Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

Annual Report 2014

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

NON-EXECUTIVE DIRECTOR

Ms. Tsang Tsz Tung, Debbie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai, Kimber
Mr. Liu Chaodong
Ms. Chui Wai Hung

COMPANY SECRETARY

Mr. Cheung Yuk Chuen

AUDIT COMMITTEE

Ms. Chui Wai Hung *(Chairman)*
Mr. Hui Pui Wai, Kimber
Mr. Liu Chaodong

REMUNERATION COMMITTEE

Mr. Hui Pui Wai, Kimber *(Chairman)*
Mr. Liu Chaodong
Mr. Ma Xuemian
Ms. Chui Wai Hung

NOMINATION COMMITTEE

Mr. Liu Chaodong *(Chairman)*
Mr. Ma Xuemian
Ms. Chui Wai Hung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

AUTHORIZED REPRESENTATIVES

Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

REGISTERED OFFICE IN BERMUDA

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AUDITOR

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Causeway Bay, Hong Kong

PROPERTY VALUER

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26 Harbour Road,
Wan Chai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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Hamilton HM 11,
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

http://www.gfghl.com

Chairman's Statement

Dear shareholders,

I am pleased to present to you on behalf of the board (the "Board") of directors (the "Director(s)" and each a "Director") of Grand Field Group Holdings Limited (the "Company") the consolidated annual results (the "Annual Results") for the year ended 31 December 2014.

During the reporting period, we saw a huge decline in oil prices and a much stronger US dollar. Overall the clear implication is that growth will be stronger domestically due to foreign export and inflation will be lower. It's now known to everyone that economic progress in China is now slowing down. Despite the fact, however, the world's second largest economy is ready to drive the growth again with the Chinese government scraping restrictions on second-home purchases in some areas.

For many Chinese, it's time to invest again. We anticipate some major cities that still restrict multiple-home purchasing policies are expected to make it easier for investors to buy real estate. This lifting of restrictions is certainly be good news for our shareholders as well as any real estate buyers. First– and second-tier cities are expected to lead the recovery by the second half of 2015. Smaller cities would see the recovery in the second half of 2016. Besides, as emphasized in the report last year on the work of the central government, China will grant urban residency to around 100 million rural people who have already moved to cities. From the mid-to-long term perspective, we are confident that the Group will seize the opportunities in the coming golden years leveraging on our solid foundation in Shenzhen.

On behalf of the Group, I would like to take this opportunity to express my appreciation and gratitude for the professional, enthusiastic and committed work of all devoted members of the Board members for their diligent work and contributions. We are in a race of an era of change. The trust and recognition of shareholders remain the driving force to move us forward. As a company, we have maintained, and will continue to encourage open communication with our shareholders. In addition, we are committed to maximizing long-term shareholder value by delivering the greatest return from every piece of land through strategic and disciplined investments as we head into the next year of the Company's operation.

Ma Xuemian
Chairman

Hong Kong, 27 March 2015

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2014, the revenue of the Company and its subsidiaries (the "Group") decreased by 33% to approximately HK$3,368,000 (2013: HK$5,037,000).

During the year, the Group reported a loss attributable to owners of the Company of approximately HK$65,855,000, which was higher than last year's loss of approximately HK$40,038,000.

BUSINESS REVIEW AND PROSPECT

In early 2014 we secured a major financing deal by means of an open offer, which allowed us to make some new progress in the development of our legacy project – ZongKe Square, which would be a large commercial centre located in Shenzhen. ZongKe Square has secured a new land use right certificate from the Chinese government at the end of 2014. We have submitted the application to relevant authorities to get project planning approval. The fair value of ZongKe Square is approximately HK$2,000,000,000 as at 26 March 2015 which was performed by Roma Appraisals Limited, an independent valuer using the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have taken into account the expected development costs and the costs including estimated land use compensation fee that will be expected to complete the development.

It was also a year of new venture – the Group had made a new business venture in the Chinese wine market by forming a new company China Hantong Wine Group Holdings Ltd. ("Hantong") on 30 April 2014. Hantong will be engaged in the distribution of white wine (i.e. bai jiu) in the southern region of the PRC with the goal to supply a sustainable, steady cash flow to the Group as a whole.

Moving forward – we are working on several financing deals from the banks and various financial institutions. The proceeds will be used to continue funding our new projects and as the general working capital for the Group. We will stay true to maximizing shareholders' values as we continue to strive for greater excellence and success.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's cash and cash equivalents were approximately HK$9,274,000 (2013: HK$13,646,000) of which most were denominated in Hong Kong Dollar ("HK$") and Renminbi ("RMB").

The Group had total current assets of approximately HK$57,784,000 (2013: HK$53,198,000), and total current liabilities of approximately HK$45,893,000 (2013: HK$41,773,000). The Group recorded total assets of approximately HK$440,554,000 (2013: HK$291,751,000). At 31 December 2014, the Group's total interest-bearing borrowings amounted to approximately HK$5,634,000 (2013: HK$9,473,000), of which HK$5,634,000 was repayable within 1 year (2013: HK$9,473,000).

At 31 December 2014, the percentage of the Group's interest-bearing borrowings denominated in HK$ and RMB was 0% and 100% (2013: 0% and 100%) respectively and such borrowings carried interest rate at 18% per annum (2013: 18% to 36% per annum).

The gearing ratio for 31 December 2014, which was defined to be current liabilities over shareholders' equity, was 24% (2013: 21%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the PRC and the main operational currencies are HK$ and RMB. There was no material exchange rate appreciation of RMB against HK$ in 2014, and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

CAPITAL STRUCTURE

As at 31 December 2014, the Company's issued share capital is HK$76,589,360.10 and the number of its issued ordinary shares is 765,893,601 shares of HK$0.10 each in issue.

Details of the movements in share capital of the Company are set out in Note 31.

Management Discussion and Analysis

CHARGE ON GROUP ASSETS

At 31 December 2014, the Group has pledged the properties for sale with the carrying amounts of approximately HK$17,797,000 of it's wholly-owned subsidiary for a loan with principal amount of RMB4,500,000 (equivalent to approximately HK$5,634,000) from an independent third party, details are set out in Note 27.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2014.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in Note 33.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in Note 14.

EMPLOYEES

As of the end of 2014, the Group employed 25 employees (2013: 23) and had 8 Directors (2013: 9). The total costs (staff salary & director emolument) for the year amounted to approximately HK$14,183,000 (2013: HK$4,933,000). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

Profile of Directors

Executive Directors

Mr. Ma Xuemian ("Mr. Ma"), aged 50, was elected as an executive Director and the chairman (the "Chairman") of the Company on 2 December 2008 and 19 October 2009 respectively. He is also a member of the Remuneration Committee, Nomination Committee and the chairman of Corporate Governance Committee. Mr. Ma has joined the Company since 1999 and has been responsible for the Company's property sales and management in China since then. Mr. Ma has more than 20 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, he has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, he is the General Manager of the Company's operation in Dongguan, the PRC. Mr. Ma is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Metro China Investment Limited, China Max Group Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, China Hantong Wine Group Holdings Limited and Qing Tian Hotel Management (Shenzhen) Limited, all being subsidiaries of the Company and the legal representative, general manager and chairman of Shenzhen Zongke Real Estate Co., Ltd. (a subsidiary of the Company). Mr. Ma is entitled to a Director's fee of HK$50,000 per month as at the date of the publication of this report.

Mr. Kwok Siu Bun ("Mr. Kwok"), aged 39, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director of the Company on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. He had previously worked for Deutsche Bank (New York) where he was a Senior Systems Analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He had also worked in Crushpad Winery in San Francisco. Recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 10 years of professional experience in various industries including banking, information technology and wine business. He was also appointed as a director of Grand Field Group Limited and Qing Tian Hotel Management (Shenzhen) Limited (subsidiaries of the Company) and the legal representative of Qing Tian Hotel Management (Shenzhen) Limited. Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential

Profile of Directors

projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds. Mr. Kwok holds the qualifications of the Professional Diploma in the Corporate Governance and Directors by the Hong Kong Institute of Directors.

Mr. Kwok is the sibling of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok, an executive Director, and the uncle of Ms. Tsang Tsz Tung, Debbie, a non-executive Director of the Company. Mr. Kwok is entitled to a Director's fee of HK$35,000 per month as at the date of the publication of this report.

Ms. Chow Kwai Wa, Anne ("Ms. Chow"), aged 49, Ms. Chow holds a bachelor's degree in Business Administration from Shepherd University, USA. She was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Company in November 2009 and was appointed as an executive Director in February 2010. Ms. Chow is also the director of Grand Field Property Development (Shenzhen) Company Limited and China Hantong Wine Group Holdings Limited (subsidiaries of the Company) and the general manager of the sales and administration department of the Company, responsible for the operation management of the Company. Ms. Chow is entitled to a Director's fee of HK$5,000 per month as at the date of the publication of this report.

Ms. Kwok Siu Wa, Alison ("Ms. Kwok"), aged 40, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor's degree in International Business Management from Oxford Brookes University and a master's degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. She has more than 10 years of experience in accounting and administrative management. Ms. Kwok was re-designated from the Vice President (business development) of the Company to the Finance, Vice President of the Company with effect from 28 March 2014. She is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Metro China Investment Limited, China Max Group Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, Shenzhen Zongke Real Estate Co., Ltd, Grand Field Property Development (Shenzhen) Company Limited and Qing Tian Hotel Management (Shenzhen) Limited, all of which are subsidiaries of the Company.

Profile of Directors

Ms. Kwok is the sister of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. She is also the sister of Mr. Kwok Siu Bun, an executive Director, and the aunt of Ms. Tsang Tsz Tung, Debbie, a non-executive Director of the Company. Ms. Kwok is entitled to a Director's fee of HK$5,000 per month as at the date of the publication of this report.

Non-executive Director

Ms. Tsang Tsz Tung, Debbie ("Ms. Tsang"), aged 25, was appointed as an non-executive Director on 30 April 2014. She holds a Bachelor of Arts in English with minor in Management from The Chinese University of Hong Kong. She currently works as a Communications Coordinator in the Asia Pacific Regional Office of Deloitte Touche Tohmatsu Limited, Hong Kong. Ms. Tsang is the daughter of Mr. Tsang Wai Lun, Wayland and Ms. Kwok Wai Man, Nancy, the owners of Rhenfield Development Corp., which is a substantial shareholder of the Company. Ms. Tsang is also the niece of Ms. Kwok Siu Wa, Alison and Mr. Kwok Siu Bun, executive directors of the Company. Ms. Tsang is entitled to a Director's fee of HK$20,000 per month as at the date of the publication of this report.

Independent Non-executive Directors

Mr. Hui Pui Wai, Kimber ("Mr. Hui"), aged 44, was appointed as an independent non-executive Director on 15 April 2014, and is also a member of the Audit Committee and the chairman of the Remuneration Committee. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. He has over 20 years' experience in the marketing industry. Mr. Hui was the independent non-executive Director of the Company from 1999 to 2008. Mr. Hui is entitled to a Director's fee of HK$10,000 per month as at the date of the publication of this report.

Mr. Liu Chaodong ("Mr. Liu"), aged 46, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Remuneration Committee and Corporate Governance Committee and the chairman of the Nomination Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 Mr. Liu is currently the deputy general manager of Foshan Branch of Ruihua Certified Public Accountants (LLP). Mr. Liu is entitled to a Director's fee of HK$10,000 per month as at the date of the publication of this report.

Profile of Directors

Ms. Chui Wai Hung ("Ms. Chui"), aged 47, was appointed as an independent non-executive Director on 21 September 2010, and is also a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Audit Committee. Ms. Chui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She holds a bachelor's degree in business administration from the Chinese University of Hong Kong. From 1996 to 2002, Ms. Chui joined Wing Lee Holding Limited (a company listed on the Stock Exchange) as group financial controller, and was then promoted to finance director and company secretary. She once worked as a financial controller in a telecommunications equipment company, a company listed on the Stock Exchange. Ms. Chui is the directors of several companies of a private group which is principally engaged in investment holding and providing financial advisory services. Ms. Chui has over 20 years of experience in accounting, auditing and financial management. Ms. Chui is entitled to a Director's fee of HK$10,000 per month as at the date of the publication of this report.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code") during the year ended 31 December 2014 except for the following deviations:

According to the code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the "Chairman") and the chief executive officer of the Company (the "CEO") should be separate and should not be performed by the same individual.

During the year ended 31 December 2014, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the CEO is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2014.

Corporate Governance Report

BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board comprises a total of eight Directors, of whom four are executive Directors, one is non-executive Director and three are independent non-executive Directors, and at least one of the independent non-executive Directors have appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/ relevant relationship among the members of the Board.

During the year ended 31 December 2014, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

Corporate Governance Report

During the year ended 31 December 2014, six Board meetings and two general meetings were held. The attendance records of each Director at such meetings are set out below:

Directors	Attendance/ Number of General Meetings entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors:		
Mr. Ma Xuemian *(Chairman)*	1/2	6/6
Mr. Kwok Siu Bun	2/2	6/6
Ms. Chow Kwai Wa, Anne	2/2	6/6
Ms. Kwok Siu Wa, Alison	2/2	6/6
Non-executive Directors:		
Ms. Tsang Tsz Tung, Debbie (appointed on 30 April 2014)	0/1	1/2
Ms. Tsang Tsz Nok, Aleen (appointed on 30 April 2014 and resigned on 21 July 2014)	0/1	1/1
Mr. Chen Mudong (resigned on 1 April 2014)	N/A	2/4
Mr. Lim Francis (resigned on 1 April 2014)	N/A	2/4
Independent non-executive Directors:		
Mr. Hui Pui Wai, Kimber (appointed on 15 April 2014)	0/1	2/2
Mr. Liu Chaodong	0/2	5/6
Ms. Chui Wai Hung	2/2	6/6
Mr. David Chi-ping Chow (ceased on 15 April 2014)	0/1	4/4

Minutes of the meetings of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the corporate governance committee ("the Corporate Governance Committee") of the Company are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 December 2014, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	**Topics on training covered** *(Note)*
Executive Directors:	
Mr. Ma Xuemian *(Chairman)*	(b)
Mr. Kwok Siu Bun	(c)
Ms. Chow Kwai Wa, Anne	(a), (b)
Ms. Kwok Siu Wa, Alison	(a), (b)
Non-executive Directors:	
Ms. Tsang Tsz Tung, Debbie (appointed on 30 April 2014)	(a)
Independent non-executive Directors:	
Mr. Hui Pui Wai, Kimber (appointed on 15 April 2014)	(a), (b)
Mr. Liu Chaodong	(a), (b)
Ms. Chui Wai Hung	(a), (b), (c)

Note:

(a) corporate governance

(b) regulatory

(c) finance

Corporate Governance Report

CHAIRMAN AND THE CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual.

During the year ended 31 December 2014, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

The non-executive Director, namely Ms. Tsang Tsz Tung, Debbie and the independent non-executive Director, namely Mr. Hui Pui Wai, Kimber, have entered into an appointment letter with the Company for a term from 30 April 2014 to 31 March 2015 and 15 April 2014 to 31 March 2015 respectively; and each of independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2014 to 31 March 2015.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company complied the code provision A.2.7 of the CG Code that the Chairman met the non-executive Director and the independent non-executive Directors without the present of the executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 26 September 2005 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee was revised on 28 March 2012 and is available on the Stock Exchange and the Company's websites.

Corporate Governance Report

With the cessation of Mr. David Chi-ping Chow and the appointment of Mr. Hui Pui Wai, Kimber as the independent non-executive Director on 15 April 2014, the composition of the Remuneration Committee changed. As at 31 December 2014, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai, Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising the Shareholders on how to vote with respect to any service contracts of the Directors that requires the Shareholders' approval.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2014 to review the remuneration of the Directors and senior management. The attendance record of the meeting is as follows:

Members	**Attendance**
REMUNERATION COMMITTEE	
Mr. Hui Pui Wai, Kimber (appointed on 15 April 2014) *(Chairman)*	N/A
Mr. Liu Chaodong	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1
Mr. David Chi-ping Chow (ceased on 15 April 2014)	1/1

AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The full terms of reference of the Audit Committee was revised on 28 March 2012 and is available on the Stock Exchange and the Company's websites.

Corporate Governance Report

With the cessation of Mr. David Chi-ping Chow and the appointment of Mr. Hui Pui Wai, Kimber as the independent non-executive Director on 15 April 2014, the composition of the Audit Committee changed. As at 31 December 2014, the Audit Committee comprised three independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Audit Committee), Mr. Hui Pui Wai, Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement.

The Audit Committee held three meetings during the year ended 31 December 2014 to consider the consolidated financial statements for the year ended 31 December 2013 and the unaudited consolidated financial statements for the six months ended 30 June 2014, to review with the management of the Company, the accounting principles and practices adopted by the Group, to review the internal control of the Company and to consider the change of auditor of the Company. The Audit Committee also complied with the code provision C.3.3 of the CG Code to meet the auditor in absence of management for reviewing the internal control of the Company. The attendance records of the meetings are as follow:

Members	**Attendance**
AUDIT COMMITTEE	
Ms. Chui Wai Hung *(Chairman)*	3/3
Mr. Hui Pui Wai, Kimber (appointed on 15 April 2014)	1/1
Mr. Liu Chaodong	3/3
Mr. David Chi-ping Chow (ceased on 15 April 2014)	2/2

NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Corporate Governance Report

Notwithstanding the above, in the High Court judgment ("Judgment") handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board's ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee was revised on 1 September 2013 and is available on the Stock Exchange and the Company's websites.

With the cessation of Mr. David Chi-ping Chow and the appointment of Mr. Hui Pui Wai, Kimber as the independent non-executive Director on 15 April 2014, the composition of the Nomination Committee changed. As at 31 December 2014, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Ms. Chui Wai Hung.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the board diversity policy of the Company (the "Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Corporate Governance Report

In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee held one meeting during the year ended 31 December 2014 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and assess the Board Diversity Policy. The attendance record of the meeting is as follows:

Members	**Attendance**
NOMINATION COMMITTEE	
Mr. Liu Chaodong *(Chairman)*	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

Corporate Governance Report

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code.

As at 31 December 2014, the Corporate Governance Committee comprised one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Corporate Governance Committee held one meeting during the year ended 31 December 2014 to review policies and practices of the Group relating to the CG Code. The attendance record of the meeting is as follows:

Members	Attendance
CORPORATE GOVERNANCE COMMITTEE	
Mr. Ma Xuemian *(Chairman)*	1/1
Mr. Liu Chaodong	1/1
Ms. Chui Wai Hung	1/1

Corporate Governance Report

INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

(i) carry on its business in an orderly and efficient manner;

(ii) safeguard the Group's and the clients' assets;

(iii) maintain proper records and the reliability of financial and other information used within and published by the Group;

(iv) prevent and detect potential fraud; and

(v) comply with all applicable laws and regulatory requirements.

The Board acknowledges that it is responsible for the Company's internal control system and for reviewing its effectiveness. The Board has reviewed the effectiveness of the Company's internal control system during the financial year. The Board considers that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are adequate.

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

Corporate Governance Report

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2014, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014.

EXTERNAL AUDITOR

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the auditor of the Company with effect from 24 January 2014 to fill the casual vacancy following the resignation of ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI"), and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the year ended 31 December 2014 were audited by ZHONGHUI.

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. The auditor of the Company do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

Corporate Governance Report

The auditor's remuneration for the provision of annual audit services of approximately HK$520,000 was charged to the Group's income statement for the year ended 31 December 2014 (2013: HK$520,000), and the auditor's remuneration for the provision of non-audit services of approximately HK$170,000 was charged to the Group's income statement for the year ended 31 December 2014 (2013: HK$180,000).

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquires from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principle place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;

2. By telephone at telephone number (852) 2380 1330;

3. By fax at fax number (852) 2380 1996; or

4. By email at gfgadmin@gf115.net.

The Company uses a number of formal communications channel to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

Corporate Governance Report

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the directors of a company, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 28 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (http://www.gfghl.com) which includes the latest information relating to the Group and its businesses.

Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company, Mr. Cheung Yuk Chuen is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa, Anne, the executive Director.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 27 March 2015

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 21 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 44% (2013: approximately 42%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2014.

Revenue made to the Group's largest customers accounted for approximately 16% (2013: approximately 13%) of the Group's total turnover for the year ended 31 December 2014.

At no time during the year under review, the Directors, their associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the five major customers.

During the year under review, no construction was performed and thus no major suppliers were identified.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 39 to 117.

TRANSFER TO RESERVES

The loss attributable to the Shareholders of HK$65,855,000 (2013: HK$40,038,000) has been transferred to reserves. Other movements in reserve are set out in page 44 of the consolidated financial statements.

Directors' Report

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2014 (2013: nil). No interim dividend was declared for the six months ended 30 June 2014 (2013: nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a loss of HK$862,000 (2013: a loss of HK$637,000), which has been debited directly to the consolidated income statement respectively. The deferred tax arising from the revaluation amounted is nil in 2014 (2013: nil). Details of the revaluation are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emolument policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 23 June 2006 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this report are:

Executive Directors:

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

Non-executive Directors:

Ms. Tsang Tsz Tung, Debbie (appointed on 30 April 2014)
Ms. Tsang Tsz Nok, Aleen (appointed on 30 April 2014 and resigned on 21 July 2014)
Mr. Chen Mudong (resigned on 1 April 2014)
Mr. Lim Francis (resigned on 1 April 2014)

Independent non-executive Directors:

Mr. Hui Pui Wai, Kimber (appointed on 15 April 2014)
Mr. Liu Chaodong
Ms. Chui Wai Hung
Mr. David Chi-ping Chow (ceased on 15 April 2014)

Pursuant to Bye-law 111(A), Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this report still considers them independent.

Biographical details of the Directors are set out on pages 7 to 10 of this report.

Directors' Report

DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison; and independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2014 to 31 March 2015. The non-executive Director, namely Ms. Tsang Tsz Tung, Debbie and the independent non-executive Directors, namely Mr. Hui Pui Wai, Kimber, have entered into an appointment letter with the Company for a term from 30 April 2014 to 31 March 2015 and 15 April 2014 to 31 March 2015 respectively.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Share options in the Company

On 23 June 2006, the Company adopted the Share Option Scheme, pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; and (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants as (i) incentives and/or rewards in recognition or acknowledgement the contributions that eligible participants have made and will make to the Group; and (ii) motivation to high calibre employees for high levels of performance in order to enhance long-term shareholder value. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

Directors' Report

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 21 days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment of the 10% limit.

On 9 April 2014, the scheme mandate limit was adjusted from authorizing the Directors to grant Options carrying rights to subscribe for up to a maximum number of 251,681,000 Shares to 50,336,200 shares as a result of the share consolidation of the Company of every five (5) shares of HK$0.02 each into one (1) consolidated share of HK$0.10 each.

On 16 June 2014, the shareholders of the Company had approved the refreshment of the 10% scheme mandate limit on the grant of options under the Share Option Scheme. Options previously granted under the Share Option Scheme (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the scheme mandate limit as refreshed. Based on 765,893,601 shares of the Company in issue as at the date of refreshment, the Directors were authorised to issue options to subscribe for a total of 76,589,360 shares of the Company, representing 10% of the total number of shares of the Company in issue as at the date of refreshment. The existing scheme mandate limit has not been utilized during the year ended 31 December 2014.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

Directors' Report

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

The following shows the outstanding position of the Directors and the other employees of the Company as at 31 December 2014 with respect to their share options granted under both the Share Option Scheme.

Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Exercise Period	Balance as at 01.01.2014	Number of share options Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 31.12.2014
Directors									
Ma Xuemian	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	4,530,258	–	–	–	4,530,258
Kwok Siu Bun	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	4,026,896	–	–	–	4,026,896
Chow Kwai Wa, Anne	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	4,026,896	–	–	–	4,026,896
Kwok Siu Wa, Alison	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	4,026,896	–	–	–	4,026,896
*Tsang Tsz Nok, Aleen	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	3,523,534	–	–	–	3,523,534
Tsang Tsz Tung, Debbie	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	3,523,534	–	–	–	3,523,534
Hui Pui Wai, Kimber	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	1,510,086	–	–	–	1,510,086
Liu Chaodong	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	1,510,086	–	–	–	1,510,086
Chui Wai Hung	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	1,510,086	–	–	–	1,510,086
Subtotal				–	28,188,272	–	–	–	28,188,272
Other Employees									
In aggregate	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	–	22,147,928	–	–	–	22,147,928
Total				–	50,336,200	–	–	–	50,336,200

Note: The closing price of the shares immediately before 2 May 2014, on which those options were granted, was HK$0.470.

* Resigned as Director on 21 July 2014

Information on the accounting policy and the value of options granted is provided in note 32 to the financial statements.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2014, the interests and short positions of the Directors and chief executives 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 (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or 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:

Name of Directors	Capacity/nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Ma Xuemian	Beneficial Owner	4,530,258 (Note)	0.59%
Kwok Siu Bun	Beneficial Owner	4,026,896 (Note)	0.53%
Chow Kwai Wa, Anne	Beneficial Owner	4,026,896 (Note)	0.53%
Kwok Siu Wa, Alison	Beneficial Owner	4,026,896 (Note)	0.53%
*Tsang Tsz Nok, Aleen	Beneficial Owner	3,523,534 (Note)	0.46%
Tsang Tsz Tung, Debbie	Beneficial Owner	3,523,534 (Note)	0.46%
Hui Pui Wai, Kimber	Beneficial Owner	1,510,086 (Note)	0.20%
Liu Chaodong	Beneficial Owner	1,510,086 (Note)	0.20%
Chui Wai Hung	Beneficial Owner	1,510,086 (Note)	0.20%

Note: These shares represent the share options granted by the Company on 2 May 2014 under the share option scheme.

* Resigned as Director on 21 July 2014

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2014, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity/nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Hongkong Zhongxing Group Co., Limited (Note 1)	Beneficial Owner	59,250,000	7.74%
Li Yi (Note 1)	Interest of Controlled Corporation	59,250,000	7.74%
Kwok Wai Man, Nancy	Beneficial Owner	10,056,529	1.31%
	Interest of Controlled Corporation (Note 2)	143,715,000	18.76%
	Interests of Spouse (Note 3)	19,263,000	2.52%
Rhenfield Development Corp. (Note 2)	Beneficial Owner	143,715,000	18.76%
Tsang Wai Lun, Wayland	Beneficial Owner	19,263,000	2.52%
	Interest of Controlled Corporation (Note 2)	143,715,000	18.76%
	Interests of Spouse (Note 4)	10,569,529	1.31%
Thrive Season Limited (Note 5)	Beneficial owner	49,433,722 (Note 6)	6.45%
Chen Yuchi (Note 5)	Interest of controlled corporation	49,433,722 (Note 6)	6.45%

Directors' Report

Note 1: Hongkong Zhongxing Group Co., Limited is owned by Mr. Li Yi. He is deemed to be interested in 59,250,000 shares of the Company pursuant to the Part XV of the SFO.

Note 2: Rhenfield Development Corp. is owned by Ms. Kwok Wai Man, Nancy and Mr. Tsang Wai Lun, Wayland in equal shares. Ms. Kwok Wai Man, Nancy and Mr. Tsang Wai Lun, Wayland are deemed to be interested in 143,715,000 shares of the Company pursuant to the Part XV of the SFO.

Note 3: These 19,263,000 shares of the Company are owned by Mr. Tsang Wai Lun, Wayland, spouse of Ms. Kwok Wai Man, Nancy. Ms. Kwok Wai Man, Nancy is deemed to be interested in 19,263,000 shares of the Company pursuant to the Part XV of the SFO.

Note 4: These 10,056,529 shares of the Company are owned by Ms. Kwok Wai Man, Nancy, spouse of Mr. Tsang Wai Lun, Wayland. Mr. Tsang Wai Lun, Wayland is deemed to be interested in 10,056,529 shares of the Company pursuant to the Part XV of the SFO.

Note 5: Thrive Season Limited is owned by Mr. Chen Yuchi. He is deemed to be interested in 49,433,722 shares of the Company pursuant to the Part XV of the SFO.

Note 6: These shares represent the convertible bonds granted by the Company on 7 October 2013 for loan settlement.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

As at 31 December 2014, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2014.

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 118. This summary does not form part of the audited consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 27 to the consolidated financial statements.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities.

COMPLIANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2014 except the deviation stated in the Corporate Governance Report on pages 11 to 25.

EVENT AFTER REPORTING PERIOD

Issue of Remuneration Shares

On 30 January 2015, 9,310,076 remuneration shares were allotted and issued to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors at an issue price of HK$0.248 per remuneration share for the legal advisory services provided by Simon Ho & Co., Solicitors.

Directors' Report

Issue of Settlement Shares

On 11 February 2015, 85,185,185 settlement shares were allotted and issued to Thrive Season Limited at the subscription price of HK$0.270 per settlement share for partial repurchase of the convertible bonds in the principal amount of HK$23,000,000 and convert the remaining principal amount of the convertible bonds of HK$7,055,703 into a loan.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2014, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

AUDITOR

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the auditor of the Company with effect from 24 January 2014 to fill the casual vacancy following the resignation of ZHONGLEI (HK) CPA Company Limited, and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the years ended 31 December 2013 and 2014 were audited by ZHONGHUI.

ZHONGHUI will retire at the conclusion of the AGM and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of ZHONGHUI as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 27 March 2015

Independent Auditor's Report

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
GRAND FIELD GROUP HOLDINGS LIMITED
鈞濠集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's results 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 MATTER

Without qualifying our opinion, we draw attention to the disclosures made in Note 33 to the consolidated financial statements concerning the possible outcome of various legal proceedings and other contingent liabilities.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 27 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	8	**3,368**	5,037
Cost of revenue		**(823)**	(2,152)
Gross profit		**2,545**	2,885
Other revenue	8	**1,337**	445
Other gains and losses	8	**(858)**	1,968
Selling and distribution costs		**(517)**	(481)
Administrative expenses		**(60,776)**	(37,170)
Loss from operations		**(58,269)**	(32,353)
Finance cost	9	**(6,091)**	(10,052)
Fair value loss of derivative instruments		**(4,769)**	(3,941)
Loss before tax		**(69,129)**	(46,346)
Income tax expense	10	**–**	(103)
Loss for the year	11	**(69,129)**	(46,449)
Loss for the year attributable to:			
Owners of the Company		**(65,855)**	(40,038)
Non-controlling interests		**(3,274)**	(6,411)
		(69,129)	(46,449)
Loss per share	13		
Basic (HK cents per share)		**(8.89)**	(6.35)
Diluted (HK cents per share)		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year	11	**(69,129)**	(46,449)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(149)**	3,646
Total comprehensive loss for the year		**(69,278)**	(42,803)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(65,961)**	(36,625)
Non-controlling interests		**(3,317)**	(6,178)
		(69,278)	(42,803)

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,220**	1,469
Investment properties	17	**46,000**	47,000
Prepaid premium for land leases	18	**316,509**	171,595
Properties for sale under development	19	**18,790**	13,469
Derivative instruments	29	**251**	5,020
		382,770	238,553
Current assets			
Inventories	20	**909**	–
Properties for sale	22	**32,958**	33,049
Other receivables, deposits and prepayments	23	**14,428**	5,198
Amount due from a director	24	**118**	860
Tax recoverable		**97**	445
Cash and cash equivalents	25	**9,274**	13,646
		57,784	53,198
Current liabilities			
Trade and other payables	26	**39,586**	27,706
Interest-bearing borrowings	27	**5,634**	9,473
Obligation under finance lease due within one year	28	**170**	162
Amounts due to directors	24	**261**	4,189
Tax payable		**242**	243
		45,893	41,773
Net current assets		**11,891**	11,425
Total assets less current liabilities		**394,661**	249,978

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Obligation under finance lease due after one year	28	**239**	409
Convertible bonds	29	**31,632**	32,207
Deferred tax liabilities	30	**4,113**	4,124
		35,984	36,740
NET ASSETS		**358,677**	213,238
Capital and reserves			
Share capital	31	**76,589**	50,761
Reserves		**114,650**	148,139
Equity attributable to owners of the Company		**191,239**	198,900
Non-controlling interests		**167,438**	14,338
TOTAL EQUITY		**358,677**	213,238

Approved by:

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**–**	–
Investment in subsidiaries	21	**159,056**	159,056
Derivative instruments	29	**251**	5,020
		159,307	164,076
Current assets			
Other receivables, deposits and prepayments	23	**479**	373
Amount due from subsidiaries	21	**96,721**	84,785
Cash and cash equivalents	25	**860**	131
		98,060	85,289
Current liabilities			
Other payables	26	**14,939**	6,600
Interest-bearing borrowings	27	**–**	3,749
Amounts due to directors	24	**261**	4,189
Amounts due to subsidiaries	21	**16,558**	16,582
		31,758	31,120
Net current assets		**66,302**	54,169
Total assets less current liabilities		**225,609**	218,245
Non-current liabilities			
Convertible bonds	29	**31,632**	32,207
NET ASSETS		**193,977**	186,038
Capital and reserves			
Share capital	31	**76,589**	50,761
Reserves	36	**117,388**	135,277
TOTAL EQUITY		**193,977**	186,038

Consolidated Statement of Changes In Equity

For the year ended 31 December 2014

	Attributable to owners of the Company								Non-controlling interests HK$'000	Total equity HK$'000
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000		
At 1 January 2013	50,336	261,949	–	(2,215)	–	83,513	(168,680)	224,903	10,341	235,244
Loss for the year	–	–	–	–	–	–	(40,038)	(40,038)	(6,411)	(46,449)
Other comprehensive income for the year	–	–	–	–	–	3,413	–	3,413	233	3,646
Total comprehensive income/(expenses) for the year	–	–	–	–	–	3,413	(40,038)	(36,625)	(6,178)	(42,803)
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	10,175	10,175
Issue of shares for settlement of professional fee	425	2,338	–	–	–	–	–	2,763	–	2,763
Equity component of convertible loan	–	–	–	–	7,859	–	–	7,859	–	7,859
At 31 December 2013	50,761	264,287	–	(2,215)	7,859	86,926	(208,718)	198,900	14,338	213,238
At 1 January 2014	50,761	264,287	–	(2,215)	7,859	86,926	(208,718)	198,900	14,338	213,238
Loss for the year	–	–	–	–	–	–	(65,855)	(65,855)	(3,274)	(69,129)
Other comprehensive income for the year	–	–	–	–	–	(106)	–	(106)	(43)	(149)
Total comprehensive expenses for the year	–	–	–	–	–	(106)	(65,855)	(65,961)	(3,317)	(69,278)
Capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	156,417	156,417
Open offer	25,381	22,630	–	–	–	–	–	48,011	–	48,011
Issue of shares for settlement of professional fee	447	1,879	–	–	–	–	–	2,326	–	2,326
Equity-settled share option arrangements	–	–	7,963	–	–	–	–	7,963	–	7,963
At 31 December 2014	76,589	288,796	7,963	(2,215)	7,859	86,820	(274,573)	191,239	167,438	358,677

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before tax	**(69,129)**	(46,346)
Adjustments for:		
Amortisation of prepaid lease payments	**6,552**	6,034
Depreciation	**381**	338
Fair value loss on investment properties	**862**	637
Interest income	**(1,154)**	(157)
Interest expenses	**6,091**	10,052
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	(2,558)
Fair value loss of derivative instruments	**4,769**	3,941
Issue of shares for settlement of professional fee	**2,326**	2,763
Share-based payment expenses	**7,963**	–
Operating cash flows before working capital changes	**(41,339)**	(25,296)
Change in inventories	**(909)**	–
Change in completed properties held for sale	**90**	(653)
Change in loan receivables	**–**	121
Change in other receivables, deposits and prepayments	**(4,377)**	3,437
Change in amount due from a director	**742**	1,367
Change in trade and other payables	**11,880**	3,750
Change in amounts due to directors	**(3,928)**	1,115
Change in amount due to a related party	**–**	(124)
Cash generated from operations	**(37,841)**	(16,283)
Interest received	**1,154**	157
Tax refunded/(paid) – PRC tax	**345**	(91)
Net cash flows used in operating activities	**(36,342)**	(16,217)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(133)	(323)
Cost incurred to the properties under development	(5,322)	(4)
Net cash flows used in investing activities	(5,455)	(327)
Cash flows from financing activities		
Interest paid	(6,667)	(5,024)
New interest-bearing borrowings raised	–	9,473
Repayment of interest-bearing borrowings	(3,749)	–
Capital injection from non-controlling interest of a subsidiary	49	10,175
Repayment of obligation under a finance lease	(162)	(154)
Dividends paid to owners of the Company	–	(41)
Proceed from open offer	48,011	–
Release of restricted cash	–	123
Net cash flows generated from financing activities	37,482	14,552
Net decrease in cash and cash equivalents	(4,315)	(1,992)
Effect of foreign exchange rate changes	(57)	2,303
Cash and cash equivalents at beginning of year	13,646	13,335
Cash and cash equivalents at end of year	9,274	13,646
Analysis of cash and cash equivalents		
Bank and cash balances	9,274	13,646

Notes to the Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, property development, property investment and trading of wines. Details of the principal activities of its subsidiaries are set out in Note 21 to the consolidated financial statements.

2. BASIS OF PREPARATION

The Group had incurred loss of approximately HK$69,129,000 for the year ended 31 December 2014. Nevertheless, these consolidated financial statements have been prepared on a going concern basis. The Directors are of the opinion that taking into account of the financing arrangement after the reporting period it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost basis except that certain properties and derivative instruments are measured at fair values. These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Buildings	2.5% over the lease term whichever is shorter
Furniture, fixtures and equipment	20%
Leasehold improvement	20-33.3%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties for sale

Properties for sale are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand and demand deposits with banks and other financial institutions. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

Convertible loan

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan and the fair value assigned to the liability component (including the derivative component), representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value through profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

If the loans are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the loan is redeemed, the capital reserve is released directly to retained profits.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sale of properties and trading of wine

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income from operating leases

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

(c) Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 (before 1 June 2014: HK$25,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Taxation

Income tax represents the sum of the current tax and deferred tax.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except completed properties held of sale and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

Notes to the Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities *(Continued)*

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of 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 discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2014 at their fair value of approximately HK$46,000,000 (2013: HK$47,000,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

(c) Determination of net realisable value of prepaid premium for land lease, properties under development and completed properties held for sale

The Company assesses the carrying amounts of prepaid premium for land lease, properties under development and properties for sale according to their net realisable value based on the realisability of these properties. Net realisable value for prepaid premium for land lease and properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties for sale is determined by reference to management's estimates of the selling price on prevailing market conditions, less applicable variable selling expenses.

(d) Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Fair value of derivative component

As disclosed in note 29 to the financial statements, the fair values of the derivative component of the convertible loan at the date of issue and the end of the reporting period were determined using binomial option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative component in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group’s major financial instruments include derivative instrument, other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, and amount(s) due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. According to the Group’s risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk

The Group is exposed to credit risk in relation to its loan and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of loan and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables are set out in Notes 23 to the consolidated financial statements.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

Notes to the Financial Statements

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 December 2014

	The Group				
	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Trade and other payables	33,628	–	–	33,628	33,628
Interest-bearing borrowings	6,141	–	–	6,141	5,634
Obligation under finance lease	185	185	62	432	409
Convertible bonds	5,109	34,325	–	39,434	31,632
Amounts due to directors	261	–	–	261	261
	45,324	34,510	62	79,896	71,564

Notes to the Financial Statements

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

At 31 December 2013

	The Group				
	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Trade and other payables	23,575	–	–	23,575	23,575
Interest-bearing borrowings	10,610	–	–	10,610	9,473
Obligation under finance lease	185	185	247	617	571
Convertible bonds	5,109	5,109	34,325	44,543	32,207
Amounts due to directors	4,189	–	–	4,189	4,189
	43,668	5,294	34,572	83,534	70,015

(c) Interest rate risk

The Directors consider the Group's exposure to fair value interest rate risk in relation to interestbearing bank deposits and interest-bearing borrowings is not significant. The interest rate and repayment terms of the interest-bearing borrowings outstanding at the year end are disclosed in Note 27 to the consolidated financial statements.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's loss for the year to a reasonable change in the interest rate is assessed to be immaterial.

Notes to the Financial Statements

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(e) Price risk

The Group's derivative instrument are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk.

At 31 December 2014, if the share prices of the equity security increase/decrease by 5%, loss after tax for the year would have been HK$26,000 higher/HK$56,000 lower (2013: HK$629,000 higher/HK$1,269,000 lower), arising as a result of the fair value gain/loss of the derivative instruments.

Notes to the Financial Statements

For the year ended 31 December 2014

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December 2014

	The Group	
	2014	2013
	HK$'000	HK$'000
Financial assets:		
Current assets		
Loans and receivables		
(including cash and cash equivalents)		
– Other receivables and deposits	**9,016**	4,536
– Amount due from a director	**118**	860
– Cash and cash equivalents	**9,274**	13,646
	18,408	19,042
Financial liabilities:		
Current liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**33,628**	23,575
– Interest-bearing borrowings	**5,634**	9,473
– Convertible bonds	**31,632**	32,207
– Amounts due to directors	**261**	4,189
	71,155	69,444

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

Notes to the Financial Statements

For the year ended 31 December 2014

7. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2014:

	The Group			
	Level 1	**Level 2**	**Level 3**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Assets				
Investment properties				
Commercial – PRC	**–**	**46,000**	**–**	**46,000**
Derivatives				
– convertible bonds	**–**	**251**	**–**	**251**
	–	**46,251**	**–**	**46,251**

Notes to the Financial Statements

For the year ended 31 December 2014

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) *(Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2013 HK$'000
Recurring fair value measurements:				
Assets				
Investment properties				
Commercial – PRC	–	47,000	–	47,000
Derivatives				
– convertible bonds	–	5,020	–	5,020
	–	52,020	–	52,020

(b) Valuation techniques and inputs used in fair value measurements at 31 December 2014:

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2014 HK$'000
Assets			
Investment properties – Commercial – PRC	Market comparable approach	Price per square metre	**46,000**
Derivatives – convertible bonds	Binomial opinion pricing model	Share price	**251**

Notes to the Financial Statements

For the year ended 31 December 2014

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) *(Continued)*

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2013 HK$'000
Assets			
Investment properties – Commercial – PRC	Market comparable approach	Price per square metre	47,000
Derivatives – convertible loan	Binomial opinion pricing model	Share price	5,020

Notes to the Financial Statements

For the year ended 31 December 2014

8. REVENUE, OTHER REVENUE AND OTHER GAINS AND LOSSES

The principal activities of the Group are property development, property investment and trading of wines.

Turnover represents the aggregate of net amounts received and receivable for properties for sale and wines sold by the Group to outside customers and property rental income for the years ended, and is analysed as follows:

	2014	2013
	HK$'000	HK$'000
Revenue		
Sales of properties	**–**	1,986
Property rental	**2,474**	3,051
Trading of wines	**894**	–
	3,368	5,037
Other revenue		
Interest income on bank deposits	**1,154**	154
Finance charge from loan receivables	**–**	4
Net foreign exchange gain	**33**	–
Sundry income	**150**	287
	1,337	445
Other gains and losses		
Fair value loss on investment properties	**(862)**	(637)
Reversal of impairment loss on loan receivables	**4**	47
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	2,558
	(858)	1,968

Notes to the Financial Statements

For the year ended 31 December 2014

9. FINANCE COST

	2014 HK$'000	2013 HK$'000
Interest expenses on borrowings wholly repayable within five years		
– convertible bonds (Note 29)	**4,534**	1,049
– other borrowings	**1,534**	8,972
Interest on finance lease	**23**	31
	6,091	10,052

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax		
Land Appreciation Tax in the PRC	**–**	103

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Under the Law of the PRC on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Notes to the Financial Statements

For the year ended 31 December 2014

10. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax and loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2014 HK$'000	2013 HK$'000
Loss before tax	**(69,129)**	(46,346)
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	**(12,333)**	(8,756)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**(4)**	(153)
Tax effect on non-deductible expenses	**10,705**	6,628
Tax effect on non-taxable income	**(2)**	(924)
Tax effect on tax losses not recognised	**1,634**	3,205
Land Appreciation Tax	**–**	103
	–	103

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2014 HK$'000	2013 HK$'000
Cost of sales	**823**	2,152
Amortisation of prepaid premium for land leases	**6,552**	6,034
Depreciation	**381**	338
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**6,013**	4,793
– equity-settled share option arrangements	**7,963**	–
– retirement benefits scheme contributions	**207**	140
	14,183	4,933
Provision for legal costs	**20,000**	–
Auditor's remuneration	**690**	700
Net foreign exchange (gain)/loss	**(33)**	309
Operating lease charges on land and buildings	**1,064**	874

Notes to the Financial Statements

For the year ended 31 December 2014

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

	2014				
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Equity-settled share option arrangements HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors					
Mr. Ma Xuemian *(Chairman)*	635	–	723	–	1,358
Ms. Chow Kwai Wa, Anne	95	390	643	17	1,145
Ms. Kwok Siu Wa, Alison	95	390	643	17	1,145
Mr. Kwok Siu Bun	455	–	643	17	1,115
Independent non-executive directors					
Mr. Chow Chi-ping, David (c)	53	–	–	–	53
Mr. Liu Chaodong	120	–	241	–	361
Ms. Chui Wai Hung	120	–	241	–	361
Mr. Hui Pui Wai Kimber (b)	85	–	241	–	326
Non-executive directors					
Mr. Lim Francis (a)	75	–	–	–	75
Mr. Chen Mudong (a)	45	–	–	–	45
Ms. Tsang Tsz Nok, Aleen (d)	56	–	563	–	619
Ms. Tsang Tsz Tung, Debbie (e)	162	–	563	–	725
	1,996	780	4,501	51	7,328

Notes to the Financial Statements

For the year ended 31 December 2014

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

	2013				
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Equity-settled share option arrangements HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors					
Mr. Ma Xuemian *(Chairman)*	600	–	–	–	600
Ms. Chow Kwai Wa, Anne	60	390	–	15	465
Ms. Kwok Siu Wa, Alison	60	390	–	15	465
Mr. Kwok Siu Bun	420	–	–	15	435
Independent non-executive directors					
Mr. Chow Chi-ping, David	180	–	–	–	180
Mr. Liu Chaodong	120	–	–	–	120
Ms. Chui Wai Hung	120	–	–	–	120
Non-executive directors					
Mr. Lim Francis	300	–	–	–	300
Mr. Chen Mudong	180	–	–	–	180
	2,040	780	–	45	2,865

(a) resigned on 1 April 2015
(b) appointed on 15 April 2015
(c) resigned on 15 April 2015
(d) appointed on 30 April 2015 and resigned on 21 July 2015
(e) appointed on 30 April 2015

There was no chief executive appointed in the Group for both years.

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2014 and 2013.

During the years ended 31 December 2014 and 2013 no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group included five (2013: five) directors whose emoluments are included in the disclosures in Note 12(a) to the consolidated financial statements above.

13. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated based on the loss for the year attributable to owners of the Company of approximately HK$65,855,000 (2013: HK$40,038,000) and on the weighted average number of approximately 740,805,000 ordinary shares in issue during the year (2013: 630,498,000). The weighted average number of ordinary shares for the years ended 31 December 2014 and 2013 for the purpose of calculating the basic loss per share has been adjusted and restated respectively resulting from the share consolidation and open offer of the Company during the current year.

Diluted loss per share

No diluted loss per share for the years ended 31 December 2014 and 2013 is presented as the effects of all convertible notes and options are anti-dilutive for the years.

14. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are: (i) property development, (ii) property investment, (iii) trading of wine.

Notes to the Financial Statements

For the year ended 31 December 2014

14. SEGMENT REPORTING *(Continued)*

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Trading of wine		Property development		Property investment		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
External sales	**894**	–	**–**	1,986	**2,474**	3,051	**3,368**	5,037
Segment result	**175**	–	**–**	(35)	**1,509**	2,283	**1,684**	2,248
Interest income on bank deposits							**1,154**	154
Unallocated income and gains, net							**186**	2,897
Unallocated expenses							**(61,293)**	(37,652)
Loss from operations							**(58,269)**	(32,353)
Finance costs							**(6,091)**	(10,052)
Fair value loss of derivative instruments							**(4,769)**	(3,941)
Loss before tax							**(69,129)**	(46,346)
Income tax expense							**–**	(103)
Loss for the year							**(69,129)**	(46,449)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. Segment result represents the (loss from) profit earned from each segment without allocation of certain items, mainly comprising interest income on bank deposits, gain on disposal of subsidiaries, reversal of impairment loss on other receivables, deposits and prepayments, gain on disposal of property, plant and equipment, impairment loss on other receivables, deposits and prepayments, depreciation, central administration costs, directors' and chief executives' salaries, finance costs and fair value loss of derivative instruments. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Financial Statements

For the year ended 31 December 2014

14. SEGMENT REPORTING *(Continued)*

(b) Segment assets and liabilities

	Trading of wine		Property development		Property investment		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment assets	**909**	–	**368,257**	218,112	**46,000**	47,000	**415,166**	265,112
Unallocated assets							**25,388**	26,639
							440,554	291,751
Segment liabilities	**(92)**	–	**(1,196)**	(1,346)	**(4,113)**	(4,124)	**(5,401)**	(5,470)
Unallocated liabilities							**(76,476)**	(73,043)
							(81,877)	(78,513)

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and

– all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain other payables, interest-bearing borrowings, obligation under finance lease, amount(s) due to directors/a related party and dividend payable).

(c) Other segment information

	Trading of wine		Property development		Property investment		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Amortisation of prepaid premium for land leases	**–**	–	**6,552**	6,034	**–**	–	**6,552**	6,034
Reversal of impairment loss on loan receivables	**–**	–	**(4)**	(47)	**–**	–	**(4)**	(47)
Fair value loss on investment properties	**–**	–	**–**	–	**862**	637	**862**	637
Unallocated:								
Depreciation	**–**	–	**–**	–	**–**	–	**381**	338
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	–	**–**	–	**–**	–	**–**	(2,558)
Capital expenditure	**–**	–	**–**	–	**–**	–	**133**	323

Notes to the Financial Statements

For the year ended 31 December 2014

14. SEGMENT REPORTING *(Continued)*

(d) Geographic information

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC and assets are located in the PRC, no geographical information is used by the chief operating decision maker for further evaluated.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2014	2013
	HK$'000	HK$'000
Property investment		
Customer A	**6** [1]	635
Customer B	**353**	351 [1]
Customer C	**454**	451 [1]
Customer D	**530**	451 [1]
	1,343	1,888

[1] Revenue from these customers did not exceed 10% of total revenue in the respective years. These amounts were shown for comparative purpose.

15. DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2014 (2013: nil). No interim dividend was declared for the six months ended 30 June 2014 (2013: nil).

Notes to the Financial Statements

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Buildings	Furniture, fixtures and office equipment	Leasehold improvement	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At 1 January 2013	152	2,071	488	2,200	4,911
Additions	–	14	–	309	323
Exchange differences	17	10	–	45	72
At 31 December 2013 and 1 January 2014	169	2,095	488	2,554	5,306
Additions	–	133	–	–	133
Exchange differences	(1)	(1)	–	(3)	(5)
At 31 December 2014	**168**	**2,227**	**488**	**2,551**	**5,434**
Accumulated depreciation:					
At 1 January 2013	33	1,927	406	1,088	3,454
Charge for the year	7	35	53	243	338
Exchange differences	13	8	–	24	45
At 31 December 2013 and 1 January 2014	53	1,970	459	1,355	3,837
Charge for the year	11	52	26	292	381
Exchange differences	(3)	(1)	–	–	(4)
At 31 December 2014	**61**	**2,021**	**485**	**1,647**	**4,214**
Carrying amount:					
At 31 December 2014	**107**	**206**	**3**	**904**	**1,220**
At 31 December 2013	116	125	29	1,199	1,469

Notes to the Financial Statements

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	The Company	
	Furniture, fixtures and office equipment	Total
	HK$'000	HK$'000
Cost:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	4	4
Accumulated depreciation:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	4	4
Carrying amount:		
At 31 December 2014 and 2013	–	–

17. INVESTMENT PROPERTIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Fair value		
At 1 January	**47,000**	46,200
Exchange differences	**(138)**	1,437
Fair value loss on investment properties	**(862)**	(637)
At 31 December	**46,000**	47,000

Notes to the Financial Statements

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties ("Properties") at 31 December 2014 and 2013 has been arrived at on the basis of a valuation carried out on that date by Messrs. Roma Appraisals Limited, an independent qualified professional valuers not connected with the Group. Roma Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's Properties have been valued by using comparison approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

The Group's interests in investment properties are held under the following lease term:

	2014	2013
	HK$'000	HK$'000
Long term leases in PRC	**46,000**	47,000

18. PREPAID PREMIUM FOR LAND LEASES

	The Group	
	2014	2013
	HK$'000	HK$'000
Cost		
At 1 January	**219,260**	209,799
Capital injection from non-controlling shareholders	**151,517**	–
Transfer from completed properties held for sale (Note 22)	**–**	9,236
Exchange differences	**(7)**	225
At 31 December	**370,770**	219,260
Accumulated amortisation and impairment		
At 1 January	**47,665**	41,619
Charge for the year	**6,552**	6,034
Exchange differences	**44**	12
At 31 December	**54,261**	47,665
Carrying values		
At 31 December	**316,509**	171,595

18. PREPAID PREMIUM FOR LAND LEASES *(Continued)*

The Group's interests in prepaid premium for land leases are held under the following lease term:

	2014	2013
	HK$'000	HK$'000
Long term lease in PRC	**14,505**	14,547
Medium term lease in PRC	**302,004**	157,048
	316,509	171,595

(a) Leasehold land in the PRC comprises the cost of acquiring rights to use land in the PRC for property development over fixed periods.

(b) Amortisation of prepaid premium for land leases is recognised as an expense on a straight-line basis over the unexpired period of the land leases.

(c) The leasehold land in the PRC held under medium term lease of approximately HK$302,004,000 (2013: HK$157,048,000), represents the Group's 100% interest (2013: 50% interest in a parcel) of land in Shenzhen ("Shenzhen Land"). The Group had transferred its interest in the Shenzhen Land to Shenzhen Zongke Real Estate Co., Ltd. as part of capital contribution during the year.

19. PROPERTIES FOR SALE UNDER DEVELOPMENT

	The Group	
	2014	2013
	HK$'000	HK$'000
Development and incidental costs	**48,860**	43,534
Less: Accumulated impairment (Note b)	**(30,069)**	(30,069)
Exchange differences	**(1)**	4
	18,790	13,469

Notes to the Financial Statements

For the year ended 31 December 2014

19. PROPERTIES FOR SALE UNDER DEVELOPMENT *(Continued)*

The carrying amounts of properties under development are analysed below:

	2014	2013
	HK$'000	HK$'000
Property development project on its own	**18,790**	13,469

(a) The balance represents the costs incurred by the Group on the properties under construction in the PRC.

(b) At 31 December 2014, an accumulated impairment on properties under development of approximately HK$30,069,000 (2013: HK$30,069,000) represented the piling and foundation works for which, in the opinion of the Directors, it was no longer useful for contemporary building development.

20. INVENTORIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Merchandises	**909**	–

Notes to the Financial Statements

For the year ended 31 December 2014

21. INVESTMENT IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**159,056**	159,056
Amounts due from subsidiaries	**148,257**	136,321
Less: Accumulated impairment	**(51,536)**	(51,536)
	96,721	84,785
Amounts due to subsidiaries	**(16,558)**	(16,582)

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group reorganisation in 1999.

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

Details of the Group's subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2014	Principal activities
Directly held by the Company:				
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
China Max Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Metro China Investment Limited	British Virgin Islands/ Hong Kong	US$1	100%	Dormant

Notes to the Financial Statements

For the year ended 31 December 2014

21. INVESTMENT IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(Continued)

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2014	Principal activities
Indirectly held through subsidiaries:				
Grand Field Group Limited	Hong Kong/ Hong Kong	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	100%	Investment holding and property investment
Grand Field Property Development (Shenzhen) Company Limited	PRC/PRC	HK$18,000,000	100%	Property development and property investment
Ka Fong Industrial Company Limited	Hong Kong/PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	100%	Property development and property investment
Shing Fat Hong Limited	Hong Kong/PRC	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	100%	Property development and property investment
深圳棕科置業有限公司（"深圳棕科"）	PRC/PRC	RMB150,607,510 (2013: RMB29,419,820)	50%	Dormant
China Hantong Wine Group Holdings Limited	Hong Kong/Hong Kong	HK$10,000,000	51%	Dormant
東莞成發置業有限公司	PRC/PRC	RMB1,000,000	100%	Property development
擎天酒店管理（深圳）有限公司（"擎天酒店"）	PRC/PRC	Nil	100%	Dormant
深圳漢唐盛世酒業有限公司	PRC/PRC	RMB1,000,000	51%	Trading of wine

Notes to the Financial Statements

For the year ended 31 December 2014

21. INVESTMENT IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(Continued)

The following table shows information of subsidiaries that have non-controlling interests (NCI) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	China Hantong Wine Group Holdings Limited		深圳棕科	
	2014	2013	**2014**	2013
Principal place of business/ country of incorporation	**Hong Kong/ Hong Kong**	Nil	**PRC/PRC**	PRC/PRC
% of ownership interests/ voting rights held by NCI	**49%/49%**	Nil	**50%/50%**	50%/50%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**–**	Nil	**307,109**	540
Current assets	**9,965**	Nil	**9,360**	18,316
Current liabilities	**(4)**	Nil	**(95)**	(91)
Net assets	**9,961**	Nil	**316,374**	18,765
Accumulated NCI	**4,881**	Nil	**163,142**	14,338
Year ended 31 December:				
Revenue	**–**	Nil	**1,090**	970
Loss	**(38)**	Nil	**(5,346)**	(12,821)
Total comprehensive loss	**(38)**	Nil	**(5,391)**	(12,355)
Loss allocated to NCI	**(19)**	Nil	**(2,673)**	(6,411)
Dividends paid to NCI	**–**	Nil	**–**	–
Net cash used in operating activities	**(38)**	Nil	**(5,553)**	(10,069)
Net cash (used in)/generated from investing activities	**–**	Nil	**(4,692)**	331
Net cash generated from financing activities	**104**	Nil	**–**	10,175
Net increase in cash and cash equivalents	**66**	Nil	**(10,245)**	437

Notes to the Financial Statements

For the year ended 31 December 2014

22. PROPERTIES FOR SALE

	The Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**36,430**	45,332
Transfer to prepaid premium for land leases (Note 18)	**–**	(9,236)
Sale return for the year	**–**	1,448
Cost of properties sold recognised for the year	**–**	(2,056)
Exchange differences	**(91)**	942
At 31 December	**36,339**	36,430
Less: Impairments	**(3,381)**	(3,381)
	32,958	33,049

At 31 December 2014, certain properties for sale with the carrying amounts of approximately HK$4,947,000 (2013: HK$4,962,000 were pledged to secure for the interest-bearing borrowings. (Note 27).

All of the properties for sale are situated in the PRC, are carried at lower of cost and net realisable value and are held on long term leases.

At 31 December 2014, certain properties for sale with the carrying amounts of approximately HK$17,797,000 which are not expected to be realised within the next twelve months.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**9,016**	4,536	**188**	–
Amounts due from non-controlling shareholders of a subsidiary	**4,851**	–	**–**	–
Other deposit and prepayments	**561**	662	**291**	373
	14,428	5,198	**479**	373

The amounts due from non-controlling shareholders of a subsidiary are unsecured, interest-free and have no fixed repayment terms.

Notes to the Financial Statements

For the year ended 31 December 2014

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**5,415**	639	**291**	373
RMB	**9,013**	4,559	**188**	–
	14,428	5,198	**479**	373

24. AMOUNT(S) DUE FROM (TO) DIRECTOR(S)

Amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

Name	**Terms**	**2014**	**2013**	**Maximum amount The Group outstanding during the year**
		HK$'000	HK$'000	HK$'000
Mr. Ma Xuemian (Chairman)	Unsecured, interest free and repayable on demand	118	860	2,271

At 31 December 2014 and 2013, amount due to director is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2014

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**9,274**	6,499	**860**	131
Short-term time deposits	**–**	7,147	**–**	–
Cash and cash equivalents	**9,274**	13,646	**860**	131

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for variable periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at fixed rates of 1.35% per annum.

(b) Included in bank balances of the Group is approximately HK$4,246,000 (2013: HK$13,349,000) of bank balances denominated in RMB dollars placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Trade payables to building contractors	**1,192**	1,103	**–**	–
Accrued salaries and other operating expenses	**9,702**	10,766	**4,980**	6,420
Accrued interest expense	**–**	180	**–**	180
Deposits received from the sale of properties	**5,958**	4,131	**–**	–
Rental deposits received from investment properties	**1,306**	528	**–**	–
Amounts payable on return of properties	**6,817**	6,848	**–**	–
Provision for compensation of a legal case	**9,959**	–	**9,959**	–
Other payables	**4,652**	4,150	**–**	–
	39,586	27,706	**14,939**	6,600

Notes to the Financial Statements

For the year ended 31 December 2014

26. TRADE AND OTHER PAYABLES *(Continued)*

An aging analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Over 360 days past due	**1,192**	1,103	**–**	–

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**14,939**	6,607	**14,939**	6,600
RMB	**24,647**	21,099	**–**	–
	39,586	27,706	**14,939**	6,600

27. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from independent third parties payable within 1 year or on demand – secured	**5,634**	9,473	**–**	3,749

At 31 December 2014 and 2013, loan with principal amount of RMB4,500,000 (equivalent to approximately HK$5,634,000 and HK$5,724,000 respectively) from an independent third party is secured by the properties for sale of the Group's whollyowned subsidiary. Interest is charged at 1.5% per month and repayable within 1 year from the drawdown date in the year ended 31 December 2013 and extended for 1 year during 2014.

Notes to the Financial Statements

For the year ended 31 December 2014

27. INTEREST-BEARING BORROWINGS *(Continued)*

At 31 December 2013, loan from two independent third parties of RMB1,000,000 and RMB2,000,000, total RMB3,000,000 (equivalent to approximately HK$3,749,000) is secured by personal guarantee by a director of the Company, Mr. Ma Xuemian. Interest is charged at 2.5% per month respectively.

All of interest-bearing borrowings are denominated in RMB.

The borrowings bear interest at fixed rates of 18% per annum (2013: 18% to 36%).

28. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle under finance lease arrangement. The lease term is 5 years. Interests rates underlying all obligations under finance lease is fixed at the contract date at 2.5% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**185**	185	**170**	162
After 1 year but within 2 years	**185**	185	**178**	170
After 2 years but within 5 years	**62**	247	**61**	239
	432	617	**409**	571
Less: future finance charges	**(23)**	(46)	**N/A**	N/A
Present value of lease obligation	**409**	571	**409**	571
Less: amount due for settlement within 12 months (shown under current liabilities)			**(170)**	(162)
Amount due for settlement after 12 months			**239**	409

The Group's obligation under finance lease is guaranteed by a director of the Company, Mr. Kwok Siu Bun.

Finance lease obligation is denominated in HK$.

Notes to the Financial Statements

For the year ended 31 December 2014

29. CONVERTIBLE BONDS

The convertible bonds were issued on 7 October 2013. The convertible bonds are convertible into ordinary shares of the Company at any time between the date of issue of the convertible bonds and their settlement date. At 30 June 2014, the conversion price of the convertible bonds was adjusted to HK$0.608 per conversion share and the maximum number of conversion shares was adjusted to 49,433,722 accordingly, details are described in the Company's announcement dated 2 September 2013, 7 March 2014 and 8 April 2014.

If the Loan have not been converted, they will be redeemed at par on 6 October 2016. Interest of 17 per cent per annum will be paid every two months up until the Loan are converted or redeemed.

The net proceed received from the issue of the Convertible Loan has been split between the liability element, derivative component and an equity component, as follows:

	The Group and The Company
	HK$'000
Nominal value of Convertible Loan issued	30,056
Derivative component	8,961
Equity component	(7,859)
Liability component at date of issue	31,158
Interest charged	1,049
Liability component at 31 December 2013	32,207
Interest paid	(5,109)
Interest charged	4,534
Liability component at 31 December 2014	31,632
Derivative component at date of issue	8,961
Fair value loss for the year	(3,941)
Derivative component at 31 December 2013	5,020
Fair value loss for the year	(4,769)
Derivative component at 31 December 2014	251

29. CONVERTIBLE BONDS *(Continued)*

The interest charged for the year is calculated by applying an effective interest rate of 15.28% per annum to the liability component.

The fair value of the liability component of the convertible loan notes at 31 December 2014 is approximately HK$29,360,000 (2013: HK$30,735,000). This fair value have been arrived at on the basis of a valuation carried out by Messrs ROMA Appraisals Limited, an independent qualified professional valuer not connected with the Group. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial options pricing model (level 2 fair value measurements). The key assumptions used are as follows:

	31 December	
	2014	**2013**
Weighted average share price	0.275	0.125
Weighted average exercise price	0.608	0.156
Expected volatility	53.67%	39.82%
Expected life	1.77 Years	2.77 Years
Risk free rate	0.48%	0.58%
Expected dividend yield	Nil	Nil

Notes to the Financial Statements

For the year ended 31 December 2014

30. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group	
	Revaluation of investment properties	
	2014	2013
	HK$'000	HK$'000
At 1 January	**4,124**	3,999
Exchange differences	**(11)**	125
At 31 December	**4,113**	4,124

At the end of the reporting period, the Group has unused tax losses of approximately HK$43,497,000 (2013: HK$37,712,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire during 2015 to 2019 (2013: 2014 to 2018).

31. SHARE CAPITAL

	2014	2013
	HK$'000	HK$'000
Authorised:		
5,000,000,000 Ordinary shares of HK$0.1 each (2013: 5,000,000,000 Ordinary shares of HK$0.02 each)	**500,000**	100,000
Issued and fully paid:		
765,893,601 Ordinary shares of HK$0.1 each (2013: 2,538,068,278 Ordinary shares of HK$0.02 each)	**76,589**	50,761

Notes to the Financial Statements

For the year ended 31 December 2014

31. SHARE CAPITAL *(Continued)*

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares	Amount
	'000	HK$'000
At 1 January 2013	2,516,810	50,336
Issue of shares for professional fee	21,258	425
At 31 December 2013	2,538,068	50,761
Open offer (Note (i))	1,269,034	25,381
Capital reorganisation (Note (ii))	(3,045,681)	–
Issue of shares for professional fee (Note iii)	4,473	447
As at 31 December 2014	765,894	76,589

Note:

(i) Open offer

Completion of the open offer took place on 10 March 2014 pursuant to which 1,269,034,139 offer shares were issued under the open offer on the basis of one offer share for every two shares held by the qualifying shareholders at the subscription price of HK$0.04 per offer share with par value of HK$0.02 each. Accordingly, the Company's issued share capital was increased by approximately HK$25,381,000 and its share premium account was increased by approximately HK$22,630,000, net of the transaction costs related to the open offer by approximately HK$2,751,000.

(ii) There was a capital reorganisation of the Company effected on 9 April 2014 which comprised the following:

Share Consolidation

The share consolidation was implemented to consolidate every 5 issued and unissued shares of par value of HK$0.02 each into 1 share ("Consolidated Share") of par value of HK$0.10 each.

Capital Increase

The authorised share capital of the Company was increased from HK$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK$0.10 each to HK$500,000,000 divided into 5,000,000,000 Consolidated Shares of par value of HK$0.10 each.

31. SHARE CAPITAL *(Continued)*

Note: *(Continued)*

(iii) Issue of shares for professional fee

On 29 April 2014, the Company issued and allotted 4,473,118 Remuneration Shares as to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors. The premium on the issue of shares amounting to approximately HK$1,879,000 was credited to the Company's share premium account.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares of the Company under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

Notes to the Financial Statements

For the year ended 31 December 2014

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme from 23 June 2006.

The following table discloses movements of the Company's share options in issue under Share Option Scheme during the years ended 31 December 2013 and 2014:

				Number of share options			
Category of participant	Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Outstanding at 1 January 2014
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	–	28,188,272	–	28,188,272
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	–	22,147,928	–	22,147,928
Total				–	50,336,200	–	50,336,200

The options outstanding at the end of the year have a remaining contractual life of 2.5 years.

The fair value of services received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. The inputs into the Model are summarised as follows:

Expected volatility	50.18%
Expected life	3 years
Risk-free interest rate	0.755%
Expected annual dividend yield	nil
Fair value per option – directors	HK$0.1597
Fair value per option – employees	HK$0.1563

The risk-free rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the Options.

The expected volatility of the underlying security of the Options was determined based on the historical volatility of the share prices of the Company.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES

(i) By an originating summons ("Originating Summons") issued on 4 June 2008 under High Court Miscellaneous Proceedings No. 1059 of 2008 by Mr. Tsang Wai Lun, Wayland ("Tsang"), a former director and shareholder of the Company, as the plaintiff and the Company as the defendant under section 168BC of the Companies Ordinance (Cap.32 of the Laws of Hong Kong). In the Originating Summons which was amended on 26 February 2009 ("the Amended Originating Summons"), Tsang sought relief from the High Court of Hong Kong for, inter alia, leave to bring proceedings on behalf of the Company against its 8 then directors, namely, Chu King Fai ("Chu"), Huang Bing Huang ("Huang"), Au Kwok Chuen Vincent ("Au"), Hwang Ho Tyan ("Hwang'), Zhao Juqun ("Zhao"), Yang Biao ("Yang"), Wong Yun Kuen ("Wong") and Mok King Tong ("Mok"). Upon hearing the Amended Originating Summons on 25 and 26 February 2009, the court granted leave to Tsang on 26 February 2009 to bring a statutory derivative action on behalf of the Company against the aforesaid 8 then directors.

(ii) Pursuant to the statutory leave granted Tsang sued as a shareholder for and an behalf of the Company as the plaintiff issued a writ of summons against the aforesaid 8 then directors as 1st to 8th defendants in the High Court of Hong Kong on 18 March 2009 under High Court Action No.771 of 2009 ("the Action"). The title of the plaintiff was subsequently amended as the name of the Company by a court order dated 29 March 2011.

In brief, the case was in relation to alleged breach by the 8 then directors (comprising the then board of directors of the Company) of their fiduciary duties and duties of care owed to the Company as directors in respect of the following resolutions purportedly passed:

(1) a resolution was purportedly passed by the then board of directors of the Company on or about 14 January 2008 ("the Remittance Resolution") to approve a remittance of HK$50,000,000 (equivalent to RMB44,000,000) to a company in the PRC known as Yuan Cheng Real Estate (Shenzhen) Limited (遠程置業(深圳)有限公司) ("Yuan Cheng"), which was set up as wholly owned subsidiary of Grand Field Group Limited ("Grand Field HK") and its entire interest had been disposed of on 12 October 2012, despite questions having been raised specifically over the legality of the formation of Yuan Cheng. Grand Field HK is a wholly owned subsidiary of the Group. Thus, the sum of HK$50,000,000 remitted by the Company to Yuan Cheng may have been put under the control of an unauthorized and unlawful entity.

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

(2) a resolution was purportedly passed by then board of directors of the Company on or about 27 May 2008 ("the Yangzhou Project Resolution") to sanction an acquisition of a project known as Yi Zheng Economic Development Zone High Technology Industrial Park (儀征經濟開發區高新技術產業園) from Min Tai Development Company Limited (閩泰建設有限公司) at a consideration of HK$88,000,000 with an up-front payment of HK$5,000,000 paid out of the funds of Yuan Cheng.

(3) a resolution was purportedly passed by then board of directors of the Company on or about 15 March 2008 ("the Management Services Resolutions") to sanction the entry of management services agreements by Yuan Cheng with Dongguan City Hua Jia Fu Industry and Trading Limited (東莞市華家富工貿有限公司) and Dongguan City Min Tai Industry and Investment Limited (東莞市閩泰實業投資有限公司), which involve an up-front payment of RMB8,000,000 by Yuan Cheng.

(4) a resolution was purportedly passed by the board of directors of the Company on or about 27 May 2008 ("the Zhong Cheng Resolution") to sanction the entry of a co-operation framework agreement by Yuan Cheng with a PRC entity known as Shenzhen Zhong Cheng Construction Engineering Company Limited (深圳市中城建設工程有限公司) ("Zhong Cheng"), which required an upfront payment of RMB5,000,000. Yuan Cheng also made 2 subsequent payments to satisfy third parties of the credit worthiness of Zhong Cheng, involving RMB17,000,000.

(5) two resolutions were purportedly passed by Chu, Au, Zhao, Yang, Wong and Mok at a board meeting of the Company on 15 and 20 November 2008 ("the Loan Resolutions") sanctioning Grand Field Property Development (Shenzhen) Company Limited ("Grand Field Shenzhen") to borrow up to RMB50, 000,000 purportedly to repay a loan owed to Yuan Cheng and to use the balance as operational capital for the Company, Grand Field Shenzhen is a wholly owned subsidiary of the Group.

Further, alleged loans of RMB33,100,000 were purportedly made by Yuan Cheng to a PRC entity called Shenzhen Hua Ke Nano-Technology Development Company Limited (深圳華科納米技術有限公司) from April to June 2008.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

It was the case of Tsang suing in the name of the Company that Yuan Cheng was used as a vehicle in the PRC to channel the HK$50,000,000 for improper purpose not in the interests of and/or with no apparent benefit to the Company and/or to enable the same to be applied for the personal benefit of Chu, his family or related companies. The Company thus has suffered a loss to the extent of HK$50,000,000 as a result of the breath of duties by the 8 then directors to act bona fide in the interests of the Company or to use their powers for a proper purpose.

Tsang has discontinued the Action suing against Hwang in the name of the Company on 4 August 2010.

The Action was tried at the High Court of Hong Kong from 2 August 2012 with 18 days reserved. Upon commencement of the trial, Tsang suing in the name of the Company has, settled the Action with Zhao, Yang and Mok that Tsang suing in the name of the Company decided not to pursue the Action against Zhao, Yang and Mok and with no order as to costs.

The Action against Au has also reached an out of court settlement on 22 October 2012. Tsang, the Company and Au have come to a deed of settlement ("Deed of Settlement") to discontinue all further actions against Au and with no order as to costs.

Before the conclusion of the trial, the Company reached settlements with 3rd, 4th, 5th, 6th and 8th Defendant. The hearing of the Action was completed on 24 October 2012 and Judgment was delivered on 17 June 2014 in which, all the claims by the Company were dismissed and costs be granted to the 1st, 2nd and 7th Defendant with certificate of two counsel ("the Judgment").

After the Judgment, the Company had been claimed by Tsang for re-imbursement of the legal costs pre-paid by Tsang in respect of HCMP 1059/2008 and the Action. According to the independent legal advices sought by the Company, the Company has reimbursed Tsang for the said legal costs.

Furthermore, the Company has to bear the legal costs of the 1st, 2nd and 7th Defendant in the Action pursuant to the Judgment.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

In the opinion of the Directors, the legal costs incurred in the Action and HCMP 1059/2008 which the Company has to bear are estimated to be HK$20 million and provision thereof has been made accordingly. Please refer to the Profit Warning of the Company made on 29 July 2014.

Having sought legal advice, the Company has lodged an appeal to the Court of Appeal on 11 July 2014 against the Judgment under CACV 140/2014 ("the Appeal"). The hearing date of the Appeal has been fixed on 9 December 2015 with two days reserved.

In the opinion of the Directors, the Appeal has no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the Appeal.

* Upon the application of the Company, the court granted an order as amended on 5th June, 2014 for prohibition of disposal of the shares of the Company by Hong Kong Zhongxing Group Co., Limited ("HKZX") and/or Li Yi, the sole shareholder thereof to the amount of HK$40,000,000. The said Injunction order was discharged by the Court on 12th November, 2014.

** Pursuant to the leave granted by High Court on 23rd August, 2013, the Company has instituted an originating summons against Huang Binghuang and/or Li YI for contempt of court as a result of their alleged breach of the injunction orders granted under the Action. This originating summons has yet to be tried. In the opinion of the Directors, the originating summons has no material impact on the operation of the Group. However, the Directors cannot reliably measure the financial impact of this originating summons until its conclusion.

(iii) In 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000 (equivalent to HK$5,723,000). However, Shing Fat Hong has appealed to, and sued the tenant, in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000 (equivalent to HK$2,615,000). In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties. On 10 April 2013, the Intermediate People's Court of Dongguan City, Guangdong Province（廣東省東莞市中級人民法院）issued a civil judgment, under which such case was ordered back to the Third People's Court of Dongguan City, Guangdong Province（廣東省東莞市第三人民法院）for retrial and the proceedings had been rescinded by the court and has not had any further development at this stage.

In the opinion of the Directors, the aforesaid legal proceeding will have no material impact on the financial position operations of the Group.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(iv) According to the PRC Provisional Regulations on Land Appreciation Tax – State Council Order No. 138 (1993) issued on 13 December 1993 by The State Council of the People's Republic of China, the Group is subject to land appreciation tax ("LAT") in the PRC. On 10 November 2005 and 20 October 2005, the local tax authorities of Shenzhen issued the letters, namely Shen Dai Shui Fa (2005) No. 521 and 522 and Shen Dai Shui Han (2005) No. 110, respectively to commence the levies of the LAT for the property developers with effect from 1 November 2005.

The Telford Garden Phase I & II, Huanchengxi Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, the PRC (the "Telford Garden I and II") were developed by an indirect wholly owned PRC subsidiary, Grand Field Shenzhen, and started the sales since the late of 1990s. All of the units in Telford Garden I & II had been sold.

Under a notice issued on 6 September 2010 by 深圳市龍崗區地方稅務局 (the "Notice") on LAT to Grand Field Shenzhen, the tax authorities used a special method to calculate the total amount of LAT for Telford Garden I & II, in which LAT was calculated at the rates ranging from 5% to 10% of the sales revenue which had been settled by the Group in accordance with the Notice.

The Directors have consulted with an independent legal advisor who concluded that the possibility of the any further LAT on Telford Garden I & II be imposed is low.

There is no further development of this issue and therefore, the provision for the LAT has not been provided for in the financial statements for the year ended 31 December 2014.

(v) In December 2012, the Company was served with an originating summons instituted by HKZX as plaintiff and the Company as defendant under High Court Miscellaneous Proceedings No. 3278 of 2013. HKZX seeks leave from the High Court under section 168BC of the Companies Ordinance (Cap. 32 of the Law of Hong Kong) to claim on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy (hereinafter collectively referred to as "Tsangs"), the former Chairman and executive directors of the Company respectively for their alleged breach of fiduciary duties and claims costs to be paid by the Company on an indemnity basis.

By an order of High Court dated 8th October, 2014, the said originating summons was adjourned sine die with liberty to restore upon the Company's undertaking, inter alia, that it should pursue the existing High Court action HCA2471/2008 instituted in 2008 with due diligence. By an order dated 20th November, 2014, the Company should pay the costs of the said originating summons to HKZX subject to taxation if the amount not agreed. The taxation proceedings are still ongoing. In the opinion of the Directors, the said originating summons have no material impact on the operations of the Group. The Company upon legal advice estimates the costs to be paid by the Company will highly likely not more than HK$1 million.

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(vi) The case no.(2013) Shen Long Fa Min San Chu Zi Di No.941(2013)（深龍法民三初字第941號）in which HKZX as plaintiff, relying on, inter alia, a judgment made by Shenzhen Longgang People's Court（深圳市龍崗人民法院）("Longgang Court") in which, the interest of in Shenzhen Land was adjudged frozen instituted a summons ("the Summons") against GF Group (1st Defendant), GF Land Development (Shenzhen) (2nd Defendant), SZ Computer (3rd Defendant) and Guangdong Province Hongling Group Company Limited（廣東省紅岭集團有限公司）(4th Defendant) for, inter alia, a declaration that the supplemental agreement entered into by SZ Computer and other relevant parties on 3rd July, 2007 for sale and purchase of Shenzhen Land be void.

The 1st and 2nd Defendants are wholly-owned subsidiaries of the Company and the 3rd and 4th Defendants are third parties independent of and not connected with the Group.

The Summons was on 19th March, 2014 dismissed.

HKZX then lodged an appeal against the said judgment dated 19th March, 2014 to Shenzhen City Intermediate People's Court and the said appeal was also on 4th September, 2014 dismissed. Subsequently, the application by SZ Computer applied for release of its portion of the Shenzhen Land which had been distrained by HKZX under the summons was successful and the said portion in Shenzhen Land had therefore been released free from the incumbrances arising from the said distraint under the summons.

As aforesaid, the Directors believe that there is no significant impact on the Group's business operations and financial position at this stage.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(vii) A summons was issued and filed with Lo Hu Court against GF Land Development (Shenzhen) (2014) Sheng Lo Fa Min Er Chu Zi 5103 ("the Summons") in which Shenzhen City YiZhou Hotel Management Company Limited as plaintiff claims against GF Land Development (Shenzhen) as defendant for a total sum of RMB13,380,000 and interest. The Board further announces that by a civil judgment of Lo Hu Court dated 21st October, 2014, it was ordered, inter alia, that the interest of GF Land Development (Shenzhen) in Shenzhen Land had been distrained up to the amount of RMB12,717,600 pending the outcome of the Summons. The substantial issues of this summons have not been tried yet.

By a civil judgment of Lo Hu Court dated 5th December, 2014 the Shenzhen Land formerly distrained has been released after the provision of properties owned by Shing Fat Hong Limited, a subsidiary of the Company as guaranty. The amount to be distrained remains RMB12,717,600 pending the outcome of the Summons. After the said release, the registered title of the Shenzhen Land has been successfully transferred into Shenzhen Zongke.

In the opinion of the Directors, the summons will have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the summons until the respective final judgments thereof shall have been delivered.

(viii) Pursuant to the order stated in (v) hereinbefore, the Company instructed its solicitors and counsel to pursue the existing High Court Action No.HCA2471/2008 which had stood idle since 23rd October, 2009 against, inter alia, its former executive directors and current substantial shareholders Mr. Tsang Wai Lun Wayland and Madam Kwok Wai Man Nancy as 1st and 2nd Defendants therein for damages in relation to the alleged breach of trust and/or duties owed to the Company by them as then executive directors of the Company in dealing with a Chongqing joint venture agreement in 2002. Due to the change of circumstances, the Company was advised not to pursue its claims against the remaining defendants therein.

In the opinion of the Directors, this action has no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of this action until its conclusion.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ix) On 14th January, 2014, the Company as plaintiff has instituted a Writ of Summons under High Court Action HCA 85/2014 against 1st Defendant Li Yi, the sole shareholder of HKZX, a substantial shareholder of the Company, 2nd Defendant, Huang Binghuang, a former executive director of the Company and 3rd Defendant HKZX for the following reliefs:

(1) A declaration that the sale, assignment and/or transfer of the shares of the 3rd Defendant from the 2nd Defendant to the 1st Defendant (the "Assignment") constitutes a disposition of property by the 2nd Defendant with an intent to defraud creditors and is voidable at the instance of the Plaintiffs being person thereby prejudiced pursuant to section 60 (1) of the Conveyancing and Property Ordinance (Cap. 219);

(2) An order that the Assignment be set aside;

(3) Damages to be assessed;

(4) Interest;

(5) Costs; and

(6) Such further or other relief(s) as this Court may think fit.

The writ of summons has been served upon HKZX on 15th January, 2014. The Company is still waiting for the defence from the defendants therein, if any. The company was advised that it was pointless to pursue this action any further unless and until the Appeal against the Judgment under HCA 771/2009 is successful. As the 2nd Defendant has resigned from the Company and the 1st and 3rd Defendant have not been involved in the Company's management, the Directors are of the opinion that the said action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the said writ of summons until the delivery of result thereof.

(x) The case no. (2013) Shen Luo Fa Min Er Chu Zi Di No. 602（(2013)深羅法民二初字第602號）under which Shenzhen Yizhou Hotel Management Co., Ltd.（深圳市益洲酒店管理有限公司）as plaintiff initiated proceedings against, among others, four companies, namely GF Land Development (Shenzhen), Hong Kong Grand Field Group Limited（香港鈞濠集團有限公司）, Shenzhen City Liangzi Jingshun Investment Management Co., Ltd.（深圳市量子景順投資管理有限公司）, and Huilai County Haoyuan Industrial Co., Ltd.（惠來縣豪源實業有限公司）for the alleged jeopardizing the plaintiff's right. This case was heard and judgment was delivered on 10th July, 2014 in favour of the Defendants. However, the Plaintiff appeals and the hearing date of the appeal has not been fixed. The Directors are of the opinion that the case has no material impact on the operations of the group but are unable to assess the impact on the financial position of the Group relating to this case.

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(xi) The case no. (2013) Shen Long Fa Xing Chu Zi Di No. 26((2013)深龍法行初字第26號) under which Shenzhen Yizhou Hotel Management Co., Ltd. (深圳市益洲酒店管理有限公司) initiated proceedings against Shenzhen Real Estate Ownership Registration Centre. Shenzhen Longgang District People's Court was of the opinion that, in relation to the processing of such case, GF Group and GF Land Development (Shenzhen) possess legal interests and it notified GF Group and GF Land Development (Shenzhen) to participate in the proceedings of such lawsuit as third parties. Such case had been heard before Shenzhen Longgang District People's Court on 13 October 2013, and judgment was made in favour of the Plaintiff and the Land ownership certificate in question was struck off accordingly. SZ Computer as one of the third parties thereof subsequently appealed against the said judgment. The appeal was allowed and the said judgment had been struck off.

In the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

(xii) a) On 19th February, 2014, GF Group received a writ of summons issued at the Luo Hu People's Court Shenzhen City, PRC (hereinafter in this paragraph xi referred to as the "Court") by SZ Computer as plaintiff under case no. Shen Luo Fa Min Er Chu Zi Di No.133 (2014) ((2014)深羅法民二初字第133號) (hereinafter in this paragraph xi referred to as the China Writ of Summons) against GF Land Development (Shenzhen) as 1st defendant, GF Group as 2nd defendant and Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. (深圳市量子景順投資管理有限公司) as 3rd defendant for repayment of a sum of RMB5,000,000 plus accrued interest calculated up to 2nd December, 2013 for RMB3,500,000 and costs.

The writ of summons was heard and the Plaintiff's claims were dismissed by the judgment dated 30th October 2014. However, the Plaintiff appealed against the said judgment and the hearing date of the appeal has not been fixed.

Notes to the Financial Statements

For the year ended 31 December 2014

33. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(xii) *(Continued)*

b) Having consulted its Hong Kong Legal adviser and was advised, as an alternative and in order to protect the interest of the Group and Shareholders as a whole, GF Group has on 20th February, 2014 issued in High Court of Hong Kong a writ of summons under action no.HCA294/2014 (hereinafter in this paragraph xi referred to as Hong Kong Writ of Summons) against HKZX as recipient of the Re-paid Sum for recovery thereof and interest thereon which, if successfully recovered, will be used to re-pay the alleged debt(s) claimed by the alleged real creditor, SZ Computer, the plaintiff in the China Writ of Summons.

In the opinion of the Directors, the China Writ of Summons and Hong Kong Writ of Summons will have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the China Writ of Summons and Hong Kong Writ of Summons until the respective final judgments thereof shall have been delivered.

Save as disclosed above, in the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

34. COMMITMENTS

(a) The Group had the following material commitments at the end of the reporting period:

	2014 **HK$'000**	2013 HK$'000
Contracted but not provided for:		
Capital contribution to PRC companies (Note)	**205,273**	272,700

34. COMMITMENTS *(Continued)*

(a) *(Continued)*

Note: On 24 January 2011, the Group entered into an agreement with 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅岭集團有限公司. Pursuant to the agreement, a PRC company, 深圳棕科置業有限公司 ("深圳棕科") would be formed to develop the Shenzhen Land. 深圳棕科 was incorporated on 30 March 2011. The registered capital of 深圳棕科 is RMB450,240,000, to which the Group agreed to contribute RMB225,120,000, representing 50% of the registered capital of 深圳棕科.

On 11 June 2012, 深圳棕科 has been approved to amend its capital injection pattern and capital injection timetable, in which the cash contribution portion was changed from approximately RMB135,072,000 to RMB329,052,000. The Group was required to contribute the capital by way of transfer of the Group's 50% interest in the Shenzhen Land and cash contribution of approximately RMB164,526,000 to 深圳棕科.

Up to 31 December 2014, the Group had contributed cash portion of approximately RMB10,715,000 and land portion of approximately RMB60,594,000 to 深圳棕科.

The Group had commitments which are contracted but not provided for in respect of the capital contribution to 深圳棕科, 擎天酒店管理(深圳)有限公司 and 深圳漢唐盛世酒業有限公司 amounting to approximately RMB153,811,000 (equivalents to HK$195,073,000) (2013: RMB214,369,000 (equivalents to HK$272,700,000)), approximately RMB4,100,000 (equivalents to HK$5,200,000) (2013: nil) and HK$5,000,000 (2013: nil) respectively.

(b) As lessee

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

	2014	2013
	HK$'000	HK$'000
Within one year	**604**	533
In the second to fifth years inclusive	**829**	–
	1,433	533

The Group leases two office premises under operating leases. The leases typically run for an initial period of 3 years (2013: 3 years), at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

34. COMMITMENTS *(Continued)*

(c) As lessor

Property rental income earned during the year was approximately HK$2,474,000 (2013: HK$3,051,000).

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

	2014 HK$'000	2013 HK$'000
Within one year	**1,010**	1,477
In the second to fifth years inclusive	**998**	1,470
	2,008	2,947

The Group leases its investment properties (Note 17) under operating lease arrangements which run for an initial period of one to seven years (2013: one to seven years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The properties are expected to generate rental yields of 2.1% (2013: 2.1%) on an ongoing basis.

35. RELATED PARTY TRANSACTIONS

The remuneration of the Group's key management personnel is disclosed in Note 12 to the consolidated financial statements.

36. RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	261,949	–	–	140,281	(252,043)	150,187
Loss and total comprehensive loss for the year	–	–	–	–	(25,107)	(25,107)
Issue of shares for settlement of professional fee	2,338	–	–	–	–	2,338
Equity component of convertible loan	–	7,859	–	–	–	7,859
At 31 December 2013 and 1 January 2014	264,287	7,859	–	140,281	(277,150)	135,277
Loss and total comprehensive loss for the year	–	–	–	–	(50,361)	(50,361)
Open offer	22,630	–	–	–	–	22,630
Issue of shares for settlement of professional fee	1,879	–	–	–	–	1,879
Equity-settled share option arrangements	–	–	7,963	–	–	7,963
	288,796	7,859	7,963	140,281	(327,511)	117,388

Note:

(a) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Capital reserve

The capital reserve is the equity component of the convertible loan issued by the Group which is the difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component and derivative component, representing the conversion option for the holder to convert the note into equity.

(iii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 5 to the consolidated financial statements.

36. RESERVES *(Continued)*

Note: *(Continued)*

(a) *(Continued)*

(iv) ***Contributed surplus***

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(v) ***Special reserve***

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(b) Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to owners of the Company.

37. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Notes to the Financial Statements

For the year ended 31 December 2014

37. CAPITAL MANAGEMENT *(Continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2014 and 2013 was as follows:

	2014	2013
Total liabilities	**81,877**	78,513
Less: Cash and cash equivalents	**(9,274)**	(13,646)
Net debt	**72,603**	64,867
Total equity and adjusted capital	**191,239**	198,900
Gearing ratio	**38%**	33%

38. EVENTS AFTER THE REPORTING PERIOD

Issue of Settlement Shares

On 11 February 2015, 85,185,185 settlement shares were allotted and issued to Thrive Season Limited at the subscription price of HK$0.270 per settlement share for partial repurchase of the convertible bonds in the principal amount of HK$23,000,000 and convert the remaining principal amount of the convertible bonds of HK$7,055,703 into a loan.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.

Five-Year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2014.

CONSOLIDATED RESULTS

	For the years ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,368**	5,037	12,106	5,618	4,058
Loss before tax	**(69,129)**	(46,346)	(20,604)	(7,611)	(26,145)
Income tax	**–**	(103)	(190)	(3,952)	2,346
Loss for the year	**(69,129)**	(46,449)	(20,794)	(11,563)	(23,799)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**440,554**	291,751	293,072	280,578	270,875
Total liabilities	**(81,877)**	(78,513)	(57,828)	(33,616)	(26,289)
Net assets	**358,677**	213,238	235,244	246,962	244,586