

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHUANG Yuekai (*Chairman*)
Mr. SHI Zhen (*Chief Executive Officer*)
Ms. ZHAO Chengmin (*Deputy Executive Officer*)

Non-executive Director

Ms. WANG Xianrong
Ms. WU Xiaomin
Mr. HUANG Wenzhou

Independent Non-executive Directors

Mr. WONG Chi Wai
Mr. WONG Tat Yan, Paul
Mr. CHAN Chun Yee

COMPANY SECRETARY

Mr. KWAN Kei Chor

AUDIT COMMITTEE

Mr. WONG Chi Wai (*Committee Chairman*)
Mr. WONG Tat Yan, Paul
Mr. CHAN Chun Yee

REMUNERATION COMMITTEE

Mr. WONG Tat Yan, Paul (*Committee Chairman*)
Mr. ZHUANG Yuekai
Mr. WONG Chi Wai
Mr. CHAN Chun Yee

NOMINATION COMMITTEE

Mr. ZHUANG Yuekai (*Committee Chairman*)
Mr. CHAN Chun Yee
Mr. WONG Chi Wai
Mr. WONG Tat Yan, Paul

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

Bank of China
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER AS TO HONG KONG LAW

King & Wood Mallesons

STOCK CODE

1908

COMPANY'S WEBSITE

www.southwesteco.com (the contents of which do not form part of this report)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of South West Eco Development Limited (the "Company") is pleased to announce the following unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	4	78,803	51,565
Cost of sales		(45,166)	(27,165)
Gross profit		33,637	24,400
Other income	5	1,732	446
(Loss)/Gain on changes in fair value of investment properties		(4,165)	8,184
Administrative expenses		(14,396)	(21,678)
Selling expenses		(2,222)	(2,449)
Profit before income tax	7	14,586	8,903
Income tax expense	8	(8,414)	(3,999)
Profit for the period		6,172	4,904
Other comprehensive income/(loss), after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		41	(17,124)
Other comprehensive income/(loss) for the period, net of tax		41	(17,124)
Total comprehensive income/(loss) for the period		6,213	(12,220)

	Notes	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period attributable to:			
Owners of the Company		4,796	3,693
Non-controlling interests		1,376	1,211
		6,172	4,904
Total comprehensive income/(loss) attributable to:			
Owners of the Company		4,833	(11,586)
Non-controlling interests		1,380	(634)
		6,213	(12,220)
Earnings per share for profit attributable to the owners of the Company			
	10		
– Basic (HK cents)		1.60	1.23
– Diluted (HK cents)		1.60	1.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		16,245	17,193
Interests in leasehold land		396	403
Investment properties		843,748	845,208
		860,389	862,804
Current assets			
Inventories of properties		94,700	127,424
Trade receivables	11	3,655	5,334
Deposits, prepayments and other receivables		10,410	6,648
Tax prepaid		—	3,201
Cash at bank and in hand		116,831	194,574
		225,596	337,181
Current liabilities			
Trade payables	12	15,916	38,596
Accruals, deposits received and other payables		48,820	59,945
Advances received from the pre-sale of properties under development and properties held for sale		16,454	19,495
Dividend payables		3,116	—
Interest-bearing borrowings		4,930	14,113
Taxation liabilities		11,798	14,301
		101,034	146,450
Net current assets		124,562	190,731
Total assets less current liabilities		984,951	1,053,535

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Non-current liabilities			
Interest-bearing borrowings		—	74,259
Deferred tax liabilities		211,491	208,913
		211,491	283,172
Net assets			
		773,460	770,363
EQUITY			
Share capital	13	30,000	30,000
Other reserves		668,061	663,228
Equity attributable to the owners of the Company			
		698,061	693,228
Non-controlling interests			
		75,399	77,135
Total equity			
		773,460	770,363

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company										
	Share capital HK\$'000	Share premium* HK\$'000	Statutory reserve* HK\$'000	Exchange reserve* HK\$'000	Capital reserve* HK\$'000	Revaluation reserve* HK\$'000	Proposed final dividend HK\$'000	Retained earnings* HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2014 (Audited)	30,000	24,150	32,651	59,841	23,514	3,090	5,400	503,686	682,332	73,306	755,638
Dividend to shareholders	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)
Transactions with owners	—	—	—	—	—	—	(5,400)	—	(5,400)	—	(5,400)
Profit for the period	—	—	—	—	—	—	—	3,693	3,693	1,211	4,904
Other comprehensive loss											
– Exchange loss on translation of financial statements of foreign operations	—	—	—	(15,279)	—	—	—	—	(15,279)	(1,845)	(17,124)
Total comprehensive income/(loss) for the period	—	—	—	(15,279)	—	—	—	3,693	(11,586)	(634)	(12,220)
As at 30 June 2014 (Unaudited)	30,000	24,150	32,651	44,562	23,514	3,090	—	507,379	665,346	72,672	738,018
As at 1 January 2015 (Audited)	30,000	24,150	32,651	44,864	23,514	3,090	—	534,959	693,228	77,135	770,363
Dividend to other shareholders	—	—	—	—	—	—	—	—	—	(3,116)	(3,116)
Transactions with owners	—	—	—	—	—	—	—	—	—	(3,116)	(3,116)
Profit for the period	—	—	—	—	—	—	—	4,796	4,796	1,376	6,172
Other comprehensive income											
– Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	—	—	37	37	4	41
Total comprehensive income for the period	—	—	—	—	—	—	—	4,833	4,833	1,380	6,213
As at 30 June 2015 (Unaudited)	30,000	24,150	32,651	44,864	23,514	3,090	—	539,792	698,061	75,399	773,460

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash generated from operating activities	6,850	11,539
Net cash generated from investing activities	1,495	11,670
Net cash used in financing activities (note)	(86,146)	(9,694)
Net (decrease)/increase in cash and cash equivalents	(77,801)	13,515
Cash and cash equivalents as at 1 January	191,495	98,929
Effect of foreign exchange rates changes on cash and cash equivalents	—	(1,328)
Cash and cash equivalents as at 30 June	113,694	111,116
Add: Restricted deposits	3,137	2,703
Cash at banks and in hand as at 30 June	116,831	113,819

Note: Included in net cash used in financing activities for the six months ended 30 June 2015 were repayment of interest-bearing borrowings of HK\$83.4 million (2014: HK\$1.8 million, net cash inflow of new borrowings and repayment of borrowings setting off).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

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

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The basis of preparation and accounting policies adopted in preparing these unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that have become effective for accounting period beginning on 1 January 2015 (the "New and Revised HKFRSs").

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

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

The unaudited condensed consolidated financial statements have been prepared under historical basis except for investment properties, which are stated at fair value.

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

3. SEGMENT INFORMATION

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

Segment revenue and results

	Property leasing (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Building management services (Unaudited) HK\$'000	Consultancy services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 June 2015					
Reportable segment revenue	26,842	48,676	3,387	95	79,000
Reportable segment profit/(loss)	9,828	8,520	501	(7)	18,842
Other segment information:					
Interest income	1,561	7	4	1	1,573
Amortisation of leasehold land	7	—	—	—	7
Loss on fair value of investment properties	4,165	—	—	—	4,165
Income tax expense	1,187	1,176	—	—	2,363
Depreciation of property, plant and equipment	383	192	25	—	600
Six months ended 30 June 2014					
Reportable segment revenue	26,367	19,024	6,296	123	51,810
Reportable segment profit/(loss)	14,406	(1,425)	(19)	(3)	12,959
Other segment information:					
Interest income	126	18	6	3	153
Amortisation of leasehold land	7	—	—	—	7
Gain on fair value of investment properties	8,184	—	—	—	8,184
Income tax expense	2,823	1,195	—	—	4,018
Depreciation of property, plant and equipment	639	276	55	—	970

3. SEGMENT INFORMATION - CONTINUED

Segment assets and liabilities

	Property leasing (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Building management services (Unaudited) HK\$'000	Consultancy services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 30 June 2015					
Reportable segment assets	858,602	197,068	5,743	540	1,061,953
Reportable segment liabilities	(220,811)	(44,336)	(5,516)	(180)	(270,843)
Other segment information: Additions to non-current assets	2,709	—	—	—	2,709
	Property leasing (Audited) HK\$'000	Property development (Audited) HK\$'000	Building management services (Audited) HK\$'000	Consultancy services (Audited) HK\$'000	Total (Audited) HK\$'000
As at 31 December 2014					
Reportable segment assets	874,874	285,666	5,112	545	1,166,197
Reportable segment liabilities	(268,472)	(117,000)	(4,246)	(87)	(389,805)
Other segment information: Additions to non-current assets	5,532	10	—	—	5,542

3. SEGMENT INFORMATION - CONTINUED

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Reportable segment revenue	79,000	51,810
Inter-segment revenue elimination	(197)	(245)
Revenue	78,803	51,565
Reportable segment profit	18,842	12,959
Unallocated income and expenses	(6,619)	(8,074)
Unallocated income tax (expense)/credit	(6,051)	19
Profit for the period	6,172	4,904
	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Reportable segment assets	1,061,953	1,166,197
Unallocated corporate assets	24,032	33,788
Total consolidated assets	1,085,985	1,199,985
Reportable segment liabilities	270,843	389,805
Unallocated taxation liabilities	11,798	14,301
Unallocated deferred tax liabilities	19,678	18,262
Unallocated corporate liabilities	10,206	7,254
Total consolidated liabilities	312,525	429,622

4. REVENUE

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Building management income	3,387	6,249
Consultancy service income	95	123
Rental income of investment properties (note)	26,645	26,169
Sales of properties	48,676	19,024
	78,803	51,565

Note:

The Group has contingent rental income of investment properties of approximately HK\$1,350,000 (2014: HK\$1,271,000) for the six months ended 30 June 2015. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

5. OTHER INCOME

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank interest income	1,670	367
Sundry income	62	79
	1,732	446

6. FINANCE COSTS

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest charges on:		
Bank borrowings not wholly repayable within five years	2,709	2,581
Total borrowing costs	2,709	2,581
Less: interest capitalised	(2,709)	(2,581)
	—	—

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. The interest charges on bank borrowings which contain a repayment on demand clause amounted to approximately HK\$91,000 and HK\$106,000 for the six months ended 30 June 2015 and 2014 respectively.

7. PROFIT BEFORE INCOME TAX

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of interests in leasehold land	7	7
Auditors' remuneration	142	195
Cost of properties sold	32,620	13,346
Depreciation of property, plant and equipment	907	1,058
Loss on exchange differences, net	41	1,461
Loss on disposals of property, plant, and equipment	136	94
Operating lease charges	2,606	2,694
Outgoings in respect of investment properties that generated rental income	2,616	2,457

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current income tax		
PRC corporate income tax	4,639	318
PRC land appreciation tax	1,205	1,130
	5,844	1,448
Deferred tax	2,570	2,551
Total income tax expense	8,414	3,999

Hong Kong profits tax

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

PRC corporate income tax

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

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

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

8. INCOME TAX EXPENSE - CONTINUED

PRC land appreciation tax ("LAT")

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

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012 and its subsequent changes, 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited*) is subject to LAT and the LAT is calculated at 5% to 8% (2014: 5% to 8%) of its sales of properties in accordance with the authorised taxation method.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the six months ended 30 June 2015 of approximately HK\$4,796,000 (2014: HK\$3,693,000), and the number of ordinary shares of 300,000,000 (2014: 300,000,000) in issue during the period.

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

11. TRADE RECEIVABLES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade receivables	3,815	5,494
Less: Impairment loss recognised	(160)	(160)
Trade receivables, net	3,655	5,334

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

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Current and within 1 month	3,005	3,948
1-3 months	429	849
4-6 months	107	332
7-12 months	49	127
Over 12 months	65	78
	3,655	5,334

11. TRADE RECEIVABLES - CONTINUED

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Neither past due nor impaired	2,394	3,313
Less than 1 month past due	611	635
1-3 months past due	429	849
4-6 months past due	107	332
7-12 months past due	49	127
Over 12 months past due	65	78
	3,655	5,334

12. TRADE PAYABLES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade payables	15,916	38,596

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
0-30 days	—	28,192
31-90 days	4,200	250
91-180 days	706	111
Over 180 days	11,010	10,043
	15,916	38,596

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31 December 2014 (Audited) and 30 June 2015 (Unaudited)	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 31 December 2014 (Audited) and 30 June 2015 (Unaudited)	300,000,000	30,000

14. EVENTS AFTER THE REPORTING DATE

On 13 July 2015, the Company has completed the placing of 60,000,000 new shares at a placing price of HK\$3.86 per share resulting in raising proceeds, before expenses, of HK\$231.6 million. The related transaction costs amounting to approximately HK\$1.9 million have been recorded in the share premium account. The net proceeds of this placing of approximately HK\$229.7 million were used for general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development, property leasing, property management and the provision of consultancy services. It has more than 20 years of experience in developing and leasing properties and approximately 12 years of experience in managing properties in numerous locations in Nanning, the PRC.

The Group recorded a profit attributable to owners of the Company for the six months ended 30 June 2015 of approximately HK\$4.8 million (2014: HK\$ 3.7 million). It represented an increase in the profit by approximately 29.9% as compared to that of the corresponding period of 2014. The primary reason for the increase in the profit was that the saleable gross floor area (the "GFA") sold and delivered in respect of Li Yuan increased for the six months ended 30 June 2015 compared to that of the corresponding period of 2014.

Property Development Business

Li Yuan, a lohas residential project with a total saleable gross floor area (the 'GFA') of over 46,000 square meters ("sq.m.") in New & Hi-Tech Industrial Development Zone, Nanning, was aggregately sold and pre-sold for over 76% as at 30 June 2015. For the six months ended 30 June 2015, approximately 4,724 sq.m of residential units, commercial shops and car parking spaces with revenue of approximately HK\$47.7 million were sold and delivered to the purchasers.

Fond England, a green residential project with a total GFA of over 150,000 sq.m. in Nanning, was aggregately sold and pre-sold for over 97.0% as at 30 June 2015. For the period, approximately 260 sq.m. including car parking spaces with revenue of approximately HK\$1.0 million (2014: HK\$19.0 million) were sold and delivered to the purchasers.

Property Leasing Business

The leasing fee income from the Group's property leasing business was approximately HK\$26.6 million (2014: HK\$26.2 million) for the six months ended 30 June 2015.

The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of 30 June 2015, the Group's retail units (which were held for the purpose of leasing to independent third parties) comprised an aggregate rentable GFA of approximately 23,258 sq.m. in the PRC, of which the aggregate GFA of approximately 16,922 sq.m. in the PRC had been leased out.

Property Management and Consultancy Business

The property management and consultancy service fee income from the Group's property management and consultancy business of approximately HK\$3.4 million (2014: HK\$6.2 million) and HK\$0.1 million (2014: HK\$0.1 million) respectively were contributed to the Group's revenue for the six months ended 30 June 2015.

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by independent third party property owners or users. The Group's management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environment protection policies, event planning and consulting services. These business activities are carried out under 南寧金裕豐物業服務有限公司 (Nanning Golden Yu Feng Property Service Co., Limited*) (an indirect non-wholly owned subsidiary of the Company) which holds a valid Class 3 qualification allowing it to carry out property management of up to 200,000 sq.m. for each residential property and up to 50,000 sq.m. for each non-residential property it manages. During the six months ended 30 June 2015, the Group derived its property management income mainly from Yu Feng Plaza (裕豐大廈), Wan Guo Plaza (萬國廣場) (formerly named as Yu Feng High Street (裕豐高街)) and International Kitchen Supplies Centre (國際櫥櫃中心).

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

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2015, the Group's revenue was derived from (i) sales of properties (most of which were residential units, car parking spaces and commercial shop of Li Yuan); (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

Sales of properties increased by 155.9% from approximately HK\$19.0 million in the six months ended 30 June 2014 to approximately HK\$48.7 million in the corresponding period in 2015. This increase was primarily due to an increase in the saleable GFA sold and delivered in respect of Li Yuan during the period of 2015. Saleable GFA delivered for the six months ended 30 June 2015 and 2014 were approximately 4,984 sq.m. and 2,232 sq.m. respectively.

Cost of Sales

Cost of sales increased by 66.3% to approximately HK\$45.2 million for the six months ended 30 June 2015 from approximately HK\$27.2 million for the six months ended 30 June 2014. This result was also primarily attributable to the increase in saleable GFA sold and delivered in relation to Li Yuan during the six months ended 30 June 2015.

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately HK\$33.6 million and approximately HK\$24.4 million for the six months ended 30 June 2015 and 2014 respectively, representing a gross profit margin of approximately 42.7% and 47.3% respectively. The overall decrease in gross profit margin was mainly due to the increase in sales of properties' share of total turnover causing total gross profit margin drop down for the six months ended 30 June 2015.

Other Income

Other income amounted to approximately HK\$1.7 million and HK\$0.4 million for the six months ended 30 June 2015 and 2014 respectively.

Borrowing Costs

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

Capitalised borrowing costs increased from approximately HK\$2.6 million for the six months ended 30 June 2014 to approximately HK\$2.7 million for the six months ended 30 June 2015.

Loss/Gain on Changes in Fair Value of Investment Properties

There was a loss on changes in fair value of investment properties for the six months ended 30 June 2015 of approximately HK\$4.2 million while there was a gain of approximately HK\$8.2 million in the previous corresponding financial period. The loss reflected a short term consolidation of property value in Nanning.

Administrative Expenses

Administrative expenses decreased by 33.6% to approximately HK\$14.4 million for the six months ended 30 June 2015 from approximately HK\$21.7 million for the six months ended 30 June 2014. The decrease was primarily due to the decrease in staff cost during the period.

Selling Expenses

Selling expenses decreased to approximately HK\$2.2 million for the six months ended 30 June 2015 from approximately HK\$2.5 million in the previous corresponding period. The main reason for the decrease was reduction in the promotion costs during the six months ended 30 June 2015.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK\$14.6 million for the six months ended 30 June 2015, representing an increase of 63.8% from approximately HK\$8.9 million in the previous corresponding financial period.

Income Tax Expense

Income tax expense increased to approximately HK\$8.4 million for the six months ended 30 June 2015 from approximately HK\$4.0 million in the previous corresponding period. The increase in income tax was mainly due to i) the increase in LAT payable in the PRC resulting from the increase in income in GFA sold and delivered in relation to Li Yuan; and ii) the increase in corporate income tax resulting from higher profit recorded during the six months ended 30 June 2015.

Profit for the period attributable to the Owners of the Company

The profit for the period attributable to the owners of the Company increased by approximately 29.9% to approximately HK\$4.8 million for the six months ended 30 June 2015 from approximately HK\$3.7 million in the previous corresponding financial period.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds derived from receipt in advance from the pre-sale of properties, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in the six months ended 30 June 2015.

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 30 June 2015, the Group's cash and cash equivalents and restricted cash amounted to approximately HK\$116.8 million (31 December 2014: HK\$194.6 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$1,086.0 million (31 December 2014: HK\$1,200.0 million) and HK\$698.1 million (31 December 2014: HK\$693.2 million), respectively. As at 30 June 2015, the Group's working capital, being the net current assets, amounted to approximately HK\$124.6 million (31 December 2014: HK\$190.7 million). As at 30 June 2015, the Group did not have any net debt gearing and recorded a net cash balance of HK\$111.9 million, while the Group recorded a net cash balance of HK\$106.2 million as at 31 December 2014.

As at 30 June 2015, the Group did not have (i) bank borrowings denominated in Renminbi ("RMB") (31 December 2014: HK\$83.0 million with a floating interest rate of 7.69% to 8.19% per annum), and had (ii) a loan facility of approximately HK\$4.9 million (31 December 2014: HK\$5.4 million with a floating interest of 3.5% per annum.) denominated in Hong Kong dollar with a floating interest rate of 3.5% per annum. No particular trend of seasonality was observed for the Group's borrowing requirements for the period.

The Group's gearing ratio (total borrowings divided by total equity) returned to 0.6% as at 30 June 2015 as the total borrowings decreased in the period.

Of the total borrowings, approximately HK\$4.9 million was repayable within one year.

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

Pledge of Assets

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

Capital Structure

As at 30 June 2015, the Company's issued share capital was HK\$30,000,000, divided into 300,000,000 ordinary shares (the "Shares") of HK\$0.1 each (31 December 2014: HK\$30,000,000 divided into 300,000,000 Shares).

Foreign Currency Exposure

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

As at 30 June 2015, the Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2015, the Group did not use any financial instruments for hedging purposes.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities (31 December 2014: Nil).

Employees and Emolument Policy

As at 30 June 2015, the Group employed a total of 86 full-time employees (31 December 2014: 103 employees). The total salaries and related costs (including the Directors' fee) amounted to approximately HK\$9.3 million (2014: approximately HK\$14.0 million) for the six months ended 30 June 2015. Employees were remunerated on the basis of their performance, experience and the remuneration level prevailing in the industry. The Group reviews the remuneration policies and packages on a regular basis. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme was adopted on 23 November 2012 to attract and retain eligible employees to contribute to the Group. As at 30 June 2015, no option had been granted under the share option scheme.

Use of Proceeds

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

During the period from the date of the GEM Listing (i.e. 14 December 2012) (the "Listing Date") to 30 June 2015, the net proceeds from the GEM Listing had been applied (which application was in line with that stated in the Prospectus) as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 30 June 2015 HK\$ million	Actual use of proceeds from the GEM Listing Date to 30 June 2015 HK\$ million
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	—
The pursuit of potential acquisition opportunities or invest in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business)	9.8	—
General working capital and other general corporate purposes of the Group	2.5	2.5
	25.5	2.5

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

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

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

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

As at 30 June 2015, there were still 3 lease agreements pending to be registered due to:

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

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

Property ownership certificate of Wan Guo Plaza (formerly named as Yu Feng High Street)

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

As at 30 June 2015, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so as to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

OUTLOOK

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

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

As at 30 June 2015, the interests and short positions of the Directors and the chief executive 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions

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

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding (%) (Note 1)
Zhuang Yuekai	Founder of a discretionary trust	50,580,000	14.05
Shi Zhen	Founder of a discretionary trust	50,580,000	14.05
Zhao Chengmin	Founder of a discretionary trust	50,580,000	14.05

Note 1 : The percentage of shareholding was calculated based on the Company's total issued share capital of 360,000,000 shares pursuant to the completion of the issue of shares in July 2015 in accordance with the share subscription agreements as set out in the circular of the Company dated 18 June 2015.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provision of the SFO) or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2015, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued shares and underlying shares:

Long positions
Shares

Name of Substantial shareholders	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding (Note 2)
Well Land International Limited (益能國際有限公司) ("Well Land") (Note 1)	Beneficial owner	210,100,000	70.03%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour") (Note 1)	Interest of controlled corporation	210,100,000	70.03%
C & D Real Estate Corporation Limited (建發房地產集團有限公司) ("C & D Real Estate") (Note 1)	Interest of controlled corporations	210,100,000	70.03%
Xiamen C & D Inc. (廈門建發股份有限公司) (Note 1)	Interest of controlled corporations	210,100,000	70.03%
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("Xiamen C & D") (Note 1)	Interest of controlled corporations	210,100,000	70.03%

Notes:

- (1) These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in all the Shares in which Well Land is interested by virtue of the SFO.
- (2) The percentage of shareholding was calculated based on the Company's total issued share capital of 300,000,000 shares in issue as at 30 June 2015.

SHARE OPTION SCHEME

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

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

There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2015.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a set of codes of conduct pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by its Directors. The Company had made specific enquiries of all Directors and each of them confirmed that they had complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2015.

CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2015, except that Dr. Lee Kai Hung acts as both the chairman and the chief executive officer of the Company while code provision A.2.1 of the CG Code requires that the responsibilities between these two positions shall be segregated and not be performed by the same individual. The Board is of the view that, given that Dr. Lee has been primarily responsible for leading the strategic planning and business development of the Group, the current arrangement would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. In addition, Dr. Lee's involvement in the Nanning property market industry would enable the Group to tap into the latest market development. The Board, therefore, considers that the current arrangement is overall beneficial to the management and development of the Group's business. Upon the completion of the mandatory unconditional cash offer (the "Mandatory Cash Offer") as disclosed in the Company's announcement dated 10 February 2015, Mr. Zhuang Yuekai and Mr. Shi Zhen were appointed as chairman and chief executive officer of the Company respectively on 10 February 2015 and the roles of chairman and chief executive officer have been separated since then.

AUDIT COMMITTEE REVIEW

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2015 and is of the opinion that such statements comply with the applicable accounting standards and requirement, and that adequate disclosure has been made.

APPRECIATION

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

By Order of the Board
South West Eco Development Limited
Zhuang Yuekai
Chairman

Hong Kong, 26 August 2015

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

* *for identification purpose only*