ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1064)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") would like to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 (the "Annual Results"), together with the comparative figures and the relevant explanatory notes, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
REVENUE	2	**38,304**	38,304
Other income		**804**	712
Changes in fair value of investment properties		**124,897**	154,578
Administrative expenses		**(27,407)**	(25,673)
Finance costs	3	**(9,847)**	(10,431)
PROFIT BEFORE TAX	4	**126,751**	157,490
Income tax expense	5	**(34,886)**	(42,189)
PROFIT FOR THE YEAR		**91,865**	115,301
Attributable to:			
Ordinary equity holders of the Company		**16,438**	24,740
Non-controlling interests		**75,427**	90,561
		91,865	115,301
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK$0.11**	HK$0.16
Diluted		**HK$0.11**	HK$0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**91,865**	115,301
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(64,896)**	62,792
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**26,969**	178,093
Attributable to:		
Ordinary equity holders of the Company	**(3,653)**	44,041
Non-controlling interests	**30,622**	134,052
	26,969	178,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,445**	7,132
Investment properties		**3,986,250**	3,951,360
Investments in joint ventures		**–**	–
Total non-current assets		**3,992,695**	3,958,492
CURRENT ASSETS			
Properties held for sale		**38,869**	42,357
Trade receivables	8	**13,680**	9,070
Prepayments, deposits and other receivables		**14,406**	15,234
Cash and bank balances		**44,412**	42,033
Total current assets		**111,367**	108,694
CURRENT LIABILITIES			
Trade payables	9	**(2,174)**	(3,850)
Tax payable		**(40,483)**	(37,734)
Other payables and accruals		**(50,601)**	(52,336)
Interest-bearing bank and other borrowings		**(8,934)**	(8,330)
Total current liabilities		**(102,192)**	(102,250)
NET CURRENT ASSETS		**9,175**	6,444
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,001,870**	3,964,936
NON-CURRENT LIABILITIES			
Loan from a director		**(79,975)**	(81,894)
Due to a director		**(166,163)**	(158,811)
Long term other payables		**(131,710)**	(129,052)
Interest-bearing bank and other borrowings		**(33,446)**	(43,153)
Deferred tax liabilities		**(839,148)**	(827,567)
Total non-current liabilities		**(1,250,442)**	(1,240,477)
Net assets		**2,751,428**	2,724,459
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**15,140**	15,140
Reserves		**820,602**	824,255
		835,742	839,395
Non-controlling interests		**1,915,686**	1,885,064
Total equity		**2,751,428**	2,724,459

Notes:

1.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for the investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

[1] Effective from 1 July 2014

Other than explained below regarding the impact of the amendments to HKAS 32, HKFRS 2, HKFRS 3 and HKFRS 13, the adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

(a) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(b) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(c) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

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

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross income from letting investment properties, after elimination of all significant intra-group transactions less any applicable turnover taxes.

For management purposes, the Group is organised into business units based on their services and two reportable operating segments as follows:

(a) the property investment segment, which invests in properties located in Mainland China for generating potential income from letting; and

(b) the corporate and others segment, which provides management services to group companies.

The management of the Group (the "Management") monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax from operations is measured consistently with the Group's profit/(loss) before tax from operations except that other income and finance costs are excluded from such measurement. Segment assets exclude cash and bank balances as it is managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank and other borrowings and a loan from a director as these liabilities are managed on a group basis.

	Property investment		Corporate and others		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**38,304**	38,304	**–**	–	**38,304**	38,304
Segment results	**148,702**	178,490	**(12,908)**	(11,281)	**135,794**	167,209
Other income					**804**	712
Finance costs					**(9,847)**	(10,431)
Profit before tax					**126,751**	157,490
Income tax expense					**(34,886)**	(42,189)
Profit for the year					**91,865**	115,301
Segment assets	**4,058,811**	4,023,993	**839**	1,160	**4,059,650**	4,025,153
Unallocated assets					**44,412**	42,033
Total assets					**4,104,062**	4,067,186
Segment liabilities	**299,473**	299,955	**51,175**	44,094	**350,648**	344,049
Unallocated liabilities					**1,001,986**	998,678
Total liabilities					**1,352,634**	1,342,727
Other segment information:						
Capital expenditure	**3,623**	5,442	**–**	–	**3,623**	5,442
Depreciation	**343**	350	**189**	194	**532**	544
Gain on disposal of items of properties, plant and equipment	**52**	–	**–**	–	**52**	–
Changes in fair value of investment properties	**124,897**	154,578	**–**	–	**124,897**	154,578
Interest on a loan from a director	**6,305**	6,305	**–**	–	**6,305**	6,305

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customers

Revenues from four (2013: four) customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$38,304,000 (2013: HK$38,304,000).

3. FINANCE COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**3,527**	803
Bank loans wholly repayable over five years	**–**	3,297
Finance leases	**15**	26
Loan from a director	**6,305**	6,305
	9,847	10,431

4. PROFIT BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Depreciation	**532**	544
Income from letting investment properties, net	**(38,304)**	(38,304)
Bank interest income	**(169)**	(90)
Changes in fair value of investment properties	**(124,897)**	(154,578)

5. INCOME TAX EXPENSE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Group:		
Current – elsewhere		
Charge for the year	**3,661**	3,544
Deferred	**31,225**	38,645
Total tax charge for the year	**34,886**	42,189

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2013: Nil).

6. FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$16,438,000 (2013: HK$24,740,000), and the number of ordinary shares of 151,404,130 (2013: 151,404,130) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the current and prior years.

8. TRADE RECEIVABLES

An aged analysis of the trade receivables at the end of the reporting period is as follows:

	Group			
	2014		2013	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**7,486**	**55**	9,070	100
6 to 12 months	**6,194**	**45**	–	–
	13,680	**100**	9,070	100

The Group generally grants a credit term of 3 months to 12 months to its customers.

The age of the Group's trade receivables is based on the date of recognition of turnover and the due date of instalments as stipulated in the sale contracts. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. **TRADE PAYABLES**

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	Group			
	2014		2013	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 1 year	**–**	**–**	1,198	31
More than 1 year	**2,174**	**100**	2,652	69
	2,174	**100**	3,850	100

The age of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

FINANCIAL REVIEW

The Group recorded a turnover of HK$38,304,000 (2013: HK$38,304,000) for the year ended 31 December 2014. Net profit for the year attributable to ordinary equity holders of the Company was HK$16,438,000 (2013: HK$24,740,000).

The Group generally financed its operations with internally generated cash flows and banking facilities during the year.

Cash and bank balances of the Group as at 31 December 2014 amounted to HK$44,412,000 (2013: HK$42,033,000).

At 31 December 2014, the Group had outstanding borrowings of approximately HK$122,355,000 (2013: HK$133,377,000) comprising interest-bearing bank loans amounted to HK$42,216,000 (2013: HK$51,132,000), finance lease payables amounted to HK$164,000 (2013: HK$351,000) and a loan from a director amounted to HK$79,975,000 (2013: HK$81,894,000). Of the Group's interest-bearing bank loans, 21%, 22% and 57% respectively were repayable within one year or on demand, in the second year, and in the third to fifth years, inclusive.

At 31 December 2014, the secured bank loans of HK$42,216,000 (2013: HK$51,132,000) and the finance lease payables of HK$164,000 (2013: HK$351,000) of the Group bore interest at floating interest rates and a fixed interest rate, respectively. The secured bank loan of HK$8,433,000 (2013: HK$11,162,000) and finance lease payables of the Group are denominated in Hong Kong dollars. HK$33,783,000 (2013: HK$39,970,000) of the secured bank loans are denominated in Renminbi ("RMB").

The Group's gearing ratio as at 31 December 2014 was 0.03 (2013: 0.03), calculated based on the Group's interest-bearing bank and other borrowings and loan from a director of HK$122,355,000 (2013: HK$133,377,000) over total assets of HK$4,104,062,000 (2013: HK$4,067,186,000). The Group's gearing was maintained at a relatively low level during the year.

BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development in Mainland China and have two property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

Guang Yu Square (港渝廣場), a 16-storey plus a basement commercial building, is situated at the most prime commercial area at Chaotianmen (朝天門), Yuzhong District (渝中區), Chongqing (重慶市). Chaotianmen is one of the major clothing wholesale points in Chongqing while Guang Yu Square is the most popular men's clothing and footwear wholesale centre in the region.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities and with an objective to be the landmark of the Yuexiu District. The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Road (謝恩里), Yuexiu District and is wholly owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("GZ Zheng Da") which in turn Zheng Da Real Estate Development Co. Ltd. ("HK Zheng Da"), a private company incorporated in Hong Kong, has 100% interest.

GZ Zheng Da was set up as a Sino-foreign joint venture by HK Zheng Da as the foreign partner and a state-owned enterprise as a third party as the Sino partner in Guangzhou in December 1993. Since its formation, the Sino partner has not provided any capital or management support to GZ Zheng Da to a material extent. Pursuant to the terms of the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) (the "Enforcement Rules") executed in 1994, the Sino partner agreed to surrender its entire interest in GZ Zheng Da except those benefits specified in the Enforcement Rules and therefore HK Zheng Da assumed 100% interest in GZ Zheng Da.

The Group acquired a 25% indirect interest in HK Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2015 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,701,375,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 and the Company's announcements dated 31 March 2009, 29 June 2009, 17 December 2009, 22 June 2010, 24 June 2011, 28 June 2012, 26 June 2013 and 23 June 2014 (primarily refers to the deferment of the long stop date for completion of the acquisition from 31 March 2009 to 30 June 2015).

Pending for re-developing into a commercial complex, the development site is presently comprised of a 2-storey non-permanent commercial podium and a car park for loading and offloading inventory. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium is the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning in the region from time to time in the past years. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of GZ Zheng Da is from 31 December 1993 to 31 December 2008 and can be further extended at the request of either foreign or sino partner upon maturity. In December 2008, both GZ Zheng Da and its foreign partner, HK Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 in accordance with the provisions of the articles of GZ Zheng Da but 越秀房地產開發經營公司 ("越秀國企"), its sino partner and a state-owned enterprise, had become dormant a couple of years ago and therefore its consent could not be obtained. On the other hand, it appeared that another enterprise named 越秀房地產開發經營有限公司 ("越房私企"), a privately owned enterprise which acquired certain assets (but not included any interest in GZ Zheng Da (if any)) from 越秀國企 some years ago, claimed that it had taken up certain interest in GZ Zheng Da (if any) from 越秀國企, but that was not the case. As such, in late December 2008, GZ Zheng Da served a writ against 越房私企 at the Guangdong Province Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) (the "Yuexiu Court") demanding for the confirmation of disqualification of 越房私企 from the sino partnership (if any) of the subject joint venture. The relevant judgement has been issued in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of 越房私企 in the joint venture. 越房私企 then filed an appeal petition (the "Appeal") at the Guangzhou Municipal Intermediate People's Court (廣州市中級人民法院) (the "Guangzhou Court") in August 2009. An hearing was made in October 2009 and no further hearings had been made since then. Both GZ Zheng Da and HK Zheng Da have not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures. Further details about the developments of, and events incidental to the Appeal were disclosed in the Company's announcement dated 25 March 2013. Both GZ Zheng Da and HK Zheng Da are looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures. Taking into account the latest rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Appeal, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in the Appeal.

Public Database of GZ Zheng Da Corporation Information indicates information alleged "Liquidation Temporarily Filed (清算備案)"

Pursuant to the Temporarily Rules of Public Notice of Corporate Information of People's Republic of China (中華人民共和國企業信息公示暫行條例) newly enacted in October 2014, the Public Database of National Enterprise Credit Information (Guangdong) (全國企業信用信息公示系統(廣東)) on GZ Zheng Da reveals certain newly appeared information under the Temporary Filing Information Column (備案信息欄目) viz "Liquidation Information (清算信息) ", "Liquidation Officer-In-Charge He Wei (清算負責人何偉) "及"Member of Liquidation Committee Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)".

According to the Corporate Registration Information Memorandum (企業登記資料包) obtained from the Guangzhou Administration for Industry & Commerce Bureau (廣州市工商行政管理局) (the "AIC Bureau") by GZ Zheng Da (being exclusive information to the subject corporation), a third party namely Guangdong Guoding Law Firm (廣東國鼎律師事務所) ("Guoding") filed an Application Form for Notification of Change (Temporary Filing) of Foreign Investment Enterprise (外商投資企業變更(備案)登記申請書) (the "Application Form"), together with a copy of purported order of the Guangzhou Court (廣東省廣州市中級人民法院決定書) (the "Purported Court Order") as supporting document, to the AIC Bureau without the prior acknowledgment nor consent of GZ Zheng Da in September 2011. The Application Form requested for filing of "Temporarily Filing of Member of the Liquidation Committee (清算組成員備案)" and " Temporarily Filing of Liquidation Officer-In-Charge (清算負責人備案)" in the corporate information database of GZ Zheng Da at the AIC Bureau. Copy of the Purported Court Order stated that "the court has nominated Guoding as the liquidation committee to proceed with the liquidation of GZ Zheng Da in accordance with the law (已指定國鼎組成清算組,依法對廣州正大進行清算)".

GZ Zheng Da confirmed to the Company that it had never authorized, appointed or instructed Guoding or He Wei to file or handle such application, nor granted consent to such application thereafter. GZ Zheng Da and HK Zheng Da, being the equity holder of GZ Zheng Da holding 100% interest therein, also confirmed to the Company that they had never been served any statements of instigation of proceedings, notice of summons or notice of judgement, orders (including the Purported Court Order or order of a similar nature) or written judgement(s) in relation to liquidation petition or of a similar nature (the "Purported Liquidation Petition Case") from the Guangzhou Court in accordance with the prevailing PRC laws and regulations and due judicial procedures. Both the Company and GZ Zheng Da further confirmed that they were unable to find any "public official record" about the Purported Liquidation Petition Case (not even the relevant case number) from the official database or public notice board of the Guangzhou Court so far.

According to the Purported Court Order, it appears that the purported liquidation petition was instituted by 越房私企, a third party neither had any equity or any other interests in GZ Zheng Da nor was a creditor of GZ Zheng Da. Hence, the PRC legal counsel of GZ Zheng Da considers that 越房私企 unlikely meets the pre-requisite conditions for filing a liquidation petition against GZ Zheng Da pursuant to the prevailing company laws and regulations of the PRC.

Based on the record and facts known to the Company and GZ Zheng Da and having taken PRC legal advice, both the Company and GZ Zheng Da are of the view that (i) the legal proceedings of the Purported Liquidation Petition Case (if any) do not conform to the legal provisions and judicial procedures in the Mainland China; (ii) the Purported Court Order (if any) is not effective disposition of the matter to which it purportedly relates and thus is invalid and void; and (iii) the purported authority of the so-called liquidation committee of GZ Zheng Da is derived from the Purported Court Order which is invalid and void. Therefore, Guoding does not have the lawful authority to proceed with liquidation of GZ Zheng Da or file corporate information about GZ Zheng Da with the AIC Bureau (or for any other purposes) for and on behalf of GZ Zheng Da.

According to the relevant provisions of the Rules of Administration of Company Registration of People's Republic of China (中華人民共和國公司登記管理條例) (the "Company Registration Rules"), the temporary filing of liquidation information with the AIC Bureau requires the consent of the subject company (with company chop shown on the application form) and other requisite legal documents, such as company dissolution documents (公司解散証明文件), as supporting documents. No such supporting documents nor GZ Zheng Da's company chop were found on the Application Form submitted by Guoding. After taking PRC legal advice, both the Company and GZ Zheng Da consider that the Application Form submitted to the AIC Bureau by Guoding violates the relevant provisions of the Company Registration Rules to a material extent and the temporary filing under concern should be rendered "application declined (申請退回)". In November 2014, GZ Zheng Da, through a national congress representative, had filed a submission to the Guangdong Provincial Higher People's Court (廣東省高級人民法院) to express its grave concern about the Purported Liquidation Petition Case (including the Purported Court Order) and related issues but no formal reply was received from them to-date.

The latest Business Record Information (商事登記信息) of GZ Zheng Da retrieved from the AIC Bureau in mid March 2015, which is regarded as public information, indicates that the principal status (主體狀態) and legal representative (法定代表人) of GZ Zheng Da are "business commenced (已開業)" and "Ho Kam Hung" respectively. The business of GZ Zheng Da remains as usual and GZ Zheng Da's latest tax return was filed in June 2014. Mr. Ho Kam Hung, an executive director of the Company, has been the legal representative of GZ Zheng since 1993.

Shareholders of the Company are urged to read the Company's announcement dated 25 March 2013 about the lawful authority of the purported "liquidation committee of GZ Zheng Da" in question.

The Second and Unqualified Person appearing on the Demolition Permit and the Demolition Extension Notice

Since 2003, GZ Zheng Da has been granted the Qualified Person for Demolition and Relocation (the "Qualified Person 拆遷人") (which was required to demonstrate substantial capital resources, property development plan on hand, concrete property demolition and relocation plan pursuant to the provisions of Rules of Management of Urban Property Demolition and Relocation of Guangzhou City (廣州市城市房屋拆遷管理條例) (the "Demolition Management Rules")) and the Qualified Contractor for Demolition and Relocation (the "Qualified Contractor 拆遷實施單位") (which was required to demonstrate substantial hands-on experience in property demolition and relocation projects and hiring extensive construction and engineering professionals pursuant to the provisions of the Demolition Management Rules) by Guangzhou Municipal Administration of National Resources and Property Bureau (廣州市國土資源和房屋管理局) (the "Property Administration Bureau") to the effect that GZ Zheng Da was empowered to demolish a property located in Yuexiu District, Guangzhou within about one year under the license of a property demolition and relocation permit (房屋拆遷許可證) (the "Demolition Permit"). Since then, GZ Zheng Da applied for extension of the Demolition Permit once every year and the Property Administration Bureau customarily renewed the Demolition Permit and the notice of extension of property demolition and relocation (房屋拆遷延期公告) (the "Demolition Extension Notice") every subsequent year.

The latest Demolition Extension Notice contained new clauses which included, inter alia, an entity named "the liquidation committee of GZ Zheng Da (廣州正大清算組)" (the so-called "Liquidator") as the secondary Qualified Person (第二拆遷人) and the secondary Qualified Contractor (第二拆遷實施單位) in addition to GZ Zheng Da which remained as the primary Qualified Person (第一拆遷人) and primary Qualified Contractor (第一拆遷實施單位). The Demolition Extension Notice also put a remark that "pursuant to the Purported Court Order, the Guangzhou Court nominated Guoding as the liquidation committee to proceed with the liquidation of GZ Zheng Da in accordance with the laws, and the demolition activities should be executed by the liquidation committee." (collectively the "New Clauses").

As such, an inhabitant to be vacated (被拆遷人) (the "Plaintiff") filed an executive petition (行政訴訟) against the Property Administration Bureau at the Yuexiu Court in May 2014. The executive petition demanded for the revocation of the Demolition Extension Notice on the ground that the Property Administration Bureau should not grant the demolition extension to both GZ Zheng Da and the so-called Liquidator simultaneously as it is against common legal principle if both companies subject to liquidation (if that is the case) and the so-called Liquidator of GZ Zheng Da co-exist to engage in demolition activities. GZ Zheng Da, as one of the litigant participants, opposed to the grant of the qualified licenses to the so–called Liquidator as it was not lawfully constituted and the Property Administration Bureau would have breached the relevant provisions of the Demolition Management Rules if licenses were granted to unqualified entities for participating in demolition business. The Yuexiu Court dismissed the petition of the Plaintiff in August 2014.

Both GZ Zheng Da and the Plaintiff then filed an executive appeal (行政上訴) against the Property Administration Bureau at the Guangzhou Court (the "Executive Appeal") thereafter based on similar grounds above. The proceedings of the said appeal had not yet commenced to-date.

GZ Zheng Da confirmed to the Company that it had no acknowledge of the New Clauses until the renewal of the said extension notice nor concurred with such New Clauses thereafter and hence raised objection to the imposition of the New Clauses in the capacity as the litigant participant of the first trial at the Yuexiu Court.

After seeking PRC legal advice, both the Company and GZ Zheng Da consider that (i) both the Demolition Permit and the Demolition Extension Notice to GZ Zheng Da are legally valid permit and notice despite their legal defects; (ii) both the Yuexiu Court and the Property Administration Bureau accept GZ Zheng Da as a separate legal entity; (iii) GZ Zheng Da remains as the Qualified Person and the Qualified Contractor and therefore can continue the demolition and relocation activities pursuant to the Demolition Permit; (iv) the purported authority of the so-called Liquidator is derived from the Purported Court Order which is invalid and void (please refer to the above section for further details); (v) the capacity of the so-called Liquidator does not exist until and when Guoding removed the legal representative of GZ Zheng Da; (vi) the so-called Liquidator technically cannot co-exist with GZ Zheng Da to engage in same business activities; (vii) a liquidator is not empowered to engage in the businesses other than those specified under Clause 184 of Companies Law of People's Republic of China (中華人民共和國公司法), in wherein demolition and relocation businesses are not included; (viii) a liquidator does not possess the pre-requisite qualifications (特定資質) and hands-on expertise in engaging in demolition and relocation businesses pursuant to the provisions of the Demolition Management Rules; (ix) it appears that the Purported Court Order does not provide that "the demolition activities should be executed by the liquidation committee". Hence, both the Company and GZ Zheng Da are optimistic in obtaining a favourable ruling in the Executive Appeal at the Guangzhou Court.

BUSINESS PROSPECTS

It is anticipated that the global monetary, commodity and stock markets will be relatively volatile coupled with unpredictable global economic growth forecasts in 2015. While the United States has ceased its quantitative easing polices on money supply in early 2015 and intends to raise the federal fund rate in mid to late 2015 to cool down its domestic inflation threat, most central banks in the western world, including the European Economic Community, the United Kingdom and Japan, are initiating another round of quantitative easing policies to boost their weaken domestic economies. The uncertainty and speculation of foreign exchange fluctuations, mainly Euro dollars and Japanese Yen, and crude oil price fluctuations will unavoidably hit the exports of Mainland China in 2015.

It is also perceived that Mainland China will encounter a tough year in 2015. The Finance Minister of China recently announced at the National People's Congress in mid March 2015 that the economic growth forecast will be reduced to 7% for 2015 as compared to 8% for 2014. Since late 2014, the People's Bank of China has been decreasing the benchmark lending interest rate and required reserve ratio of commercial banks with an objective to enhance the liquidity of domestic money market in Mainland China. The property markets in most leading cities in Mainland China will remain relatively steady in 2015. With the sustaining growth in economy and population in major cities in Mainland China in future, the Group remains optimistic in the prospects of the property market in Mainland China in the medium to long-term spectrum. In addition, the Group considers that the geographical spread of its investment property projects in both Chongqing as the capital city of western China and Guangzhou as the capital city of southern China, with varying economic growth propensity, will serve to diversify the Group's exposure to business risks in the two regions.

The Group expects that the investment potential of the Guang Yu Square (港渝廣場) will be further improved in the medium term, as the Chongqing Municipal Government has been undergoing a major urban re-development (城市改造工程) at Chaotinanmen (朝天門) so that most old and poorly managed buildings surrounding the Guang Yu Square will be demolished and new infrastructure facilities will be constructed in coming years. To couple with this major urban re-development, the Group has commenced the refurbishment of the Guang Yu Square to upgrade its facilities and exterior design and thereafter, the revenue from the property is expected to generate a higher yield.

In respect of the investment project in Guangzhou (廣州市), it is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities. Upon the completion of the project, it is anticipated that significant revenue can be generated for the Group and, more importantly, it can create more job opportunity and economic benefit to Guangzhou. That being said, the construction schedule of the development project has been deferred pending to the outcome of the lawsuit. As such, the development site is currently operating as a non-permanent commercial podium for footwear boutique showcase and wholesale centre so as to maximize the revenue for the Group before the completion of the project.

Having considered these matters, the Directors will keep on a cautious approach in its property development projects on hand and re-mapping its business directions for the coming three years and are of the view that the Group should diversify its business. It is anticipated that the engagement in renewable energy and related industries will be a new business model all over the world in the forthcoming years.

Given the strong asset backing and low gearing ratio for the Group's financial position, the Group may take these advantages to explore new business opportunities in 2015 and 2016. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, the Directors are confident and optimistic about the Group's future prospects.

Furthermore, as stated in the Company's announcement dated 23 June 2014, the Group and its counter parties executed a supplemental agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the acquisition of the remaining 75% indirect interest in HK Zheng Da not later than the revised long stop date which was further deferred to 30 June 2015. If a revised agreement is concluded, it is anticipated that the acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds. If in case the acquisition lapses on 30 June 2015, no party shall be liable to each other. If this happens, the Group will no longer deem control over the Zheng Da group and there will be a major accounting adjustment to the consolidated accounts of the Company for the year ending 31 December 2015 to the effect that the Zheng Da group will be regarded as an associated company with a 25% equity interest but not a 25% owned subsidiary of the Company. Further announcement will be made once a concrete decision is made by the Group.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except for the following deviation:

Code Provision A.4.2

The second part of Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the bye-laws of the Company, the Managing Director of the Company shall not be subject to retirement by rotation. However, the Managing Director of the Company had voluntarily retired by rotation every three years and offered himself for re-election at the Company's general meetings in the past years. The Directors consider that this practice is in line with the spirit of the relevant practice of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by its directors. Having made specific enquiry to the Directors, the Company confirmed that the Directors had complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The Annual Results had been reviewed by the Audit Committee of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 December 2014 containing all information required by Appendix 16 of the Listing Rules will be sent to the shareholders of the Company as well as released on the web site of the Stock Exchange as soon as practicable.

By Order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 24 March 2015

As at the date of this announcement, the board of directors of the Company comprises: (i) Ho Kam Hung as executive director; (ii) Young Kwok Sui as non-executive director; and (iii) Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai as independent non-executive directors.