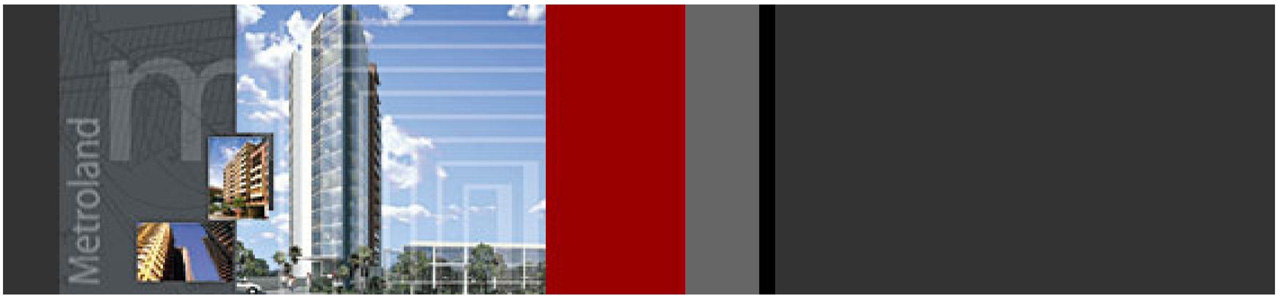
METROLAND AUSTRALIA LIMITED

ABN 81 009 138 149



Annual Financial Report

for the year ended 30 June 2014

CONTENTS

COMPANY INFORMATION

Directors
Xuejun He (Chairman)
Da Cheng Zhang (Non-Executive Director)
Shuqing Wang (Non-Executive Director)
Xiaofeng Wang (Non-Executive Director)
Zuwen Yuan (Non-Executive Director)

Company Secretary
Shirley Yang

Registered Office
Unit 801, 370 Pitt Street
SYDNEY NSW 2000
Telephone: 042 2919925

Share Registry
Gould Ralph Pty Limited
Level 29, 259 George Street
SYDNEY NSW 2000
Telephone: (02) 9032 3000
Facsimilie: (02) 9251 1275

Bankers
Australia and New Zealand Banking Group Limited
Chinatown Branch
665-669 George Street
HAYMARKET NSW 2000

Solicitors
DLA Piper Australia
201 Elizabeth Street
SYDNEY NSW 2000

MJF Legal Pty Limited
Level 8, 65 York Street
SYDNEY NSW 2000

Auditors
Gould Ralph Assurance
Level 29, 259 George Street
SYDNEY NSW 2000

The directors present their report together with the financial statements of Metroland Australia Limited and its controlled entities for the year ended 30 June 2014 and the independent audit report thereon.

DIRECTORS

The names and details of the company's directors in office during the year and until the date of this report are as follows:

Frank Shien (Chairman and Chief Executive Officer) Aged 62
BA (Lon)

Mr Shien has extensive construction and property development experience and has business associates in Indonesia, Malaysia, Hong Kong and China. Mr Shien is a director of a number of property companies and during the last 17 years has been successfully developing commercial and residential property in Sydney.

Director since 1997. Resigned on 11 September 2014.

Da Cheng Zhang (Independent Non-Executive Director) Aged 60

Mr Zhang is of Chinese nationality. He is president of the HIT Group, which has two companies listed on the China Stock Exchange, one in Shanghai and the other in Shenzhen. Mr Zhang is also the vice-principal of the Harbin Institute of Technology in Harbin, PRC.

Director since 2000.

Shuqing Wang (Independent Non-Executive Director) Aged 61

Mr Wang has 15 years experience in property development in China. He is involved in several property related companies in Shanghai, China, including Shanghai Forest Manor Real Estate Development Co., Ltd and Shanghai Manor Assets Management Co., Ltd. Mr Wang has extensive experience in real estate development; hotel and property management and in engineering.

Director since 2009.

Michael Wong (Independent Non-Executive Director) Aged 55
B.Econ, CA

Michael has an economics degree from Sydney University and qualified as a chartered accountant with Coopers & Lybrand. He has been an investment banker for over 28 years working for some of the world's premier investment banks such as Bain & Co (now Deutsche Bank), CIBC Wood Gundy, Standard Chartered and Merill Lynch. Michael specialises in merger and acquisitions and raising equity. In 1999, he established his own boutique investment bank, Southland Group of Companies, specialising in the small to medium cap listed companies and large private enterprises.

Appointed 29 January 2013. Resigned on 11 September 2014.

Damian Bernard McAdam (Independent Non-Executive Director) Aged 57
B.Bus (Accounting), B Bus (Business Research), FCA, ACIS

Damian has been in private practice as a chartered accountant since 1988. Damian was previously a partner at Bruce J McAdam & Partners before branching out to establish his own firm with a substantial business network in Australia and South East Asia.

Appointed 18 March 2013. Resigned on 11 September 2014.

Xuejun He (Executive Director) Aged 43 – appointed 11 September 2014

XueJun He holds a Master of Business Management degree. He was a director of China Sport Travel Service from 2004 to 2010. He was appointed general manager of China Travel Service (AUS) Pty Ltd since 2010.

Yicheng Zhang (Independent Non-Executive Director) Aged 27 – appointed 11 September 2014

Yicheng graduated from University of Technology, Sydney, with a major in Business & IT. He has been investments manager with Zeus Resources for 2 years. He has also been appointed general manager for Heng Ji Australia Investment, and has worked as a project developer for listed company VDM Limited.

Zuwen Yuan (Independent Non-Executive Director) Aged 48 – appointed 11 September 2014. Resigned 9 January 2015

Zuwen Yuan is a director of ABC World Pty Ltd, a company involved in multi-industrial developments, including immigration, travelling, education, trading and property investment and media.

Xiaofeng Wang (Independent Non-Executive Director) Aged 55 – appointed 11 September 2014

XiaoFeng Wang is a graduate of the Beijing Institute of Aeronautics. From 1995-2003, he was the marketing manager of Sino Mining, and currently he is the general manager of Alibaba Agriculture Australia Limited.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Mr Frank Shien, who was also Chairman of the Board of Directors and Chief Executive Officer resigned on 11 September 2014. Ms Shirley Yang was appointed Company Secretary on 11 September 2014.

PRINCIPAL ACTIVITIES

The consolidated entity was not actively engaged in any business activity during the financial year.

CONSOLIDATED RESULTS

The consolidated loss after income tax attributable to members of Metroland Australia Limited was $213,925 (2013: profit of $2,235,245).

REVIEW OF OPERATIONS

The consolidated entity was not engaged in any significant business operations during the financial year. The Company remains listed on the Exchange, but its share trading is suspended until such time when it is re-capitalised and conducting a business.
The Board is now actively negotiating with a number of investors for the re-capitalisation and it is anticipated that the re-capitalisation will happen in the very near future. Being a property company, it is looking at a number of development opportunities where it is hoped that when re-capitalisation happens, it will carry out those developments.

Review of Financial Condition

FINANCIAL HIGHLIGHTS

RESULTS	2014	2013	2012	2011	2010
	$'000	$'000	$'000	$'000	$'000
Revenue from sale of property & construction services	-	-	-	144	1,683
Rental and management revenue	-	522	3,811	5,583	6,495
Other revenue	124	99	284	365	50
Group Turnover	124	621	4,095	6,092	8,228
Net profit /(loss)after tax and minority interests	(214)	2,235	(11,049)	(1,087)	(11,956)
Total assets	36	63	9,588	56,962	76,923
Total liabilities	419	233	12,092	48,417	67,291
Contributed equity	15,213	15,213	15,113	15,113	15,113
Retained profit/(losses)	(15,596)	(15,382)	(17,617)	(6,568)	(5,481)
Minority interests	-	-	-	-	-
Total equity	(383)	(169)	(2,504)	8,545	9,632
Dividend paid	-	-	-	-	-
Income tax expense/(benefit)	-	26	710	(313)	(1,182)
PER SHARE					
Earning (cents)	(0.15)	1.8	(8.7)	(0.86)	(9.5)
Dividend (cents) -fully franked	-	-	-	-	-
Net tangible assets per share (cents)	(0.27)	(0.12)	(2.0)	6.0	7.6

STATISTICS					
Return on equity	-	-	-	(12.7%)	(123%)
Net tangible assets per share (cents)	(0.27)	(0.12)	(2.0)	6.0	7.6
Number of shareholders	614	614	615	644	666
Employees	1	3	9	16	16
Group turnover per employee	124,000	207,000	455,000	380,750	514,285
SHARE PRICE (cents)					
Last sale	-	-	0.7	2.0	3.5
High for year	-	-	2.0	5.0	5.5
Low for year	-	-	0.5	1.8	3.5

DIVIDENDS

There were no dividends paid or declared by the company to members since the end of the previous financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:-

The consolidated entity did not operate during the financial year. Total assets decreased by $29,465, due mainly to the recovery of GST paid of $18,000. Total liabilities increased by $186,460 due to an increase in unsecured and interest-free loans from entities related to director, Frank Shien of $173,000, to provide working capital for the Company when required.

The Company continues to be suspended from ASX trading, pending the Directors' eventual successful re-capitalisation of the Company with new investment opportunities.

EVENTS SUBSEQUENT TO REPORTING DATE

(a) The appeal on the action brought by Austino Wentworthville Pty Limited (Austino) against the administrator and Metroland Australia Limited ("MTD") was heard in the Court of Appeal on 5 March 2013, at which Austino's appeal was dismissed and the appellant (Austino) ordered to pay the respondents' (MTD and administrator) costs. An application of costs was filed in the Supreme Court of New South Wales on 14 January 2014. In July 2014, Austino settled the payment of MTD's costs at an agreed sum of $112,883, and the application of costs filed in the Supreme Court of New South Wales was withdrawn.

Apart from the issues discussed above, no other matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity plans to raise equity funding to pursue new property investment opportunities during the next financial year.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the company.

MEETINGS OF DIRECTORS

The number of directors' meetings, including meetings of committees of directors and number of meetings attended by each of the directors of the company during the financial year were:

Director	Board Meetings	
	Held	Attended
Mr F Shien	2	2
Mr D C Zhang	2	2
Mr S Wang	2	-
Mr M Wong	2	2
Mr D McAdam	2	-

AUDIT COMMITTEE

Due to the limitation of size, the Directors have not constituted a separate Audit Committee.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation in relation to its property development activities. The directors are not aware of any significant breaches during the period covered by this report.

REMUNERATION REPORT (AUDITED)

As provided by the Constitution of the company, the remuneration of directors is determined by shareholders. The broad remuneration policy is to ensure the remuneration package properly reflects the directors and senior executives' duties and responsibilities and level of performance.

There are currently no performance-based or equity-based remuneration to directors and senior executives based on the performance of the consolidated entity.

Details of the nature and amount of each major element of the emoluments of each director of the company and each of the key management personnel of the consolidated entity are as follows:-

	Short-term benefits **Base Remuneration (salary & fees) $**		***Post-employment benefits*** **Superannuation Contributions $**		**Total Remuneration $**	
	2014 $	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Directors						
Executive						
Frank Shien	15,974	29,375	-	-	15,974	29,375
Non-executive						
Michael Wong	5,000	-	-	-	5,000	-
John Wardman – resigned August 2012	-	1,820	-	180	-	2,000
Da Cheng Zhang	-	-	-	-	-	-
Shuqing Wang	-	-	-	-	-	-
Damian McAdam	-	-				
Wei Li – resigned December 2012	-	37,587	-	413	-	38,000
Executive Officers (excluding directors)						
Anthony Maroon – until 31/8/2012	-	27,500	-	2,475	-	29,975
Xavier Chen – until 31/8/2012	-	13,335	-	1,200	-	14,535
	20,974	109,617	-	4,268	20,974	113,885

Equity Instruments

Equity holding and transactions
The movement during the reporting period in the number of ordinary shares of Metroland Australia Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally related entities is as follows:-

	Held at 1 July 2013	Purchases	Sales	Held at 30 June 2014
Specified directors				
Frank Shien (resigned 11 Sept 2014)	8,711,087	-	-	8,711,087
Da Cheng Zhang	9,600,000	-	-	9,600,000
Shuqiang Wang	1,500,000	-	-	1,500,000
Michael Wong (resigned 11 Sept 2014)	-	-	-	-
Damian McAdam (resigned 11 Sept 2014)	-	-	-	-
	19,811,087	-	-	19,811,087

SHARE OPTIONS

Unissued shares under Option
At the date of this report, there are no unissued ordinary shares of the company under option.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares of the company, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:-

	Ordinary Shares	Options over Ordinary Shares
Specified directors		
Da Cheng Zhang	9,600,000	-
Shuqiang Wang	1,500,000	-
Xiaofeng Wang (appointed 11 Sept 2014)	-	-
Zuwen Yuan (appointed 11 Sept 2014)	-	-
Yicheng Zhang (appointed 11 Sept 2014)	-	-
Xuejun He (appointed 11 Sept 2014)	-	-
	11,100,000	-

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Since the end of the previous financial year, Metroland Australia Limited did not hold insurance for the directors and officers of the company and its controlled entities.

No indemnities have been given for the auditor of the company during or since the end of the financial year.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings.

NON-AUDIT SERVICES

During the year an associate of Gould Ralph Assurance, the company's auditor, performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those services by the auditor is compatible with, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the reason that the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 follows the Directors' Report, at page 9.

Details of the amounts paid to the auditor of the company, Gould Ralph Assurance and associated entities for non-audit services provided during the year are set out below.

	Consolidated	
	2014	**2013**
	$	**$**
Services other than statutory audit		
Other services:		
- Share registry	**11,800**	**10,957**

Signed in accordance with a resolution of the directors.
Dated at Sydney this 27th day of February 2015.

Xuejun He
Director

GouldRalph
ASSURANCE

Chartered Accountants
ABN 74 632 161 298
Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
Australia
T: +61 2 9032 3000
F: +61 2 9251 1275
E: mail@gouldralph.com.au
W: www.gouldralph.com.au

27 February 2015

The Board of Directors
Metroland Australia Limited
Unit 801, 370 Pitt Street
SYDNEY NSW 2000

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the audit of Metroland Australia Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- the code of professional conduct in relation to the audit.

This declaration is in respect of Metroland Australia Limited and any entities it controlled during the year.

GOULD RALPH ASSURANCE
Chartered Accountants

MALCOLM BEARD M.Com., F.C.A.
Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Continuing Operations:			
Revenue:			
Other revenues	2	**123,556**	2,054
Total Revenue	2	**123,556**	2,054
Borrowing costs	3(b)	**-**	(899)
Directors fees		**(20,974)**	(62,375)
Professional and consultancy fees		**(128,068)**	(73,047)
Loss on disposal of fixed assets		**-**	(4,063)
Gain on liabilities forgiven		**5,307**	-
Administration and operating		**(193,746)**	(55,780)
(Loss) from continuing operations before income tax		**(213,925)**	(194,110)
Income tax (expense)/benefit	4(a)	**-**	-
Profit/(Loss) from continuing operations		**(213,925)**	(194,110)
Discontinued Operations:			
Profit/(loss) from discontinued operations	7	**-**	2,480,170
Income tax expense		**-**	(24,788)
Profit/(loss) from discontinued operations		**-**	2,455,382
Profit/(loss) for the year		**(213,925)**	2,261,272
Other comprehensive income		**-**	-
Comprehensive profit/(loss) for the year		**(213,925)**	2,261,272
Total comprehensive profit/(loss) attributable to:			
Owners of the company		**(213,925)**	2,235,245
Non-controlling interest		**-**	26,027
Total comprehensive profit/(loss) for the year		**(213,925)**	2,261,272
Earnings per share attributable to the ordinary equity holders of the company:			
From continuing and discontinued operations:			
Basic earnings/(loss) per share	5	**(0.15)cents**	1.75cents
Diluted earnings/(loss) per share	5	**(0.15)cents**	1.75cents
From continuing operations:			
Basic earnings/(loss) per share		**(0.15)cents**	(0.15)cents
Diluted earnings/(loss) per share		**(0.15)cents**	(0.15)cents
From discontinued operations:			
Basic earnings/(loss) per share		**-**	1.90cents

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**515**	1,343
Trade and other receivables	10	**15,273**	33,214
Other current assets	11	**-**	2,375
Total Current Assets		**15,788**	36,932
NON-CURRENT ASSETS			
Property, plant & equipment	12	**20,149**	26,470
Total Non-Current Assets		**20,149**	26,470
TOTAL ASSETS		**35,937**	63,402
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**138,996**	125,784
Financial liabilities	14	**280,201**	106,953
Total Current Liabilities		**419,197**	232,737
TOTAL LIABILITIES		**419,197**	232,737
NET ASSETS (DEFICIENCY)		**(383,260)**	(169,335)
EQUITY			
Contributed equity	16	**15,212,773**	15,212,773
Accumulated losses		**(15,596,033)**	(15,382,108)
Minority equity interests		**-**	-
TOTAL EQUITY (DEFICIENCY)		**(383,260)**	(169,335)

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity $	Accumulated Losses $	Minority equity interests $	Total equity (deficiency) $
Balance at 1 July 2012	**15,112,773**	**(17,617,353)**	**-**	**(2,504,580)**
Comprehensive income for the year				
Profit/(loss) for the year	-	2,235,245	26,027	2,261,272
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	**2,235,245**	**26,027**	**2,261,272**
Transactions with owners in their capacity as owners:-				
Issue of shares	100,000	-	-	100,000
Dividends paid to equity-holders	-	-	(26,027)	(26,027)
Balance at 30 June 2013	**15,212,773**	**(15,382,108)**	**-**	**(169,335)**
Balance at 1 July 2013	**15,212,773**	**(15,382,108)**	**-**	**(169,335)**
Comprehensive income for the year				
Profit/(loss) for the year	-	(213,925)	-	(213,925)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	**(213,925)**	**-**	**(213,925)**
Transactions with owners in their capacity as owners:-				
Dividends paid to equity-holders	-	-	-	-
Balance at 30 June 2014	**15,212,773**	**(15,596,033)**	**-**	**(383,260)**

The accompanying notes form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		**123,550**	633,717
Cash payments in the course of operations		**(300,824)**	(1,341,428)
Interest received		**6**	2,054
Borrowing costs paid		**-**	(128,022)
Income taxes (paid)		**-**	(25,903)
Net cash (used in) operating activities	8(a)	**(177,268)**	(859,582)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale/(purchase) of property, plant and equipment		**-**	(4,062)
Proceeds from sale of investment		**-**	669,980
Net cash provided by/(used in) investing activities		**-**	665,918
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans (to)/from related entities		**168,011**	71,509
Repayment of borrowings		**(3,000)**	(146,195)
Dividends paid		**-**	(35,382)
Proceeds from issue of shares		**-**	100,000
Net cash provided by financing activities		**165,011**	(10,068)
Net increase/(decrease) in cash held		**(12,257)**	(203,732)
Cash at beginning of the financial year		**(7,946)**	195,786
Cash at the end of the financial year	8(b)	**(20,203)**	(7,946)

The accompanying notes form part of these Financial Statements.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

Reporting Basis and Conventions

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Accounting Standards.

The consolidated financial statements of the company comprise the parent entity, Metroland Australia Limited and its controlled entities, and interests in associates and joint ventures. Metroland Australia Limited is a listed (but currently suspended) public company, incorporated and domiciled in Australia.

The financial statements of Metroland Australia Limited comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The consolidated financial statements are presented in Australian dollars.

(b) Principles of Consolidation

Controlled Entities

The consolidated financial statements are those of the consolidated entity, comprising Metroland Australia Limited (the parent entity) and the entities which Metroland Australia Limited controlled from time to time during the year. A list of controlled entities is contained in Note 18 to the financial statements.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Changes in Ownership Interest

Loss of control, joint control or significant influence retained

When control ceases but significant influence or joint control is retained, the carrying amount at the date of change in status of the investment is determined as if it had been an associate/joint venture entity since the acquisition date, opening equity amounts are restated and any remaining effect of the change in status is recognised as a revenue or expense.

(c) Going Concern

The consolidated entity had a loss before tax for the year ended 30 June 2014 of $213,925, and a net outflow in cashflows from operations of $177,268 (2013: $859,582), and at that date had a net asset deficiency of $383,260 (2013: $169,335). Its current liabilities also exceeded its current assets by $403,409 (2013: $195,805).

The loss for the year was principally incurred for expenses in maintaining the Company listed on the ASX, although suspended from trading; and also for actions taken to enforce the recovery of legal costs granted by the Court of Appeal in the case brought by Austino Wentworthville Pty Limited. In July 2014, an agreed quantum was recovered from and paid by Austino to the Company. Refer Note 27: Events Subsequent to Reporting Date.

Subsequent to the Company's emergence out of the administration process in October 2012, the controlled entity has not engaged in any significant trading activities. At 30 June 2014, the consolidated entity has no trading or investment assets. The financing of the consolidated entity's working capital requirements is being funded by loans from director related entities.

The Directors are seeking new investment opportunities for the Group, and the lifting of the Company's trading suspension from the ASX.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The ongoing operation of the consolidated entity is dependent upon the ability of the Directors to raise further capital, to generate positive cash flows from the Company's operations and the continued financial support of the former Chairman of the entity, Mr Frank Shien and current Director, Mr Xuejun He who have each undertaken not to require repayment of the outstanding balance of their respective loans made to the Group prior to or since the reporting period, until at least March 2016.

These conditions give rise to significant uncertainty which may cast doubt upon the consolidated entity's ability to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities, which might be necessary should the consolidated entity not be able to continue as a going concern.

(d) **Taxation**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

Tax Consolidation

Metroland Australia Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(e) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) **Plant and Equipment**

Plant and equipment are measured on the cost basis, less accumulated depreciation.

All assets have limited useful lives and are depreciated using the straight line or diminishing value method over their estimated useful lives taking into account estimated residual values. Assets are depreciated from the date of acquisition. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

The depreciation rates used for each class of asset is as follows:

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

	2014	**2013**
Leasehold Improvements	20%	20%
Plant and Equipment	17 – 40%	17 – 40%

The asset's residual values and useful lives are reviewed and adjusted if applicable, at each financial position date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) **Impairment of Assets**

At each reporting date, the Group assesses the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of those assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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.

(h) **Trade and Other Payables**

Trade and other payables are carried at amortised cost using the effective interest rate method. Payables are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days.

(i) **Interest Bearing Liabilities**

Interest bearing bank loans and borrowings are non-derivative financial liabilities and are initially recognised at the fair value of the consideration received. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Interest expense is accrued at the contracted rate and is included in "Other creditors and accruals".

(j) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(k) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(l) **Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. The following specific recognition criteria must be met before revenue is recognised:-

Rendering of Services
Revenue from the rendering of property management and project services is recognised when the service is rendered and the revenue is receivable.

Interest Income
Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(m) **Goods & Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST receivable from or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) **Earnings per share**

Basic earnings per share ("EPS") is calculated as net profit, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive ordinary shares adjusted for any bonus issue.

(o) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(p) **Trade and Other Receivables**

The collectability of debts is assessed at reporting date and specific provision is made for any impairment.

(q) **Operating Segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

. nature of the products and services,

. type or class of customer for the products and services.

(r) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) **Significant Accounting Judgement, Estimates and Assumptions**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

(i) *Estimation of useful lives of assets*
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover polices (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

The financial statements were authorised for issue on 27th February 2015 by the board of directors.

	Consolidated	
	2014	2013
	$	$
NOTE 2 - REVENUE		
From Continuing Operations:		
Consultancy Revenue	**123,550**	-
Other revenues: - interest from other parties	**6**	2,054
	123,556	2,054
From Discontinued Operations:		
Rental revenue from investment properties	**-**	345,493
Property management and facilitation revenue	**-**	176,448
Consultancy	**-**	97,066
Other	**-**	160
	-	619,167
Total Revenue	**123,556**	621,221

NOTE 3 - PROFIT BEFORE INCOME TAX

(a) There were no Individually significant (expense)/revenue included in profit before income tax from continuing operations.

(b) Profit/(loss) from continuing operations before income tax has been arrived at after charging/(crediting) the following items:

	2014	2013
Borrowing Costs:		
-Other parties	**-**	899

(c) Expenses from Discontinued Operations:

	2014	2013
- Borrowing costs	**-**	123,837
- Property expenses	**-**	137,784
- Employee benefits expense	**-**	185,583
- Professional and consulting fees	**-**	344,143
- Loss on disposal of fixed assets	**-**	78,884
- Impairment of investment and trade & related receivables	**-**	(65,900)
- Other expenses	**-**	42,424
	-	846,755

	Consolidated	
	2014	**2013**
	$	**$**
NOTE 4– TAXATION		
(a) Income Tax Expense		
Prima facie tax payable on profit/(loss) from continuing operations before income tax at 30% (2013– 30%)	**(64,177)**	(58,233)
Increase/(decrease) in income tax expense due to:		
Deferred tax assets not recognised	**64,177**	58,233
Income tax expense reported in the Statement of Profit or Loss	**-**	-
(b) Current Tax Asset/(Liabilities)		
Opening balance	**-**	(61,933)
Income tax paid	**-**	25,903
Balance deconsolidated on sale of partially-owned subsidiary	**-**	36,030
	-	-

(c) Deferred tax assets

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account:

	2014	2013
Temporary differences	**4,127**	106,498
Revenue tax losses	**2,175,262**	2,114,684
Capital tax losses	**4,583,244**	4,583,244

These amounts have no expiry date.

	Consolidated 2014 $	2013 $
NOTE 5– EARNINGS PER SHARE		
Reconciliation of earnings to profit or loss:		
Profit	**(213,925)**	2,261,272
Profit attributable to non-controlling equity interest	**-**	(26,027)
Earnings used to calculated basic and dilutive EPS	**(213,925)**	2,235,245
Reconciliation of earnings to profit or loss from continuing operations:		
(Loss) from continuing operations	**(213,925)**	(194,110)
Earnings used to calculated basic and dilutive EPS from continuing operations	**(213,925)**	(194,110)
Reconciliation of earnings to profit or loss from discontinued operations:		
Profit/(loss) from discontinued operations after tax	**-**	2,455,382
Profit attributable to non-controlling equity interest	**-**	(26,027)
Earnings used to calculated basic EPS from discontinued operations	**-**	2,429,355
Weighted average number of shares used as the denominator for the Calculation of basic and diluted earnings per share:	**Number**	**Number**
Ordinary shares	**140,568,958**	127,457,412

Dilutive earnings per share is not reflected for discontinued operations as the result is anti-dilutive in nature.

NOTE 6 – AUDITORS REMUNERATION	**$**	**$**
Auditors of the Company:		
Audit services		
Audit and review of financial statements	**38,766**	41,045
Other services		
Share registry services	**11,800**	6,993
	50,566	48,038

NOTE 7 – DISCONTINUED OPERATIONS

The following events occurred during the previous financial year resulting in the consolidated entity ceasing and discontinuing all operating activities:

- On 31 August 2012, the Group sold all its 55% interest in partially-owned property strata management business.
- The Company, Metroland Australia Limited went into voluntary administration on 31 August 2012, and emerged out of administration on 5 October 2012, when the Deed of Company Arrangement accepted by the Company's creditors was wholly effectuated by its terms.
- In October 2012, the last remaining investment property asset in the Group was re-possessed by its financiers, over which it held a first registered mortgage. The wholly-owned subsidiary of the Group was also placed into receivership by the financier.

Consolidated

	Note	2014 $	2013 $

NOTE 7 – DISCONTINUED OPERATIONS (cont'd)

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operations to the date of sale, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

	Note	2014 $	2013 $
Revenue	2	-	619,167
Expenses	3(c)	-	(846,755)
Liabilities extinguished under Deed of Company Arrangement, net of expenses		-	536,814
Profit/(loss) before income tax		-	309,226
Gain on sale of interest in partially-owned subsidiary		-	760,481
Gain on de-consolidation of controlled entities		-	1,410,463
Gain on sale and de-consolidation before tax		-	2,170,944
Profit/(loss) attributable to discontinued operations		-	2,480,170
Income tax expense from ordinary operations		-	(24,788)
Income tax from gain on discontinuance		-	-
Total profit/(loss) after tax attributable to the discontinued operations		-	2,455,382

The net cash flows of the discontinued operations, which have been incorporated into the statement of cash flows, are as follows:

	Note	2014 $	2013 $
Net cash inflow/(outflow) from operating activities		-	(602,863)
Net cash inflow from investing activities		-	669,980
Net cash (outflow)/inflow from financing activities		-	(181,577)
Net cash increase/(decrease)in cash generated by the discontinued operations		-	(114,460)

Profit/(loss) on disposal of the entities included in profit/(loss) from discontinued operations per the statement of comprehensive income.

	Consolidated 2014 $	2013 $
NOTE 8 – NOTES TO THE CASH FLOW STATEMENT		
Operating profit/(loss) after income tax	**(213,925)**	2,261,272
Add/(less) items classified as investing/financing activities:		
Gain on sale of partially-owned subsidiary	**-**	(760,481)
Non-cash items		
Gain on loans forgiven	**(6,211)**	-
Gain on de-consolidation of wholly-owned subsidiary	**-**	(1,410,463)
Depreciation	**6,321**	21,347
Loss on disposal of fixed assets	**-**	82,947
Amounts set aside to provisions	**-**	(107,422)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	**17,941**	117,451
Increase/(decrease) in payables	**16,231**	(1,123,118)
(Increase)/decrease in tax balances	**-**	(53,784)
(Increase)/decrease in prepayments	**2,375**	112,669
Net cash (used in) operating activities	**(177,268)**	(859,582)
(b) Reconciliation of Cash		
Cash	**515**	1,343
Bank overdraft	**(20,718)**	(9,289)
	(20,203)	(7,946)

(c) Disposal of Entities
During the previous year, the partially-owned controlled entity, Stratawide Management Pty Ltd was sold and wholly-owned Subsidiary Global Real Estate Assets Corporation Pty Ltd was placed into receivership. Aggregate details of these transaction are:

	2014 $	2013 $
Cash consideration of disposal price	**-**	770,000
Assets and liabilities held at disposal date:		
Cash assets	**-**	24,556
Receivables	**-**	112,241
Property, plant & equipment	**-**	9,064,136
Payables	**-**	(242,138)
Bank loans	**-**	(10,359,739)
	-	(1,400,944)
Gain on de-consolidation of controlled entity	**-**	1,410,463
Net gain on disposal	**-**	760,481
Net cash received	**-**	770,000

NOTE 9 – CASH AND CASH EQUIVALENT ASSETS
Current

	2014 $	2013 $
Cash at bank and in hand	**515**	1,343
	515	1,343

The effective interest rate on short-term bank deposits was Nil (2013: Nil)

	Consolidated	
	2014	2013
	$	$

NOTE 10 – TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
GST receivable	**14,013**	31,954
Other receivables	**1,260**	1,260
	15,273	33,214

NOTE 11 – OTHER CURRENT ASSETS

	2014 $	2013 $
Current		
Prepayments	**-**	2,375

NOTE 12 – PROPERTY, PLANT & EQUIPMENT

	2014 $	2013 $
Plant and equipment – at cost	**92,877**	92,877
Accumulated depreciation	**(72,728)**	(66,407)
	20,149	26,470

Movements in Carrying Amounts

Plant and equipment

	2014 $	2013 $
Carrying amount at beginning of year	**26,470**	137,022
Disposals and write-offs	**-**	(89,205)
Depreciation	**(6,321)**	(21,347)
Carrying amount at end of year	**20,149**	26,470

NOTE 13 – TRADE AND OTHER PAYABLES

	2014 $	2013 $
Current		
Trade creditors	**113,594**	70,078
Other creditors and accruals	**25,402**	55,706
	138,996	125,784

NOTE 14 – FINANCIAL LIABILITIES

	2014 $	2013 $
Current		
Bank overdraft	**20,718**	9,289
Loans from director related and other entities-unsecured	**259,483**	97,664
	280,201	106,953

(a) Loans from director related and other entities are unsecured and interest-free.

		Consolidated	
		2014	**2013**
		$	**$**

NOTE 15 - FINANCING ARRANGEMENTS

The consolidated entity has no access to any lines of credit, and is dependent on the continued financial support of the Chairman of the Company until re-capitalisation of the Company.

NOTE 16 – CONTRIBUTED EQUITY

	2014 $	2013 $
(a) *Share capital*		
140,568,958 (2013: 140,568,958) ordinary shares fully paid	**15,212,773**	15,212,773
Movements during the year:		
Balance at beginning of the year: 140,568,985 shares (2013: 126,283,244)	**15,212,773**	15,112,773
Shares issued: 14,285,714 on 31 May 2013 for cash pursuant to a shares placement at 0.7cents each	**-**	100,000
Balance at end of the year: 140,568,958 shares	**15,212,773**	15,212,773

The Company does not have authorised capital nor par value in respect of its issued shares.

Terms and Conditions
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

(b) *Options*
All options expired in the previous financial year. The company has no options over unissued shares at year end.

(c) *Capital Management*
Management's control over the capital of the group is to procure a level of capital in order to maintain an adequate debt to equity ratio; provide the shareholders with satisfactory returns and to ensure that the group can fund its operations and continue as a going concern. Following the favourable emergence of the Company out of voluntary administration, and with the Group currently having no trading assets and operations, the Directors are considering various opportunities to re-capitalise the Company and move the Group forward with the intention of restoring shareholders' value.

The group's debt and capital includes ordinary share capital and minimal financial liabilities. There are no externally imposed capital requirements.

In managing the group's capital, management assess the group's financial risks to determine the requirement of adjusting its capital structure in response to changes in these risks and in the market. The group's attempts to raise additional capital in the current market is not readily available, and management is conscious of the need to closely monitor and manage the group's debt levels.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year, although the focus is now placed on a total re-capitalisation of the Group with new investment opportunities. The gearing ratio for the years ended 30 June 2014 and 30 June 2013 are as follows:-

	Note	2014 $	2013 $
Total borrowings	13,14	**419,197**	232,737
Less: cash and cash equivalents	9	**(515)**	(1,343)
Net Debt		**418,682**	231,394
Total Equity		**(383,260)**	(169,335)
Total Capital		**35,422**	62,059
Gearing Ratio		1182%	373%

	Note	Consolidated 2014 $	Consolidated 2013 $

NOTE 17 – DIVIDENDS

No dividends were declared by the company in the current year.

		2014 $	2013 $
Dividend Franking Account			
30% franking credits available to shareholders of Metroland Australia Limited for subsequent financial years		**1,529,219**	1,529,219

The above available credit amounts are based on the balance of the dividend franking account at year-end adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated entity at year-end;
(c) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

NOTE 18 – CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

NAME	EQUITY INTEREST 2014 %	EQUITY INTEREST 2013 %
Parent entity		
Metroland Australia Limited		
Controlled entities		
Metroland Management Services Pty Limited (i)	**-**	**100**
Metroland Funds Management Limited	**100**	**100**

All controlled entities are incorporated and carry on business in Australia.

(b) *Acquisition and Disposal of controlled entities*

No controlled entities were acquired in the current or previous financial year. The following entity was disposed of during the year:-
(i) Metroland Management Services Pty Limited was voluntarily de-registered with the Australian Securities and Investments Commission.

NOTE 19 - CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments
There were no operating or capital commitments contracted for by the consolidated entity.

NOTE 20 – CONTINGENT LIABILITIES

The directors are not aware of any potential contingent liability which may become payable.

NOTE 21 - SEGMENT REPORTING

The Group ceased all active operating activity in the December 2012 quarter. Apart from a small-scale Investment & Financial Services operating segment, no other operating segments were identified by the management team during the year ended 30 June 2014.

The income and expenses during the current year were otherwise in the nature of corporate administrative and overhead types. Assets and liabilities mainly comprise corporate assets and liabilities.

Business Segments

During the period to 30 June 2014, the consolidated entity did not have any significant business segments.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21 - SEGMENT REPORTING (cont'd)

	Property rental & management		Investment & Financial Services		Consolidation	
	2014	**2013**	**2014**	**2013**	**2014**	2013
	$	**$**	**$**	**$**	**$**	$
External segment revenue	-	522,101	123,556	99,120	123,556	621,221
Discontinued operations revenue	-	(522,101)	-	(97,066)	-	(619,167)
Total Group Revenue	-	-	123,556	2,054	123,556	2,054
Segment result before finance costs	-	-	(213,925)	-	(213,925)	-
Finance costs after capitalised interest	-	-	-	(899)	-	(899)
Segment result after finance costs	-	-	(213,925)	(899)	(213,925)	(899)
Loss on disposal of plant and equipment	-	-	-	(4,063)	-	(4,063)
Interest revenue	-	-	-	2,054	-	2,054
Unallocated corporate expenses					-	(199,202)
(Loss) from ordinary activities before tax					(213,925)	(194,110)
Income tax (expense)/benefit					-	-
Minority interest					-	-
Net (loss) for the year					(213,925)	(194,110)
Depreciation	-	406	6,321	20,941	6,321	21,347
Assets						
Segment assets	-	1,066	337	6,995	337	8,061
Unallocated corporate assets					35,600	55,341
Consolidated total assets					35,937	63,402
Liabilities						
Segment liabilities	-	7,411	300	100,517	300	107,928
Unallocated corporate liabilities					418,897	124,809
Consolidated total liabilities					419,197	232,737

Secondary Reporting
Geographical Segments

The company operates in the Sydney Region of New South Wales, Australia.

NOTE 22 - KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of specified directors and specified executives by the consolidated entity

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages only include fixed remuneration. There are currently no performance-based or equity-based remuneration for directors and executives.

The remuneration structures are designed to attract suitably qualified candidates, and to achieve the broader outcome of increasing the consolidated entity's net profit attributable to members of the parent entity. The remuneration structures took into account:-

- the overall level of remuneration for each director and executive; and
- the executives' ability to control performance.

Fees for non-executive directors during the year were between $Nil and $50,000. Director's fees cover all main board activities and the membership of other committees, where applicable. The company does not have any Retirement or Redundancy Schemes in operation for directors and senior executives.

The following table provides a summary of the company and key management personnel of the consolidated entity in office at any time during the financial year with the greatest authority, and the nature and amount of the elements of their remuneration for the year ended 30 June 2014.

	Short term salary, bonus, fees and leave	Post-employment benefits	Other long term benefits	Total
	$	$	$	$
2014	**20,974**	-	-	**20,974**
2013	109,617	4,268	-	113,885

Short-term salary, bonus, fees and leave
These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits
These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

Other long term benefits
These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Further information in relation to key management personnel remuneration can be fund in the directors'report.

Options and Rights Over Equity Instruments
The company did not have any options over unissued shares at reporting date.

Loans and other Transactions with Specified Directors and Specified Executives

Other transactions with the company or its controlled entities
A number of specified directors and executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or reporting policies of those entities.

A number of these entities transacted with the consolidated entity in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available in similar transactions to unrelated entities on an arm's length basis.

NOTE 22-KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

The aggregate amounts recognised during the year relating to specified directors, specified executives and their personally-related entities, were total expenses of $45,000 (2013: $200,000). Details of the transactions are as follows:

			Consolidated	
			2014	**2013**
	Transaction	**Note**	**$**	**$**
Specified directors				
Michael Wong	Consulting fee expense	(i)	**45,000**	-
Wei Li	Consulting fee expense	(ii)	-	200,000

(i) During the 2014 year, consulting fees for sourcing recapitalisation opportunities for the Company were paid to 376 Pty Limited, an entity related to director Mr Michael Wong (resigned 11 September 2014).

(ii) During the previous year, consulting fees for the introduction to potential overseas investors for the Company's proposed capital raising was paid to Star Corporation Limited, an entity related to director Ms Wei Li (resigned 13 December 2012).

(iii) During the 2014 year, unsecured and interest-free loans totalling $168,311 were made to the consolidated entity by entities related to Frank Shien, to provide working capital for the consolidated entity's administrative requirements, and the outstanding balance as at 30 June 2014 was $237,311.

Assets and liabilities ensuing from the above transactions:

Assets/(Liabilities):		
Loans from director related entities	**(237,311)**	(72,493)

NOTE 23-PARENT ENTITY INFORMATION

Information relating to Metroland Australia Limited:

Financial Position		
Current assets	**15,502**	31,841
Non-current assets	**20,149**	61,061
Total assets	**35,651**	92,902
Current liabilities	**418,897**	227,876
Total liabilities	**418,897**	227,876
Issued capital	**15,212,773**	15,212,773
Accumulated losses	**(15,596,019)**	(15,347,751)
Total shareholders' equity (deficiency)	**(383,246)**	(134,978)
Financial Performance		
(Loss) of the parent entity	**(248,268)**	(1,978,710)
Total comprehensive (loss) of the parent entity	**(248,268)**	(1,978,710)

NOTE 24 – FINANCIAL RISK MANAGEMENT

(a) ***Financial Risk Management***
The Group's financial instruments consists mainly of deposits with banks, accounts receivable and payable, bank overdraft, loans to and from subsidiaries and other loans.

The main purpose of non-derivative financial instruments is to fund the Group's working capital requirements.

The Group does not utilise derivatives for any hedging purposes.

(i) *Treasury Risk Management*
The Board of Directors meet as required to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts and operational results; and the impact these may have on the Group's operations in the light of the debt levels within the Group. The overall risk management strategy seeks to assist the consolidated group in meeting its financial target, whilst minimising potential adverse effect on financial performance. The risk management policies include credit risk policies and future cash flow requirements.

(ii) *Financial Risk Exposures and Management*
The main risks the Group is exposed to through its financial instruments are liquidity risk and credit risk.

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.
The Group manages liquidity risk by closely monitoring its expenditure requirements and related forecast cash flows and ensuring that adequate related entity funding is available during this current period before active re-capitalisation of the Company and group commences.

Credit Risk
The Group's credit rate risk arises from the potential defaulting of the counter-party with the maximum exposure equal to the carrying amount of those assets, as disclosed in the Statement of financial position and notes to the financial statements.

Credit risk is managed on a group basis and is reviewed regularly by the Board. It arises from exposures to customers, both external and related and deposits with financial institutions.

The Board monitors credit risk by assessing the rating quality and liquidity of counterparties, where only banks with an 'A' rating are utilised; and all potential external customers are rated for credit worthiness taking into account their size, market position and financial standing. The Group's investments in other entities are not rated by external credit agencies. The amount of investments in these entities is limited by the Board to an acceptable amount based on the Board's assessment of the projected return of the investment and the size and financial standing of the investee.

The credit risk for counterparties included in trade and other receivables at 30 June 2014 is detailed below:-

	Consolidated	
	2014	**2013**
	$	**$**
Trade and other receivables		
Counterparties not rated	**15,273**	33,214
AA rated counterparties	**-**	-
	15,273	33,214

NOTE 24 – FINANCIAL RISK MANAGEMENT (Cont'd)

(b) ***Financial Instruments***

(i) *Financial Instrument Composition and Maturity Analysis*
The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of financial position.

Consolidated Group		Fixed Interest Rate Maturing					
	Floating Interest Rate	**1 Year or Less**	**1 to 5 years**	**Non-Interest Bearing**	**Total**	**Weighted Average Interest Rate**
2014	**$**	**$**	**$**	**$**	**$**	**%**
(i) **Financial Assets**						
Cash assets	515	-	-	-	515	1.1
Receivables	-	-	-	15,273	15,273	-
Total Financial Assets	515	-	-	15,273	15,788	
(ii) **Financial Liabilities**						
Trade and other payables	-	-	-	138,996	138,996	
Amounts payable – related Parties	-	-	-	259,483	259,483	
Bank loans and overdraft	20,718	-	-	-	20,718	4.5
Total Financial Liabilities	20,718	-	-	398,479	419,197	
Net exposure	(20,203)	-	-	(383,206)	(403,409)	
2013	**$**	**$**	**$**	**$**	**$**	**%**
(i) **Financial Assets**						
Cash assets	1,343	-	-	-	1,343	1.1
Receivables	-	-	-	33,214	33,214	-
Total Financial Assets	1,343	-	-	33,214	34,557	
(ii) **Financial Liabilities**						
Trade and other payables	-	-	-	125,784	125,784	
Bank loans and overdraft	9,289	-	-	-	9,289	4.5
Loans from other entities	-	-	-	97,664	97,664	
Total Financial Liabilities	9,289	-	-	223,448	232,737	
Net exposure	(7,946)	-	-	(190,234)	(198,180)	

NOTE 24 – FINANCIAL RISK MANAGEMENT (Cont'd)

Trade and other payables are expected to be paid as follows:-

	Consolidated	
	2014	**2013**
	$	**$**
Less than 6 months	**28,569**	**-**
6 to 12 months	**110,427**	223,488
	138,996	223,488

(ii) ***Sensitivity Analysis***

Interest Rate Risk
At balance date, the Group has no significant financial debts and has no exposure to the sensitivity relating to interest rate risks at balance date.

NOTE 25 – NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE GROUP

Consolidated financial statements
The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013.
- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of ''control'' and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements. These Standards are not expected to significantly impact the company's financial statements.

Employee Benefits
The Group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-9: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119. These Standards are not expected to significantly impact the Group's financial statements.

NOTE 26 – NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncement on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017)
This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition for financial instruments and simplified requirements for hedge accounting.

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014)
This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: Levies (applicable for annual reporting period commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at that specific date or progressively over a period of time.
This interpretation is not expected to significantly impact the Group's financial statements.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard amends the disclosure requirements in *AASB 136: Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

NOTE 26 – NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (Cont'd)

AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-4 makes amendments to *AASB 139: Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014)

AASB 2013-5 amends *AASB 10: Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As the Group does not meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

NOTE 27 – EVENTS SUBSEQUENT TO BALANCE DATE

(a) The appeal on the action brought by Austino Wentworthville Pty Limited (Austino) against the administrator and Metroland Australia Limited ("MTD") was heard in the Court of Appeal on 5 March 2013, at which Austino's appeal was dismissed and the appellant (Austino) ordered to pay the respondents' (MTD and administrator) costs. An application of costs was filed in the Supreme Court of New South Wales on 14 January 2014. In July 2014, Austino settled the payment of MTD's costs at an agreed sum of $112,883, and the application of costs filed in the Supreme Court of New South Wales was withdrawn.

Apart from the issue discussed above, no other matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

NOTE 28– COMPANY DETAILS

The registered office of the company is:
Metroland Australia Limited
Unit 801, 370 Pitt Street
Sydney NSW 2000

The principal place of business is:
Metroland Australia Limited
Unit 801, 370 Pitt Street
Sydney NSW 2000

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 10 to 33 are in accordance with the *Corporations Act 2001*, and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;

   (c) comply with International Financial Reporting Standards as disclosed in Note 1(a).

2. in the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors:

Xuejun He
Director

Dated at Sydney this 27th day of February 2015

GouldRalph
ASSURANCE

Chartered Accountants
ABN 74 632 161 298
Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
Australia
T: +61 2 9032 3000
F: +61 2 9251 1275
E: mail@gouldralph.com.au
W: www.gouldralph.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF METROLAND AUSTRALIA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Metroland Australia Limited entity, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. 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 financial statements. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Matters Relating to Electronic Publication of the Audited Financial Report

This audit report relates to the financial report of Metroland Australia Limited for the year ended 30 June 2014 included on the website of Metroland Australia Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This audit report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDITOR'S OPINION

In our opinion:

1. the financial statements of Metroland Australia Limited are in accordance with *the Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014, and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1(a).

EMPHASIS OF MATTER

Going Concern
Without qualification to the opinion expressed above, we draw attention to Note 1(c) - Going Concern in the financial statements which indicates that the consolidated entity incurred a net loss before tax of $213,925 and a net outflow in cash flows from operations of $177,268 (2013: $859,582) for the year ended 30 June 2014 and, as of that date, the consolidated entity's liabilities exceed its assets by $383,260 (2013: $169,335) and the consolidated entity's current liabilities exceeded its current assets by $403,409 (2013:$195,805). These conditions, together with other matters as set forth in Note 1(c) indicate the existence of significant material uncertainties which may cast doubt about the Company's and consolidated entity's ability to continue as a going concern.

GOULD RALPH ASSURANCE
Chartered Accountants

MALCOLM BEARD M.Com. FCA
Partner

Dated at Sydney this 27th day of February 2015

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

1. **Shareholding**

(a) Distribution of shareholders as at 31 January 2015

CATEGORY	NUMBER OF SECURITYHOLDERS
	Shares Ordinary
1 - 1,000	39
1,001 - 5,000	117
5,001 - 10,000	77
10,001 - 100,000	268
100,001 - Over	113
	614

(b) The number of shareholdings less than a marketable parcel at 31 January 2015 was 466.

(c) The number of shares held by the substantial shareholders at 31 January 2015 were:-

Shareholder	Number of Ordinary Shares
Guo Jian He	15,000,000
Qiang Sun	14,500,776
Da Cheng Zhang	9,600,000
NX Holdings Pty Ltd	8,220,000

(d) Voting Rights

On a show of hands

- every member present in person or by proxy or attorney or being a corporation by its authorised representative shall have one vote.

On a poll

- every member who is present in person or by proxy or attorney or being a corporation by its authorised representative shall have one vote for every share held.

(e) Twenty largest shareholders as at 31 January 2015.

	Shareholders	Number of Ordinary Fully Paid Shares Held	% Held of Total Issued
1.	Guo Jian He	15,000,000	11.88
2.	Qiang Sun	14,500,776	11.49
3.	Da Cheng Zhang	9,600,000	7.60
4.	NX Holdings Pty Ltd	8,220,000	6.51
5.	Peter Howells	4,716,601	3.74
6.	Shirley Tan	4,300,006	3.41
7.	LJL Capital Pty Limited	3,638,906	2.88
8.	Wincute International Development Limited	3,025,000	2.40
9.	Chepstow Properties Limited	2,820,000	2.23
10.	Comm-Asia Limited	1,975,000	1.56
11.	Ms Lee Eng Qua	1,753,856	1.39
12.	CN Investments Pty Limited	1,531,024	1.21
13.	W S International Enterprises Group Pty Ltd	1,500,000	1.19
14.	John Wardman & Associates Pty Ltd	1,436,033	1.14
15.	Seow Hwee Tan	1,384,000	1.10
16	G H Kluge & Sons Limited	1,375,000	1.09
17.	Dawes Investment Group Ltd	1,300,000	1.03
18.	Trevor McNally Family Superannuation Fund	1,248,316	0.99
19.	Mrs Hsue Ying Cheng	1,153,891	0.91
20.	Janie Teo	1,110,000	0.88
		81,588,409	64.63

(f) Stock Exchange

The company is listed on the Australian Stock Exchange. The Home Exchange is Brisbane.

(g) On-market Buy-Back

There is no current on-market buy-back.

Metroland Australia Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

A description of the company's main corporate governance practices is set out below. The company has adopted the best practice recommendations of the ASX Corporate Governance Council as set out in the Revised Corporate Governance Principles and Recommendations and all these practices were in place for the entire year, unless otherwise stated.

Board of Directors

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic directions, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for the operation and administration of the company to the Chief Executive Officer and executive management.

Board Processes

An Audit Committee was constituted in September 2004 and was de-constituted in August 2012. The board is of the opinion that due to the significant reduction in the Company's activities, and the size composition of the present board, that a separately constituted Audit Committee; and a Nomination and Remuneration Committee are currently not required. The company has not followed the best practice recommendations 2.4 and 8.1 of the ASX Corporate Governance Council which recommend that the board establish an Audit Committee; and a Nomination and Remuneration Committee, respectively. The overseeing of the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the company's Chief Executive Officer "CEO", including the setting of remuneration levels for directors and senior executives is taken by the full board.

The Audit Committee, when in existence has a written charter and mandate, which is subject to regular review. The board has also an established framework, cognisant of the staff and operational size of the consolidated entity, for the management of the consolidated entity including an appropriate system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board held one meeting during the year. The number of meetings the company's board of directors and each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed on page 5.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director is made available to all other members of the board.

Composition of the Board

The names of the directors of the company in office at the date of this report are set out in the Directors' Report on page 3.

The composition of the board is determined using the following principles:-

- a minimum of five directors, with a broad range of expertise, both nationally and internationally;
- a majority of independent non-executive directors;
- a majority of directors having extensive knowledge of the company's industries, and those which do not, have extensive experience in significant aspects of financial management, or risk management of similar sized companies;
- have a non-executive independent director as Chairperson;

An independent director is a director who is not a member of management (a non-executive director) and who:-

- holds less than five % of the voting shares of the company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder who holds more than five % of the voting shares of the company;
- has not within the last three years been an employee in an executive capacity by the company or another group member;
- within the last three years has not been a principle or employee of a material professional adviser or a material consultant to the company or another group member;
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the company or another group member other than as a director of the company;
- is free from any interest and any business or other relationships which could, or could reasonably be perceived to, materially interfere with the directors ability to act in the best interests of the company;

Chairman and Chief Executive Officer (CEO)
The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives.

The CEO is responsible for implementing Group strategies and policies.

Nomination Process

The full board oversees the appointment and induction process for directors, and the selection, appointment and succession planning process of the company's CEO. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the skills deemed necessary. The board identifies potential candidates, and appoints the most suitable candidate, and if required, with advice from an external consultant. Board candidates must stand for election at the next general meeting of shareholders.

Performance Assessment

The board annually reviews the effectiveness of the individual directors. The review generates recommendations on the individual directors which are voted on by the full board. Directors displaying unsatisfactory performance are required to retire.

The full board with the exception of the CEO also conducts an annual review on the performance of the CEO, and the senior executives reporting directly to the CEO and the results are discussed at a board meeting.

The performance assessments above were carried out during the year.

Remuneration Process

The full board is responsible for determining and reviewing compensation arrangements for the directors themselves, and the remuneration of each director is governed by contract wherein each director provides a specific service for a fee and the reimbursement of expenses.

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives, and takes into account given trends in comparative companies locally. Remuneration packages are currently of fixed remuneration, but may also include performance-based and equity-based remuneration.

The remuneration structures are designed to attract suitably qualified candidates and to affect the broader outcome of maintaining and increasing the consolidated entity's net profit attributable to members of the parent entity. The remuneration structures take into account:-

- overall level of remuneration for each director and executive;
- the executives' ability to control the relevant segment's performance; and
- the amount of incentives within each executive's remuneration.

There are currently no remuneration based on the achievement of specific performance hurdles or targets for executive directors and senior executives. Non-executive directors also do not receive any performance related remuneration.

The board considers that the above remuneration structure is generating the desired outcome, with the strong growth in profits in recent years. The board will also consider performance-based and equity-based remuneration for executive directors and senior executives as incentives in enhancing the company's performance.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report".

The board does not have a Retirement Scheme for non-executive directors or a Redundancy Scheme for senior executives.

Audit Committee

The members of the Audit Committee during the year were:

- John Wardman, B.Ecom, FAIC – Independent Non-Executive (Chairman) – resigned 30 August 2012
- Henry Tsang - Independent Non-Executive Director. – resigned 9 July 2012

The members of the Audit Committee resigned, following their respective resignation from the Board of the Company. Due to the limitations of size, the Directors do not propose a separately constituted Audit Committee at this time.

Details of these directors' qualifications are set out in the directors' report on pages 3.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The external auditors and the CEO are invited to Audit Committee meetings at the discretion of the committee.

The audit committee does not have a formal charter as suggested by recommendation 4.3.

The responsibilities of the Audit Committee include reporting to the board on:-

- Reviewing of the annual and half-year financial statements before submission to the board, focusing on changes in accounting policies and practices, major judgemental areas, significant adjustments and ASX and legal requirements;
- monitoring corporate risk and compliance processes, including an on-going assessment of the adequacy of internal control systems;
- reviewing the company's accounting and financial reporting practices and controls, and compliance with the Corporations Act 2001 and ASX Listing Rules and all other regulatory requirements;
- reviewing the nomination and performance of the external auditor and assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission and financial institutions.

A duly constituted separate audit committee, when circumstances determine, would review the performance of the external auditors on an annual basis and would normally meet with them during the year to:

- discuss external audit plans, identify any significant changes in structures, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- finalise half-year and annual reporting to review the results and findings of the auditors, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made; and to review the draft financial statements and recommend board approval of the financial statements;
- as required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

External Auditors

The company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 6 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk Management

The board oversees the establishment, implementation and annual review of the company's risk management system which assesses, monitors and manages operational, financial reporting and compliance risks for the consolidated entity. The CEO has declared in writing to the board, that the financial reporting risk management and associated compliance and control have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and up to the signing of the annual financial statements for all material operations in the consolidated entity, and material joint ventures.

Risk Management and Compliance Control

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control comprises the company's internal compliance and control systems, including:-

- Investment Appraisal – Guidelines for capital expenditure include budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses and property investments are being acquired or divested;

Comprehensive practices, have been established to ensure:-

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled including the use of interest rate and credit risk management;
- business transactions are properly authorised and executed;
- management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- the quality and integrity of personnel;
- financial reporting, accuracy and compliance with the financial reporting regulatory framework;
- environmental regulation compliance.

Financial Reporting

The CEO has made the following certifications to the board:

- that the company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. However, the board believes that the consolidated entity has adequate systems in place for the management of its environment requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Ethical Standards

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entities transactions with the company and consolidated entity are set out in Note 25.

Trading in General Company Securities by Directors and Employees

The following are key elements of the company's policy in the trading in the company's securities by directors and employees:-

- identification of those restricted from trading – directors and senior executives may acquire shares in the company, but are prohibited from dealing in the company's shares or exercising options:
  - except between seven and 14 days after either the release of the company's half-year and annual results to the Australian Stock Exchange ("ASX"), the annual meeting or any major announcement;
  - whilst in possession of price sensitive information not yet released to the market.
- raising the awareness of legal prohibitions including transactions with colleges and external advisors;
- requiring details to be provided in intended trading in the company's shares;
- requiring details to be provided of the subsequent confirmation of the trade

Continuous Disclosure and Communication with Shareholders

The board provides shareholders with information using the Continuous Disclosure Policy which includes identifying matter that may have a material effect on the price of the company's securities and notifying them to the ASX.

In summary, the Continuous Disclosure policy operates as follows:

- the CEO is responsible for all communication with the ASX. Such matters are advised to the ASX on the day they are discovered;
- the full annual report is available to all shareholders should they request it;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial statements are lodged with the ASIC and the ASX, and sent to any shareholder who requests it;
- proposed major changes in the consolidated entity which may impact on the share ownership rights are submitted to a vote of shareholders;
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report;

The board encourages full participation of shareholders at the AGM, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to shareholders as single resolutions.

The shareholders are requested to vote on the appointment and any changes to the aggregate remuneration of directors, the granting of any options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.