INTERESTS IN SUBSIDIARIES

	Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**306,695**	306,695
Less: Impairment	**(261,930)**	(243,867)
	44,765	62,828
Due from subsidiaries	**129,820**	129,755
Less: Impairment	**–**	(12,531)
	129,820	117,224
Due to subsidiaries	**(88,968)**	(94,279)

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the directors of the Company, the carrying amounts of the amounts due from/(to) subsidiaries approximate to their fair values.

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal of subsidiaries of the Company are as follows:

Name	Class of share held	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Direct Subsidiaries							
NR (BVI) Holdings Limited*	Ordinary	British Virgin Islands ("BVI")	Hong Kong	US$47,001	100	–	Investment holding
Polywell Finance Corporation*	Ordinary	BVI	Hong Kong	US$1	100	–	Investment holding
Easy Frontier Holdings Limited*	Ordinary	BVI	Hong Kong	US$1	100	–	Investment holding
New City Education Investment Holdings Limited (Formerly known as Continental Sky Limited)*	Ordinary	BVI	Hong Kong	US$1	100	–	Investment holding
New City Medicare Investment Holdings Limited *(note 1)**	Ordinary	Samoa	Hong Kong	US$1	100	–	Investment holding
New City Aviation Investment Holdings Limited *(note 1)*	Ordinary	Hong Kong	Hong Kong	N/A@	100	–	Investment holding
New City Cultural Investment Holdings Limited *(note 1)*	Ordinary	Hong Kong	Hong Kong	N/A@	100	–	Investment holding

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Class of share held	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Indirect Subsidiaries							
New Rank Services Limited	Ordinary	Hong Kong	Hong Kong	N/A@	–	100	General management
New Rank (BVI 2) Limited*	Ordinary	BVI	Hong Kong	US$36,000	–	100	Investment holding
Precise Assets Limited*	Ordinary	BVI	Hong Kong	US$1	–	100	Inactive
Team Success Management Limited*	Ordinary	BVI	Hong Kong	US$1	–	100	Investment holding
Brilliant Centre Limited	Ordinary	Hong Kong	Hong Kong	N/A@	–	100	Inactive
Novel Apex Investments Limited	Ordinary	Hong Kong	Hong Kong	N/A@	–	100	Investment holding
Very Best Investment Limited*	Ordinary	BVI	Hong Kong	US$1	–	100	Inactive
French Land Limited*	Ordinary	Marshall Islands	Hong Kong	US$50,000	–	100	Investment holding
Fudi International Holding Co., Limited	Ordinary	Hong Kong	Hong Kong	N/A@	–	100	Investment holding

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the PRC subsidiaries of the Company are as follows:

Name	Registered capital	Place of incorporation	Place of operation	Paid up Capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Indirect Subsidiaries							
Guangdong Changliu Investment Company Limited* *(Note 2)*	Paid up/ contributed capital	People's Republic of China ("The PRC")	The PRC	RMB 40,000,000	–	100	Property development and investment in Guangzhou

* Not audited by Ascenda Cachet CPA Limited

@ Under the Hong Kong Companies Ordinance, Cap. 622, which commenced operation on 3 March 2014, the Concept of authorised share capital no longer exists. In accordance with Section 135 of the Hong Kong Companies Ordinance, Cap, 622, the Hong Kong Company's shares no longer have a par or nominal value with effect from 3 March 2014.

Note 1: The subsidiaries were newly incorporated during the year ended 31 December 2014.

Note 2: The subsidiary is a wholly Foreign-Owned Enterprise.

17. INVESTMENT IN AN ASSOCIATE

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost*	**–**	–
Share of net assets	**–**	–
Due from an associate	**6**	–
	6	–

17. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Particulars of the principal associate are as follows:

Name	Particulars of issued shares held	Place of incorporation registration and business	Percentage of ownership interest attributable to the Group	Principal activities
New City Fortune Medicare Group Limited*	Ordinary shares	Hong Kong	34	Investment holding

* New City Fortune Medicare Group Limited was newly incorporated in Hong Kong on 26 September 2014, with the investment cost of HK$34. The investment cost has been presented as "nil" as a result of rounding and the financial statements were not audited by us. Except for the capital commitment as mentioned in note 30(b) to the consolidated financial statements, the associate did not have any material assets and liabilities as at 31 December 2014 and therefore, the Group did not share its net assets during the year ended 31 December 2014.

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

18. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted equity investments, at cost*	**–**	–
Due from a related company	**5**	–
	5	–

* Available-for-sale investment represented 8% equity interest in New City (China) Vocational Education Investments Group Limited, with the investment cost of HK$8. The available-for-sale investment has been presented as "nil" as a result of rounding. The amount due from it is unsecured, interest-free and has no fixed terms of repayment and was classified as amount due from a related company in the consolidated statement of financial position.

19. TRADE RECEIVABLE

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Trade receivable	**–**	2,000
Impairment	**–**	–
	–	2,000

The trade receivable represented the property management fee income receivable from Tong Sun Limited ("Tong Sun"). The Group's services terms with Tong Sun were mainly on credit of 14 days. The management agreement was expired on 31 December 2013. During the year, the trade receivable had been fully settled.

An aged analysis of the trade receivable as at the end of the reporting period, based on the date of invoice, was as follows:

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Within 1 month	**–**	2,000

The aged analysis of the trade receivable that were not considered to be impaired was as follows:

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**–**	2,000

Trade receivable represented an amount due from a single customer and the Group had a high concentration of credit risk accordingly. The trade receivable was non-interest bearing.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepaid administrative fee *(note 24)*	**4,445**	5,932	**–**	–
Prepayments	**818**	397	**355**	378
Deposits	**274**	254	**–**	–
Other receivables	**3,876**	4,167	**3,562**	4,018
	9,413	10,750	**3,917**	4,396

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**8,055**	9,332	**2,117**	4,681
Time deposits	**17,144**	24,020	**17,144**	24,020
	25,199	33,352	**19,261**	28,701

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$5,567,738 (2013: HK$4,532,203). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month to three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposits rates. The bank balances are deposited with credit worthy banks with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued expenses	**1,755**	1,139	**853**	986
Other payables	**247**	622	**–**	–
Loans from 誠達 *(note (a))*				
Loan 1	**6,052**	10,496	**–**	–
Loan 2	**8,299**	–	**–**	–
Due to 誠達 *(note (b))*	**5,397**	5,535	**–**	–
	21,750	17,792	**853**	986
Less: Non current portion *(note (c))*	**(19,748)**	–	**–**	–
Current portion	**2,002**	17,792	**853**	986

Note:

(a) The amounts represented two loans obtained by Guangdong Changliu Investment Company Limited ("Changliu"), an indirect subsidiary of the Company, from 北京誠達順逸商貿有限公司 ("誠達"), one of its major creditors and a substantial shareholder of the Company.

In June 2011, Changliu obtained a loan from 誠達, with the principal amount of RMB20,000,000 (equivalent to approximately HK$24,920,000) (the "Loan 1"), which was unsecured and bore interest (i) at the benchmark annual lending and deposit rate of the People's Bank of China for the first and second years; and (ii) at 130% of the benchmark annual lending and deposit rate of the People's Bank of China for the third year. The Loan 1 was repayable by annual installment of approximately RMB6.67 million (equivalent to HK$8,306,667) with the final repayment in May 2014. During the year ended 31 December 2013, 誠達 agreed to waive the interest on the Loan 1 from date of inception of the Loan 1. Accordingly, the Loan 1 became interest-free and the interest accrued in the amount of approximately HK$2,619,000 for the years 2011 and 2012 was written back to the consolidated statement of profit or loss during the year ended 31 December 2013 (note 6). As at 31 December 2014, an aggregate principal amount of RMB15,150,000 (equivalent to approximately HK$18,868,000) of the Loan 1 has been settled. For the remaining balance of RMB4,850,000 (equivalent to approximately HK$6,052,000), 誠達 has agreed not to demand for repayment in the next twelve months from the date of this report and until the Group is financially viable to do so.

In April 2014, Changliu obtained a second loan from 誠達, with the principal amount of RMB6,650,000 (equivalent to approximately HK$8,299,000) (the "Loan 2"), which was unsecured and bore interest at benchmark annual lending and deposit rate of the People's Bank of China and is repayable within 2 years. Subsequently to the end of the reporting period in March 2015, 誠達 agreed to waive the interest on the Loan 2 from date of inception of the Loan 2. Accordingly, no finance costs was provided during the year ended 31 December 2014 and the Loan 2 becomes interest-free.

(b) The amount due to 誠達 is unsecured, interest-free and has no fixed terms of repayment.

(c) 誠達 has agreed not to demand for repayment of the remaining balance of the Loan 1, the Loan 2 and the amount due to it in the next twelve months from the date of this report and until the Group is financially viable to do so. Accordingly, the aggregate amount of approximately HK$19,748,000 was classified as non-current liabilities as at 31 December 2014.

23. FINANCE LEASE PAYABLE

The Group leases a motor vehicle (note 14) for its business operation. The lease is classified as finance lease and has remaining lease terms of 31 (2013: 43) months as at 31 December 2014.

At 31 December 2014, the total future minimum lease payments under finance lease and their present values were as follows:

Group	**Minimum lease payments 2014 HK$'000**	Minimum lease payments 2013 HK$'000	**Present value of minimum lease payments 2014 HK$'000**	Present value of minimum lease payments 2013 HK$'000
Amounts payable:				
Within one year	**176**	176	**154**	143
In the second year	**279**	455	**266**	420
Total minimum finance Lease payments	**455**	631	**420**	563
Future finance charges	**(35)**	(68)		
Total net finance lease payable	**420**	563		
Portion classified as current liabilities	**(154)**	(143)		
Non-current portion	**266**	420		

The finance lease payable bears an effective interest rate of 3.5 % (2013: 3.5%) per annum and is secured by the leased motor vehicle with a carrying value of HK$459,070 (2013: HK$642,699) (note 14) as at 31 December 2014. The directors consider that the carrying amount of the finance lease payable approximates to its fair value as at the end of the reporting period.

24. INTEREST BEARING BANK AND OTHER BORROWINGS, SECURED

	Effective interest rate (%)	Maturity	2014 HK$'000 (note)	2013 HK$'000
Bank loan – ICBC Loan *(note a)*	8.0%-9.5%	2021	**18,818**	22,067
Other loan – Sichuan Loan *(note b)*	8.0%-9.4%	2021	**115,656**	135,860
			134,474	157,927
Analysed into:				
Repayable:				
Within one year or on demand			**20,515**	20,122
In the second to fifth years, inclusive			**82,062**	84,173
Beyond five years			**31,897**	53,632
Total			**134,474**	157,927
Current portion			**(20,515)**	(20,122)
Non current portion			**113,959**	137,805

Note:

All the bank and other borrowings are denominated in RMB and are secured by legal charges on the investment properties (note 15). Details of the secured interest bearing bank and other borrowings are as follows:

(a) On 15 June 2011, Guangdong Changliu Investment Company Limited ("Changliu"), an indirect subsidiary of the Company, entered into a loan agreement (the "ICBC Loan Agreement") with Industrial and Commercial Bank of China ("ICBC"), pursuant to which, ICBC agreed to grant a loan (the "ICBC Loan") in the amount of RMB140 million to Changliu with a term of 10 years. As at 31 December 2012, RMB19.7 million (equivalent to HK$24,546,200) of the ICBC Loan has been drawn down by Changliu. The ICBC Loan bears interest at the benchmark annual lending and deposit rate of the People's Bank of China and is payable by 120 monthly installments from July 2011 onwards.

(b) As for the undrawn balance of RMB120.3 million, ICBC has procured Sichuan Trust Co., Limited (the "Sichuan Trust") to enter into a loan agreement (the "Sichuan Trust Loan Agreement") with Changliu on 2 August 2011, pursuant to which, Sichuan Trust agreed to provide a loan in the amount of RMB$120.3 million (the "Sichuan Trust Loan") to Changliu with a term of 10 years. As at 31 December 2012, the Sichuan Trust Loan has been fully drawn down by Changliu. The Sichuan Trust Loan bears interest at 120% of the benchmark annual lending and deposit rate of the People's Bank of China with the principal amount payable by 40 quarterly installments and interest payable on a monthly basis since August 2011.

24. INTEREST BEARING BANK AND OTHER BORROWINGS, SECURED (CONTINUED)

In addition, ICBC charged (i) 30% of the interest on the ICBC Loan; and (ii) 10% of the interest on the Sichuan Trust Loan, as administrative fee for the arrangement of the ICBC Loan and the Sichuan Trust Loan, which in aggregate amounting to RMB7,543,640 (equivalent to approximately HK$9,399,000). As at 31 December 2012, the Group has fully prepaid the administrative fee to ICBC, which would be amortised to the consolidated statement of profit or loss at the effective interest rate over a 10-year period since 2011. During the year ended 31 December 2014, an amount of RMB1,073,150 (equivalent to approximately HK$1,339,000) (2013: RMB1,159,870, equivalent to HK$1,288,000) was charged to the consolidated statement of profit or loss and the remaining balance of the prepaid administrative fee of RMB3,561,920 (equivalent to approximately HK$4,445,000) (2013: RMB4,635,070, equivalent to HK$5,932,000) was recorded in the consolidated statement of financial position as "prepayments" (note 20).

25. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year ended 31 December 2014 are as follows:

	Fair value changes on the investment properties	**Prepaid administrative fee**	**Total**
	HK'000	HK'000	HK'000
At 1 January 2013	116,144	1,183	117,327
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	36,660	(366)	36,294
Exchange realignment	3,628	28	3,656
At 31 December 2013 and 1 January 2014	156,432	845	157,277
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	10,295	(335)	9,960
Exchange realignment	(3,923)	(21)	(3,944)
At 31 December 2014	162,804	489	163,293

The above deferred tax liabilities represented taxable temporary differences arising from (i) the fair value changes on the investment properties, and (ii) the prepaid administrative fee calculated at the rate of 25% during the year ended 31 December 2014.

27. SHARE CAPITAL

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.004 each	**40,000**	40,000
Issued and fully paid:		
2,544,787,999 ordinary shares of HK$0.004 each	**10,179**	10,179

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 31 of the consolidated financial statements.

(b) Company

	Share premium account	**Special reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
	(note i)	*(notes i & ii)*		
At 1 January 2013	253,344	306,450	(462,346)	97,448
Profit for the year and total comprehensive income for the year *(note iii)*	–	–	11,177	11,177
At 31 December 2013 and at 1 January 2014	253,344	306,450	(451,169)	108,625
Loss for the year and total comprehensive income for the year *(note iii)*	–	–	(12,067)	(12,067)
At 31 December 2014	253,344	306,450	(463,236)	96,558

Notes:

(i) The special reserve of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the reorganisation, and the nominal amount of the Company's share capital issued as consideration for the acquisition.

(ii) Under section 34 of the Companies Law of the Cayman Islands, the special reserve and share premium account is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the special reserve and share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

28. RESERVES (CONTINUED)

(iii) The loss for the year and total comprehensive income for the year ended 31 December 2014 of approximately HK$12,067,000 (2013: profits of HK$11,177,000) included i) the impairment loss of the investment in subsidiaries of approximately HK$18,063,000 (2013: reversal of impairment HK$ 13,735,000); and ii) the reversal of impairment of amounts due from subsidiaries of approximately HK$12,531,000 (2013: impairment HK$4,912,000), which have not been dealt with in the consolidated profit attributable to owners of the Company for the year ended 31 December 2014 (note 11).

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for a term of 1 year (2013: for terms ranging from 1 to 3 years), so as to coordinate with the progress in the redevelopment of its investment properties under the urban redevelopment scheme of Guangzhou, PRC, in the near future. The tenancy agreements will be renewed the tenants upon expiry of the existing lease arrangement.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**17,677**	22,462
In the second to fifth years, inclusive	**–**	2,584
	17,677	25,046

(b) As lessee

The Group leases certain of its office properties underperating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years. (2013: 1 to 2 years)

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**1,541**	564
In the second to fifth years, inclusive	**642**	–
	2,183	564

30. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following commitments at the end of the reporting period.

(a) Proposed acquisition

On 8 November 2013, the Group entered into a co-operation agreement (the "Agreement") with an independent third party (the "Vendor") and Qingdao Chengtai Real Estate Development Company Limited 青島成泰房地產開發有限公司 ("Qingdao Chengtai"). Pursuant to which, the Group will acquire (the "Qingdao Acquisition") the entire equity interest in Qingdao Chengtai in 2 phases at a consideration (the "Consideration") of RMB200,000,000 (equivalent to approximately HK$249,580,000), subject to the upward adjustment.

The principal assets of Qingdao Chengtai is a leasehold land (the "Land") located in Qingdao City, Shangdong Province, the PRC which is intended for the development of real estate (the "Project").

For the first phase (the "1st Phase") of the Qingdao Acquisition, the Group shall acquire 65% equity interest in Qingdao Chengtai when, among other things, the planning approval of the Project is obtained from the relevant government authorities, which should be completed on or before 8 July 2014. For the second phase (the "2nd Phase") of the Qingdao Acquisition, the Group shall acquire the remaining 35% equity interest in Qingdao Chengtai when the Project has been completed.

The Consideration shall be satisfied by (i) as to RMB80,000,000 (equivalent to approximately HK$99,832,000) by cash and payable upon the completion of the 1st Phase; and (ii) as to RMB120,000,000 (equivalent to approximately HK$149,748,000), subject to an upward adjustment, by transferring the corresponding parts of the real estate of the Project which worth RMB120,000,000 (equivalent to approximately HK$149,748,000) and payable upon the completion of the 2nd Phase.

As at 31 December 2014, the Qingdao Acquisition has yet to be completed. Subsequent to the end of the reporting period on 29 January 2015, the Group entered into a supplemental agreement with the Vendor to extend the completion date of the 1st Phase of the Qingdao Acquisition to 30 June 2015. As at the date of approval of the consolidated financial statements, both of the 1st Phase and the 2nd Phase of the Qingdao Acquisition have not been completed.

(b) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the "Partner"), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited ("NC Fortune Medicare") was incorporated, of which, 34% equity interest in NC Fortune Medicare was hold by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the "Shanghai Subsidiary") for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000. As at 31 December 2014, none of the RMB340,000 (equivalent to approximately HK$424,000) being the capital to be contributed by the Group has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

31. RELATED PARTIES TRANSACTIONS

(i) Save as those disclosed elsewhere in these consolidation financial statements, the Group had the following material transactions with related parties during the year:

	2014 **HK$'000**	2013 HK$'000
Rental expenses paid to related companies	**1,490**	1,054

The related party transactions were conducted on terms negotiated between the Company and the related parties on normal commercial terms and constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) Compensation of key management personnel of the Group:

	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**6,621**	5,284
Post-employment benefits	**–**	–
Equity-settled share option expenses	**–**	–
Total compensation paid to key management personnel	**6,621**	5,284

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

32. LITIGATION

The Company and 北京中証房地產開發有限公司 (literally translated as Beijing Zhong Zheng Real Estate Development Company Limited) ("Beijing Zhongzheng"), a company which was previously a subsidiary of the Company and was disposed of by the Company in 2010, received a civil summons dated 15 May 2014 from the Higher People's Court of Beijing City, pursuant to which, an application for retrial of a civil court case (the "Litigation") had been filed by 上海復旦光華信息科技股份有限公司 (literally translated as Shanghai Fudan Guanghua Information Technology Company Limited) (the "Plaintiff"). The Litigation stems from a series of civil court proceedings commenced by the Plaintiff in Beijing No.1 Intermediate People's Court and the other courts in the PRC since 2003 which alleged that Beijing Zhongzheng had failed to perform its obligation under a sale contract dated 7 June 2002 for selling certain real properties (the "Properties Transactions") in the PRC to the Plaintiff at a consideration of US$1,755,432 (equivalent to approximately HK$13,605,000) entered into between Beijing Zhongzheng and the Plaintiff (the "Allegation"). The Company became one of defendants, as the Plaintiff claimed that Mr. Leung Kwo (梁戈) ("Mr. Leung"), the ex-director and former chairman of the Company, entered into a guarantee agreement (the "Guarantee Agreement") with the Plaintiff on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee to the Plaintiff that Beijing Zhougzheng should perform its obligation under the Properties Transactions. No specific amount of compensation was demanded by the Plaintiff against the Company in the Litigation.

In view of the Litigation, the directors of the Company (the "Directors") has conducted extensive investigations, in which (i) the Directors have inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to see if the Allegation has ever been brought to the attention of the Directors, (ii) the Directors have contacted the key management personnel of Beijing Zhongzheng for ascertaining the merits of the Allegation, (iii) the Directors have discussed in their meeting to determine the financial impact of the Litigation and the Allegation; and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the "Lawyers") in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the Directors and they did not approve and sign the Guarantee Agreement, (ii) Beijing Zhongzheng was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation. Based on the findings of the investigations, together with legal opinions from the Lawyers, the Directors are of the opinion that the Plaintiff has no merits in the Litigation against the Company and no provision in respect of the claims, if any, has been made in the consolidated financial statements as at 31 December 2014.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2014

Financial assets

Group

	Financial assets at fair value through profit or loss designated as such upon initial recognition HK$'000	held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available for sales investment	–	–	–	–	–	–
Financial assets included in prepayments, deposits and other receivables	–	–	–	4,150	–	4,150
Due from an associate	–	–	–	6	–	6
Due from a related company	–	–	–	5	–	5
Cash and bank balances	–	–	–	25,199	–	25,199
	–	–	–	29,360	–	29,360

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition HK$'000	held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	–	–	21,750	21,750
Due to directors	–	–	1,205	1,205
Finance lease payables	–	–	420	420
Interest-bearing bank and other borrowings, secured	–	–	134,474	134,474
	–	–	157,849	157,849

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

31 December 2013

Financial assets

Group

	Financial assets at fair value through profit or loss					
	designated as such upon initial recognition HK$'000	held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Trade receivable	–	–	–	2,000	–	2,000
Financial assets included in prepayments, deposits and other receivables	–	–	–	4,421	–	4,421
Cash and bank balances	–	–	–	33,352	–	33,352
	–	–	–	39,773	–	39,773

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	designated as such upon initial recognition HK$'000	held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	–	–	17,792	17,792
Due to directors	–	–	1,080	1,080
Finance lease payables	–	–	563	563
Interest-bearing bank and other borrowings, secured	–	–	157,927	157,927
	–	–	177,362	177,362

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

31 December 2014

Financial assets

Company

	Financial assets at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial assets at fair value through profit or loss held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Financial assets included in prepayments, deposits and other receivables	–	–	–	3,562	–	3,562
Due from subsidiaries	–	–	–	129,820	–	129,820
Cash and bank balances	–	–	–	19,261	–	19,261
	–	–	–	152,643	–	152,643

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial liabilities at fair value through profit or loss held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	–	–	853	853
Due to subsidiaries	–	–	88,968	88,968
Due to directors	–	–	1,205	1,205
	–	–	91,026	91,026

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

31 December 2013

Financial assets

Company

	Financial assets at fair value through profit or loss					
	designated as such upon initial recognition HK$'000	held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Trade receivable	–	–	–	2,000	–	2,000
Financial assets included in prepayments, deposits and other receivables	–	–	–	4,018	–	4,018
Due from subsidiaries	–	–	–	117,224	–	117,224
Cash and bank balances	–	–	–	28,701	–	28,701
	–	–	–	151,943	–	151,943

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	designated as such upon initial recognition HK$'000	held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	–	–	986	986
Due to subsidiaries	–	–	94,279	94,279
Due to directors	–	–	1,080	1,080
	–	–	96,345	96,345

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the trade receivable, financial assets included in prepayments, deposits and other receivables, the amount due from an associate and a related company, financial liabilities included in other payables and accruals, deposits received and amounts due to the directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of finance lease payable, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payable, and interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

Fair value hierarchy

As at the end of the reporting period, the Group did not have any financial instrument which are measured in fair value.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other payables and accruals, finance lease payable and interest-bearing bank and other borrowings, secured. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates related primarily to the Group's other payables and interest-bearing bank and other borrowings, secured with a floating interest rate.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the Group's profit before tax.

	Increase/ (decrease) in basic points	Increase/ (decrease) in profit before tax HK'000	Increase/ (decrease) in equity* HK'000
31 December 2014			
Hong Kong dollars	**1%**	**(1,345)**	**–**
	(1%)	**1,345**	**–**
31 December 2013			
Hong Kong dollars	1%	(1,579)	–
	(1%)	1,579	–

* Excluding retained profits/accumulated losses.

Foreign currency risk

The Directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$ or Renminbi ("RMB") and accordingly the Group's foreign currency risk is not material as the exchange rate of HK$ against RMB does not have significant fluctuation. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arises.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 December 2014			
If the Hong Kong dollar weakens against RMB	**(5)**	**857**	**4,609**
If the Hong Kong dollar strengthens against the RMB	**5**	**(857)**	**(4,609)**
31 December 2013			
If the Hong Kong dollar weakens against RMB	(5)	1,201	3,939
If the Hong Kong dollar strengthens against the RMB	5	(1,201)	(3,939)

* Excluding retained profits

Credit risk

The Group's credit risk is primarily attributable to trade receivable, prepayments, deposits and other receivables, amounts due from an associate and a related company and cash and bank balance. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables. Other than this there are no significant concentrations of credit risk within the Group in relation to other financial assets.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases payables and other interest-bearing loans. In view of the liquidity problems faced by the Group, the Directors consider that (i) the Group may enlarge and strengthen its capital base through various fund raising exercises of the Company; and (ii), a substantial shareholder of the Company has confirmed his willingness to continue financing the operation of the Group to meet its future obligations. In addition, as detailed in note 22 to the consolidated financial statements, 北京誠達順逸商貿有限公司, one of its major creditors and a substantial shareholder of the Company, has also agreed not to demand for repayment of the loans and amount due to it with an aggregate amount of approximately HK$19,748,000 in the next 12 months from the date of this report and until the Group is financially viable to do so.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

As such, the Directors are of confident that the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group and the Company to remain a commercially viable concern.

The maturity profile of the financial liabilities of the Group at the end of each of the reporting period is as follows:

Group

31 December 2014

	On demand or no fixed terms of repayment HK$'000	**Less than 3 months HK$'000**	**3 to less then 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial liabilities included in other payables and accruals	**2,002**	**–**	**–**	**19,748**	**–**	**21,750**
Deposit received	**8,007**	**–**	**–**	**–**	**–**	**8,007**
Finance lease payable	**–**	**38**	**116**	**266**	**–**	**420**
Interest-bearing bank and other borrowing, secured	**–**	**5,129**	**15,386**	**82,062**	**31,897**	**134,474**
Due to directors	**1,205**	**–**	**–**	**–**	**–**	**1,205**
	11,214	**5,167**	**15,502**	**102,076**	**31,897**	**165,856**

31 December 2013

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	7,296	–	10,496	–	–	17,792
Deposit received	7,165	–	–	–	–	7,165
Finance lease payable	–	35	108	420	–	563
Interest-bearing bank and other borrowing, secured	–	4,800	15,322	84,173	53,632	157,927
Due to directors	1,080	–	–	–	–	1,080
	15,541	4,835	25,926	84,593	53,632	184,527

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Company

31 December 2014

	On demand or no fixed terms of repayment HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial liabilities included in other payables and accruals	**853**	**–**	**–**	**–**	**–**	**853**
Due to subsidiaries	**88,968**	**–**	**–**	**–**	**–**	**88,968**
Due to directors	**1,205**	**–**	**–**	**–**	**–**	**1,205**
	91,026	**–**	**–**	**–**	**–**	**91,026**

31 December 2013

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	986	–	–	–	–	986
Due to subsidiaries	94,279	–	–	–	–	94,279
Due to directors	1,080	–	–	–	–	1,080
	96,345	–	–	–	–	96,345

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. At the end of the reporting period, the Group has not significant equity price risk.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes other payables and accruals, deposits received, finance lease payable, interest-bearing bank and other borrowings, secured and amounts due to directors, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Other payables and accruals	**21,750**	17,792
Deposits received	**8,007**	7,165
Finance lease payable	**420**	563
Interest-bearing bank and other borrowings, secured	**134,474**	157,927
Due to directors	**1,205**	1,080
Less: Cash and bank balances	**(25,199)**	(33,352)
Net debt	**140,657**	151,175
Total capital:		
Equity attributable to equity holders	**442,447**	419,251
Capital and net debt	**583,104**	570,426
Gearing ratio	**24%**	26%

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2015.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. The consolidated financial statements for the year ended 31 December 2010 had been disclaimed by the auditors of the Company. Details of the disclaimer opinions of the auditors were set out in the annual reports for the year 2010 of the Company.

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**43,808**	51,504	45,575	8,000	–
Cost of sales	**(3,943)**	(3,656)	(2,887)	–	–
Gross profit	**39,865**	47,848	42,688	8,000	–
Other income and gains	**41,900**	150,321	208,373	885	86,648
Administrative and other operating expenses	**(21,900)**	(20,800)	(17,354)	(12,426)	(17,274)
Finance costs	**(12,854)**	(14,375)	(16,403)	(14,016)	(28,069)
PROFIT/(LOSS) BEFORE TAX	**47,011**	162,994	217,304	(17,557)	41,305
Tax	**(14,047)**	(40,288)	(52,941)	–	–
PROFIT/(LOSS) FOR THE YEAR	**32,964**	122,706	164,363	(17,557)	41,305
Attributable to:					
Owners of the Company	**32,964**	122,706	164,363	(17,557)	41,305
Non-controlling interests	**–**	–	–	–	–
	32,964	122,706	164,363	(17,557)	41,305

ASSETS AND LIABILITIES

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK'000	HK$'000	HK$'000
TOTAL ASSETS	**774,665**	763,858	614,920	3,046	467
TOTAL LIABILITIES	**(332,218)**	(344,607)	(326,805)	(119,761)	(99,625)
NON-CONTROLLING INTERESTS	**–**	–	–	–	–
	442,447	419,251	288,115	(116,715)	(99,158)