Grand Field Group Holdings Limited

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

Annual Report 2013

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

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

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Kowloon, Hong Kong

LEGAL ADVISER ON BERMUDA LAW

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8 Connaught Place,
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
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373 King's Road,
North Point, Hong Kong

PROPERTY VALUER

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Unit 3806,
38/F, China Resources Building,
26 Harbour Road,
Wan Chai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Codan Services Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

http://www.irasia.com/listco/hk/grandfield/

Chairman's Statement

Dear Shareholders,

I am pleased to present to you on behalf of the board (the "Board") of directors (the "Directors" 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 2013.

2013 was a year to remember. The Board ended a 53-month stalemate and brought the Company back on the HKEx trading floor, thanks to the contributions from our Board of Directors, our financial advisor Chanceton Financial Group Limited (the "Financial Advisor"), the HKEX Resumption team, as well as various other professional parties. It has been a constant battle of addressing some long-standing business issues. I believe the Company has responded with energy and skills that enable us to make a significant progress on the road to Resumption.

The successful attempt in raising capital by means of an Open Offer in early 2014 reflects the importance of a well-functioning financial services system. Thanks to the support from our shareholders – your continual support has always played a key role in both driving and supporting growth by providing the capital when it's needed.

We will continue in 2014 to address the long-standing business issues in Shenzhen and elsewhere in China in order to secure future prosperity by development the Shenzhen land and various other projects. Despite increasingly strict regulations, investment in China's real estate industry, as well as sales totals and prices, still achieved high levels of growth in the past few years. Clearly, as the real estate policy is undergoing a fundamental change, our leaders will seek to avoid causing a massive shock to the market with the implementation of any new policies, considering the impact that the property market has on the overall economy. It is to my belief that any new policy implementation will be gradual and modest.

As the immediate operational business issues are being addressed, our attention can turn increasingly to the strategic judgements that will determine the Company's prosperity and values for shareholders over the next decade. Against this background, the investment choices we make over the next few years will continue to play a critical role on the Company as it seeks to secure long-term returns for shareholders within a framework of rigorous capital discipline. A company like us will often appear to have multiple short-term opportunities to invest, but sustained returns depend on a rigorous investment judgement about the right allocation of capital over time. As we made clear in our Prospectus announcement during our Open Offer earlier this year, this is a discipline that we strictly adhere.

Ma Xuemian
Chairman

Hong Kong, 28 March 2014

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2013, the revenue of the Company and its subsidiaries (the "Group") decreased by 58% to approximately HK$5,037,000 (2012: HK$12,106,000).

During the year, the Group reported a loss attributable to owners of the Company of approximately HK$40,038,000, which was higher than last year's loss of approximately HK$18,059,000 (restated).

BUSINESS REVIEW

2013 was a year to remember. The Board ended a 53-month stalemate and brought the Company back on the HKEx trading floor, thanks to the contributions from our Board of Directors, our Financial Advisor (Chanceton Financial Group Limited), the HKEX Resumption team, as well as various other professional parties. It has been a constant battle of addressing some long-standing business issues. We believe the Company has responded with energy and skills that enable us to make a significant progress on the road to Resumption.

The successful attempt in raising capital by means of an Open Offer in early 2014 reflects the importance of a well-functioning financial services system. Thanks to the support from our shareholders – your continual support has always played a key role in both driving and supporting growth by providing the capital when it's needed.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's cash and cash equivalents were approximately HK$13,646,000 (2012: HK$13,335,000) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HK$") and Renminbi ("RMB") was 2% and 98% respectively (2012: 7% and 93%).

The Group had total current assets of approximately HK$53,198,000 (2012: HK$63,649,000), and total current liabilities of approximately HK$41,773,000 (2012: HK$53,258,000). The Group recorded total assets of approximately HK$291,751,000 (2012: HK$293,072,000 (restated)). At 31 December 2013, the Group's total interest-bearing borrowings amounted to approximately HK$9,473,000 (2012: HK$25,543,000), of which HK$9,473,000 was repayable within 1 year (2012: HK$25,543,000).

At 31 December 2013, the percentage of the Group's interest-bearing borrowings denominated in HK$ and RMB was 0% and 100% (2012: 0% and 100%) respectively and such borrowings carried interest rate at 18% to 36% per annum (2012: 25% per annum).

The gearing ratio for 31 December 2013, which was defined to be current liabilities over shareholders' equity, was 21% (2012: 24% (restated)).

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 2013, 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 2013, the Company's issued share capital is HK$50,761,365.56 and the number of its issued ordinary shares is 2,538,068,278 shares of HK$0.02 each in issue.

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

CHARGE ON GROUP ASSETS

At 31 December 2013, a loan with principal amount of RMB4,500,000 (equivalent to approximately HK$5,724,000) from an independent third party is secured by the completed properties held for sale of the Group's wholly-owned subsidiary.

As at 31 December 2012, the Group had pledged the shares of its wholly owned subsidiary, Grand Field Group Limited ("Share Charge"), to the lender, Thrive Season Limited for a loan of RMB20,500,000 (equivalent to approximately HK$25,543,000). The loan and overdue interest have been fully repaid by issue of the convertible bonds and the Share Charge has been discharged during the year ended 31 December 2013.

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 2013.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in Note 34.

SEGMENT INFORMATION

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

EMPLOYEES

As of the end of 2013, the Group employed 23 employees (2012: 15) and had 9 Directors (2012: 9). The total costs (staff salary & director emolument) for the year amounted to approximately HK$4,933,000 (2012: HK$4,862,000 (restated)). 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.

PROSPECT

We will continue in 2014 to address the long-standing business issues in Shenzhen and elsewhere in China in order to secure future prosperity by development the Shenzhen land and various other projects. Despite increasingly strict regulations, investment in China's real estate industry, as well as sales totals and prices, still achieved high levels of growth in the past few years. Clearly, as the real estate policy is undergoing a fundamental change, our leaders will seek to avoid causing a massive shock to the market with the implementation of any new policies, considering the impact that the property market has on the overall economy. It is to our belief that any new policy implementation will be gradual and modest.

As the immediate operational business issues are being addressed, our attention can turn increasingly to the strategic judgements that will determine the Company's prosperity and values for shareholders over the next decade. Against this background, the investment choices we make over the next few years will continue to play a critical role on the Company as it seeks to secure long-term returns for shareholders within a framework of rigorous capital discipline. A company like us will often appear to have multiple short-term opportunities to invest, but sustained returns depend on a rigorous investment judgement about the right allocation of capital over time. As we made clear in our Prospectus announcement during our Open Offer earlier this year, this is a discipline that we strictly adhere.

Executive Directors

Mr. Ma Xuemian ("Mr. Ma"), aged 49, 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 10 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 and Shing Fat Hong 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 38, 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 12 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 (a subsidiary of the Company). Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential 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. 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.

Profile of Directors

Ms. Chow Kwai Wa, Anne ("Ms. Chow"), aged 48, 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 (a subsidiary 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 39, 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 and Grand Field Property Development (Shenzhen) Company Limited, all of which are subsidiaries of the Company. 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. 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.

Independent Non-executive Directors

Mr. Hui Pui Wai, Kimber ("Mr. Hui"), aged 43, 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 18 years' experience in the marketing industry. Mr. Hui was the independent non-executive Director 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 45, 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.

Ms. Chui Wai Hung ("Ms. Chui"), aged 46, 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

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 2013 except for the following deviations:

(i) 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 2013, 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.

(ii) According to code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The Company has been looking for appropriate insurance covering the liabilities of the Directors that may arise out of the corporate activities.

On 30 December 2013, the Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, therefore, the Company now complies with the CG Code. The insurance coverage is reviewed on an annual basis.

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 2013.

BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board comprises a total of seven Directors, of whom four are executive Directors 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 2013, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

During the year ended 31 December 2013, eight Board meetings and one general meeting were held. The attendance records of each Director at such meetings are set out below:

Directors	Attendance/ Number of General Meeting entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors:		
Mr. Ma Xuemian *(Chairman)*	1/1	8/8
Mr. Kwok Siu Bun	1/1	8/8
Ms. Chow Kwai Wa, Anne	1/1	8/8
Ms. Kwok Siu Wa, Alison	1/1	8/8
Non-executive Directors:		
Mr. Chen Mudong (resigned on 1 April 2014)	0/1	5/8
Mr. Lim Francis (resigned on 1 April 2014)	0/1	5/8
Independent non-executive Directors:		
Mr. David Chi-ping Chow (ceased on 15 April 2014)	0/1	3/8
Mr. Liu Chaodong	0/1	6/8
Ms. Chui Wai Hung	1/1	6/8

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.

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 2013, 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)*	(a)
Mr. Kwok Siu Bun	(a)
Ms. Chow Kwai Wa, Anne	(a), (b)
Ms. Kwok Siu Wa, Alison	(a), (b)
Non-executive Directors:	
Mr. Chen Mudong (resigned on 1 April 2014)	(a), (b)
Mr. Lim Francis (resigned on 1 April 2014)	(a), (b)
Independent non-executive Directors:	
Mr. David Chi-ping Chow (ceased on 15 April 2014)	(c)
Mr. Liu Chaodong	(a), (b)
Ms. Chui Wai Hung	(a), (b), (c)

Note:

(a) corporate governance

(b) regulatory

(c) finance

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 2013, 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 DIRECTORS 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.

Each of the non-executive Directors, namely Mr. Chen Mudong and Mr. Lim Francis (both resigned on 1 April 2014); and independent non-executive Directors, namely Mr. David Chi-ping Chow (ceased on 15 April 2014), Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2013 to 31 March 2014.

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 Directors 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.

During the year ended 31 December 2013, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Remuneration Committee), Mr. David Chi-ping Chow and Ms. Chui Wai Hung.

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 the date of the publication of this annual report, the Remuneration Committee comprises 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.

One Remuneration Committee meeting was held in 2013 to review the remuneration of the Directors and senior management. The attendance record of the meeting is as follows:

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

During the year ended 31 December 2013, the Audit Committee comprised three independent non-executive Directors, namely Mr. David Chi-ping Chow (chairman of the Audit Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung.

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 the date of the publication of this annual report, the Audit Committee comprises 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 2013 to consider the consolidated financial statements for the year ended 31 December 2012 and the unaudited consolidated financial statements for the six months ended 30 June 2013, to review with the management of the Company, the accounting principles and practices adopted by the Group and to review the internal control 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	
Mr. David Chi-ping Chow *(Chairman)* (ceased on 15 April 2014)	2/3
Mr. Liu Chaodong	3/3
Ms. Chui Wai Hung	3/3

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.

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.

During the year ended 31 December 2013, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Nomination Committee) and Mr. Liu Chaodong.

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 the date of the publication of this annual report, the Nomination Committee comprises 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.

During the year ended 31 December 2013, 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.

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 two meetings during the year ended 31 December 2013 to review the structure, size and composition of the Board, approve and recommend the revised terms of reference of the Nomination Committee and the Board Diversity Policy. The attendance records of the meetings are as follow:

Members	**Attendance**
NOMINATION COMMITTEE	
Ms. Chui Wai Hung *(Chairman)*	2/2
Mr. Liu Chaodong	2/2
Mr. Ma Xuemian	2/2

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 the date of the publication of this annual report, the Corporate Governance Committee comprises 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 2013 to review policies and practices of the Group relating to the CG Code. The attendance record of the meeting is as follow:

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

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.

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 2013, 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 2013.

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 2013 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.

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 2013 (2012: HK$587,000), and the auditor's remuneration for the provision of non-audit services of approximately HK$180,000 was charged to the Group's income statement for the year ended 31 December 2013 (2012: HK$359,000).

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.

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.irasia.com/listco/hk/grandfield/) which includes the latest information relating to the Group and its businesses.

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, 28 March 2014

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 2013.

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 20 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 42% (2012: approximately 68%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2013.

Revenue made to the Group's largest customers accounted for approximately 13% (2012: approximately 56%) of the Group's total turnover for the year ended 31 December 2013.

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 2013 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 36 to 121.

TRANSFER TO RESERVES

The loss attributable to the Shareholders of HK$40,038,000 (2012: HK$18,059,000 (restate)) has been transferred to reserves. Other movements in reserve are set out in note 37(a) to the consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2013 (2012: nil). No interim dividend was declared for the six months ended 30 June 2013 (2012: nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a loss of HK$637,000 (2012: a gain of HK$2,313,000), which has been debited directly to the consolidated income statement respectively. The deferred tax arising from the revaluation amounted is nil in 2013 (2012: HK$1,297,000). 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

The Directors during the year ended 31 December 2013 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:

Mr. Chen Mudong (resigned on 1 April 2014)
Mr. Lim Francis (resigned on 1 April 2014)

Independent non-executive Directors:

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

Pursuant to Bye-laws 111(A), Mr. Liu Chaodong and Ms. Chui Wai Hung will retire at the forthcoming annual general meeting (the "AGM"). Pursuant to Bye-law 115, Mr. Hui Pui Wai, Kimber will retire at 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 9 of this 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; non-executive Directors, namely Mr. Chen Mudong and Mr. Lim Francis (both resigned on 1 April 2014); and independent non-executive Directors, namely Mr. David Chi-ping Chow (ceased on 15 April 2014), Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2013 to 31 March 2014.

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

(i) Long positions in shares of the Company

As at 31 December 2013, none of the Directors and chief executive of the Company has any interests and long positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules.

(ii) 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.

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 10 June 2013, 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 2,516,810,000 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 251,681,000 shares of the Company, representing 10% of the total number of shares of the Company in issue as at the date of refreshment.

On 9 April 2014, the existing 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) existing Shares of HK$0.02 each into one (1) consolidated Share of HK$0.10 each (the "Share Consolidation"). The existing scheme mandate limit has not been utilized since the date of granting the existing scheme mandate limit on 10 June 2013 to and including the date of the publication of this report.

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.

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.

No options were granted, outstanding, lapsed, exercised or cancelled during the year ended 31 December 2013.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the heading "Directors' interests in shares and options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 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 2013, 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	579,470,000	22.83%
Li Yi (Note 1)	Interest of Controlled Corporation	579,470,000	22.83%
Kwok Wai Man, Nancy	Beneficial Owner	33,521,765	1.32%
	Interest of Controlled Corporation (Note 2)	479,050,000	18.87%
	Interests of Spouse (Note 3)	64,210,000	2.53%
Rhenfield Development Corp. (Note 2)	Beneficial Owner	479,050,000	18.87%
Tsang Wai Lun, Wayland	Beneficial Owner	64,210,000	2.53%
	Interest of Controlled Corporation (Note 2)	479,050,000	18.87%
	Interests of Spouse (Note 4)	33,521,765	1.32%
Thrive Season Limited (Note 5)	Beneficial owner	192,664,762 (Note 6)	7.59%
Chen Yuchi (Note 5)	Interest of controlled corporation	192,664,762 (Note 6)	7.59%

Note 1: Hongkong Zhongxing Group Co., Limited is owned by Mr. Li Yi. He is deemed to be interested in 579,470,000 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 479,050,000 shares of the Company pursuant to the Part XV of the SFO.

Note 3: These 64,210,000 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 64,210,000 shares of the Company pursuant to the Part XV of the SFO.

Note 4: These 33,521,765 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 33,521,765 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 192,664,762 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 2013, 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 2013.

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 122. 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 2013, 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 2013 except the deviation stated in the Corporate Governance Report on pages 10 to 23.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 27 March 2009 pending the release of an announcement by the Company which was price sensitive in nature. As all the resumption conditions had been fulfilled, the resumption of trading in the shares of the Company with effect from 26 August 2013 on the Stock Exchange. For details, please refer to the Company's announcement dated 23 August 2013.

EVENT AFTER REPORTING PERIOD

Open Offer

The Company had proposed to raise not less than approximately HK$50.76 million and not more than approximately HK$54.61 million before expenses by issuing not less than 1,269,034,139 offer shares of the Company (the "Offer Share") and not more than 1,365,366,520 Offer Shares to the qualifying shareholders of the Company on the basis of one offer share for every two existing shares of the Company held on 12 February 2014. The open offer was only available to qualifying shareholders of the Company and would not be extended to non-qualifying shareholders of the Company.

As at 28 February 2014, a total of 51 valid acceptances of Offer Shares had been received for a total of 1,120,646,179 Offer Shares, representing approximately 88.31% of the total number of the Offer Shares available for subscription under the Open Offer. As a result of the under-subscription of the Open Offer, the underwriter of the open offer (the "Underwriter") was required to subscribe or procure subscription for the untaken 148,387,960 Offer Shares, representing approximately 11.69% of the total number of Offer Shares available for subscription under the open offer. In this regard, pursuant to the underwriting agreement, the Underwriter has procured subscribers, who are independent third parties, to subscribe for all the untaken Offer Shares.

For details, please refer to the Company's announcements dated 17 January 2014, 30 January 2014, 14 February 2014 and the prospectus of the Company dated 14 February 2014.

Change of Directors

As at 31 December 2013, the Board comprised four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison; two non-executive Directors, namely Mr. Chen Mudong (with Mr. Lim Francis as alternate) and Mr. Lim Francis; and three independent non-executive Directors, namely Mr. David Chi-ping Chow (with Mr. Lim Francis as alternate), Mr. Liu Chaodong and Ms. Chui Wai Hung.

With the resignations of Mr. Chen Mudong and Mr. Lim Francis as non-executive Director on 1 April 2014, 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 Board changed. As at the date of the publication of this annual report, the Board comprises four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison, and three independent non-executive Directors, namely Mr. Hui Pui Wai, Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung.

AUDIT COMMITTEE

The audit committee of the Company (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 2013, 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 year ended 31 December 2013 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, 28 March 2014

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 36 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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, in accordance with section 90 of the Companies Act 1981 of Bermuda 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.

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 2013, 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 34 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, 28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	8	**5,037**	12,106
Cost of revenue		**(2,152)**	(6,976)
Gross profit		**2,885**	5,130
Other revenue	8	**445**	306
Other gains and losses	8	**1,968**	11,252
Distribution costs		**(481)**	(445)
Administrative expenses		**(37,170)**	(31,446)
Loss from operations		**(32,353)**	(15,203)
Finance cost	9	**(10,052)**	(5,401)
Fair value loss of derivative instruments		**(3,941)**	–
Loss before tax		**(46,346)**	(20,604)
Income tax expense	10	**(103)**	(190)
Loss for the year	11	**(46,449)**	(20,794)
Loss for the year attributable to:			
Owners of the Company		**(40,038)**	(18,059)
Non-controlling interests		**(6,411)**	(2,735)
		(46,449)	(20,794)
Loss per share	13		
Basic (HK cents per share)		**(1.59)**	(0.72)
Diluted (HK cents per share)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss for the year	11	**(46,449)**	(20,794)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**3,646**	956
Reclassification of exchange reserve to profit or loss upon disposal of subsidiaries		**–**	(4,782)
Total comprehensive loss for the year		**(42,803)**	(24,620)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(36,625)**	(22,059)
Non-controlling interests		**(6,178)**	(2,561)
		(42,803)	(24,620)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,469**	1,457
Investment properties	17	**47,000**	46,200
Prepaid premium for land leases	18	**171,595**	168,180
Properties under development	19	**13,469**	13,463
Derivative instruments	29	**5,020**	–
Restricted cash	25	**–**	123
		238,553	229,423
Current assets			
Completed properties held for sale	21	**33,049**	41,632
Loan receivables	22	**–**	121
Other receivables, deposits and prepayments	23	**5,198**	6,081
Amount due from a director	24	**860**	2,227
Tax recoverable		**445**	253
Cash and cash equivalents	25	**13,646**	13,335
		53,198	63,649
Current liabilities			
Trade and other payables	26	**27,706**	24,179
Interest-bearing borrowings	27	**9,473**	25,543
Obligation under finance lease due within one year	28	**162**	154
Amounts due to directors	24	**4,189**	3,074
Amount due to a related party	24	**–**	124
Tax payable		**243**	142
Dividend payable		**–**	42
		41,773	53,258
Net current assets		**11,425**	10,391
Total assets less current liabilities		**249,978**	239,814

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Obligation under finance lease due after one year	28	**409**	571
Convertible bonds	29	**32,207**	–
Deferred tax liabilities	30	**4,124**	3,999
		36,740	4,570
NET ASSETS		**213,238**	235,244
Capital and reserves			
Share capital	31	**50,761**	50,336
Reserves		**148,139**	174,567
Equity attributable to owners of the Company		**198,900**	224,903
Non-controlling interests		**14,338**	10,341
TOTAL EQUITY		**213,238**	235,244

Approved by:

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**–**	–
Investment in subsidiaries	20	**159,056**	159,056
Derivative instruments	29	**5,020**	–
		164,076	159,056
Current assets			
Other receivables, deposits and prepayments	23	**373**	379
Amount due from subsidiaries	20	**84,785**	83,003
Cash and cash equivalents		**131**	181
		85,289	83,563
Current liabilities			
Other payables	26	**6,600**	3,954
Interest-bearing borrowings	27	**3,749**	25,543
Amounts due to directors	24	**4,189**	3,074
Amount due to a related party	24	**–**	124
Amounts due to subsidiaries	20	**16,582**	9,359
Dividend payable		**–**	42
		31,120	42,096
Net current assets		**54,169**	41,467
Total assets less current liabilities		**218,245**	200,523
Non-current liabilities			
Convertible bonds	29	**32,207**	–
NET ASSETS		**186,038**	200,523
Capital and reserves			
Share capital	31	**50,761**	50,336
Reserves	37	**135,277**	150,187
TOTAL EQUITY		**186,038**	200,523

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium account** HK$'000	**Special reserve** HK$'000	**Capital reserve** HK$'000	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2012	50,336	261,949	(2,215)	–	87,513	(150,621)	246,962	–	246,962
Loss for the year	–	–	–	–	–	(18,059)	(18,059)	(2,735)	(20,794)
Other comprehensive income for the year	–	–	–	–	782	–	782	174	956
Reclassification of exchange reserve to profit or loss upon disposal of subsidiaries	–	–	–	–	(4,782)	–	(4,782)	–	(4,782)
Total comprehensive income/(expenses) for the year	–	–	–	–	(4,000)	(18,059)	(22,059)	(2,561)	(24,620)
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	12,902	12,902
At 31 December 2012	50,336	261,949	(2,215)	–	83,513	(168,680)	224,903	10,341	235,244
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 bonds	–	–	–	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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Loss before tax		**(46,346)**	(20,604)
Adjustments for:			
Amortisation of prepaid lease payments		**6,034**	6,022
Depreciation		**338**	233
Fair value loss/(gain) on investment properties		**637**	(2,313)
Net gain on disposal of property, plant and equipment		**–**	(1)
Gain on disposal of subsidiaries		**–**	(5,966)
Interest income		**(157)**	(248)
Interest expenses		**10,052**	5,401
Reversal of impairment loss on loan receivables		**–**	(2,776)
Reversal of impairment loss on other receivables, deposits and prepayments		**–**	(515)
Impairment loss on completed properties held for sale		**–**	319
Impairment of other receivables, deposits and prepayments		**(2,558)**	565
Fair value loss of derivative instruments		**3,941**	–
Issue of shares for settlement of professional fee	33	**2,763**	–
Operating cash flows before working capital changes		**(25,296)**	(19,883)
Change in completed properties held for sale		**(653)**	5,451
Change in loan receivables		**121**	1,202
Change in other receivables, deposits and prepayments		**3,437**	(4,576)
Change in amount due from a director		**1,367**	(1,297)
Change in tax recoverable		**(192)**	–
Change in trade and other payables	32	**3,750**	3,049
Change in amounts due to directors		**1,115**	1,054
Change in amount due to a related party		**(124)**	34
Change in tax payable		**101**	–
Cash generated from operations		**(16,374)**	(14,966)
Interest received		**157**	248
Tax paid – PRC tax		**–**	(814)
Net cash flows used in operating activities		**(16,217)**	(15,532)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(323)**	(463)
Proceeds from disposal of property, plant and equipment		**–**	1
Capital injection of a subsidiary		**–**	829
Net cash inflow from disposal of subsidiaries		**–**	639
Cost incurred to the properties under development		**(4)**	–
Net cash flows (used in)/generated from investing activities		**(327)**	1,006
Cash flows from financing activities			
Interest paid		**(5,024)**	(5,401)
New interest-bearing borrowings raised		**9,473**	25,543
Repayment of interest-bearing borrowings	32	**–**	(7,134)
Capital injection from non-controlling interest of a subsidiary		**10,175**	12,902
Repayment of obligation under a finance lease		**(154)**	(98)
Dividends paid to owners of the Company		**(41)**	–
Release of restricted cash		**123**	–
Net cash flows generated from financing activities		**14,552**	25,812
Net increase in cash and cash equivalents		**(1,992)**	11,286
Effect of foreign exchange rate changes		**2,303**	634
Cash and cash equivalents at beginning of year		**13,335**	1,415
Cash and cash equivalents at end of year		**13,646**	13,335
Analysis of cash and cash equivalents			
Bank and cash balances		**13,646**	13,335

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 and property investment. Details of the principal activities of its subsidiaries are set out in Note 18 to the consolidated financial statements.

2. BASIS OF PREPARATION

The Group had incurred loss of approximately HK$46,449,000 for the year ended 31 December 2013. 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 new financial raised 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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 except as stated below.

(a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Amendments to HKAS 1 "Presentation of Financial Statements" *(Continued)*

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(c) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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 for 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.

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 foreign currency translation 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.

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.

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 foreign currency translation 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 vehicle	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.

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 under development for sale

Properties under development, which are intended to be held 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. These assets are recorded as current assets as they are expected to be realised in, or are intended for sale with the Group's normal operating policy. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling. Upon completion, the assets are recorded as completed properties held for sale.

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.

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.

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 bonds

Convertible bonds which entitle the holder to convert the bonds 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 bonds and the fair value assigned to the liability component (including the derivative component), representing the embedded option for the holder to convert the bonds 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 bonds 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 bonds 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 bonds are 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.

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

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$25,000 (before 1 June 2012: HK$20,000) 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.

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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

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.

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

Critical judgements in applying accounting policies

In the process of applying the accounting policies, Management had made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgment is made by the management on determining whether a property is designated as an investment property or a property held for sale. The Group consider its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas the properties are accounted for as assets under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each end of reporting period.

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

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.

(b) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2013 at their fair value of approximately HK$47,000,000 (2012: HK$46,200,000). 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.

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

Key sources of estimation uncertainty *(Continued)*

(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 completed properties held 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 completed properties held for sale is determined by reference to management's estimates of the selling price based 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 bonds 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 including loan receivables, other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, amount(s) due to directors and dividend payable. 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 loan and other receivables are set out in Notes 22 and 23 to the consolidated financial statements, respectively.

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 monitors and maintains 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.

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 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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

At 31 December 2012

	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	22,339	–	–	22,339	22,339
Interest-bearing borrowings	32,264	–	–	32,264	25,543
Obligation under finance lease	185	185	432	802	725
Amounts due to directors	3,074	–	–	3,074	3,074
Amounts due to a related party	124	–	–	124	124
Dividend payable	42	–	–	42	42
	58,028	185	432	58,645	51,847

(c) Interest rate risk

The Directors consider the Group's exposure to fair value interest rate risk in relation to interest-bearing bank deposits and interest-bearing borrowings is not significant as interest-bearing bank deposits at fixed rate are within short maturity periods in general and interest-bearing borrowings arranged at fixed rates. 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 and accumulated losses to a reasonable change in the interest rate is assessed to be immaterial.

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 2013, if the share prices of the Company increase/decrease by 5%, loss after tax for the year would have been HK$629,000 higher/HK$1,269,000 lower (2012: HK nil), arising as a result of the fair value gain/loss of the investments.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December 2013

	The Group	
	2013	2012
	HK$'000	HK$'000
Financial assets:		
Non-current assets		
Loans and receivables		
– Restricted cash	**–**	123
Current assets		
Loans and receivables		
(including cash and cash equivalents)		
– Loan receivables	**–**	121
– Other receivables and deposits	**4,536**	3,796
– Amount due from a director	**860**	2,227
– Cash and cash equivalents	**13,646**	13,335
	19,042	19,479
Financial liabilities:		
Current liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**23,575**	22,339
– Interest-bearing borrowings	**9,473**	25,543
– Amounts due to directors	**4,189**	3,074
– Amount due to a related party	**–**	124
	37,237	51,080

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

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 2013:

	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

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) *(Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2012 HK$'000
Recurring fair value measurements:				
Assets				
Investment properties				
Commercial – PRC	–	46,200	–	46,200

(b) Valuation techniques and inputs used in fair value measurements at 31 December 2013:

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 bonds	Binomial option pricing model	Share price	**5,020**

8. REVENUE, OTHER REVENUE AND OTHER GAINS AND LOSSES

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

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

	2013	2012
	HK$'000	HK$'000
Revenue		
Sales of properties held for sale	**1,986**	9,036
Property rental	**3,051**	3,070
	5,037	12,106
Other revenue		
Interest income on bank deposits	**154**	248
Finance charge from loan receivables	**4**	53
Sundry income	**287**	5
	445	306
Other gains and losses		
Gain on disposal of subsidiaries	**–**	5,966
Fair value (loss)/gain on investment properties	**(637)**	2,313
Net gain on disposal of property, plant and equipment	**–**	1
Reversal of impairment loss on loan receivables	**47**	2,776
Reversal of impairment loss on other receivables, deposits and prepayments	**2,558**	515
Impairment loss on completed properties held for sale	**–**	(319)
	1,968	11,252

9. FINANCE COST

	2013 HK$'000	2012 HK$'000
Interest expenses on borrowings wholly repayable within five years		
– convertible bonds (Note 29)	**1,049**	–
– other borrowings	**8,972**	5,376
Interest on finance lease	**31**	25
	10,052	5,401

10. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current tax		
Enterprise Income Tax in the PRC	**–**	–
Land Appreciation Tax in the PRC	**103**	190
	103	190

Hong Kong profits tax is calculated at 16.5% (2012: 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.

10. INCOME TAX EXPENSE *(Continued)*

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

	2013 **HK$'000**	2012 HK$'000
Loss before tax	**(46,346)**	(20,604)
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	**(8,756)**	(4,012)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**(153)**	77
Tax effect on non-deductible expenses	**10,212**	7,861
Tax effect on non-taxable income	**(1,303)**	(4,363)
Tax effect on tax losses not recognised	**–**	437
Land Appreciation Tax	**103**	190
	103	190

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2013 **HK$'000**	2012 HK$'000
Cost of sales	**2,152**	6,976
Amortisation of prepaid premium for land leases	**6,034**	6,022
Depreciation	**338**	233
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**4,793**	4,762
– retirement benefits scheme contributions	**140**	100
	4,933	4,862
Auditor's remuneration	**700**	946
Net foreign exchange loss	**309**	716
Operating lease charges on land and buildings	**874**	878

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

	2013			
	Directors' fees HK$'000	Basic salaries and other benefits HK$'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 (ceased on 15 April 2014)	180	–	–	180
Mr. Liu Chaodong	120	–	–	120
Ms. Chui Wai Hung	120	–	–	120
Non-executive directors				
Mr. Lim Francis (resigned on 1 April 2014)	300	–	–	300
Mr. Chen Mudong (resigned on 1 April 2014)	180	–	–	180
	2,040	780	45	2,865

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

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

	2012			
	Directors' fees HK$'000	Basic salaries and other benefits HK$'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	14	464
Ms. Kwok Siu Wa, Alison	60	390	14	464
Mr. Kwok Siu Bun	420	–	14	434
Independent non-executive directors				
Mr. Chow Chi-ping, David (ceased on 15 April 2014)	180	–	–	180
Mr. Liu Chaodong	120	–	–	120
Ms. Chui Wai Hung	120	–	–	120
Non-executive directors				
Mr. Lim Francis (resigned on 1 April 2014)	300	–	–	300
Mr. Chen Mudong (resigned on 1 April 2014)	180	–	–	180
	2,040	780	42	2,862

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 2013 and 2012.

During the years ended 31 December 2013 and 2012, 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 (2012: 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

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$40,038,000 (2012: HK$18,059,000) and the weighted average number of ordinary shares approximately of 2,521,993,000 (2012: 2,516,810,000) in issue during the year.

Diluted loss per share

No diluted loss per share for the year ended 31 December 2013 is presented as the effects of all convertible bonds are anti-dilutive for the year.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2012.

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.

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.

	Property development		Property investment		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Revenue						
External sales	**1,986**	9,036	**3,051**	3,070	**5,037**	12,106
Segment result	**(35)**	(11,834)	**2,283**	5,383	**2,248**	(6,451)
Interest income on bank deposits					**154**	248
Unallocated income and gains, net					**2,897**	6,482
Unallocated expenses					**(41,593)**	(15,482)
Loss from operations					**(36,294)**	(15,203)
Finance costs					**(10,052)**	(5,401)
Loss before tax					**(46,346)**	(20,604)
Income tax expense					**(103)**	(190)
Loss for the year					**(46,449)**	(20,794)

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 and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

14. SEGMENT REPORTING *(Continued)*

(b) Segment assets and liabilities

	Property development		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**218,112**	223,519	**47,000**	46,200	**265,112**	269,719
Unallocated assets					**26,639**	23,353
					291,751	293,072
Segment liabilities	**(1,346)**	(9,580)	**(4,124)**	(4,421)	**(5,470)**	(14,001)
Unallocated liabilities					**(73,043)**	(43,827)
					(78,513)	(57,828)

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, deposit paid for investment in a subsidiary, 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).

14. SEGMENT REPORTING *(Continued)*

(c) Other segment information

	Property development		Property investment		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Amortisation of prepaid premium for land leases	**6,034**	6,022	**–**	–	**6,034**	6,022
Reversal of impairment loss on loan receivables	**(47)**	(2,776)	**–**	–	**(47)**	(2,776)
Fair value loss/(gain) on investment properties	**–**	–	**637**	(2,313)	**637**	(2,313)
Impairment loss on completed properties held for sale	**–**	319	**–**	–	**–**	319
Unallocated:						
Depreciation	**–**	–	**–**	–	**338**	233
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	(5,966)
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	–	**–**	–	**(2,558)**	(515)
Net gain on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	(1)
Impairment loss on other receivables, deposits and prepayments	**–**	–	**–**	–	**–**	565
Capital expenditure	**–**	–	**–**	–	**–**	1,286

(d) Geographic information

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

14. SEGMENT REPORTING *(Continued)*

(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:

	2013	2012
	HK$'000	HK$'000
Customer A#	**635**	1,920

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

15. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2013 and 2012.

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 2012	151	2,011	512	1,429	4,103
Additions	–	56	–	1,230	1,286
Disposal of subsidiaries	–	–	–	(461)	(461)
Written-off	–	–	(26)	–	(26)
Exchange differences	1	4	2	2	9
At 31 December 2012 and 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	**169**	**2,095**	**488**	**2,554**	**5,306**
Accumulated depreciation:					
At 1 January 2012	25	1,871	377	1,429	3,702
Provided for the year	7	54	53	119	233
Eliminated on disposal of subsidiaries	–	–	–	(461)	(461)
Eliminated on written-off	–	–	(26)	–	(26)
Exchange differences	1	2	2	1	6
At 31 December 2012 and 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	**53**	**1,970**	**459**	**1,355**	**3,837**
Carrying amount:					
At 31 December 2013	**116**	**125**	**29**	**1,199**	**1,469**
At 31 December 2012	119	144	82	1,112	1,457

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

	The Company		
	Furniture, fixtures and office equipment	**Leasehold improvement**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
At 1 January 2012	4	26	30
Written-off	–	(26)	(26)
At 31 December 2012, 1 January 2013 and 31 December 2013	4	–	4
Accumulated depreciation:			
At 1 January 2012	2	26	28
Written-off	–	(26)	(26)
At 31 December 2012, 1 January 2013 and 31 December 2013	4	–	4
Carrying amount:			
At 31 December 2013	**–**	**–**	**–**
At 31 March 2012	–	–	–

17. INVESTMENT PROPERTIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Fair value		
At 1 January	**46,200**	70,080
Exchange differences	**1,437**	225
Fair value (loss)/gain on investment properties	**(637)**	2,313
Transfer to completed properties held for sale (Note 21)	**–**	(26,418)
At 31 December	**47,000**	46,200

The fair value of the Group's investment properties ("Properties") at 31 December 2013 and 2012 has been arrived at on the basis of a valuation carried out on that date by Messrs. Roma Appraisals Limited (2012: BMI 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:

	2013	2012
	HK$'000	HK$'000
Long term leases in PRC	**47,000**	46,200

18. PREPAID PREMIUM FOR LAND LEASES

	The Group	
	2013	2012
	HK$'000	HK$'000
Cost		
At 1 January	**209,799**	217,541
Transfer from/(to) completed properties held for sale (Note 21)	**9,236**	(7,846)
Exchange differences	**225**	104
At 31 December	**219,260**	209,799
Accumulated amortisation and impairment		
At 1 January	**41,619**	35,567
Charge for the year	**6,034**	6,022
Exchange differences	**12**	30
At 31 December	**47,665**	41,619
Carrying values		
At 31 December	**171,595**	168,180

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

	2013	2012
	HK$'000	HK$'000
Long term lease in PRC	**14,547**	5,148
Medium term lease in PRC	**157,048**	163,032
	171,595	168,180

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

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

(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$157,048,000 (2012: HK$163,032,000), represents the Group's 50% interest in a parcel of land in Shenzhen ("Shenzhen Land"). The Group will transfer its interest in the Shenzhen Land to Shenzhen Zongke Real Estate Co., Ltd. as part of capital contribution (Note 35(a)).

19. PROPERTIES UNDER DEVELOPMENT

	2013	2012
	HK$'000	HK$'000
Development and incidental costs	**43,534**	42,474
Less: Accumulated impairment (Note b)	**(30,069)**	(29,012)
Exchange differences	**4**	1
	13,469	13,463

The carrying amounts of properties under development are analysed below:

	2013	2012
	HK$'000	HK$'000
Property development project on its own	**13,469**	13,463

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

(b) At 31 December 2013, an accumulated impairment on properties under development of approximately HK$30,069,000 (2012: HK$29,012,000) represented the piling and foundation works for which, in the opinion of the Directors, it was no longer useful for contemporary building development.

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

	2013 **HK$'000**	2012 HK$'000
Unlisted shares, at cost	**159,056**	159,056
Amounts due from subsidiaries	**136,321**	134,539
Less: Accumulated impairment	**(51,536)**	(51,536)
	84,785	83,003
Amounts due to subsidiaries	**(16,582)**	(9,359)

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.

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

(Continued)

Details of the Group's subsidiaries as at 31 December 2013 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 2013	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
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

20. 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 2013	Principal activities
Indirectly held through subsidiaries: *(Continued)*				
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
Shenzhen Zongke Real Estate Co., Ltd.	PRC/PRC	RMB29,419,820 (2012: RMB21,419,820)	50%	Property development

20. 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	**Shenzhen Zongke Real Estate Co., Ltd.**	
	2013	2012
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC
% of ownership interests/voting rights held by NCI	**50%/50%**	50%/50%

	HK$'000	HK$'000
At 31 December:		
Non-current assets	**540**	276
Current assets	**18,316**	20,673
Current liabilities	**(91)**	(2)
Net assets	**18,765**	20,947
Accumulated NCI	**14,338**	10,341
Year ended 31 December:		
Revenue	**970**	1,346
Loss	**(12,821)**	(5,470)
Total comprehensive loss	**(12,355)**	(5,122)
Loss allocated to NCI	**(6,411)**	(2,735)
Dividends paid to NCI	**–**	–
Net cash used in operating activities	**(10,069)**	(13,548)
Net cash generated from investing activities	**331**	329
Net cash generated from financing activities	**10,175**	26,069
Net increase in cash and cash equivalents	**437**	12,850

21. COMPLETED PROPERTIES HELD FOR SALE

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**45,332**	12,174
Transfer from investment properties (Note 17)	**–**	26,418
Transfer (to)/from prepaid premium for land leases (Note 18)	**(9,236)**	7,846
Sale return for the year	**1,448**	4,308
Cost of properties sold recognised for the year	**(2,056)**	(5,451)
Exchange differences	**942**	37
At 31 December	**36,749**	45,332
Less: Impairments	**(3,381)**	(3,700)
	33,049	41,632

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

All of the completed properties held 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 2013, certain completed properties held for sale with the carrying amounts of approximately HK$17,846,000 which are not expected to be realised within the next twelve months.

22. LOAN RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Carrying value – secured	**2,971**	3,049
Less: Impairments	**(2,971)**	(2,928)
	–	121
Less: Current portion classified as current assets	**–**	(121)
	–	–

Loan receivables represent the interest-free loans provided by the Group to the purchasers of properties, which are repayable by installments as stipulated in the loan agreements. The loans are secured by the related properties. Pursuant to the terms of the sale and purchase agreements, upon default in installment payments by these purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All of the loan receivables are denominated in RMB.

The repayment terms of the loans are negotiated on an individual basis. The Directors consider that the carrying values of loan receivables approximate to their fair values.

22. LOAN RECEIVABLES *(Continued)*

(a) Accumulated impairment on loan receivables

The movement in the accumulated impairment on loan receivables during the year, is as follows:

	2013	2012
	HK$'000	HK$'000
At 1 January	**2,928**	5,675
Exchange differences	**90**	29
Reversal of impairment loss recognised	**(47)**	(2,776)
At 31 December	**2,971**	2,928

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of approximately HK$2,971,000 (2012: HK$2,928,000) which are past due at the end of the reporting period for which the Group has provided for impairment loss.

(b) The maturity profile of these loan receivables, net of impairment loss at the end of reporting period, is analysed by the remaining periods to their contractual maturity dates as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**–**	121

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**4,536**	3,562	**–**	–
Other deposit and prepayments	**662**	2,519	**373**	379
	5,198	6,081	**373**	379

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**639**	648	**373**	379
RMB	**4,539**	5,433	**–**	–
	5,198	6,081	**373**	379

24. AMOUNT(S) DUE FROM (TO) DIRECTOR(S)/A RELATED PARTY

Amount due from a director disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

Name	Terms	2013	2012	Maximum amount outstanding during the year
		HK$'000	HK$'000	HK$'000
Mr. Ma Xuemian (Chairman)	Unsecured, interest free and repayable on demand	860	2,227	2,271

At 31 December 2013 and 2012, amount(s) due from (to) director(s)/a related party are unsecured, interest free and repayable on demand.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**6,499**	2,937	**131**	181
Short-term time deposits	**7,147**	10,521	**–**	–
	13,646	13,458	**131**	181
Less: Restricted cash	**–**	(123)	**–**	–
Cash and cash equivalents	**13,646**	13,335	**131**	181

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

(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. The carrying amounts of bank balances and cash and restricted cash approximate their fair values.

(b) Included in bank balances of the Group is approximately HK$13,349,000 (2012: HK$13,068,000) of bank balances denominated in RMB dollars placed with banks in PRC.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to building contractors	**1,103**	1,069	**–**	–
Accrued salaries and other operating expenses	**10,766**	9,814	**6,420**	2,450
Accrued interest expense	**180**	506	**180**	506
Deposits received from the sale of properties	**4,131**	1,840	**–**	–
Rental deposits received from investment properties	**528**	422	**–**	–
Amounts payable on return of properties	**6,848**	6,528	**–**	–
Provision	**–**	995	**–**	995
Other payables	**4,150**	3,005	**–**	3
	27,706	24,179	**6,600**	3,954

26. TRADE AND OTHER PAYABLES *(Continued)*

An ageing 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Over 360 days past due	**1,103**	1,069	**–**	–

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**6,607**	5,442	**6,600**	3,954
RMB	**21,099**	18,737	**–**	–
	27,706	24,179	**6,600**	3,954

The movements in the provision during the year are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**995**	2,310	**995**	1,809
Payment during the year	**(995)**	(1,315)	**(995)**	(814)
At 31 December	**–**	995	**–**	995

27. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from independent third parties payable within 1 year or on demand				
– secured	**9,473**	25,543	**3,749**	25,543

At 31 December 2012, a loan with principal amount of RMB20,500,000 (equivalent to approximately HK$25,543,000) from an independent third party is secured by the shares of the Group's wholly owned subsidiary, Grand Field Group Limited ("Share Charge"). Interest is charged at 25% per annum and repayable within 1 year from the draw down date. The loan has been drawn down by the Group in three installments in February 2012, March 2012 and May 2012, respectively. In the event of a supplemental agreement signed between the Company and the independent third party on 22 February 2013 for an extension of the repayment date of the loan to 27 November 2013. An additional interest of 5% per annum has been charged from the draw down dates. The terms and conditions of the supplemental agreement as disclosed in the announcement on 22 February 2013. The overdue loan and overdue interest have been fully repaid by issue of the convertible bonds during the year ended 31 December 2013.

At 31 December 2013, another loan with principal amount of RMB4,500,000 (equivalent to approximately HK$5,724,000) from an independent third party is secured by the completed properties held for sale of the Group's wholly-owned subsidiary. Interest is charged at 1.5% per month and repayable within 1 year from the drawdown date.

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 3% and 2.5% per month respectively.

All of interest-bearing borrowings are denominated in RMB.

The borrowings bear interest at fixed rates ranging from 18% to 36% per annum (2012: 25%).

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**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**185**	185	**162**	154
After 1 year but within 2 years	**185**	185	**170**	162
After 2 years but within 5 years	**247**	432	**239**	409
	617	802	**571**	725
Less: future finance charges	**(46)**	(77)	**N/A**	N/A
Present value of lease obligation	**571**	725	**571**	725
Less: amount due for settlement within 12 months (shown under current liabilities)			**(162)**	(154)
Amount due for settlement after 12 months			**409**	571

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$.

29. CONVERTIBLE BONDS

The convertible loan were issued on 7 October 2013. The loan notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. The loan notes were convertible into 192,664,762 shares of the Company at HK$0.156 per shares, details are further described in the Company's announcements on 2 September 2013.

The net proceed received from the issue of the Bonds 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 Bonds 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
Derivative component at date of issue	8,961
Fair value loss for the year	(3,941)
Derivative component at 31 December 2013	5,020

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

29. CONVERTIBLE BONDS *(Continued)*

The fair values of the liability component of the convertible bonds at 7 October 2013 (date of issue) and 31 December 2013 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 2013	**Date of issue**
Weighted average share price	0.125	0.135
Weighted average exercise price	0.156	0.156
Expected volatility	39.82%	40.02%
Expected life	2.77 Years	3.00 Years
Risk free rate	0.58%	0.55%
Expected dividend yield	0%	Nil

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	
	2013	2012
	HK$'000	HK$'000
At 1 January	**3,999**	3,979
Exchange differences	**125**	20
At 31 December	**4,124**	3,999

30. DEFERRED TAX LIABILITIES *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$37,712,000 (2012: HK$40,297,000) 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 2014 to 2018 (2012: 2013 to 2017).

31. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 1 January 2012, 31 December 2012 and 2013	5,000,000	100,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 1 January 2013	2,516,810	50,336
Issue of shares for professional fee (Note 33)	21,258	425
At 31 December 2013	2,538,068	50,761

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. MAJOR NON-CASH TRANSACTIONS

On 7 October 2013, the convertible bonds is issued to settle the interest bearing borrowings and the interest accrued in the sum of RMB23,927,345 (equivalent to approximately HK$30,055,703) which comprises principal of RMB20,500,000 (equivalent to approximately HK$25,750,534) and accrued interests of RMB3,427,345 (equivalent to approximately HK$4,305,169).

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 3 September 2013, the Company issued and allotted 21,258,278 Remuneration Shares as to (i) 10,000,000 Shares to Chanceton Capital; and (ii) 11,258,278 Shares to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors. The premium on the issue of shares amounting to approximately HK$2,338,000 was credited to the Company's share premium account.

34. LITIGATIONS AND CONTINGENT LIABILITIES

(i) On 6 June 2008, the Company was served with 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 seeks 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 with costs of the application in respect of the Amended Originating Summons be deferred with liberty to apply.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) Pursuant to statutory leave granted under High Court Miscellaneous Proceedings No. 1059 of 2008, Tsang suing 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 ("Yuan Cheng"), which was set up as wholly owned subsidiary of Grand Field Group Limited ("GF Group"), despite questions having been raised specifically over the legality of the formation of Yuan Cheng. GF Group 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.

(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 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 and Dongguan City Min Tai Industry and Investment Limited, which involve an up-front payment of RMB8,000,000 by Yuan Cheng.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

(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 ("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 ("GF Property Development (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, GF Property Development (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 from April to June 2008.

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.

By reason of the aforesaid, Tsang suing in the name of the Company claims:

(a) damages or equitable compensation in the sum of HK$50,000,000;

(b) an account of all benefits, payments or profits received as a result of the breaches of fiduciary duties by the 8 then directors;

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

(c) a declaration that the Remittance Resolutions, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions passed as board resolutions of the Company were not made bona fide in the interest of the Company;

(d) an order that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions be set aside; further or alternatively, a declaration that the aforesaid resolutions are invalid, null and void and of no legal effect;

(e) restitution of payment received directly or indirectly by the 8 then directors, or any of them, in breach of their duties;

(f) an injunction against the 8 then directors restraining each of them from continuing as the Company's director and/or exercising the powers as directors;

(g) interest;

(h) cost; and

(i) further and/or other relief.

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.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

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.

As for the Action against Chu, Huang and Wong, the final submission of the Action was made on 6 September 2012 and completed the hearing on 24 October 2012. However, no judgment of the Action has been pronounced or handed down as of the reporting date. The 8 then directors have already resigned as directors of the Company. They did not remain with the Company and/or have no relationship with the management of the Company. In the opinion of the Directors, the Amended Originating Summons and Action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the Originating Summons and Action on the Group until judgment of the Action is pronounced or handed down.

Regarding the above Action, the Company has received a legal letter from the lawyer for Tsang, in relation to an indemnity claim of legal costs incurred by the counterparty in the Action. As no judgment of the Action has been pronounced or handed down by the High Court up to Latest Practicable Date, the potential indemnity claim from Tsang has not been determined by the Court. As such the possibility of this claim is remote until the Court's order is finalised as the Directors therefore consider that the Company should not make any provision for this reimbursement.

Pursuant to the leave granted by High Court on 23rd August, 2013, the Company has instituted an originating summons under High Court Miscellaneous Proceedings No. H.C.M.P. No. 2174/2013 against Huang Binghuang and/or Li Yi for contempt of court as a result of their alleged breach of the Injunction orders grated. This origination summons has yet to be tried.

In the opinion of the Directors, the above action and proceedings have no material impact on the operations of the Group since neither does Huang Binghuang nor Li Yi hold any office in the Group. The Directors cannot reliably measure the financial impact of these proceedings.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(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$5,114,000). 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$2,336,000). 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. Legal proceedings between Shing Fat Hong and the tenant are still ongoing.

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

(iv) According to the PRC Provisional Regulations on Land Appreciation Tax ("LAT") – 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 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, GF Property Development (Shenzhen), and started the sales since the late of 1990s. All of the units in Telford Garden I & II had been sold.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(iv) *(Continued)*

Under a notice issued on 6 September 2010 by Shenzhen Longgang Local Taxation Bureau（深圳市龍崗區地方稅務局）(the "Notice") on LAT to GF Property Development (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. The Group had paid LAT in accordance with the Notice for Telford Garden I & II, which has been sold.

However, GF Property Development (Shenzhen) did not conduct the LAT clearance with the tax authorities, the Directors have consulted with an independent legal advisor and concluded that the possibility of the LAT on Telford Garden I & II be imposed by the tax authorities is low.

The Group will seek opinion from the legal advisor or professional tax advisor, or will communicate with the local tax authorities in Shenzhen to confirm the current position of the LAT liabilities on Telford Garden I & II and its impact. Should any additional LAT be further imposed on Telford Garden I & II by the tax authorities in Shenzhen, there would be an additional LAT payable. This provision for the LAT has not yet been provided for in the financial statements for the year ended 31 December 2013.

(v) In December 2012, the Company was served with an originating summons instituted by Hongkong Zhongxing Group Co., Limited ("HKZX") as plaintiff and the Company as defendant under High Court Miscellaneous Proceedings No. H.C.M.P. 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.

The Company has instructed its solicitors and counsel to oppose the plaintiff's application and the date of trial of this originating summons has been fixed to be heard on 8 October 2014 and 9 October 2014. Since Tsangs have resigned from the Company and have given undertakings not to be involved in the management of the Company, in the opinion of the Directors, the said originating summons will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the said originating summons until the delivery of result of the said originating summons and the judgment of the intended action instituted by the plaintiff, if leave is granted as claimed.

34. 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 Property Development (Shenzhen) (2nd Defendant), SZ Computer (3rd Defendant) and Guangdong Province Hongling Group Company Limited (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 heard by Longgang Court on 27th February, 2014 and judgment was delivered on 19th March, 2014 in which all the HKZX's claim(s) was dismissed.

Having sought legal advice from the respective PRC and Hong Kong Legal representatives of the Company, the Company will take all necessary steps against HKZX to protect its interest in Shenzhen Land and, if so advised, commence the process of the injection of its interest in Shenzhen Land into Shenzhen Zongke Real Estate Co., Ltd., as defined in the Note 35 to the financial statement.

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

(vii) Upon routine check, the Company discovered that there being an outstanding High Court Action No.HCA 2471/2008 instituted in 2008 by the Company as Plaintiff against its former executive directors and current substantial shareholders Mr. Tsang Wai Lun Wayland and Madam Kwok Wai Man Nancy as 1st and 2nd Defendants, Sino Richest Limited, Worldgate Developments Limited, Logistic China Enterprises Limited, Chintex Gas Company Limited and Wong Chi Keung Ivan as 3rd – 7th Defendants for damages in relation to the alleged breach of trust and/or duties owed to the Company by Mr. Tsang and Ms. Kwok as then executive directors of the Company with the assistance of other defendants in dealing with a Chongqing Joint Venture agreement in 2002. This action has stood idle after an order was made on 23rd October, 2009 regarding costs awarded in favour of the said Worldgate Developments Limited and Logistic China Enterprises Limited against the Company arising from the application for an injunction order against the said Worldgate Developments Limited and Logistic China Enterprises Limited.

Since all outstanding costs orders have been settled, there is no imminent financial impact upon the Company at this stage.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(viii) 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. 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.

(ix) 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. initiated proceedings against, among others, four companies, namely GF Property Development (Shenzhen), Hong Kong Grand Field Group Limited, Shenzhen City Liangzi Jingshun Investment Management Co., Ltd., and Huilai County Haoyuan Industrial Co., Ltd.. The hearing time of such case is not yet confirmed and the Directors are unable to assess the impact on the financial position and operations of the Group relating to such case.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(x) 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. 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 Property 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 no judgement has been made so far. Legal proceedings of the case are still ongoing.

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

(xi) 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 Property Development (Shenzhen) as 1st defendant, GF Group as 2nd defendant and Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. 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 Group denies SZ Computer's allegation(s) and, based on the information and documents in the possession of the Group, the Directors aver that GF Group had in 2008 upon the requests and directions of the said 3rd defendant re-paid in Hong Kong to the said 3rd defendant's nominee HKZX a sum of HK$5,484,000 (equivalent to RMB5,000,000) (hereinafter in this paragraph xi referred to as the "Re-paid Sum") as repayment of all debt(s) previously owed to the said 3rd defendant by GF Group.

The Group has instructed its PRC legal adviser to protect the interest of the Group and Shareholders as a whole and if so advised, file its defence with the Court to contest SZ Computer's claim(s).

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(xi) *(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. The Hong Kong Writ of Summons had been served upon HKZX whose defence, if any, has yet to be filed and served.

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.

35. COMMITMENTS

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

	2013 **HK$'000**	2012 HK$'000
Contracted but not provided for:		
Capital contribution to a PRC company (Note)	**272,700**	264,420

Note: On 24 January 2011, the Group entered into an agreement with Shenzhen Grand Field Computer Software Development Company Limited ("SZ Computer") and Guangdong Province Hongling Group Company Limited. Pursuant to the agreement, a PRC company, Shenzhen Zongke Real Estate Co., Ltd. ("Shenzhen Zongke") would be formed to develop a parcel of land located at Buji Shenzhen covering an area of approximately 25,502 square metres ("Shenzhen Land") and is owned as to 50% by the Group. Pursuant to the said agreement, Shenzhen Zongke was incorporated on 30 March 2011. The registered capital of Shenzhen Zongke is RMB450,240,000 (equivalent to approximately HK$552,442,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to approximately HK$276,221,000), representing 50% of the registered capital of Shenzhen Zongke.

On 11 June 2012, Shenzhen Zongke 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 Shenzhen Zongke.

On 6 June 2012 and 23 July 2012, the Group had made further cash capital injections of approximately RMB5,006,000 and RMB5,034,000 to Shenzhen Zongke, respectively. In accordance with the Memorandum and Association of Shenzhen Zongke and a supplementary agreement entered between the Group and SZ Computer and Guangdong Province Hongling Group Company Limited, the Group shall appoint two out of the three of the directors forming the board of directors of Shenzhen Zongke. In view of the above, the Directors determined that the Group has obtained the control effectively by controlling the majority of the board of Shenzhen Zongke and holds 50% of the shareholding of Shenzhen Zongke. Hence, Shenzhen Zongke become a subsidiary of the Group thereafter.

At 31 December 2012 and 2013, the Group has contributed cash portion of approximately RMB10,715,000 (equivalents to approximately HK$13,167,000) to Shenzhen Zongke.

35. COMMITMENTS *(Continued)*

(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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**533**	846
In the second to fifth years inclusive	**–**	524
	533	1,370

The Group leases two office premises under operating leases. The leases typically run for an initial period of 3 years (2012: 3 years), at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

(c) As lessor

Property rental income earned during the year was approximately HK$3,051,000 (2012: HK$3,070,000).

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**1,477**	1,376
In the second to fifth years inclusive	**1,470**	1,957
	2,947	3,333

35. COMMITMENTS *(Continued)*

(c) As lessor *(Continued)*

The Group leases its investment properties (Note 17) under operating lease arrangements which run for an initial period of one to seven years (2012: 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% (2012: 2.1%) on an ongoing basis.

36. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

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

(b) Transactions with other related parties

The Group did not have any related party transactions during the year.

During the year ended 31 December 2013, no consultancy fee was paid to Grand Field Resources Company Limited ("Grand Field Resources") (2012: HK$1,080,000). Mr. Tsang Wai Lun, Wayland ("Mr. Tsang") and Ms. Kwok Wai Man, Nancy are shareholders of Grand Field Resources, substantial shareholders and former directors of the Company. Mr. Tsang is also a director of Grand Field Resources.

During the year ended 31 December 2013, the board of directors of the Company considered that as Grand Field Resources has stopped providing consultancy service to the Company since 7 December 2012, the consultancy fees for the period from 7 December 2012 to 31 December 2012, which was agreed between the Company and Grand Field Resources to be HK$80,100, should therefore be revised. The consultancy agreement and the supplemental agreement were terminated on 7 December 2012. Moreover, Grand Field Resources has also agreed to waive the outstanding HK$44,000 consultancy fee payable resulted from consultancy service in 2011. As such, the Company has recognized the total amount of HK$124,100 as other revenue during the year ended 31 December 2013 (2012: Nil).

37. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	261,949	–	140,281	(262,059)	140,171
Profit and total comprehensive income for the year	–	–	–	10,016	10,016
At 31 December 2012 and 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 bonds	–	7,859	–	–	7,859
At 31 December 2013	264,287	7,859	140,281	(277,041)	135,277

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 bonds issued by the Group which is the difference between the gross proceeds of the issue of the convertible bonds 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.

37. RESERVES

Note: *(Continued)*

(a) Nature and purpose of reserves *(Continued)*

(iii) 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.

(iv) 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 special dividend distribution to owners of the Company.

38. 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.

38. 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 2013 and 2012 was as follows:

	2013	2012
Total liabilities	**78,513**	57,828
Less: Cash and cash equivalents	**(13,646)**	(13,335)
Net debt	**64,867**	44,493
Total equity attributable to owners of the Company and adjusted capital	**198,900**	224,903
Gearing ratio	**32%**	20%

39. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2014, The Company proposed to raise not less than approximately HK$50,761,000 before expenses by issuing not less than 1,269,034,139 Offer Shares to Qualifying Shareholders on the basis of one Offer Share for every two existing Shares held on the Record Date. All relevant procedures of issuing of Offer Shares had been completed before the report date. Detail information please refer to announcements published on 17 January and 7 March 2014 respectively.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

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 2013.

CONSOLIDATED RESULTS

	For the years ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,037**	12,106	5,618	4,058	4,623
Loss before tax	**(46,346)**	(20,604)	(7,611)	(26,145)	(56,364)
Income tax	**(103)**	(190)	(3,952)	2,346	849
Loss for the year	**(46,449)**	(20,794)	(11,563)	(23,799)	(55,515)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**291,751**	293,072	280,578	270,875	294,207
Total liabilities	**(78,513)**	(57,828)	(33,616)	(26,289)	(31,930)
Net assets	**213,238**	235,244	246,962	244,586	262,277