Annual Report 2014

Wanda Hotel Development Company Limited

萬達酒店發展有限公司

(formerly known as Wanda Commercial Properties (Group) Co., Limited
萬達商業地產(集團)有限公司)

(Incorporated in Bermuda with limited liability)

Stock Code: 169

万达酒店发展有限公司
WANDA HOTEL DEVELOPMENT COMPANY LIMITED

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Liu Chaohui

Non-executive Directors

Mr. Ding Benxi *(Chairman)*
Mr. Qi Jie
Mr. Qu Dejun
Mr. Chen Chang Wei

Independent Non-executive Directors

Mr. Liu Jipeng
Dr. Xue Yunkui
Mr. Zhang Huaqiao (appointed on 1 September 2014)
Mr. Ba Shusong (resigned on 20 May 2014)

AUDIT COMMITTEE

Dr. Xue Yunkui *(Chairman)*
Mr. Qi Jie
Mr. Zhang Huaqiao (appointed on 1 September 2014)
Mr. Ba Shusong (resigned on 20 May 2014)

REMUNERATION COMMITTEE

Mr. Liu Jipeng *(Chairman)*
Mr. Qi Jie
Mr. Zhang Huaqiao (appointed on 1 September 2014)
Mr. Ba Shusong (resigned on 20 May 2014)

NOMINATION COMMITTEE

Mr. Ding Benxi *(Chairman)*
Mr. Liu Jipeng
Dr. Xue Yunkui

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

DEPUTY CHIEF FINANCIAL OFFICER

Ms. Wu Weilan

PRINCIPAL BANKERS

Bank of China
Hang Seng Bank Limited
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation

AUDITORS

Ernst & Young, Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 3007, 30th Floor
Two Exchange Square, 8 Connaught Place
Central
Hong Kong

COMPANY'S WEBSITE

www.wanda-hotel.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

169

Financial Highlights

	For year ended 31 December		
	2014	2013	
	HK$'000	HK$'000	Change %
Revenue	**185,849**	1,347,995	-86.2
(Loss)/profit for the year	**(117,094)**	233,901	-150.1
(Loss)/profit attributable to owners of the parent	**(176,026)**	190,879	-192.2
(Loss)/earnings per share (HK cents)			
Basic	**(4.3)**	7.0	-161.4
Diluted	**(4.3)**	2.9	-248.3
Cash and bank balances	**2,186,823**	191,739	+1,040.5
Total assets	**12,184,402**	4,822,152	+152.7
Total liabilities	**8,706,053**	3,475,835	+150.5
Net Assets	**3,478,349**	1,346,317	+158.4
Equity attributable to owners of the parent	**2,769,147**	540,499	+412.3
Current ratio	**2.01**	1.15	
Gearing ratio	**46.9%**	54.9%	


Chairman's Statement

Dear shareholders,

2014 was a fruitful year for Wanda Hotel Development Company Limited.

In terms of business growth, the Group and the parent Dalian Wanda Commercial Properties Co., Ltd. ("DWCP") jointly acquired the Wanda Plaza Project in Guilin, the PRC, and established three overseas joint venture platforms in Continental Europe (with total capital commitment of HK$12.5 billion), the Americas (with total capital commitment of HK$10 billion) and Australia (with total capital commitment of HK$12.5 billion). Through these overseas joint venture platforms, the Group and DWCP jointly acquired premium landmark projects, namely the Madrid Project in Spain, the Chicago Project in the US, and the Gold Coast Jewel Project in Australia. Pre-sale of the London Project in the UK, acquired by the Group in 2013 has also commenced with outstanding results achieved.

For positioning and development strategy, the Company and the controlling shareholders entered into a memorandum of understanding under which the controlling shareholders pledged to continue to support the Group, and to establish the Group as a platform for the investment and operation of hotels under Wanda's brandnames in overseas markets. Accordingly, the Company changed its name to "Wanda Hotel Development Company Limited".

With support from the parent DWCP, the Group will continue to be prudent while steadily developing the acquired projects. At the same time, the Group will continue to seek outstanding and profitable investment opportunities that are in line with the Group's development strategy, and thereby further expand the Group's sources of revenue and enhance its profitability.

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to all of our shareholders, directors, management, staff, business partners and all parties who have rendered their unfailing support and contribution to the Group.

Ding Benxi
Chairman

11 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

London Project, UK

In September 2013, the Company acquired a project at 1 Nine Elms Lane, London SW8 5NQ, the United Kingdom (the "London Project") with Wanda Commercial Properties Development (HK) Co., Limited ("Wanda HK") in form of a joint venture, in which the Company holds 60% and Wanda HK 40% of the joint venture company. The planned total gross floor area of the project is approximately 107,000 sq.m., and is expected to be developed into a high-end complex comprising residential and hotel units. Pre-sale of the London Project has commenced in November 2014 with outstanding results achieved. It is expected that the Company will complete the demolition work of the existing property and commence construction work in the middle of 2015, and the development of this project will be completed in 2018.

Joint Venture Platform in Continental Europe and Madrid Project, Spain

In June 2014, the Company formed a joint venture with Wanda HK to establish a joint venture platform in Continental Europe with total capital commitment of HK$12.5 billion, in which the Company holds 60% and Wanda HK 40% of the joint venture platform, for the joint acquisition and development of suitable real property projects in Continental Europe.

On the same day, the Company and Wanda HK acquired Edificio España, a historic building in Madrid of Spain (the "Madrid Project") through this joint venture platform. The planned total gross floor area of the project is approximately 83,000 sq.m., and is expected to be developed into a complex featuring 178-room luxury hotel, prime retail spaces and around 210 residential apartments featuring stunning views of Madrid. The Madrid Project is expected to obtain the relevant planning approvals by early 2016, and construction work will then commence. The development of this project is expected to be completed in 2019.

Joint Venture Platform in the Americas and Chicago Project, America

In July 2014, the Company formed a joint venture with Wanda HK to establish a joint venture platform in the Americas with total capital commitment of HK$10 billion, in which the Company holds 60% and Wanda HK 40% of the joint venture platform, for the joint acquisition and development of suitable real property projects in the Americas.

On the same day, through Wanda Chicago, a wholly owned subsidiary of this joint venture platform, the Company and Wanda HK entered into (i) the Formation and Contribution Agreement with Magellan Parcel C/D LLC ("Magellan") and Lakeshore East LLC; and (ii) the Operating Agreement with Magellan to jointly develop the Chicago Project (the "Chicago Project"), in which Wanda Chicago holds 90% and Magellan 10% of such project company.

The planned total gross floor area of the Chicago Project is approximately 168,000 sq.m. It is located in the heart of Chicago, adjacent to Millennium Park and Chicago CBD, and many of the well known destinations are within walking distance, such as the Theatre District, Museum Campus and Michigan Avenue. This is the last unbuilt site within the Lakeshore East area with excellent geographic location. The project is expected to be developed into a 350-meter, 93-story super five-star hotel (with estimated 170 rooms) and high-end condominiums, which will be Chicago's third highest building upon completion and become a new landmark in Chicago. The Chicago Project is expected to obtain the planning approvals and to commence pre-sale in 2015. Construction work is expected to commence in 2016 and the development of this project is expected to be completed around 2020.


Joint Venture Platform in Australia and Gold Coast Jewel Project, Australia

In August 2014, the Company formed a joint venture with Wanda HK to establish a joint venture platform in Australia with total capital commitment of HK$12.5 billion, in which the Company holds 60% and Wanda HK 40% of the joint venture platform, for the joint acquisition and development of suitable real property projects in Australia.

On the same day, through Wanda Australia Commercial, a wholly owned subsidiary of this joint venture platform, the Company and Wanda HK entered into the Subscription and Shareholders Agreement with DWCP, Mr. Li and Jewel Project Company. Upon completion of the Subscription, Jewel Project Company is owned by Wanda Australia Commercial and Mr. Li as to 55% and 45% respectively, for the joint development of the Gold Coast Jewel Project (the "Jewel Project").

The planned total gross floor area of the Jewel Project is approximately 146,000 sq.m. It is located in the heart of the Gold Coast city center — the Surfers Paradise, which is the only five-star hotel and apartment project approved to be erected directly adjacent to beaches in the Gold Coast. It is comprised of three high-rise tower buildings of which one will be a five-star hotel, and the other two luxury apartments for sales. The project will become a city landmark of the Gold Coast upon completion. Tenant cleanup work was completed as planned in 2014, and the demolition and relocation work has commenced. The construction work is expected to commence in the second quarter of 2015, and pre-sale in the third quarter of 2015. The development of this project is expected to be completed in 2018.

Wanda Plaza, Guilin, PRC

In February 2014, the Company acquired a piece of state-owned land in Guilin, Guangxi Zhuang Autonomous Region, the PRC with Wanda HK in the form of a joint venture, in which the Company holds 51% and Wanda HK 49% of the joint venture company. The planned total gross floor area of the project is approximately 330,000 sq.m., and is expected to be developed into a "Wanda Plaza" which comprises commercial and residential properties. The construction work of Wanda Plaza commenced in May 2014, and pre-sale commenced in July 2014. The development of this project is expected to be completed in October 2015.

Hengli City, Fuzhou, PRC

Hengli City is a residential, office and retail complex located in Fuzhou, the PRC. As of 31 December 2014, the floor area of its remaining properties was approximately 90,000 sq.m., and most of the office and car park units were leased and the commercial portion was fully leased to Wangfujing Department Store. In 2014, total revenue from leasing of property by Hengli City amounted to approximately HK$107.5 million, providing stable cash flow to the Group, while revenue of approximately HK$58.4 million was recorded from the sales of residential, car park and other units.

Memorandum of Understanding and Change of Company Name

On 25 August 2014, the Company, DWCP and Wanda HK, both controlling shareholders of the Company, entered into the memorandum of understanding in which the parties have expressed their intention to establish the Group as a platform for the investment, development and operation of hotels under Wanda's brandnames in overseas markets. DWCP and Wanda HK both expressed their continued support to the Group for the aforesaid business direction and strategy. The memorandum of understanding also provides that the Group will be given priority to form joint venture with DWCP or its subsidiaries to co-invest in the overseas hotel development businesses. In the event that the Group decides not to take part in any of such investment opportunities and DWCP is to proceed with the relevant overseas hotel development businesses on its own, the Group and DWCP shall continue to negotiate for future joint venture and cooperation opportunities and, where possible, the Group shall hold majority interest in such relevant overseas hotel development businesses.

Accordingly, after passing of the special resolution regarding the proposed change of the name of the Company at the special general meeting held on 18 September 2014, the Company changed its name to "Wanda Hotel Development Company Limited" and adopted the Chinese name "万达酒店发展有限公司" as its secondary name. The English and Chinese stock short names of the Company for trading in the shares of the Company on the Stock Exchange were changed to "WANDA HOTEL DEV" and "萬達酒店發展", respectively with effect from 22 October 2014. The stock code of the Company on the Stock Exchange remains unchanged.

The Company believes that both the rights issue of HK$2.47 billion and the 5-year bank loans of US$160 million completed and secured by the Company in 2014 have further enhanced the capital strength of the Company, and provided a solid foundation for the implementation of the aforesaid business direction and strategy, as well as future acquisition and development of projects.

EVENTS AFTER THE REPORTING PERIOD

Sydney Project, Australia

On 23 January 2015, pursuant to the Master Australia JV Agreement approved by the independent shareholders, the Company and Wanda HK acquired the Sydney project in Australia through Wanda One Sydney Pty Ltd ("Wanda One"), a wholly owned subsidiary of the joint venture platform in Australia, which is expected to be developed into a new high-end and mixed-use hotel, residential and retail complex (further details are set out in the announcement of the Company dated 25 January 2015). As additional time is required for the Company to prepare and finalise certain information to be included in the circular, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and to extend the deadline for the despatch of the circular to a date on or before 31 May 2015.

FINANCIAL REVIEW

Revenue and results

The Group's revenue for the year ended 31 December 2014 was approximately HK$185.8 million. Compared to the revenue of HK$1,348 million for 2013, the decrease was mainly due to i) the disposal of a subsidiary in June 2013, which generated revenue of approximately HK$875.5 million for 2013; ii) a decline in revenue from the sales of property in Fuzhou of approximately HK$297.8 million due to a slowdown of the property sales market in Fuzhou.

Revenue of HK$58.4 million, HK$107.5 million and HK$19.9 million was derived from the sales of developed properties, property leasing and property management service for the year ended 31 December 2014 respectively.

The Group's loss attributable to the equity shareholders of the Company was approximately HK$176 million (2013: profit of HK$190.9 million). The decrease was mainly due to i) a net valuation loss on investment properties of approximately HK$121.2 million in 2014 as compared to a net valuation gain of approximately HK$93.1 million in 2013. The decline in fair value of the Group's investment properties was mainly due to intensifying competition in commercial properties in the central business area of Fuzhou, ii) a decrease in gross profit of HK$464.8 million due to the decrease in revenue from the sales of properties, iii) an increase in selling expenses of approximately HK$107.2 million due to a significant increase in pre-sale activities in 2014, which was partly set off by: iv) a decrease in income tax of approximately HK$323.7 million, and v) an increase in other net gain of approximately HK$101.5 million.

Net assets and equity attributable to equity shareholders

As at 31 December 2014, the Group recorded total assets and total liabilities of approximately HK$12,184.4 million and HK$8,706.1 million respectively. The Group had net assets of approximately HK$3,478.3 million as at 31 December 2014 as compared to approximately HK$1,346.3 million as at 31 December 2013. As at 31 December 2014, the equity attributable to equity shareholders of the Company was approximately HK$2,769.1 million as compared to HK$540.5 million as at 31 December 2013.

Liquidity and financial ratios

The Group had total cash and bank balances of approximately HK$2,186.8 million as at 31 December 2014 as compared with HK$191.7 million as at 31 December 2013. About 80%, 11% and 5% of the cash and bank balances were denominated in Renminbi ("RMB"), Great British Pound ("GBP") and Hong Kong Dollar ("HK$") respectively. The remaining 4% was denominated in Euro ("EUR") and US Dollar ("USD"). As at 31 December 2014, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 2.01 as compared with 1.15 as at 31 December 2013. The gearing ratio, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 46.9% as at 31 December 2014 as compared with 54.9% as at 31 December 2013.

Borrowings and financial resources

The Group had interest-bearing borrowings from financial institutions of approximately HK$1,583.6 million as at 31 December 2014 (31 December 2013: HK$137.0 million). These borrowings were denominated in RMB, USD and HK$. Approximately 8% of these borrowings is repayable within one year. The rest represents bank loans of HK$1,463.6 million which are repayable after one year.

The Group had interest-bearing borrowings from related parties of approximately HK$225 million as at 31 December 2014 (31 December 2013: HK$256.3 million). These borrowings were denominated in RMB and were repayable within one year.

The Group had interest-bearing borrowings from an intermediate holding company of approximately HK$1,276 million as at 31 December 2014 (31 December 2013: HK$1,202.6 million). These borrowings were denominated in GBP and were repayable in year 2018. The Group also had non-interest-bearing borrowings from an intermediate holding company of approximately HK$2,175.4 million of which HK$684.5 million were denominated in USD, HK$1,240.3 million in EUR and HK$250.6 million in Australian dollars (“AUD”). The borrowings denominated in USD are repayable in 2017 and the borrowings denominated in EUR and AUD are repayable in 2019.

As the Group continues to acquire and develop suitable property projects, different funding venues, including debt, bank loan and equity, will be explored. As at 31 December 2014, the Group’s authorised commitment for capital expenditure is approximately HK$4,640.4 million. On 4 June 2014, the Company entered into a 10-year term loan facility of up to an aggregate amount of USD162 million with Wanda HK for the acquisition of property projects and general working capital purpose. This facility has not been drawn and was still available as at 31 December 2014. Going forward, the Company will continue to seek funding opportunities to support the growth of its business portfolio.

Foreign currency and interest rate exposure

The Group’s business is principally conducted in RMB, GBP, USD, EUR and AUD. The functional currency of the Group’s subsidiaries in the PRC, United Kingdom, the United States of America ("USA"), Spain and Australia are RMB, GBP, USD, EUR and AUD respectively and they do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the Group’s other subsidiaries is HK$. The Group is exposed to currency risk primarily through loans that are demonstrated in GBP, USD, EUR and AUD respectively. The Group maintains a conservative approach on foreign exchange exposure management. During the period, the Group did not use any financial instruments to hedge foreign currency exposure and the Group did not have any hedging instruments outstanding as at 31 December 2014.

During the period, the Group had interest-bearing borrowings from financial institutions, related parties and an intermediate holding company. Accordingly, the Group’s cost of borrowing was affected by changes in interest rates. As at 31 December 2014, interest-bearing borrowings of HK$2,859.5 million, being 92.7% of the total interest-bearing borrowings, were on a floating rate basis, of which HK$1,276 million were loans from an intermediate holding company. The remaining interest-bearing borrowings of HK$225 million were on fixed interest rate basis. During the year, the Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate borrowings in order to manage interest rate risks. The Group will prudently consider entering into currency and interest rate hedging arrangements to minimise such exposures if and when appropriate.

PLEDGE OF ASSETS

As at 31 December 2014, the Group pledged certain of its building held for own use, prepaid lease payments, investment properties, completed properties for sales and restricted bank deposits to financial institutions in the PRC to secure the loans of approximately HK$264.5 million granted by these financial institutions. The aggregate carrying value of these building held for own use, prepaid lease payments, investment properties, completed properties for sales and restricted bank deposits as at 31 December 2014 amounted to approximately HK$6.9 million, HK$20.4 million, HK$379.4 million, HK$25.4 million and HK$83.2 million respectively.

In addition, 60% of the shares in Wanda International Real Estate Investment Co., Limited, the Company's direct 60% owned subsidiary, was charged to secure a loan of approximately HK$1,276 million from an intermediate holding company as at 31 December 2014.

CHANGES IN SHARE CAPITAL

On 23 January 2014, the Company completed a rights issue on the basis of three rights shares for every ten existing shares on 24 December 2013, issuing 856,773,210 rights shares in total at the subscription price of HK$2.88 per rights share. As a result of the rights issue, the Company's number of issued shares and paid up share capital increased to 3,712,683,913 shares and HK$371,268,391.3 on 23 January 2014 respectively.

On 9 July 2014, the Company allotted and issued a total of 984,662,575 ordinary shares in the Company upon receiving notices for conversion from holders of convertible bonds issued by the Company at the conversion price of HK$0.326 per share. As a result of the conversion, the Company's number of issued shares and paid up share capital increased to 4,697,346,488 shares and HK$ 469,734,648.8 on 9 July 2014 respectively.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had provided guarantees of approximately HK$424.1 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon the execution of individual purchasers' collateral agreements.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANY

The Mainland

The Company and Wanda HK jointly acquired the property located at site P05 at north to Huan Cheng Nan Road No. 1, Guilin, Guangxi Zhuang Autonomous Region, the PRC (中國廣西壯族自治區桂林市環城南一路以北P05地塊) in February 2014, which is to be developed into a "Wanda Plaza". The Company indirectly owns 51% of the project company holding the Guilin Wanda Plaza Project. This project company and the intermediate holding companies are accounted for as subsidiaries of the Company.

Overseas

During 2014, the Company and Wanda HK jointly formed three overseas property investment platforms for property investments in Continental Europe, the Americas and Australia respectively. By virtue of the terms of relevant joint venture agreements, these platforms are subsidiaries of the Group. Through these platforms, the Group acquired the Madrid Project in Spain, the Chicago Project in the US, and the Jewel Project in Australia in 2014, which were all landmark projects in their respective locations. The relevant agreements for these three projects were signed on 4 June 2014, 8 July 2014 and 11 August 2014, respectively. The project companies holding the Madrid Project and the Chicago Project are accounted for as subsidiaries of the Company and the project company holding the Jewel Project is accounted for as a joint venture of the Company.

The Group has no disposal of subsidiaries and associated companies during 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No director has right to acquire shares or debentures of the Company or its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had around 271 full time employees, who are located in the PRC, Hong Kong, the United Kingdom, Spain, and the USA.

During the year, the Group remunerated its employees based on their performance, experience and the prevailing market salaries. Performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical cover, subsidized educational and training programs.

DIVIDEND

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

OUTLOOK

Looking forward, the Group believes that there will be attractive investment and development opportunities in the commercial real estate sector in certain overseas countries and regions. The establishment of the various joint venture platforms with the controlling shareholder for the overseas hotel development business provides the Group with a more optimal structure to capture such windows of investment opportunities as they arise. With strong support from the parent DWCP, the Group will continue to focus on international gateway cities which attract large tourism and business travel and a growing trend of international tourists, and actively participate in the development and operation of mixed-use property projects with a focus on hotels. The Group plans to retain the commercial component and hotel as long-term investment whereas the residential component will be sold if market conditions are favourable, and to have the hotel operated under Wanda's brands (the existing brands include but are not limited to Wanda Vista, Wanda Reign and Wanda Realm). The Company expects that the overseas property and hotel development business of the Group will maintain steady growth over the years and become an important part of the Group's operating activities. The Group will continue to be prudent and focus on exploring financing channels, actively seeking profitable investment opportunities that are in line with the Group's development strategy, steadily developing commercial property projects together with DWCP, and thereby further expand the Group's sources of revenue, enhance the Group's profitability, and maximize value for its shareholders.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Ding Benxi, aged 60, has been a non-executive Director and Chairman of the Board since July 2013. He has also been an executive director of DWCP since December 2009 and the Chairman of the board of directors of DWCP since December 2012. He is also a director of Dalian Wanda Group and the chairman of Wanda Cultural. From December 2009 to December 2012, he was the president of DWCP. Before joining the Company in December 2009, Mr Ding served in various positions of Dalian Wanda Group, including president,chief executive officer and vice president.

Mr. Ding completed the correspondence course of Renmin University of China (中國人民大學) in July 1998. He became a senior engineer of China State Construction Engineering Corporation (中國建築工程總公司) in August 1997.

Mr. Qi Jie, aged 49, has been a non-executive Director since July 2013. Since December 2012, he has been an executive director and president of DWCP. He also serves as a director of Dalian Wanda Group. Before joining Dalian Wanda Group in April 2000, he held various positions in DWCP, including chief executive officer, vice president, general manager of the Southern Project Management Center (南方項目管理中心), assistant president and general manager of the cost control department.

Mr. Qi graduated with a master's degree in philosophy from Dalian University of Technology (大連理工大學) in April 1991. Mr. Qi was authorized as a Certified Public Accountant by the Ministry of Finance of the PRC (中國財政部) in April 1998 and a Certified Tax Agent by the Bureau of Human Resources of Dalian (now the Bureau of Human Resources and Social Security of Dalian (大連市人力資源和社會保障局)) in May 2000.

Mr. Qu Dejun, aged 51, has been a non-executive Director since July 2013. He has also been an executive director of DWCP since December 2012. He serves as the executive president of DWCP and the president of Wanda Commercial Management since 10 January 2015. Mr. Qu was formerly the vice president of DWCP from November 2010 to December 2012. He has also been an assistant to the president of DWCP and the vice president of Dalian Wanda Group. Before he joined DWCP in September 2002, Mr. Qu had served as the chief financial officer in Dalian Fortune Investment Corp., Ltd (大連華晟外經貿投資有限公司) and a chief officer of Dalian Bureau of Foreign Trade and Economy (大連市對外經濟貿易委員會).

Mr. Qu obtained a bachelor's degree in economics from the Dongbei University of Finance and Economics (東北財經大學) in July 1986, and a master's degree from the Dongbei University of Finance and Economics in November 1999.

Mr. Chen Chang Wei, aged 52, joined the Group on 22 January 2008. Mr. Chen is currently a non-executive director of the Company and the director of various subsidiaries of the Group. Mr. Chen was the chairman, managing director and executive director of the Company until July 2013 and during which he was responsible for the overall strategic planning and formulation of the corporate policies of the Group. Mr. Chen graduated from Department of Civil Engineering in Huaqiao University (華僑大學). He holds a Bachelor Degree of Civil Engineering. Mr. Chen has over 20 years of experience in investment, industrial and commercial sectors and real estate development.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liu Chaohui, aged 42, has been an executive Director since July 2013. He has also been the vice president of Dalian Wanda Group since January 2015. Mr. Liu was formerly a manager and the director of the Finance Department of Dalian Wanda Group Commercial Development Co., Ltd., the general manager of the investment department of, the assistant to the president and the general manager of the investment and securities department of, and a senior assistant to president and a general manager of the investment management centre of Dalian Wanda Group as well as the secretary of the Board of Directors and the general manager of the offshore property centre of DWCP. He has been a director of AMC Entertainment Holding, Inc. in America since August 2012. Before he joined Dalian Wanda Group in 2002, Mr. Liu worked with China Construction Bank, Xiamen Branch, from September 1996 to August 2001.

Mr. Liu holds a doctorate degree in management science from Xiamen University (廈門大學) and is a non-practising accountant accredited by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Jipeng, aged 59, has been an independent non-executive Director since July 2013. He has also been an independent non-executive Director of DWCP since December 2009. Mr. Liu has 28 years of experience in economic and corporate research. Mr. Liu serves as the chief, professor and doctoral tutor of the Capital Research Centre of the China University of Political Science and Law (中國政法大學資本研究中心) since 2009, and as a vice chairman of the China Enterprise Reform and Development Society (中國企業改革與發展研究會) since 2012. He is also a postgraduate tutor at the Postgraduate Department of the Research Institute for Fiscal Science of the Ministry of Finance of the PRC (中國財政部財政科學研究所研究生部) since 2003. Mr. Liu serves as an independent director of AVIC Capital Co., Ltd (中航資本控股股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600705) and Zhongjin Gold Corporation Limited (a company listed on the Shanghai Stock Exchange, stock code: 600489), since 2011 and 2014, respectively. He also serves as an independent director of CNNC Hua Yuan Titanium Dioxide Co., Ltd. (中核華原鈦白股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002145), since 2012. Mr. Liu is currently an independent non-executive director of China Oceanwide Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 0715).

Mr. Liu graduated with a bachelor's degree in Economics from the Beijing School of Economics (北京經濟學院) in July 1983 and a master's degree in Economics from the Chinese Academy of Social Sciences (中國社會科學院) in July 1986.

Dr. Xue Yunkui, aged 51, has been an independent non-executive Director since July 2013. He has also been an independent non-executive Director of DWCP since December 2009. Dr. Xue has 30 years of experience in accounting research and practice. He served as the associate dean/associate professor in accounting of the Cheung Kong Graduate School of Business (長江商學院) since 2002, the vice president of the Shanghai National Accounting Institute (上海國家會計學院) from 2000 to 2002, and a post-doctorate fellow at the School of Accounting of the Shanghai University of Finance and Economics (上海財經大學會計學院) from 1996 to 1998.

Dr. Xue served as an independent director for Shanghai Shentong Metro Co., Ltd. (上海申通地鐵股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600834) since 2011, and an independent director for Shanghai Baosight Software Co., Ltd. (上海寶信軟件股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600845) since July 2013.

Dr. Xue graduated with a bachelor's degree in economics from Sichuan Finance Institute (四川財經學院, now renamed as the Southwestern University of Finance and Economics (西南財經大學)) in July 1984. He received a Ph.D. from the Southwest Agriculture University (西南農業大學, now renamed as Southwest University (西南大學)) in June 1995 and completed postdoctorate research in accounting with the Shanghai University of Finance and Economics (上海財經大學) in July 1999.

Mr. Zhang Huaqiao, aged 52, has been an independent non-executive Director since September 2014. He has been a director of Nanjing Central Emporium (Group) Co., Ltd. (南京中央商場(集團)股份有限公司) (stock code: 600280), a company listed on the Shanghai Stock Exchange, since March 2013. Mr. Zhang is also an independent non-executive director of Yancoal Australia Limited (stock code: YAL), a company listed on the Australian Stock Exchange, since April 2014. He is also an independent non-executive director of Fosun International Limited (stock code: 656), Luye Pharma Group Ltd. (stock code: 2186), Zhong An Real Estate Limited (stock code: 672), China Huirong Financial Holdings Limited (stock code: 1290), Logan Property Holdings Company Limited (stock code: 3380) and Sinopec Yizheng Chemical Fibre Company Limited (stock code: 1033), and a non-executive director of Boer Power Holdings Limited (stock code: 1685) and China Smartpay Group Holdings Limited (previously known as Oriental City Group Holdings Limited) (stock code: 8325), all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). From June 1999 to April 2006, Mr. Zhang worked with UBS Securities Asia Limited, ultimately becoming the managing director and co-head of the China research team. Between March 2006 and September 2008, Mr. Zhang worked with Shenzhen Investment Limited (stock code: 604), a company listed on the Hong Kong Stock Exchange, as its chief operating officer. Mr. Zhang was also the executive director of Shenzhen Investment Limited between May 2006 and September 2008. From September 2008 to June 2011, Mr. Zhang worked with UBS AG (Hong Kong branch) with his last position as deputy head of the investment banking department of UBS China and managing director of UBS AG (Hong Kong branch). Mr. Zhang was an executive director and chief executive officer of Man Sang International Limited (stock code: 938), a company listed on the Hong Kong Stock Exchange, between September 2011 and April 2012.

Mr. Zhang obtained a master's degree in economics from the Graduate School of the People's Bank of China in 1986 and a master's degree in development economics from the Australian National University in 1991.

SENIOR MANAGEMENT

Ms. Hui Wai Man, Shirley, aged 47, joined the Group in December 2000. She is the Company Secretary of the Company. She is responsible for the company secretarial affairs of the Group. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. She is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of the Society of Chinese Accountants and Auditors and the Hong Kong Securities Institute.

Ms. Wu Weilan, aged 37, joined the Group in August 2009. She is the Company's Deputy Chief Financial Officer and is responsible for the financial management of the Group. Ms. Wu holds a Master of Business Administration degree from Paris Graduate School of Management, France. Ms. Wu was qualified as Certified Public Accountant in the USA in 2009. Prior to joining the Group, Ms. Wu has over 8 years' experience in public accounting.

Directors' Report

The directors have pleasure in submitting the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting held on 18 September 2014 and approved by the Registrar of Companies in Bermuda, the name of the Company was changed from "Wanda Commercial Properties (Group) Co., Ltd. to "Wanda Hotel Development Company Limited". The Chinese name of the Company was changed from "万达商业地产(集团)有限公司" to "万达酒店发展有限公司".

PRINCIPAL PLACE OF BUSINESS

Wanda Hotel Development Company Limited is a company incorporated in Bermuda and has its principal place of business in Hong Kong at Unit 3007, 30th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, property leasing, property management and investment holding activities.

The principal activities and other particulars of the Group's principal subsidiaries are set out in note 20 to the financial statements.

RESULTS FOR THE YEAR AND DIVIDEND

The loss of the Group for the year ended 31 December 2014 and the state of the affairs of the Company and the Group as at that date are set out in the financial statements.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 59.4% of the Group's total sales in 2014 while the sales attributable to the Group's largest customer was approximately 42.0% of the Group's total sales in 2014.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 82.7% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 42.8% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the five largest suppliers of the Group.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 146. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Particulars of the major properties and property interests of the Group are shown on page 147 to 148 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund scheme in Hong Kong and certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 32 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on the consolidated statement of changes in equity and note 34 to the financial statements respectively.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:

Mr. Liu Chaohui

Non-executive Directors:

Mr. Ding Benxi *(Chairman)*
Mr. Qi Jie
Mr. Qu Dejun
Mr. Chen Chang Wei

Independent Non-executive Directors ("INED"):

Mr. Liu Jipeng
Dr. Xue Yunkui
Mr. Ba Shusong (Resigned on 20 May 2014)
Mr. Zhang Huaqiao (Appointed on 1 September 2014)

In accordance with clause 99 of the Bye-Laws of the Company and code provision A.4.2 in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Mr. Liu Jipeng and Mr. Chen Chang Wei will retire as Directors at the Annual General Meeting, as Mr. Chen Chang Wei confirmed that he will not participate in re-election at the Annual General Meeting, Mr. Liu Jipeng, being eligible, will offer himself for re-election at the Annual General Meeting.

In accordance with clause 102(B) of the Bye-Laws of the Company and code provision A.4.2 in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Mr. Zhang Huaqiao shall retire as Director at the Annual General Meeting, and being eligible, would offer himself for re-election at the Annual General Meeting.

All of the directors of the Company have entered into services contracts with the Company. The term of appointment of Mr. Liu Chaohui, Mr. Ding Benxi, Mr. Qi Jei, Mr. Qu Dejun, Mr. Chen Chang Wei, Mr. Liu Jipeng and Dr. Xue Yunkui, is 3 years from 3 July 2013 to 2 July 2016, the term of appointment of Mr. Zhang Huaqiao is 3 years from 1 September 2014 to 31 August 2017 and is renewable automatically for successive terms of one year each commencing from the date next after the expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2014, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordnance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in the shares and underlying shares of the Company

Name of Director	Long position/ short position	Capacity/Nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Mr. Chen Chang Wei ("Mr. Chen")	Long	Beneficial owner and held by controlled corporation (Note 1)	297,460,230	6.33%
	Long	Interest of spouse (Notes 1 and 2)	27,683,423	0.59%

Interests in shares of DWCP (Note 3)

Name of Director	Long position/ short position	Capacity/Nature of interest	Interest in Shares of DWCP	Approximate percentage of the issued share capital of DWCP
Mr. Ding Benxi	Long	Beneficial owner	50,000,000	1.12%
Mr. Qi Jie	Long	Beneficial owner	10,000,000	0.22%
Mr. Qu Dejun	Long	Beneficial owner	6,000,000	0.13%
Mr. Liu Chaohui	Long	Beneficial owner	6,000,000	0.13%

Interest in shares of Amazing Wise Limited (Note 4)

Name of Director	Long position/ short position	Capacity/Nature of interest	Interest in Shares of Amazing Wise Limited	Approximate percentage of the issued share capital of Amazing Wise Limited
Mr. Chen Chang Wei	Long	Held by controlled corporation (Note 5)	47	47%

Notes:

(1) As at 31 December 2014, Mr. Chen was deemed to have a long position of 325,143,653 Shares, of which (i) 19,362,200 Shares were beneficially and legally owned by him, (ii) 204,237,800 Shares were held on trust for him by Ever Good Luck Limited ("Ever Good"), (iii) 73,860,230 Shares were beneficially owned by Ever Good, and (iv) 27,683,423 Shares were held by his spouse, Ms. Chan Sheung Ni, as beneficial owner.

(2) Ms. Chan Sheung Ni is the spouse of Mr. Chen.

(3) DWCP, being an indirect holding company of the Company, is an associated company of the Company under Part XV of the SFO.

(4) Amazing Wise Limited, being a subsidiary of the Company, is an associated company of the Company under Part XV of the SFO.

(5) As at 31 December 2014, the 47 shares in Amazing Wise Limited was held by Zhizun Holdings Limited, which was wholly owned by Mr. Chen.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or which have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or which have been notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15 May 2002 for the primary purpose of providing incentives to directors and eligible employees. The scheme period of the Scheme was ten years commencing on the adoption date. As such, the Scheme has already expired.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than convertible bonds as disclosed in note 32 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2014, so far as was known to the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to section 336 of Part XV of the SFO, or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name	Long position/ short position	Capacity/Nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Wanda Overseas	Long	Beneficial owner	3,055,043,100	65.04%
Wanda Real Estate Investments Limited (萬達地產投資有限公司)	Long	Interest in corporation controlled (Note 1)	3,055,043,100	65.04%
Wanda HK	Long	Interest in controlled corporation (Note 2)	3,055,043,100	65.04%

Name	Long position/ short position	Capacity/Nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
DWCP	Long	Interest in controlled corporation (Note 3)	3,055,043,100	65.04%
Dalian Wanda Group	Long	Interest in controlled corporation (Note 4)	3,055,043,100	65.04%
Dalian Hexing Investment Co., Ltd. ("Dalian Hexing")	Long	Interest in controlled corporation (Note 5)	3,055,043,100	65.04%
Mr. Wang Jianlin	Long	Interest in controlled corporation (Note 6)	3,055,043,100	65.04%
Mr. Chen Chang Wei	Long	Beneficial owner and held by controlled corporation (Note 7)	297,460,230	6.33%
	Long	Interest of spouse (Notes 7 and 8)	27,683,423	0.59%
Ms. Chan Sheung Ni	Long	Beneficial owner	27,683,423	0.59%
	Long	Interest of spouse (Note 9)	297,460,230	6.33%
Ever Good Luck Limited (Note 10)	Long	Beneficial owner	73,860,230	1.57%
	Long	Trustee	204,237,800	4.35%

Notes:

(1) Wanda Real Estate Investments Limited (萬達地產投資有限公司) holds more than one-third of the issued shares of Wanda Overseas and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Wanda Overseas is interested.

(2) Wanda HK holds more than one-third of the issued shares of Wanda Real Estate Investments Limited (萬達地產投資有限公司) and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Wanda Real Estate Investments Limited (萬達地產投資有限公司) is deemed to be interested.

(3) DWCP holds more than one-third of the issued shares of Wanda HK and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Wanda HK is deemed to be interested. Mr. Ding Benxi, being a non-executive Director and the chairman of the Board, is an executive director and the chairman of the board of directors of DWCP. Mr. Qi Jie, being a non-executive Director, is an executive director and the president of DWCP. Mr. Qu Dejun, being a non-executive Director, is an executive director and the executive president of DWCP. Mr. Liu Jipeng and Dr. Xue Yunkui, each being an independent non-executive Director, are independent non-executive directors of DWCP.

(4) Dalian Wanda Group holds more than one-third of the issued shares of DWCP and is therefore deemed to have an interest in the shares and underlying shares of the Company in which DWCP is deemed to be interested. Mr. Ding Benxi, being a non-executive Director and the chairman of the Board, is a director and the president of Dalian Wanda Group. Mr. Qi Jie, being a non-executive Director, is a director of Dalian Wanda Group. Mr. Liu Chaohui, being an executive Director, is the vice president of Dalian Wanda Group.

(5) Dalian Hexing holds more than one-third of the issued shares of Dalian Wanda Group and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Dalian Wanda Group is deemed to be interested.

(6) Mr. Wang Jianlin holds more than one-third of the issued shares of Dalian Hexing and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Dalian Hexing is deemed to be interested.

(7) As at 31 December 2014, Mr. Chen was deemed to have a long position of 325,143,653 Shares, of which (i) 19,362,200 Shares were beneficially and legally owned by him, (ii) 204,237,800 Shares were held on trust for him by Ever Good Luck Limited ("Ever Good"), (iii) 73,860,230 Share were beneficially owned by Ever Good, and (iv) 27,683,423 Shares were held by his spouse, Ms. Chan Sheung Ni, as beneficial owner.

(8) Ms. Chan Sheung Ni is the spouse of Mr. Chen.

(9) Ms. Chan Sheung Ni is the spouse of Mr. Chen. Ms. Chan Sheung Ni is therefore deemed to have an interest in the shares of the Company in which Mr. Chen is interested.

(10) The entire issued share capital of Ever Good Luck Limited is ultimately owned by Mr. Chen and Mr. Chen is the sole director of Ever Good Luck Limited. See note (1) in the section headed "Directors' interests in securities" in this Directors' Report.

CONNECTED TRANSACTIONS

Connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 39(g) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The Group had certain loan agreements with a company controlled by Mr. Chen during the year ended 31 December 2014.

The loans from an entity controlled by Mr. Chen, amounted to HK$225,026,000 (2012: HK$256,268,000) that bear interest at 15% per annum, are unsecured and repayable six months after the date of the respective drawdowns. Interest incurred during the year and interest payable to related parties as at 31 December 2014 are set out in notes 9 and 27 respectively.

Other than as disclosed above, no other contract of significance, to which the Company or any of its holding companies or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are reviewed and recommended by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, the interest of Directors and their respective associates in businesses which compete or are likely to compete, either directly or indirectly, with business of the Group:

Name of Director/ associate	Name of company	Nature of interest in the company	Business of the company
Mr. Chen Chang Wei	Fujian Hengli Real Estate Development Co., Ltd	Ultimate beneficial owner with 100% interest	Holding company of Fujian Hengli Commercial Properties Development Co. Ltd.
Mr. Chen Chang Wei	Fujian Hengli Commercial Properties Development Co. Ltd.	Ultimate beneficial owner with 100% interest	To develop, own and manage Hengli Prosperity Center, a composite commercial development in Fuzhou
Mr. Chen Chang Wei	Fujian Hengli Bona Plaza Development Co., Ltd.	Ultimate beneficial owner with 100% interest	To develop, own and manage Hengli Bona Plaza, a commercial and residential property to be developed in Fuzhou

Name of Director/ associate	Name of company	Nature of interest in the company	Business of the company
Mr. Ding Benxi	DWCP	Being a director and shareholder with 1.12% interest	Engaging in property development, property lease, property management and investment holding
Mr. Qi Jie	DWCP	Being a director and shareholder with 0.22% interest	Engaging in property development, property lease, property management and investment holding
Mr. Qu Dejun	DWCP	Being a director and shareholder with 0.13% interest	Engaging in property development, property lease, property management and investment holding
Mr. Liu Chaohui	DWCP	Beijing a shareholder with 0.13% interest	Engaging in property development, property lease, property management and investment holding
Mr. Liu Jipeng	DWCP	Being an independent non-executive director	Engaging in property development, property lease, property management and investment holding
Dr. Xue Yunkui	DWCP	Being an independent non-executive director	Engaging in property development, property lease, property management and investment holding

As at 31 December 2014, save as disclosed above, none of the Directors or their respective associates was interested in any business which competes or is likely to compete either directly or indirectly, with business of the Group.

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

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each INED an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that all the INEDs to be independent.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2014.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 27 to 40.

AUDIT COMMITTEE

The consolidated financial statements for the year ended 31 December 2014 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in Corporate Governance Report on pages 27 to 40 of the annual report.

AUDITORS

During the year, KPMG retired as auditors of the Company. Ernst & Young were appointed by the directors and an ordinary resolution was passed at the Annual General Meeting held on 29 May 2014 to fill the casual vacancy so arising. There have been no changes of auditors in the past three years. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

LIU Chaohui
Executive Director

Hong Kong, 11 March 2015

The Company is committed to maintaining a high standard of corporate governance with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential for the effective management, a healthy corporate culture and balancing of business risk. And it is also essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") during the period from 1 January 2014 to 31 December 2014 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Except for deviations from CG Code provision A.6.7 and E.1.2 as explained in the relevant paragraphs in this report.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2014.

THE BOARD OF DIRECTORS

The Board currently comprises eight Directors, including one Executive Director, four Non-executive Directors and three Independent Non-executive Directors. The Company has maintained three Independent Non-executive Directors which represent over one-third of the Board during the year ended 31 December 2014. The Board's composition during the year ended 31 December 2014 and up to the date of this report is set out as follows:

Executive Directors:

Mr. Liu Chaohui

Non-executive Directors:

Mr. Ding Benxi *(Chairman)*
Mr. Qi Jie
Mr. Qu Dejun
Mr. Chen Chang Wei

Independent Non-executive Directors:

Mr. Liu Jipeng
Dr. Xue Yunkui
Mr. Ba Shusong (Resigned on 20 May 2014)
Mr. Zhang Huaqiao (Appointed on 1 September 2014)

All Directors have distinguished themselves in their respective fields of expertise and have exhibited high standards of personal and professional ethics and integrity. The brief biographical details of the Directors are set out in the "Directors and Senior Management" section on page 13 to page 15. There are no financial, business, or other material relationships amongst the Directors.

BOARD PRACTICE

The Board is collectively and ultimately responsible for how the Company is managed, its strategic direction and performance. There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board has given clear directions to the management team that certain matters (including the following) must be reserved to the Board:

— Publication of final and interim results of the Company;

— Dividend distribution or other distributions;

— Treasury, accounting and remuneration policies;

— Review on internal control system and risk management;

— Changes to major group corporate structure or Board composition requiring notification by announcement;

— Notifiable transactions and non-exempted connected transactions/continuing connected transactions;

— Proposed transactions requiring Shareholders' approval;

— Capital re-structuring and issue of new securities;

— Joint-ventures with outside party involving capital commitment from the Group of over 5% of the relevant size test of the Company; and

— Financial assistance to Directors.

Day-to-day operations of the Group and implementation of the Board's decisions and strategy are delegated to the Company's management team.

The Chairman, assisted by the Company Secretary, has ensured that the Board adheres strictly to all rules and requirements for its meetings and the maintenance of full and proper records. Procedures are established for every Director to have access to Board papers and related information, to have the services of the Company Secretary, and to seek independent professional advice at the Company's expense upon reasonable request.

The Board acknowledges their responsibilities for the preparation of the financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publications of such financial statements.

The Board held sixteen meetings during the year ended 31 December 2014, to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice is given for all regular Board meetings together with the meeting agenda such that all Directors are given the opportunity to include matters for discussion in the agenda. In addition, six general meetings were held during the year ended 31 December 2014 and attendance of each Director at these meetings is set out as follows:

	Number of Board meetings Attended/held	Number of general meetings Attended/held
Executive Directors:		
Mr. Liu Chaohui	16/16	1/6
Non-executive Directors:		
Mr. Ding Benxi *(Chairman)*	16/16	0/6
Mr. Qi Jie	12/16	0/6
Mr. Qu Dejun	12/16	0/6
Mr. Chen Chang Wei	6/16	2/6
Independent Non-executive Directors:		
Mr. Liu Jipeng	12/16	0/6
Dr. Xue Yunkui	12/16	0/6
Mr. Ba Shusong (Resigned on 20 May 2014)	3/5	0/6
Mr. Zhang Huaqiao (Appointed on 1 September 2014)	0/1	0/2

CG Code provision A.6.7 stipulates that Independent Non-executive Directors and other Non-Executive Directors should attend general meetings. Due to other business engagements, not all Independent Non-executive Directors and not all Non-Executive Directors attended the annual general meeting and special general meeting. Please refer to the preceding table for details of attendance of the Non-executive Directors and the Independent Non-executive Directors.

 

CG Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held during the year ended 31 December 2014.

General meeting is one of the channels for communication between the Board and the Company's shareholders. The Company's auditors, was available to answer questions at the annual general meeting held on 29 May 2014. Other than the general meetings, the shareholders may also communicate with the Company through the contact information listed on the Company's website. Measures for effective communication between the Board and the shareholders are described in the paragraphs under "Communication with Shareholders" and "Shareholders' Rights" in this report.

Mr. Ding Benxi was appointed as Non-executive Director and Chairman of the Company on 3 July 2013, and Mr. Liu Chaohui was appointed as Executive Director of the Company on 3 July 2013. Whilst the Company has not appointed chief executive officer, the duties of the chief executive officer have been performed by Mr. Liu Chaohui, the executive director of the Company. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will consider appointing chief executive officer at an appropriate stage when the Group has increased the size of operation.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-executive Directors and Independent Non-executive Directors provide the Group with a wide range of expertise and experience. Their active participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

The Company has four Non-executive Directors and three Independent Non-executive Directors representing over one-third of the Board. One of the Independent Non-executive Directors has appropriate accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-executive Director an annual confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules and considers that all the Independent Non-executive Directors are independent.

The resignation or Mr. Ba Shusong, an Independent Non-executive Director, on 20 May 2014, results in the Company's non-compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules. The Company took active steps to identify a suitable candidate to fill the abovementioned vacancy. On 29 August 2014, the Board of directors of the Company announced that Mr. Zhang Huaqiao ("Mr. Zhang") had been appointed as an Independent Non-Executive Director of the Company, a member of the Audit Committee and the Remuneration Committee of the Company with effect from 1 September 2014.

According to service contract, term of appointment of the Non-executive Directors is as follows:

Mr. Ding Benxi	3 July 2013 to 2 July 2016
Mr. Qi Jie	3 July 2013 to 2 July 2016
Mr. Qu Dejun	3 July 2013 to 2 July 2016
Mr. Chen Chang Wei	3 July 2013 to 2 July 2016

According to service contract, term of appointment of the Independent Non-executive directors is as follows:

Mr. Liu Jipeng	3 July 2013 to 2 July 2016
Dr. Xue Yunkui	3 July 2013 to 2 July 2016
Mr. Ba Shusong (Resigned on 20 May 2014)	3 July 2013 to 2 July 2016
Mr. Zhang Huaqiao (Appointed on 1 September 2014)	1 September 2014 to 31 August 2017

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's business and activities.

According to Clause 99 of the Bye-Laws of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and shall then be eligible for reelection at the meeting.

According to code provision A.4.2 of the CG Code of the Listing Rules, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the clause 102(B) of the Bye-Laws of the Company, the Board shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the following Annual General Meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at such meeting.

During the year, Mr. Zhang was appointed as Independent Non-Executive Director on 1 September 2014. Mr. Zhang was not subject to election by shareholders at the first general meeting after the appointment. Mr. Zhang shall retire as Director at the Annual General Meeting, and being eligible, will offer himself for re-election at the Annual General Meeting.

During the year, no amount was paid or payable by the Company to the Directors or any of the 5 highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agree to waive any remuneration during the year.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee and a Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on pages 28 to 30 in the section "Board Practice" above, have been adopted for the committee meetings so far as practicable.

Remuneration Committee

The Remuneration Committee meet at least once a year. Two committee meetings were held in 2014 to, among other things, review and discuss the existing policy and structure for the remuneration of Directors, and the remuneration packages of the Directors. The members of the Remuneration Committee and the attendance of each member are set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Liu Jipeng	2/2
Mr. Qi Jie	2/2
Mr. Ba Shusong (Resigned on 20 May 2014)	1/1
Mr. Zhang Huaqiao (Appointed on 1 September 2014)	0/0

Details of the Directors' remuneration are set out in note 10 to the financial statements.

The Remuneration Committee of the Company has been established since June 2005 to comply with Rule 3.25 of the Listing Rules. The Remuneration Committee currently consists of three members, including a Non-executive Director and two Independent Non-executive Directors, with the chairmanship being assumed by an Independent Non-executive Director. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

(i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and establish a formal and transparent procedure for developing remuneration policy;

(ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) to make recommendations to the Board on the remuneration package of individual executive directors and senior management;

(iv) to make recommendations to the Board on the remuneration of Non-executive Directors;

(v) to consider salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the group of which the Company is a member company;

(vi) to review and approve compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(viii) to ensure that no Director is involved in deciding his own remuneration.

Audit Committee

The Audit Committee meet at least twice each year. In 2014, the Audit Committee met three times including considering, the annual results of the Group for the financial during the year ended 31 December 2013 and the interim results of the Group for the 6 months ended 30 June 2014, discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and the scope of work in relation to the annual audit. The members of the Audit Committee and the attendance records of the Audit Committee members in 2014 are set out as follows:

Committee member	Number of Committee meeting attended/held
Dr. Xue Yunkui	3/3
Mr. Qi Jie	3/3
Mr. Ba Shusong (Resigned on 20 May 2014)	2/2
Mr. Zhang Huaqiao (Appointed on 1 September 2014)	0/0

The Company has established an Audit Committee with written terms of reference in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprised of one non-executive director and two independent non-executive directors, namely Dr. Xue Yunkui, Mr. Qi Jie and Mr. Ba Shusong (who resigned as an independent non-executive director and as a member of the Audit Committee and the Remuneration Committee on 20 May 2014). Mr. Zhang Huaqiao was appointed as an independent non-executive director of the Company, a member of the Audit Committee and the Remuneration Committee of the Company with effect from 1 September 2014.

The major roles and functions of the Audit Committee are:

(i) to consider and recommend to the Board on the appointment, re-appointment and removal of the external auditors;

(ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iii) to approve the engagement of the external auditor to perform non-audit services;

(iv) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication quarterly reports and to review significant financial reporting judgments contained in them;

(v) to liaise with the Board and senior management and must meet with the Company's auditors;

(vi) to review the Company's financial controls, internal control and risk management systems;

(vii) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;

(viii) to review the Group's financial and accounting policies and practices;

(ix) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(x) to ensure coordination between the internal and external auditors;

(xi) to review the external auditor's management letter;

(xii) to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter; and

(xiii) to review reports on the Company's compliance with the CG Code and disclosures in this report.

The Audit Committee has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to and assistance from management and reasonable resources to discharge its duties properly. The Audit Committee meets with the external auditors at least twice every year.

Nomination Committee

The Nomination Committee shall meet at least once a year. Two committee meetings were held in 2014 to review the composition of the Board, consider the independence of the independent non-executive directors, the retirement of directors and the resignation and the appointment of the independent non-executive directors. The members of the Nomination Committee and the attendance of each member are set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Ding Benxi	2/2
Mr. Liu Jipeng	2/2
Dr. Xue Yunkui	2/2

The Company established a Nomination Committee with written terms of reference in June 2005. It currently consists of three members, including a Non-executive Director and two Independent Non-executive Directors. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Nomination Committee are:

(i) to review the structure, size, composition and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) to assess the independence of Independent Non-executive Directors;

(iv) to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors;

(v) to review the board diversity policy of the Board and to make disclosure of its review results in this report; and

(vi) to conform to any requirement, direction, and regulation that may from time to time by prescribed by the Board, or contained in the constitution of the Company or imposed by the Listing Rules or any applicable law or regulation.

Board Diversity

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. According to A.5.6 of the CG Code, the above board diversity policy of the Company has been approved by the Board and adopted by the Nomination Committee on 23 August, 2013.

The Nomination Committee holds meeting at least once a year to review the diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and independence of directors, and give recommendation to the Board. During the year, the Nomination Committee takes the view that the measurable objectives were achieved to a large extent. It pays particular attention on the cultural and educational background, professional and technical experience, and skills of the members of Board and also reviewed the composition between executive directors and independent non-executive directors so to ensure appropriate independency inside the Board.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from the Group's finance department, the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

The report of the Company's external auditor, Ernst & Young, and their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 41 and 42.

External Auditors' Independence and Remuneration

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. Members of the Committee are of the view that the Company's external auditors are independent. During the year, the remuneration paid/payable to the Company's external auditors are set out as follows:

Services rendered for the Group	**Fee paid/payable** HK$'000
Audit services	900
Review of interim report	272
Other non-audit services	450

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limit authority and, is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provisions of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is put in place to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board has conducted review of the Group's internal control system during the year ended 31 December 2014.

Directors' Training

Pursuant to CG Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board.

The Company also continuously updates Directors on the latest developments regarding listing rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors where appropriate to ensure their awareness of best corporate governance practices.

Company Secretary's Training

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided her training records to the Company indicating more than 15 hours of relevant professional development by means of attending in-house briefings, attending seminars and reading relevant guideline materials.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good and effective communication with its shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim reports, annual reports, announcements, notices and circulars, which are published to the Company's own website.

The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the Company's shareholders. The Chairman actively seeks to participate at the AGM and personally chair the AGM to answer any questions from the Company's shareholders. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each propose resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Company's shareholders as required to be disclosed pursuant to the CG Code.

Convening an extraordinary general meeting and procedures for putting forward proposals by shareholders at general meeting

Shareholders may request the Company to convene a general meeting according to the provision as set out in the Company's Bye-Laws and the Companies Act of Bermuda. A copy of the Company's Bye-Laws is available on the Company's website. The procedure for shareholders to nominate a person for election as a Director of the Company is also available on the Company's website. Subject to bye-laws of the Company, any shareholder wishing to nominate an individual for election as a Director of the Company at the AGM shall, no later than 7 days prior to the relevant general meeting, submit a completed form of nomination to the principal place of business of the Company in Hong Kong, and in default the form of nomination submitted shall be treated as invalid. Any such form of nomination shall be accompanied by a biographical profile of each proposed nominee and a written statement from the proposed nominee consenting to be nominated and, if nominated and elected, consenting to serve as a Director of the Company. The biographical profile of each proposed nominee shall include at least the following information:- (i) full name, age and address of the proposed nominee; (ii) past and present directorships (if any) and employment of the proposed nominee; (iii) the information as required to be include in the announcement of the Company under Rule 13.51(2) of the Listing Rules.

Enquiries from shareholders to the Board

In order to ensure effective communication between the Company's shareholders and the Board, the Company adopted the shareholders communication procedures on 28 February 2012. According to the shareholders communication procedures, the Board is responsible for maintaining an on-going dialogue with the Company's shareholders and in particular, use AGMs or other general meetings to communicate with them and encourage their participation. The chairman of the Board should attend the annual general meeting. He should also invite the Independent Non-executive Directors, the chairmen of the Audit, Remuneration, Nomination and any other Committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing, whose contact details are as follows:

The Board of Directors
Wanda Hotel Development Company Limited
Unit 3007, 30th Floor
Two Exchange Square
8 Connaught Place
Central, Hong Kong

The Board and/or relevant board committees of the Company will consider the enquiries and concerns raised by the shareholders and reply as appropriate.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2014.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome.

To the shareholders of Wanda Hotel Development Company Limited
(Formerly known as Wanda Commercial Properties (Group) Co., Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wanda Hotel Development Company Limited (formerly known as Wanda Commercial Properties (Group) Co., Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 145, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC TOWER
1 Tim Mei Avenue, Central
Hong Kong

11 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 $'000	2013 $'000
Revenue	5	**185,849**	1,347,995
Cost of sales		**(57,245)**	(754,612)
Gross profit		**128,604**	593,383
Other revenue	6	**13,114**	8,137
Other net gain/(loss)	6	**94,727**	(6,805)
Net valuation (loss)/gain on investment properties	17	**(121,173)**	93,116
Selling expenses		**(112,429)**	(5,220)
Administrative expenses		**(124,941)**	(77,828)
Gain on redemption of convertible bonds	32	**—**	39,370
Gain on revaluation and cancellation of convertible bonds redemption options	7	**11,050**	32,946
Net loss on disposal of subsidiaries		**—**	(45,326)
Impairment loss on goodwill	19	**(12,433)**	(57,574)
(Loss)/profit from operations		**(123,481)**	574,199
Finance costs	9	**(65,956)**	(89,916)
Share of loss of a joint venture		**(979)**	—
(Loss)/profit before tax	8	**(190,416)**	484,283
Income tax credit/(expense)	12	**73,322**	(250,382)
(Loss)/profit for the year		**(117,094)**	233,901
Attributable to:			
Owners of the parent	13	**(176,026)**	190,879
Non-controlling interests		**58,932**	43,022
		(117,094)	233,901
(Loss)/earnings per share attributable to ordinary equity holders of the parent (HK cents)	14		(Restated)
Basic		**(4.3)**	7.0
Diluted		**(4.3)**	2.9

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
(Loss)/profit for the year		**(117,094)**	233,901
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(357,124)**	54,842
Exchange reserve realised on disposal of subsidiaries		**–**	(26,927)
Other comprehensive (loss)/income for the year, net of tax		**(357,124)**	27,915
Total comprehensive (loss)/income for the year		**(474,218)**	261,816
Attributable to:			
Owners of the parent	13	**(385,120)**	204,793
Non-controlling interests		**(89,098)**	57,023
		(474,218)	261,816

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 $'000	2013 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**619,547**	12,860
Freehold land	16	**1,129,596**	321,121
Investment properties	17	**3,161,737**	2,734,384
Prepaid land lease payments	18	**20,432**	21,476
Goodwill	19	**17,469**	30,557
Investments in a joint venture	21	**601,747**	—
Deferred tax assets	22	**123,708**	52,318
Total non-current assets		**5,674,236**	3,172,716
CURRENT ASSETS			
Properties under development	23	**3,006,613**	938,177
Completed properties held for sale	24	**182,414**	375,961
Trade and other receivables	25	**1,073,992**	73,549
Prepaid tax	31	**60,324**	—
Derivative financial instruments	32	**—**	70,010
Restricted bank deposits	26	**83,208**	85,303
Cash and cash equivalents	26	**2,103,615**	106,436
Total current assets		**6,510,166**	1,649,436
CURRENT LIABILITIES			
Trade and other payables	27	**1,003,422**	594,398
Receipts in advance	28	**1,445,354**	47,435
Loans from financial institutions	29	**119,916**	81,967
Loans from related parties	30	**225,026**	256,268
Current taxation	31	**448,557**	450,910
Total current liabilities		**3,242,275**	1,430,978
NET CURRENT ASSETS		**3,267,891**	218,458
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,942,127**	3,391,174

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 $'000	2013 $'000
NON-CURRENT LIABILITIES			
Convertible bonds	32	**–**	234,906
Loans from financial institutions	29	**1,463,642**	54,993
Loans from an intermediate holding company	30	**3,451,423**	1,202,634
Interest payable to an intermediate holding company	27	**77,755**	–
Deferred tax liabilities	22	**470,958**	552,324
Total non-current liabilities		**5,463,778**	2,044,857
Net assets		**3,478,349**	1,346,317
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**469,735**	285,591
Retained earnings		**92,613**	272,032
Other reserves	34	**2,206,799**	(17,124)
		2,769,147	540,499
Non-controlling interests		**709,202**	805,818
Total equity		**3,478,349**	1,346,317

Ding Benxi
Chairman

Liu Chaohui
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

		Attributable to owners of the parent										
	Notes	Share capital $'000 (note 33)	Share premium $'000 (note 34)	Capital reserve $'000 (note 34)	Special reserve $'000 (note 34)	Exchange reserve $'000 (note 34)	Statutory reserve $'000 (note 34)	Convertible bond reserve $'000 (note 34)	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
As at 1 January 2013		235,292	–	60,264	44,134	349,197	57,588	(167,213)	84,144	663,406	127,734	791,140
Profit for the year		–	–	–	–	–	–	–	190,879	190,879	43,022	233,901
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	40,841	–	–	–	40,841	14,001	54,842
Exchange reserve realised on disposal of subsidiaries		–	–	–	–	(26,927)	–	–	–	(26,927)	–	(26,927)
Total comprehensive income for the year		–	–	–	–	13,914	–	–	190,879	204,793	57,023	261,816
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	80,000	80,000
Convertible bonds converted	32	50,299	51,037	–	–	–	–	(9,787)	–	91,549	–	91,549
Convertible bonds redeemed	32	–	–	–	–	–	–	(428,659)	–	(428,659)	–	(428,659)
Partial disposal of a subsidiary		–	–	–	9,410	–	–	–	–	9,410	578,401	587,811
Disposal of subsidiaries		–	–	–	–	–	(8,551)	–	8,551	–	(37,340)	(37,340)
Appropriation to statutory reserve fund		–	–	–	–	–	11,542	–	(11,542)	–	–	–
As at 31 December 2013		285,591	51,037*	60,264*	53,544*	363,111*	60,579*	(605,659) *	272,032	540,499	805,818	1,346,317
As at 1 January 2014		**285,591**	**51,037**	**60,264**	**53,544**	**363,111**	**60,579**	**(605,659)**	**272,032**	**540,499**	**805,818**	**1,346,317**
Loss for the year		–	–	–	–	–	–	–	(176,026)	(176,026)	58,932	(117,094)
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	(209,094)	–	–	–	(209,094)	(148,030)	(357,124)
Total comprehensive loss for the year		–	–	–	–	(209,094)	–	–	(176,026)	(385,120)	(89,098)	(474,218)
Issue of share capital		85,677	2,364,643	–	–	–	–	–	–	2,450,320	–	2,450,320
Convertible bonds converted	32	98,467	83,681	–	–	–	–	(18,700)	–	163,448	–	163,448
Declaration of dividends		–	–	–	–	–	–	–	–	–	(12,055)	(12,055)
Release upon the fully conversion of the convertible bonds		–	(564,095)	(60,264)	–	–	–	624,359	–	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	4,537	4,537
Appropriation to statutory reserve fund		–	–	–	–	–	3,393	–	(3,393)	–	–	–
As at 31 December 2014		**469,735**	**1,935,266***	**–***	**53,544***	**154,017***	**63,972***	**–***	**92,613**	**2,769,147**	**709,202**	**3,478,349**

* These reserve accounts comprise the consolidated other reserves of $2,206,799,000 (2013: negative reserve of $17,124,000) in the consolidated statement of financial position.


Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
(Loss)/profit before tax		**(190,416)**	484,283
Adjustments for:			
Finance costs	9	**65,956**	89,916
Share of loss of a joint venture		**979**	—
Gain on redemption of convertible bonds		**—**	(39,370)
Gain on revaluation and cancellation of convertible bonds redemption options	7	**(11,050)**	(32,946)
Interest income	6	**(13,114)**	(8,137)
Depreciation	8	**11,957**	1,570
Recognition of prepaid land lease payments	8	**519**	477
Impairment of goodwill		**12,433**	57,574
Written off of other receivables	6	**19,578**	—
Net valuation loss/(gain) of investment properties		**121,173**	(93,116)
Net loss on disposal of subsidiaries		**—**	45,326
Loss on disposal of items of property, plant and equipment	8	**3**	7
		18,018	505,584
Increase in properties under development		**(2,175,602)**	—
Decrease/(increase) in completed properties held for sales		**115,401**	(193,373)
Increase in trade receivables and other receivables		**(1,074,214)**	(93,732)
Increase/(decrease) in receipts in advance		**1,413,715**	(1,142,926)
Increase in trade payables and other payables		**509,711**	131,809
Cash used in from operations		**(1,192,971)**	(792,638)
PRC tax paid		**(118,859)**	(347,403)
Net cash flows used in operating activities		**(1,311,830)**	(1,140,041)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Net cash used in operating activities		**(1,311,830)**	(1,140,041)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(582,884)**	(324,391)
Purchase of freehold land		**(902,245)**	—
Expenditure on investment properties		**(542,718)**	—
Disposal of subsidiaries net of cash disposed of		**—**	(373,014)
Investments in a joint venture		**(31,990)**	—
Advance of loan to a joint venture		**(630,761)**	—
Interest received		**13,114**	8,137
Proceeds from disposal of items of property, plant and equipment		**4,163**	—
Increase in restricted bank deposits		**—**	(42,399)
Net cash flows used in investing activities		**(2,673,321)**	(731,667)
Cash flows from financing activities			
Proceeds from issue of shares		**2,450,320**	—
Proceeds from new loans from financial institutions		**1,484,638**	516,010
Proceeds from loans from an intermediate holding company		**2,315,562**	1,179,267
Repayment of loans from financial institutions		**(35,214)**	(51,107)
Repayment of loans from related parties		**(25,142)**	(31,165)
Interest paid		**(180,043)**	(12,865)
Capital injection from non-controlling shareholders		**4,537**	80,000
Dividends paid to non-controlling shareholders		**(12,055)**	—
Repayment of advance from lessee		**—**	(124,360)
Repayment of amount due to a director		**—**	(58,000)
Net cash flows from financing activities		**6,002,603**	1,497,780
Net increase/(decrease) in cash and cash equivalents		**2,017,452**	(373,928)
Cash and cash equivalents at 1 January		**106,436**	476,641
Effect of foreign exchange rate changes		**(20,273)**	3,723
Cash and cash equivalents at 31 December	26	**2,103,615**	106,436

Statement of Financial Position

As at 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 $'000	2013 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,759**	1,615
Investments in subsidiaries	20	**1,023,782**	1,023,782
Loans to subsidiaries	20	**3,770,174**	—
Due from subsidiaries	25	**43,931**	—
Total non-current assets		**4,841,646**	1,025,397
CURRENT ASSETS			
Other receivables	25	**254,298**	656,926
Derivative financial instruments	32	**—**	70,010
Cash and cash equivalents	26	**113,015**	4,032
Total current assets		**367,313**	730,968
CURRENT LIABILITIES			
Other payables	27	**166,068**	38,437
Total current liabilities		**166,068**	38,437
NET CURRENT ASSETS		**201,245**	692,531
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,042,891**	1,717,928
NON-CURRENT LIABILITIES			
Loans from financial institutions	29	**1,241,088**	—
Convertible bonds	32	**—**	234,906
Loans from an intermediate holding company	30	**728,381**	771,201
Interest payable to an intermediate holding company	27	**48,469**	—
Total non-current liabilities		**2,017,938**	1,006,107
Net assets		**3,024,953**	711,821
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**469,735**	285,591
Reserves	34(a)	**2,555,218**	426,230
Total equity		**3,024,953**	711,821

Ding Benxi
Chairman

Liu Chaohui
Executive Director

1. CORPORATE INFORMATION

Wanda Hotel Development Company Limited (formerly known as Wanda Commercial Properties (Group) Co., Limited) (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at The Canon's Court 22 Victoria Street Hamilton HM12, Bermuda.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") and overseas during the year.

In the opinion of the Company's directors (the "Directors"), the immediate holding company of the Company is Wanda Commercial Properties Overseas Limited ("Wanda Overseas"), a company established in the British Virgin Islands and the ultimate holding company of the Company is Dalian Wanda Group Co., Ltd., a company established in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong), in accordance with transitional and saving arrangements for Part 9 of the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to the new Companies Ordinance. These financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The financial statements have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("$") and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(Expressed in Hong Kong dollars unless otherwise indicated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures *(Continued)*

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

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures *(Continued)*

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

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

2.3 New and revised HKFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.3 New and revised HKFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted *(Continued)*

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.3 New and revised HKFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted *(Continued)*

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Investment in a joint venture *(Continued)*

The Group's share of the post-acquisition results and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investments in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group's investments in the joint venture.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of the joint venture are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in the joint venture is treated as non-current assets and is stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Business combinations and goodwill *(Continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Business combinations and goodwill *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, completed properties held for sale, properties under development, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated residual values and useful lives for this purpose are as follows:

	Useful lives	Residual values
Freehold land	Not depreciated	Not depreciated
Buildings	30 years	5%
Leasehold improvements	5 years or over the lease term whichever is shorter	Nil
Furniture, fixtures and equipment	5 years	10%
Motor vehicles	5 years	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Construction in progress represents renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at each reporting date when fair value can be determined reliably. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be reliably determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributed to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IHKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Financial liabilities *(Continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable profit margin.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Other employee benefits

Defined contribution retirement plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Income tax *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties have been transferred to the buyers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties is retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when construction of the relevant properties has been completed and the Group has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectability of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Revenue recognition *(Continued)*

Rental income derived from the lease of the Group's properties is recognised on a time proportion basis over the lease terms.

Property management fee income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Director are classified as a separate allocation within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measure in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference is on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.4 Summary of significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas companies which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments — the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(i) Fair value of investment properties

The investment properties of the Group are measured at fair value, which were revalued based on the appraised market value by independent professional valuer. The fair value for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for the similar properties in the surrounding areas. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties as at 31 December 2014 was $3,161,737,000 (2013: $2,734,384,000). Further details, including the key assumptions used for fair value measurement are stated in note 17 to the financial statements.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was $17,469,000 (2013: $30,557,000). Further details are given in note 19 of this section.

(iii) PRC corporate income tax ("CIT")

The Group is subject to "CIT" in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the CIT provision to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the CIT expense and CIT provisions in the period in which the differences are realised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) PRC land appreciation tax ("LAT")

LAT in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

When calculation the LAT, the Group need to estimate the deductible expenditures and make judgement on the relevant tax rate of the individual property basis under the relevant applicable tax laws and regulates. Given the uncertainties of the calculative basis of LAT to be interpreted by the local tax bureau, the actual outcomes may higher or lower than that estimated at the end of the reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the LAT expense and LAT provision in the period in which the differences are realised.

(v) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(vi) Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of impairment of trade and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have an impact on the carrying value of the receivables and impairment loss/reversal of impairment of the receivables in the period in which such estimate is changed.

(vii) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(vii) Useful lives and impairment of property, plant and equipment *(Continued)*

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculation of which involves the use of estimates.

(viii) The net realisable value for properties under development and completed properties held for sale

The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable profit margin.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by projects in different geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- The PRC: this segment engages in the development of commercial and residential properties for sales and leasing in the PRC.
- Overseas: this segment engages in the development of overseas property projects.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets exclude the head office's assets and goodwill and segment liabilities exclude the head office's liabilities as these assets and liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is "(Loss)/profit before tax".

	The PRC	Overseas	Total
	$'000	$'000	$'000
For the year ended 31 December 2014			
Revenue from external customers	185,849	—	185,849
Reportable segment loss	(81,066)	(134,437)	(215,503)
For the year ended 31 December 2013			
Revenue from external customers	1,347,995	—	1,347,995
Reportable segment profit	391,831	(5,126)	386,705
As at 31 December 2014			
Reportable segment assets	6,208,636	5,643,077	11,851,713
Reportable segment liabilities	4,092,551	2,429,506	6,522,057
As at 31 December 2013			
Reportable segment assets	3,391,136	1,299,174	4,690,310
Reportable segment liabilities	1,326,939	1,104,363	2,431,302

4. OPERATING SEGMENT INFORMATION *(Continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2014 **$'000**	2013 $'000
Revenue		
Reportable segment and consolidated revenue	**185,849**	1,347,995
(Loss)/profit before tax		
Reportable segment (loss)/profit	**(215,503)**	386,705
Unallocated head office and corporate results	**25,087**	97,578
Consolidated (loss)/profit before tax	**(190,416)**	484,283
Assets		
Reportable segment assets	**11,851,713**	4,690,310
Unallocated head office and corporate assets	**332,689**	131,842
Consolidated total assets	**12,184,402**	4,822,152
Liabilities		
Reportable segment liabilities	**6,522,057**	2,431,302
Unallocated head office and corporate liabilities	**2,183,996**	1,044,533
Consolidated total liabilities	**8,706,053**	3,475,835

4. OPERATING SEGMENT INFORMATION *(Continued)*

(iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (excluding deferred tax assets) ("specified non-current assets"). The geographical location of revenue from external customers is based on the location at which the services were provided or the properties were sold or leased. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of fixed assets, and the location of the operation to which they are allocated, in the case of goodwill.

	Revenue from external customers		**Specified non-current assets**	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
The PRC (including Hong Kong)	**185,849**	1,347,995	**3,866,775**	2,799,277
Overseas	**—**	—	**1,683,753**	321,121
	185,849	1,347,995	**5,550,528**	3,120,398

(iv) Information about major customers

The Group had one customer with whom transactions exceeded 10% of the Group's revenue for the year ended 31 December 2014 (2013: one). For the year ended 31 December 2014, the revenue from this customer amounted to $78,036,000 (2013: $849,501,000).

5. REVENUE

Revenue, which is also the Group's turnover, represents income from the sales of properties, property rental income and property management income during the year, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue is as follows:

	2014 $'000	2013 $'000
Revenue		
Sales of properties	**58,422**	1,231,746
Rental income	**107,481**	94,423
Property management income	**19,946**	21,826
	185,849	1,347,995

Included in revenue from sales of properties during the year ended 31 December 2013 was an amount of $875,508,000 generated from subsidiaries disposed in that year.

6. OTHER REVENUE AND OTHER NET GAIN/(LOSS)

An analysis of the Group's other revenue and other net gain/(loss) is as follows:

	2014 $'000	2013 $'000
Other revenue		
Bank interest income	**13,114**	8,137
Other net gain/(loss)		
Exchange gain/(loss)	**109,531**	(13,650)
Forfeiture of deposits from purchasers	**3,714**	6,350
Other receivables written off as uncollectable	**(19,578)**	—
Others	**1,060**	495
	94,727	(6,805)

7. GAIN ON REVALUATION AND CANCELLATION OF CONVERTIBLE BONDS REDEMPTION OPTIONS

For the year ended 31 December 2014, the amount represented the gain on revaluation of redemption options in respect of the convertible bonds.

For the year ended 31 December 2013, the amount included gain of $70,010,000 on revaluation of redemption options in respect of the convertible bonds, offset by loss of $37,064,000 arising from the cancellation of the respective redemption options as a result of redemption of the convertible bonds during that year as set out in note 32.

8. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2014 $'000	2013 $'000
Cost of properties sold		**41,085**	740,531
Cost of services provided		**16,160**	14,081
Depreciation	15	**11,957**	1,570
Amortisation of land lease payments	18	**519**	477
Minimum lease payments under operating leases for land and buildings		**9,220**	2,098
Auditors' remuneration			
—Audit services		**900**	900
—Other services		**722**	2,450
Employee benefits expense (excluding directors' remuneration (note 10))			
— Salaries, wages and other benefits		**63,584**	27,865
— Contributions to defined contribution retirement plan		**5,892**	1,226
		69,476	29,091
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**10,814**	8,422
Loss on disposal of items of property, plant and equipment		**3**	7

9. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2014 $'000	2013 $'000
Interest on loans from financial institutions	**63,841**	4,452
Interest on convertible bonds (note 32)	**9,602**	53,569
Interest on loans from an intermediate holding company repayable within five years	**69,797**	12,239
Interest on loans from related parties	**38,258**	39,942
Deemed interest on advance from lessee	**24**	1,687
	181,522	111,889
Less: Interest expenses capitalised into properties under development and construction in progress *	**(115,566)**	(21,973)
	65,956	89,916

* The borrowing costs have been capitalised at rates ranging from 3% to 6% per annum (2013: 7% to 15% per annum).

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 $'000	2013 $'000
Fees	**343**	306
Other emoluments:		
Salaries, allowances and benefits in kind	**4,102**	5,737
Pension scheme contributions	**34**	61
Discretionary bonuses	**–**	700
	4,136	6,498
	4,479	6,804

10. DIRECTORS' REMUNERATION *(Continued)*

Directors' remuneration is as follows:

	Fees $'000	Salaries, allowances and benefits in kind $'000	Pension scheme contributions $'000	Discretionary bonuses $'000	Total remuneration $'000
2014					
Chairman and non-executive director:					
Mr. Ding Benxi	–	–	–	–	–
Executive director:					
Mr. Liu Chaohui	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Mr. Liu Jipeng	100	–	–	–	100
Dr. Xue Yunkui	100	–	–	–	100
Mr. Zhang Huaqiao (appointed on 1 September 2014)	92	–	–	–	92
Mr. Ba Shusong (resigned on 20 May 2014)	51	–	–	–	51
	343	–	–	–	343
Non-executive directors:					
Mr. Qi Jie	–	–	–	–	–
Mr. Qu Dejun	–	–	–	–	–
Mr. Chen Chang Wei	–	4,102	34	–	4,136
	–	4,102	34	–	4,136
	343	4,102	34	–	4,479

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

10. DIRECTORS' REMUNERATION *(Continued)*

Directors' remuneration is as follows: *(Continued)*

	Fees $'000	Salaries, allowances and benefits in kind $'000	Pension scheme contributions $'000	Discretionary bonuses $'000	Total remuneration $'000
2013					
Chairman and non-executive director:					
Mr. Ding Benxi (appointed on 3 July 2013)	–	–	–	–	–
Executive directors:					
Mr. Liu Chaohui (appointed on 3 July 2013)	–	–	–	–	–
Ms. Chen Dongxue (resigned on 24 July 2013)	–	600	15	–	615
Mr. Chan Chi Wang (resigned on 24 July 2013)	–	629	8	–	637
Ms. Wu Weilan (resigned on 24 July 2013)	–	620	8	250	878
	–	1,849	31	250	2,130
Independent non-executive directors:					
Mr. Liu Jipeng (appointed on 3 July 2013)	50	–	–	–	50
Dr. Xue Yunkui (appointed on 3 July 2013)	50	–	–	–	50
Mr. Ba Shusong (appointed on 3 July 2013)	50	–	–	–	50
Ms. Lin Wen Feng (resigned on 24 July 2013)	48	–	–	150	198
Mr. Ma Ving Lung (resigned on 24 July 2013)	60	–	–	150	210
Mr. Yip King Keung, Pony (resigned on 24 July 2013)	48	–	–	150	198
	306	–	–	450	756

10. DIRECTORS' REMUNERATION *(Continued)*

Directors' remuneration is as follows: *(Continued)*

	Fees $'000	Salaries, allowances and benefits in kind $'000	Pension scheme contributions $'000	Discretionary bonuses $'000	Total remuneration $'000
Non-executive directors:					
Mr. Qi Jie (appointed on 3 July 2013)	–	–	–	–	–
Mr. Qu Dejun (appointed on 3 July 2013)	–	–	–	–	–
Mr. Chen Chang Wei (resigned as chairman and executive director on 3 July 2013, and appointed as non-executive director on 3 July 2013)	–	3,888	30	–	3,918
	–	3,888	30	–	3,918
	306	5,737	61	700	6,804

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2013: one director and three ex-directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2013: one and three ex-directors who were employed after their resignation as a director) non-directors, highest paid employees of the Company are as follows:

Group

	2014 $'000	2013 $'000
Salaries, allowances and benefits in kind	**12,389**	2,609
Pension scheme contributions	**118**	43
	12,507	2,652

11. FIVE HIGHEST PAID EMPLOYEES

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to $1,000,000	**—**	4
$2,000,001 to $2,500,000	**2**	—
$3,000,001 to $3,500,000	**1**	—
$4,500,001 to $5,000,000	**1**	—
	4	4

12. INCOME TAX

Group

	2014 **$'000**	2013 $'000
Current tax		
Corporate income tax (note (iii))		
— Charge for the year	**48,576**	193,833
— Overprovision in prior years	**(10,056)**	—
PRC Land Appreciation Tax (note (iv))	**18,700**	177,599
	57,220	371,432
Deferred tax (note 22)		
Origination and reversal of temporary differences:		
— Revaluation of properties	**(56,234)**	(138,128)
— Deductibility of PRC Land Appreciation Tax	**(2,745)**	17,078
— Pre-sale properties in PRC	**(50,143)**	—
— Tax losses	**(21,420)**	—
	(130,542)	(121,050)
Total tax (credit)/charge for the year	**(73,322)**	250,382

12. INCOME TAX *(Continued)*

Notes:

(i) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and BVI.

(ii) No provision for Hong Kong profits tax or overseas corporate tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profits in Hong Kong or overseas for the year (2013: Nil).

(iii) Corporate Income Tax ("CIT")

The provision for the PRC CIT has been provided at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in Mainland China (2013: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

(iv) PRC Land Appreciation Tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

12. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rates, are as follows:

	2014	2013
	$'000	$'000
(Loss)/profit before tax	**(190,416)**	484,283
National tax calculated at rates applicable to (loss)/profit in the tax jurisdictions concerned	**(55,764)**	141,838
Adjustments in respect of current tax of previous periods	**(10,056)**	—
Losses attributable to a joint venture	**294**	—
Income not subject to tax	**(65,673)**	(10,720)
Expenses not deductible for tax	**39,744**	30,149
Tax losses not recognised	**8,593**	1,819
Deductible temporary difference not recognised	**(4,485)**	(471)
LAT	**18,700**	100,399
CIT effect of LAT	**(4,675)**	(25,100)
Others	**—**	12,468
Tax (credit)/charge at the Group's effective rate	**(73,322)**	250,382

There was no tax attributable to a joint venture during the year is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss.

13. (LOSS)/EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated (loss)/profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of $340,336,000 (2013: profit of $855,641,000) which has been dealt with in the financial statements of the Company.

13. (LOSS)/EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT *(Continued)*

A reconciliation of the amount of consolidated (loss)/profit for the year attributable to shareholders of the Company dealt with in the financial statements of the Company to the Company's (loss)/profit for the year is as follows:

	2014 **$'000**	2013 $'000
Amount of consolidated (loss)/profit for the year attributable to shareholders of the Company dealt with in the financial statements of the Company	**(340,336)**	855,641
Interest income from a subsidiary	**39,700**	—
Company's (loss)/profit for the year (note 34(a))	**(300,636)**	855,641

14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the parent of $176,026,000 (2013: profit of $190,879,000) and the weighted average number of ordinary shares of 4,139,285,000 (2013: 2,710,295,000, as restated) in issue, as adjusted retrospectively to reflect the effect of rights issue of the Company during the year.

(b) Diluted earnings per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2014 in respect of a dilution as the impact of the convertible bonds outstanding during the year had an antidilutive effect on the basic loss per share amount presented.

For the year ended 31 December 2013, the calculation of diluted earnings per share is based on profit attributable to equity shareholders of the Company of $172,132,000 and the weighted average number of 5,882,351,000 shares, as restated, calculated as follows:

14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

(b) Diluted earnings per share *(Continued)*

(i) (Loss)/profit attributable to equity holders of the parent (diluted)

	2014 **$'000**	2013 $'000
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(176,026)**	190,879
Interest on convertible bonds	**–**	53,569
Gain on redemption of convertible bonds	**–**	(39,370)
Gain on revaluation and cancellation of convertible bonds redemption options	**–**	(32,946)
	(176,026)	172,132

(ii) Weighted average number of ordinary shares (diluted)

	2014 **$'000**	2013 $'000 (Restated)
Weighted average number of ordinary shares at 31 December	**4,139,285**	2,710,295*
Effect of deemed conversion of convertible bonds	**–**	3,172,056
	4,139,285	5,882,351*

* Restated by taking into account the retrospective adjustment to the number of shares outstanding before the rights issue completed on 23 January 2014.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings held for own use $'000	Furniture, fixtures, and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Construction in progress $'000	Total $'000
31 December 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	9,536	1,718	3,719	1,841	–	16,814
Accumulated depreciation and impairment	(698)	(810)	(2,143)	(303)	–	(3,954)
Net carrying amount	8,838	908	1,576	1,538	–	12,860
At 1 January 2014, net of accumulated depreciation and impairment	8,838	908	1,576	1,538	–	12,860
Additions	–	9,097	4,715	56,763	552,992	623,567
Disposals	(1,357)	(1,582)	(1,227)	–	–	(4,166)
Depreciation provided during the year	(349)	(1,268)	(846)	(9,494)	–	(11,957)
Exchange realignment	(230)	(126)	(36)	(365)	–	(757)
At 31 December 2014, net of accumulated depreciation and impairment	6,902	7,029	4,182	48,442	552,992	619,547
At 31 December 2014:						
Cost	7,815	8,731	6,300	58,233	552,992	634,071
Accumulated depreciation and impairment	(913)	(1,702)	(2,118)	(9,791)	–	(14,524)
Net carrying amount	6,902	7,029	4,182	48,442	552,992	619,547

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

Group *(Continued)*

	Buildings held for own use $'000	Furniture, fixtures, and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Construction in progress $'000	Total $'000
31 December 2013						
At 1 January 2013:						
Cost	11,835	1,128	3,864	118	–	16,945
Accumulated depreciation and impairment	(1,130)	(590)	(1,918)	(118)	–	(3,756)
Net carrying amount	10,705	538	1,946	–	–	13,189
At 1 January 2013, net of accumulated depreciation and impairment	10,705	538	1,946	–	–	13,189
Additions	–	735	812	1,723	–	3,270
Disposals	–	(7)	–	–	–	(7)
Disposal of subsidiaries	(1,946)	(84)	(655)	–	–	(2,685)
Depreciation provided during the year	(553)	(283)	(549)	(185)	–	(1,570)
Transfers from properties for sale	385	–	–	–	–	385
Exchange realignment	247	9	22	–	–	278
At 31 December 2013, net of accumulated depreciation and impairment	8,838	908	1,576	1,538	–	12,860
At 31 December 2013:						
Cost	9,536	1,718	3,719	1,841	–	16,814
Accumulated depreciation and impairment	(698)	(810)	(2,143)	(303)	–	(3,954)
Net carrying amount	8,838	908	1,576	1,538	–	12,860

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

Company

	Motor vehicles $'000	Furniture, fixtures, and equipment $'000	Leasehold improvements $'000	Total $'000
31 December 2014				
At 31 December 2013 and at 1 January 2014:				
Cost	–	126	1,683	1,809
Accumulated depreciation and impairment	–	(9)	(185)	(194)
Net carrying amount	–	117	1,498	1,615
At 1 January 2014, net of accumulated depreciation and impairment	–	117	1,498	1,615
Additions	2,716	83	103	2,902
Disposals	–	–	(3)	(3)
Depreciation provided during the year	(83)	(45)	(627)	(755)
At 31 December 2014, net of accumulated depreciation and impairment	2,633	155	971	3,759
At 31 December 2014:				
Cost	2,716	208	1,784	4,708
Accumulated depreciation and impairment	(83)	(53)	(813)	(949)
Net carrying amount	2,633	155	971	3,759

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

Company *(Continued)*

	Motor vehicles $'000	Furniture, fixtures, and equipment $'000	Leasehold improvements $'000	Total $'000
31 December 2013				
At 1 January 2013:				
Cost	—	—	—	—
Accumulated depreciation and impairment	—	—	—	—
Net carrying amount	—	—	—	—
At 1 January 2013, net of accumulated depreciation and impairment	—	—	—	—
Additions	—	126	1,683	1,809
Depreciation provided during the year	—	(9)	(185)	(194)
At 31 December 2013, net of accumulated depreciation and impairment	—	117	1,498	1,615
At 31 December 2013:				
Cost	—	126	1,683	1,809
Accumulated depreciation and impairment	—	(9)	(185)	(194)
Net carrying amount	—	117	1,498	1,615

As at 31 December 2014, certain items of the Group's property, plant and equipment with a net carrying amount of approximately $6,902,000 (2013: $8,838,000) were pledged to secure interest-bearing bank borrowings granted to the Group as disclosed in note 29.

16. FREEHOLD LAND

Freehold land represents the land acquisition cost, stamp duty, legal fee and other acquisition costs in relation to the Group's acquired projects which are situated in London and Madrid.

	Group	
	2014	2013
	$'000	$'000
Carrying amount at 1 January	**321,121**	—
Additions	**902,245**	321,121
Exchange realignment	**(93,770)**	—
Carrying amount at 31 December	**1,129,596**	321,121

17. INVESTMENT PROPERTIES

Group

	Completed investment properties	Investment properties under construction or development	Total
	$'000	$'000	$'000
At 1 January 2013	2,361,583	—	2,361,583
Additions	235,223	—	235,223
Net gain from a fair value adjustment	93,116	—	93,116
Reversal of over-accrued development costs	(22,572)	—	(22,572)
Exchange realignment	67,034	—	67,034
At 31 December 2013 and 1 January 2014	2,734,384	—	2,734,384
Additions	—	548,962	548,962
Transfers from completed properties held for sale	76,752	—	76,752
Net gain/(loss) from a fair value adjustment	(146,711)	25,538	(121,173)
Reversal of over-accrued development costs	(6,244)	—	(6,244)
Exchange realignment	(66,551)	(4,393)	(70,944)
At 31 December 2014	2,591,630	570,107	3,161,737

17. INVESTMENT PROPERTIES *(Continued)*

(a) All the completed investment properties and investment properties under construction or development, including both land and building elements held by the Group were revalued at the end of the year based on valuations performed by independent qualified valuer, DTZ Debenham Tie Leung Limited ("DTZ") (2013: CB Richard Ellis Limited ("CBRE")). Both DTZ and CBRE are industry specialist in investment property valuation, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties, where appropriate, by reference to market evidence of transaction prices for the similar properties in the same locations and conditions. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin (2013: the valuation of completed investment properties was arrived at by the direct comparison approach and direct capitalisation approach and the conclusive value was determined by reconciling the results of the two approaches). There were no changes to the valuation techniques during the year.

(b) The Group's investment properties are all situated in Mainland China and are held under the following lease terms:

	2014	2013
	$'000	$'000
Medium-term lease (10 to 50 years)	**3,161,737**	2,734,384

Certain items of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 37 to the financial statements.

(c) As at 31 December 2014, certain items of the Group's investment properties with a carrying amount of $379,446,000 (2013: $2,108,080,000) were pledged to secure interest-bearing bank borrowings and undrawn bank facilities granted to the Group as disclosed in note 29.

Further particulars of the Group's investment properties are included on page 148.

17. INVESTMENT PROPERTIES *(Continued)*

(d) Fair value measurement of properties

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value at 31 December 2014 $'000	**Fair value measurements as at 31 December 2014 categorised into**		
		level 1 $'000	**level 2 $'000**	**level 3 $'000**
Recurring fair value measurement for:				
Commercial properties	**3,161,737**	**–**	**–**	**3,161,737**

	Fair value at 31 December 2013 $'000	Fair value measurements as at 31 December 2013 categorised into		
		level 1 $'000	level 2 $'000	level 3 $'000
Recurring fair value measurement for:				
Commercial properties	2,734,384	–	–	2,734,384

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's management has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENT PROPERTIES *(Continued)*

(d) Fair value measurement of properties *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

2014

	Valuation techniques	Significant unobservable input	Range
Shopping mall	Investment approach	Prevailing monthly market rents per square meter	Renminbi ("RMB") 40 -RMB251
		Reversionary yield	Mall: 6.0%-7.0% Store: 5.0%-6.0%
	Market approach	Prevailing market price of ground floor retail per square meter	RMB50,000
Office	Investment approach	Prevailing monthly market rents per square meter	RMB184
		Reversionary yield	6.5%
	Market approach	Prevailing market price per square meter	RMB38,000
Car parks	Investment approach	Prevailing monthly market rents per lot	RMB400 -RMB1,500
		Reversionary yield	4.5%-5.0%
	Market approach	Prevailing market price per lot	RMB390,000

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. The higher the rents, the higher the fair value is. Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower the fair value is.

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENT PROPERTIES *(Continued)*

(d) Fair value measurement of properties *(Continued)*

2013

	Valuation techniques	Significant unobservable input	Range
Shopping mall	Direct comparison approach	Discount on quality of the buildings	5% to 15%
	Direct capitalisation approach	Risk adjusted discount rate	3.5%-4.5%
		Expected market rental growth	100%-130%
Office	Direct comparison approach	Discount on quality of the buildings	10% to 20%
	Direct capitalisation approach	Risk adjusted discount rate	5.5%-6.5%
		Expected market rental growth	10% to 20%

* Under the lease agreement, the shopping mall is leased to a single tenant and the lease term is 20 years since 26 May 2012. The expected market rental growth represents the expected growth of the rental rate should the shopping mall be leased out separately upon the expiry of the existing lease.

Direct comparison approach consists of comparisons based on prices realised or current asking prices of comparable properties. Comparable properties of similar size, character and location are selected and then analyzed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Direct capitalisation approach takes into account the current passing rents of the property interests and the reversionary potentials of the tenancies. The existing tenancies in the remaining tenancy terms were capitalised into the term interest and were assembled with the reversionary interest, which has been derived by discounting the market value on vacant possession basis as assessed by the comparison method with an appropriate property yield.

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	$'000	$'000
Carrying amount at 1 January	**21,476**	46,469
Disposals of subsidiaries	**—**	(24,845)
Amortisation provided during the year	**(519)**	(477)
Exchange realignment	**(525)**	329
Carrying amount at 31 December	**20,432**	21,476

The leasehold land is situated in Mainland China and is held under a medium-term lease.

As at 31 December 2014, certain items of the Group's prepaid lease payments with a net carrying amount of approximately $20,432,000 (2013: $21,102,000) were pledged to secure interest-bearing bank borrowings granted to the Group as disclosed in note 29.

19. GOODWILL

	Group	
	2014	2013
	$'000	$'000
At 1 January:		
Cost	**372,324**	394,782
Accumulated impairment losses	**(356,574)**	(299,000)
Exchange realignment	**14,807**	11,157
Net carrying amount	**30,557**	106,939
Impairment during the year	**(12,433)**	(57,574)
De-recognised on disposal of subsidiaries	**—**	(22,458)
Exchange adjustments	**(655)**	3,650
Carrying amount	**17,469**	30,557
At 31 December:		
Cost	**372,324**	372,324
Accumulated impairment losses	**(369,007)**	(356,574)
Exchange realignment	**14,152**	14,807
Net carrying amount	**17,469**	30,557

19. GOODWILL *(Continued)*

Goodwill arose from the acquisition of the entire issued share capital of Amazing Wise in 2008. The cost of the goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Amazing Wise as at the acquisition date.

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill includes all subsidiaries located in Fuzhou. During the year ended 31 December 2014, the recoverable amount of CGU was re-determined and accordingly, an additional impairment loss of $12,433,000 was provided (2013: $57,574,000).

20. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unlisted shares, at cost	**1,023,782**	1,023,782
Loans to subsidiaries	**3,770,174**	—
	4,793,956	1,023,782

The above balances are unsecured and interest free, except for an aggregate amount of $821,367,000 loans to a subsidiary as at 31 December 2014 (2013: nil) which bear interests at floating rates of six month LIBOR + 5% per annum.

Details of the Company's amount due from and to subsidiaries are included in notes 25 and 27 respectively.

(Expressed in Hong Kong dollars unless otherwise indicated)

20. INVESTMENT IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Amazing Wise Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	53%	–	Investment holding
Dalong Industrial Group Limited	Hong Kong	$10,000,000	–	53%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	$1,000	–	53%	Inactive
Fujian Zhonglu Real Estate Development Co., Limited ("Fujian Zhonglu") (note i, iii)	PRC	RMB129,820,000	–	50.35%	Property development
Fujian Hengli & Savills Property Management Co., Limited (note i)	PRC	RMB500,000	–	27.69%	Property management
Fujian Hengli Assets Management Co., Limited (note ii)	PRC	RMB7,573,126	–	53%	Property management
Wanda International Real Estate Investment Co., Limited	Hong Kong	$200,000,000	60%	–	Investment holding
Wanda One (UK) Limited ("Wanda One")	United Kingdom	10,000 ordinary shares of GBP1 each	–	60%	Property development

(Expressed in Hong Kong dollars unless otherwise indicated)

20. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wanda One Nine Elms (UK) Limited ("Wanda One Nine Elms")	United Kingdom	10,000 ordinary shares of GBP1 each	–	60%	Property development
Wanda Europe Real Estate Investment Co. Ltd.	Hong Kong	$1	60%	–	Investment holding
Wanda Madrid Development S.L.	Spain	EUR3,000	–	60%	Property development
Wanda Properties Investment Limited	British Virgin Islands	100 ordinary shares of US$0.01 each	51%	–	Investment holding
Wanda Commercial Properties Investment Co., Limited	Hong Kong	$1	–	51%	Investment holding
Guilin Gaoxin Wanda Plaza Co., Ltd. (note ii)	PRC	RMB1,108,484,000	–	51%	Property development
Wanda Americas Real Estate Investment Co., Ltd.	Hong Kong	$1	60%	–	Investment holding
Wanda Americas Commercial Properties Co., Ltd.	USA	1,000 ordinary shares of US$0.1 each	–	60%	Investment holding
Wanda Chicago Real Estate LLC	USA	US$10	–	60%	Investment holding
Parcel C LLC	USA	US$5,385,707	–	54%	Property development

(Expressed in Hong Kong dollars unless otherwise indicated)

20. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wanda Australia Real Estate Investment Co., Ltd.	Hong Kong	$1	60%	–	Investment holding
Wanda Australia Commercial Properties Pty. Ltd.	Australia	1,000 ordinary shares of AUD0.001 each	–	60%	Investment holding

i These entities are equity joint ventures established in the PRC.

ii This entity is a wholly-foreign-owned enterprise established in the PRC.

iii Pursuant to a share transfer agreement (the "Agreement") dated 22 May 2005 between Dalong Industrial Limited ("Dalong"), a subsidiary of the Group, and Fujian Zhonglu Group Co., Limited ("Zhonglu Group"), Zhonglu Group agreed to transfer 95% of the equity of Fujian Zhonglu Real Estate Development Co., Limited ("Fujian Zhonglu") to Dalong, after which Fujian Zhonglu became a subsidiary of Dalong. Zhonglu Group has since then been the non-controlling equity holder of Fujian Zhonglu. According to the Agreement, certain assets and liabilities related to an old project commenced before the transfer were retained by Zhonglu Group, the relevant risks and benefits of the aforesaid projects were also retained by Zhonglu Group. Fujian Zhonglu maintains separate books and records for this old project. As at 31 December 2014, the relevant assets and liabilities amounted to $35,572,000 (2013: $35,572,000) and $35,000 (2013: $35,000) respectively have not been legally transferred. However, as the risk and benefits of these assets and liabilities were retained by Zhonglu Group, these assets and liabilities were excluded from the consolidated financial statements.

iv The statutory financial statements of all subsidiaries of the Group for each of the two years ended 31 December 2013 and 2014, or since their respective dates of establishment or acquisitions by the Group, were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

20. INVESTMENT IN SUBSIDIARIES *(Continued)*

The following tables list out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Amazing Wise Group $'000	Wanda International Real Estate Investment Co., Ltd. Group $'000	Wanda Properties Investment Limited Group $'000	Wanda Europe Real Estate Investment Limited Group $'000	Wanda Americas Real Estate Investment Limited Group $'000	Wanda Australia Real Estate Investment Co., Ltd. Group $'000
2014						
Percentage of equity interest held by NCI	47%	40%	49%	40%	40%	40%
Profit/(loss) for the year allocated to NCI	(18,904)	(50,824)	(4,653)	127,098	–	(11,644)
Dividends declared to NCI	12,055	–	–	–	–	–
Accumulated balances of NCI at the reporting date	671,910	28,843	(4,991)	(2,263)	4,536	(10,587)
2013						
Percentage of equity interest held by NCI	47%	40%	–	–	–	–
Profit/(loss) for the year allocated to NCI	35,556	(2,050)	–	–	–	–
Dividends declared to NCI	12,055	–	–	–	–	–
Accumulated balances of NCI at the reporting date	622,796	77,924	–	–	–	–


20. INVESTMENT IN SUBSIDIARIES *(Continued)*

	Amazing Wise Group $'000	Wanda International Real Estate Investment Co., Ltd. Group $'000	Wanda Properties Investment Limited Group $'000	Wanda Europe Real Estate Investment Limited Group $'000	Wanda Americas Real Estate Investment Limited Group $'000	Wanda Australia Real Estate Investment Co., Ltd. Group $'000
2014						
Revenue	185,849	–	–	–	–	–
Total expense	(290,264)	(127,060)	(22,395)	(8,793)	–	(29,109)
Total other income	59,688	–	12,899	326,537	–	–
Profit/(loss) for the year	(44,727)	(127,060)	(9,496)	317,744	–	(29,109)
Total comprehensive loss for the year	(89,033)	(122,703)	(10,186)	(5,658)	–	(26,468)
Current assets	381,469	1,437,586	2,394,456	1,831,854	92,313	–
Non-current assets	2,674,964	387,630	672,770	1,269,453	10,929	601,747
Current liabilities	(1,040,434)	(354,876)	(2,386,546)	(1,866,670)	(98,705)	(377,576)
Non-current liabilities	(687,176)	(1,398,232)	(690,866)	(1,240,295)	–	(250,639)
NCI	(17,217)	–	–	–	(4,537)	–
Net cash flows from/(used in)						
operating activities	(221,241)	(80,611)	841,207	(1,796,259)	(45,696)	(26,468)
investing activities	–	(48,745)	(597,473)	(1,267,028)	(10,929)	(601,747)
financing activities	184,298	339,911	1,397,000	3,100,673	93,089	628,215
Net increase/(decrease) in cash and cash equivalents	(36,943)	210,555	1,640,734	37,386	36,464	–
2013						
Revenue	472,487	–	–	–	–	–
Total expense	(368,258)	(5,126)	–	–	–	–
Profit/(loss) for the year	104,229	(5,126)	–	–	–	–
Total comprehensive loss for the year	114,183	(5,190)	–	–	–	–
Current assets	586,310	978,053	–	–	–	–
Non-current assets	2,819,423	321,121	–	–	–	–
Current liabilities	(1,368,220)	(25,779)	–	–	–	–
Non-current liabilities	(607,317)	(1,078,584)	–	–	–	–
NCI	(105,098)	–	–	–	–	–
Net cash flows from/(used in)						
operating activities	(330,804)	(900,699)	–	–	–	–
investing activities	(10,014)	321,342	–	–	–	–
financing activities	72,988	1,257,670	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	(267,830)	678,313	–	–	–	–

21. INVESTMENTS IN A JOINT VENTURE

	Group	
	2014	2013
	$'000	$'000
Share of net assets	**28,198**	—
Loans to a joint venture	**573,549**	—
	601,747	—

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Ridong (Gold Coast) Development Pty Ltd ("Ridong")	AUD 4,583,622	Australia	55%	55%	55%	Property development

21. INVESTMENTS IN A JOINT VENTURE *(Continued)*

The following table illustrates the summarised financial information in respect of Ridong adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2014 **$'000**	2013 $'000
Cash and cash equivalents	**249,939**	–
Other current assets	**67,665**	–
Current assets	**317,604**	–
Non-current assets	**779,067**	–
Other current liabilities	**(2,586)**	–
Current liabilities	**(2,586)**	–
Non-current liabilities	**(1,042,816)**	–
Net assets	**51,269**	–
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**55%**	–
Carrying amount of the investment	**28,198**	–

	2014 **$'000**	2013 $'000
Revenue	**73**	–
Interest income	**1,519**	–
Depreciation and amortisation	**(87)**	–
Loss and total comprehensive loss for the period from acquisition date to 31 December 2014	**(1,780)**	–
Dividend received	**–**	–

22. DEFERRED TAX ASSETS AND LIABILITIES

The components of the Group's deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties $'000	LAT $'000	Tax loss $'000	Pre-sale properties in PRC $'000	Total $'000
At 1 January 2013	(661,460)	79,343	–	–	(582,117)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 12)	138,128	(17,078)	–	–	121,050
Exchange differences	(28,992)	2,430	–	–	(26,562)
Disposal	–	(12,377)	–	–	(12,377)
At 31 December 2013 and 1 January 2014	(552,324)	52,318	–	–	(500,006)
Deferred tax credited to the statement of profit or loss during the year (note 12)	56,234	2,745	21,420	50,143	130,542
Exchange differences	25,132	(1,304)	(1,231)	(383)	22,214
At 31 December 2014	(470,958)	53,759	20,189	49,760	(347,250)

Reconciliation to the consolidated statement of financial position:

	Group 2014 $'000	Group 2013 $'000
Deferred tax assets	**123,708**	52,318
Deferred tax liabilities	**(470,958)**	(552,324)
	(347,250)	(500,006)

22. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

Deferred tax assets have not been recognised in respect of the following items.

	Group	
	2014	2013
	$'000	$'000
Unused tax credits	**8,593**	1,819
Deductible temporary differences	**(4,485)**	(471)
	4,108	1,348

The above tax losses were mainly arising in Mainland China, which could be carried forward for five years to offset against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 5% to 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. As at 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately $13,902,000 at 31 December 2014 (2013: $10,984,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. PROPERTIES UNDER DEVELOPMENT

Properties under development expected to be completed within normal operating cycle and recovered:

	Group	
	2014	2013
	$'000	$'000
Within one year	**601,368**	938,177
After one year	**2,405,245**	—
Carrying amount at 31 December	**3,006,613**	938,177

23. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Analysis of carrying amount of leasehold and freehold land included in properties for sales by lease terms is as follows:

	Group	
	2014	2013
	$'000	$'000
Held under:		
— long-term leases (over 50 years) in the PRC	**73,562**	—
— medium-term leases (10 to 50 years) in the PRC	**136,089**	—
Freehold land in the United Kingdom	**877,414**	938,177
Freehold land in Madrid	**829,273**	—
	1,916,338	938,177

Properties under development represents the project cost, land acquisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's property development project situated in Guilin, Guangxi Zhuang Autonomous Region, the PRC and property development projects situated in United Kingdom and Madrid.

24. COMPLETED PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group's completed properties held for sale are situated in Mainland China and are held under the following lease terms:

Analysis of carrying amount of leasehold included in properties for sales by lease terms is as follows:

	Group	
	2014	2013
	$'000	$'000
Held under:		
— long-term leases (over 50 years) in the PRC	**68,898**	88,290
— medium-term leases (10 to 50 years) in the PRC	**42,894**	116,845
	111,792	205,135

As at 31 December 2014, certain items of the Group's completed properties held for sales with a carrying amount of $25,439,000 (2013: $56,029,000) were pledged to secure interest-bearing bank borrowings and undrawn bank facilities granted to the Group as disclosed in note 29.

25. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2014	2013	**2014**	2013
	Note	**$'000**	$'000	**$'000**	$'000
Trade receivables	a	**70,590**	4,567	**–**	–
Prepayments		**4,010**	3,158	**–**	–
Deposits and other receivables		**988,294**	65,095	**198,446**	3,170
Amounts due from subsidiaries		**–**	–	**99,783**	653,756
Amounts due from related parties		**9,262**	729	**–**	–
Amounts due from an intermediate holding company		**1,836**	–	**–**	–
		1,073,992	73,549	**298,229**	656,926
Portion classified as current portion		**(1,073,992)**	(73,549)	**(254,298)**	(656,926)
Non-current portion		**–**	–	**43,931**	–

The amounts due from subsidiaries, related parties and an intermediate holding company are unsecured, interest free and repayable on demand.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Note:

(a) The aging analysis of trade receivables based on the invoice date, is as follows:

	Group	
	2014	2013
	$'000	$'000
Within 3 months	**27,557**	3,357
Over 3 months but within 6 months	**22,465**	1,210
Over 6 months but within 12 months	**20,266**	–
Over 12 months	**302**	–
	70,590	4,567

At 31 December 2014, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balance is fully recoverable. The Group does not hold any collateral over the balance (2013: Nil).

26. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**2,098,625**	106,436	**113,015**	4,032
Time deposits	**88,198**	85,303	**—**	—
	2,186,823	191,739	**113,015**	4,032
Less: Pledged for long-term bank loans	**(83,208)**	(85,303)	**—**	—
Cash and cash equivalents	**2,103,615**	106,436	**113,015**	4,032

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to $1,728,787,000 (2013: $136,132,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2014, the Group's time deposits amounting to $83,208,000 (2013: $85,303,000) were pledged to secure interest-bearing bank borrowings granted to the Group as disclosed in note 29.

27. TRADE AND OTHER PAYABLES

An analysis of trade payables, other payables and accruals as at the end of the reporting period is as follows:

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**$'000**	$'000	**$'000**	$'000
Trade payables	a	**368,559**	95,692	**—**	—
Other payables		**126,442**	195,649	**19,313**	15,337
Accruals		**5,010**	1,639	**—**	—
Interest payable to related parties	b	**23,586**	121,706	**—**	—
Interest payable to an intermediate holding company	b	**77,755**	12,320	**48,469**	7,916
Interest payable to financial institutions		**22,307**	—	**21,243**	—
Amounts due to subsidiaries	b	**—**	—	**11**	11
Amounts due to an intermediate holding company	b	**290,213**	27,833	**125,501**	15,173
Amounts due to related parties	b	**167,305**	122,491	**—**	—
Amounts due to non-controlling shareholders	b	**—**	17,068	**—**	—
		1,081,177	594,398	**214,537**	38,437
Portion classified as current liabilities		**(1,003,422)**	(594,398)	**(166,068)**	(38,437)
Non-current portion		**77,755**	—	**48,469**	—

27. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

a. None of the Group's trade payables are expected to be settled after more than one year (2013: Nil).

The aging analysis of trade payables based on the invoice date is as follows:

	Group	
	2014	2013
	$'000	$'000
Within 3 months	**330,026**	8,097
Over 3 months but within 6 months	**6,532**	3,218
Over 6 months but within 12 months	**13,859**	2,484
Over 12 months	**18,142**	81,893
	368,559	95,692

b. Except for the amount of $77,755,000 in interest payable to an intermediate holding company which is repayable more than one year (2013: Nil), the amounts due to subsidiaries, an intermediate holding company, related parties and non-controlling equity holders are repayable on demand or within one year and all these balances are unsecured and interest free.

28. RECEIPTS IN ADVANCE

Advances from customers represent sales proceeds received from buyers in connection with the Group's pre-sale of properties.

29. LOANS FROM FINANCIAL INSTITUTIONS

Loans from financial institutions were repayable as follows:

Group

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Current:				
Bank loans — secured	**119,916**	81,967	**—**	—
Non-current:				
Bank loans — secured	**1,463,642**	54,993	**1,241,088**	—
	1,583,558	136,960	**1,241,088**	—
Repayable:				
Within 1 year or on demand	**119,916**	81,967	**—**	—
After 1 year but within 2 years	**352,188**	8,952	**310,272**	—
After 2 years but within 5 years	**1,056,564**	46,041	**930,816**	—
After 5 years	**54,890**	—	**—**	—
	1,583,558	136,960	**1,241,088**	—

Bank borrowings bear interest at floating rates. The Group's bank borrowings bore effective interest rates ranging as follows:

	2014	2013
Effective interest rates	**1.20%-7.36%**	2.06%-7.36%

(a) As at 31 December 2014, undrawn bank facilities of the Group amounted to $10,000,000 (2013: $1,138,221,000).

(b) Certain loans from financial institutions as at 31 December 2014 were guaranteed by Mr. Chen Chang Wei ("Mr. Chen").

(c) Certain loans from financial institutions as at 31 December 2014 were guaranteed by an intermediate holding company, Dalian Wanda Commercial Properties Co., Ltd..

29. LOANS FROM FINANCIAL INSTITUTIONS *(Continued)*

The carrying amounts of all the Group's and the Company's borrowings during the period were denominated in RMB, US$ and $. The denominated amounts at the year-end are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
RMB loans and borrowings	**264,470**	63,945	**—**	—
US$ loans and borrowings	**1,241,088**	—	**1,241,088**	—
$ loans and borrowings	**78,000**	73,015	**—**	—
	1,583,558	136,960	**1,241,088**	—

Assets of the Group pledged to secure the loans from financial institutions and bank facilities comprise:

	2014	2013
	$'000	$'000
Building held for own use (note 15)	**6,902**	8,838
Prepaid lease payments (note 18)	**20,432**	21,102
Investment properties (note 17)	**379,446**	2,108,080
Completed properties for sales (note 24)	**25,439**	56,029
Restricted bank deposits (note 26)	**83,208**	85,303
	515,427	2,279,352

30. LOANS FROM RELATED PARTIES AND AN INTERMEDIATE HOLDING COMPANY

Loans from related parties and an intermediate holding company were repayable as follows:

		Group		Company	
	Notes	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Current:					
Loans from related parties	a	**225,026**	256,268	**—**	—
Non-current:					
Loans from an intermediate holding company	b	**3,451,423**	1,202,634	**728,381**	771,201

Notes:

a. The loans are made from an entity controlled by Mr. Chen, who is a director and shareholder of the Group. The loans from the entity controlled by Mr. Chen, amounted to $225,026,000 (31 December 2013:$256,268,000) that bear interest at 15% per annum, are unsecured and repayable six months after the date of the respective drawdowns. Interest incurred during the year ended 31 December 2014 and interest payable to related parties as at 31 December 2014 are set out in notes 9 and 27 respectively.

b. The carrying amounts of all the Group's and the Company's loans from an intermediate holding company during the period were denominated in GBP, Euro, US$ and AUD. The denominated amounts at the year-end are as follows:

		Group		Company	
	Notes	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
GBP loans and borrowings	(i)	**1,275,959**	1,202,634	**728,381**	771,201
Euro loans and borrowings	(ii)	**1,240,295**	—	**—**	—
US$ loans and borrowings	(ii)	**684,530**	—	**—**	—
AUD loans and borrowings	(ii)	**250,639**	—	**—**	—
		3,451,423	1,202,634	**728,381**	771,201

Notes:

(i) These loans are interest-bearing at a rate of six month LIBOR plus 5% per annum, certain items of which are secured by the share of Wanda International Real Estate Investment Limited held by the Company.

(ii) These loans are interest free.

Interest incurred during the year ended 31 December 2014 and interest payable to an intermediate holding company as at 31 December 2014 are set out in notes 9 and 27 respectively.

c. As at 31 December 2014, undrawn facilities granted by an intermediate holding company to the Company and the Group amounted to $2,684,130,000 (2013:Nil).

31. CURRENT TAXATION

	2014 $'000	2013 $'000
Group		
Prepaid tax:		
PRC Corporate Income Tax	**—**	—
PRC Land Appreciation Tax	**60,324**	—
	60,324	—
Current tax payable:		
PRC Corporate Income Tax	**45,210**	24,250
PRC Land Appreciation Tax	**403,347**	426,660
	448,557	450,910

32. CONVERTIBLE BONDS

As at 31 December 2013, convertible bonds with principal amount of $209,000,000 and $112,000,000 were held by Wanda Overseas and Mr. Chen and his family, respectively. The convertible bonds were secured by the shares of Amazing Wise Limited, a subsidiary of the Group.

The rights of the convertible bond holders to convert the convertible bonds into ordinary shares are as follows:

(i) Conversion rights are exercisable at any time up to maturity at the option of the convertible bond holder.

(ii) Pursuant to the terms of the convertible bonds, the conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds have been adjusted as a result of a rights issue in January 2011. The Company is required to issue ordinary shares at $0.334 per share (originally $0.5 per share before the rights issue of the Company in January 2011). The Company completed a rights issue in January 2014 and as a result of the rights issue, the conversion price of the convertible bonds was adjusted to $0.326 per share accordingly.

The Company has the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option enabling the Company to redeem the convertible bonds is considered a derivative financial asset of the Company and is revalued at each reporting date and date of the conversion of the convertible bonds. The fair value of the derivative financial asset as at 31 December 2013 was $70,010,000.

32. CONVERTIBLE BONDS *(Continued)*

During the year ended 31 December 2013, convertible bonds with principal amount of $168,000,000 were converted into 502,994,011 ordinary shares of the Company. In addition, convertible bonds with principal amount of $1,311,000,000 was redeemed by the Company. As a result of the redemption, the liability component of the convertible bond was remeasured at its fair value at the date of the redemption and the difference between the remeasured amount and the carrying amount upon the redemption date was dealt with in the profit or loss. As a result of the redemption, a gain of approximately $39,370,000 was recognised in profit or loss.

On 9 July 2014, all the Convertible Bonds were converted into shares of the Company and thus the liabilities of the Company under the Convertible Bonds have been satisfied and discharged in full.

The components of convertible bonds recognised in the statement of financial position are analysed as follows:

	Liability component $'000	**Equity component** $'000
Carrying amount on 1 January 2013	1,220,962	104,862
Interest expenses (note 9)	53,569	—
Convertible bonds converted	(117,915)	(9,787)
Convertible bonds redeemed	(921,710)	(76,375)
Carrying amount on 31 December 2013 and 1 January 2014	234,906	18,700
Interest expenses (note 9)	9,602	—
Convertible bonds converted	(244,508)	(18,700)
Net carrying amount on 31 December 2014	—	—

Interest expenses on the convertible bonds are calculated using the effective interest method by applying the effective interest rate of 8% per annum to the liability component.

33. SHARE CAPITAL

	2014		2013	
	No. of shares '000	**Amount $'000**	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of $0.1 each				
At 1 January	**2,855,911**	**285,591**	2,352,917	235,292
Issued shares (note (ii))	**856,773**	**85,677**	—	—
Conversion of convertible bonds (note (iii))	**984,663**	**98,467**	502,994	50,299
At 31 December	**4,697,347**	**469,735**	2,855,911	285,591

Notes:

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

(ii) On 23 January 2014, the Company completed a rights issue of shares at a subscription price of $2.88 per rights share. Accordingly, 856,773,210 with a par value of $0.1 each were issued by the Company and a share premium of $2,364,643,000 arose.

(iii) As mentioned in note 32, convertible bonds with principal amount of $321,000,000 were converted to ordinary shares of the Company on 9 July 2014. Accordingly, 984,662,575 shares with a par value of $0.1 in par value each were issued by the Company and a share premium of $83,681,000 was arose.

34. RESERVES

(a) Movements in components of equity

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 47 of the financial statements. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium $'000	Capital reserve $'000	Special reserve $'000	Convertible bond reserve $'000	(Accumulated losses)/ retained earnings $'000	Total $'000
At 1 January 2013	–	60,264	127,961	(167,213)	(63,014)	(42,002)
Profit for the year and total comprehensive income for the year	–	–	–	–	855,641	855,641
Convertible bonds converted	51,037	–	–	(9,787)	–	41,250
Convertible bonds redeemed	–	–	–	(428,659)	–	(428,659)
At 31 December 2013 and 1 January 2014	51,037	60,264	127,961	(605,659)	792,627	426,230
Loss for the year and total comprehensive loss for the year	–	–	–	–	(300,636)	(300,636)
Issued shares	2,364,643	–	–	–	–	2,364,643
Convertible bonds converted	83,681	–	–	(18,700)	–	64,981
Release upon the fully conversion of the convertible bonds	(564,095)	(60,264)	–	624,359	–	–
At 31 December 2014	1,935,266	–	127,961	–	491,991	2,555,218

34. RESERVES *(Continued)*

(b) Nature and purpose of reserves

Share premium

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

Statutory reserve

In accordance with the Company Law of the PRC and the respective articles of association of the PRC group companies, each of the subsidiaries of the Group that is domiciled in Mainland China is required to allocate 10% of its profit after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory reserve until such reserve reaches 50% of its respective registered capital.

Capital reserve

The capital reserve represents the fair value of the derivative financial assets upon the execution of the supplemental deeds to insert an early redemption clause to the convertible bond accepted by a shareholder in 2011.

Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations in the PRC, United Kingdom, Spain, Australia, the British Virgin Islands and United States of America.

Special reserve

The special reserve of the Group represents (i) the difference between the aggregate nominal value of the share capital of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with group reorganisation; and (ii) adjustments made to the amounts of controlling and non-controlling interests to reflect the change in relative interests as a result changes in the Group's interests in Amazing Wise that do not result in a loss of control.

Convertible bond reserve

Convertible bond reserve represents the excess of the fair value of the convertible bonds as a whole over the present value of the future principal payments of the convertible bonds, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option at its inception; and the amount transferred from the balance of the consideration paid for the repurchase or redemption net of the liability component of the convertible bonds extinguished.

34. RESERVES *(Continued)*

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

Distributable reserve

The Company's share premium, capital reserve, special reserve and retained profits as at 31 December 2014 may be distributable to shareholders, after netting off with the convertible bond reserve in certain circumstances prescribed by Section 54 of the Companies Act 1981 of Bermuda.

As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $2,555,218,000 (2013: $426,230,000).

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

35. CAPITAL COMMITMENTS

The Group had the following commitments for property development expenditure at the end of the reporting period:

	2014 **$'000**	2013 $'000
Contracted for	**1,062,706**	—
Authorised but not contracted for	**3,577,651**	1,740,702
	4,640,357	1,740,702

The above commitments mainly include the land costs and construction related costs to be incurred in respect of the Group's development of its properties projects.

36. PLEDGE OF ASSETS

Details of the Group's loans from financial institutions, which are secured by the assets of the Group, are included in note 29 to the financial statements.

37. OPERATING LEASE COMMITMENTS

As lessor

The Group leases out its investment properties under operating lease arrangements on terms ranging from two to twenty years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2014	2013
	$'000	$'000
Within one year	**93,045**	93,620
In the second to fifth years, inclusive	**325,478**	356,454
After five years	**1,187,711**	1,091,675
	1,606,234	1,541,749

As lessee

The Group leases certain office premises under operating lease arrangements, negotiated for terms of five years with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	$'000	$'000
Within one year	**8,990**	5,009
After 1 year but within 5 years	**4,164**	7,514
	13,154	12,523

38. CONTINGENT LIABILITIES

	2014 $'000	2013 $'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**424,140**	235,440

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

39. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors are as follows:

	2014 $'000	2013 $'000
Short-term employee benefits	**12,060**	8,700

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

39. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Loans from related parties

Please refer to note 30 for the loans from related parties to the Company. Interest incurred during the year and interest payable to related parties as at 31 December 2014 are set out in notes 9 and 27 respectively.

(c) Loans from an intermediate holding company

Please refer to note 30 for the loans from an intermediate holding company to the Company. Interest incurred during the year and interest payable to related parties as at 31 December 2014 are set out in notes 9 and 27 respectively.

(d) Convertible bonds

During the year, Wanda Overseas converted convertible bonds with principal amount of HK$209,000,000 into 641,104,294 ordinary shares and Madam Chan Sheung Ni, the spouse of Mr. Chen, converted convertible bonds with principal amount of HK$5,000,000 into 15,337,423 ordinary shares at a conversion price of $0.326 per share.

(e) Other related party transactions

Other amounts due from/to related parties are set out in notes 25 and 27.

(f) Outstanding balances with related parties

Details of the Group's loans to its joint venture are included in note 21 to the financial statements.

(g) Applicability of Listing Rules relating to connected transactions

The related party transactions in respect of loans from related parties and loans from an intermediate holding company above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

2014

	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Total $'000
Financial assets included in trade and other receivables	–	1,069,982	1,069,982
Pledged deposits	–	83,208	83,208
Cash and cash equivalents	–	2,103,615	2,103,615
	–	3,256,805	3,256,805

2013

	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Total $'000
Financial assets included in trade and other receivables	–	70,391	70,391
Derivative financial instruments	70,010	–	70,010
Pledged deposits	–	85,303	85,303
Cash and cash equivalents	–	106,436	106,436
	70,010	262,130	332,140

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	$'000	$'000
Financial liabilities included in trade and other payables	**1,076,167**	592,759
Loans from financial institutions	**1,583,558**	136,960
Loans from related parties	**225,026**	256,268
Loans from an intermediate holding company	**3,451,423**	1,202,634
Convertible bonds	**–**	234,906
	6,336,174	2,423,527

Company

Financial assets

2014

	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Total $'000
Financial assets included in trade and other receivables	**–**	**298,229**	**298,229**
Cash and cash equivalents	**–**	**113,015**	**113,015**
	–	**411,244**	**411,244**

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

Company *(Continued)*

Financial assets

2013

	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Total $'000
Financial assets included in trade and other receivables	—	656,926	656,926
Derivative financial instruments	70,010	—	70,010
Cash and cash equivalents	—	4,032	4,032
	70,010	660,958	730,968

Financial liabilities

	Financial liabilities at amortised cost	
	2014 $'000	2013 $'000
Financial liabilities included in other payables	**214,537**	38,437
Loans from financial institutions	**1,241,088**	—
Loans from an intermediate holding company	**728,381**	771,201
Convertible bonds	**—**	234,906
	2,184,006	1,044,544

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company's financial instruments, other than the derivative financial instruments and convertible bonds, are reasonably approximate to their fair values. Their carrying amounts and fair values are as follows:

The Group and the Company

	Carrying amounts	
	2014	2013
	$'000	$'000
Financial assets		
Derivative financial instruments	**–**	70,010
Financial liabilities		
Convertible bonds	**–**	234,906

	Fair values	
	2014	2013
	$'000	$'000
Financial assets		
Derivative financial instruments	**–**	70,010
Financial liabilities		
Convertible bonds	**–**	246,147

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in trade and other receivables, financial liabilities included in trade and other payables, amounts due from/to subsidiaries, related parties and an intermediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the derivative financial instruments have been calculated using a binominal option pricing method. The Group's own non-performance risk for the derivative financial instruments as at 31 December 2013 was assessed to be insignificant.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's and the Company's financial instruments:

Financial assets measured at fair value

Group and Company

As at 31 December 2013

	Fair value measurements categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Derivative financial instruments	—	70,010	—	70,010

The Group did not have any financial assets measured at fair value as at 31 December 2014.

The Group engages an external valuer in performing valuations for the financial instruments, including convertible bonds redemption options. A valuation report is prepared by the external valuer at the reporting date. The fair value of the convertible bond redemption option is determined using a binomial option pricing method.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised below:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Group		Company	
	Increase/ (decrease) in basis points '000	Increase/ (decrease) in profit before tax $'000	Increase/ (decrease) in basis points '000	Increase/ (decrease) in profit before tax $'000
31 December 2014	**100**	**(3,425)**	**100**	**(19,695)**
31 December 2013	100	(1,370)	100	(7,712)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

Foreign currency risk

The Group's business is principally conducted in RMB, GBP, EUR, USD and AUD except that the convertible bond is denominated in HK$. The functional currencies of the Group's subsidiaries in the PRC, in the United Kingdom, in Europe, in America and in Australia are RMB, GBP, EUR, USD and AUD respectively and they do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the Group's other subsidiaries is HK$.

The Company is exposed to currency risk primarily through restricted bank deposits, cash and cash equivalents, trade and other receivable, trade and other payables, current taxation, loans from an intermediate holding company and amounts due from subsidiaries that are denominated in GBP, EUR, USD AUD and RMB.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate on the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity *
	%	$'000	$'000
2014			
If the Hong Kong dollar weakens against the Euro	1	(6,823)	(6,823)
If the Hong Kong dollar strengthens against the Euro	1	6,823	6,823
If the Hong Kong dollar weakens against the GBP	1	(12,210)	(12,210)
If the Hong Kong dollar strengthens against the GBP	1	12,210	12,210
If the Hong Kong dollar weakens against the USD	1	(18,392)	(18,392)
If the Hong Kong dollar strengthens against the USD	1	18,392	18,392
If the Hong Kong dollar weakens against the AUD	1	3,229	3,229
If the Hong Kong dollar strengthens against the AUD	1	(3,229)	(3,229)
If the Hong Kong dollar weakens against the RMB	1	4,870	4,870
If the Hong Kong dollar strengthens against the RMB	1	(4,870)	(4,870)
2013			
If the Hong Kong dollar weakens against the GBP	1	(53)	(53)
If the Hong Kong dollar strengthens against the GBP	1	53	53
If the Hong Kong dollar weakens against the RMB	1	1,215	1,215
If the Hong Kong dollar strengthens against the RMB	1	(1,215)	(1,215)

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group has no concentrations on credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of cash at banks, restricted bank deposits, trade and other receivables.

For deposits at banks and financial institutions, deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is set out in note 38. Except for these financial guarantee by the Group as set out in note 38, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in note 38.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible bonds and other loans.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2014				
	Less than 1 year or on demand $'000	**1 to 2 years** $'000	**2 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Interest-bearing bank borrowings	**183,692**	**413,909**	**1,215,313**	**—**	**1,812,914**
Loans from related parties	**258,780**	**—**	**—**	**—**	**258,780**
Loans from an intermediate holding company	**—**	**—**	**3,765,343**	**—**	**3,765,343**
Trade payables and other payables and accruals	**980,270**	**18,142**	**77,755**	**—**	**1,076,167**
	1,422,742	**432,051**	**5,058,411**	**—**	**6,913,204**

	2013				
	Less than 1 year or on demand $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Convertible bonds	—	—	321,000	—	321,000
Interest-bearing bank borrowings	84,115	9,611	49,430	—	143,156
Loans from related parties	294,708	—	—	—	294,708
Loans from an intermediate holding company	73,619	73,619	1,423,491	—	1,570,729
Trade payables and other payables and accruals	564,720	20,028	8,011	—	592,759
	1,017,162	103,258	1,801,932	—	2,922,352

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2014				
	Less than 1 year or on demand $'000	**1 to 2 years** $'000	**2 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Interest-bearing bank borrowings	**47,519**	**357,921**	**1,013,231**	**—**	**1,418,671**
Loans from an intermediate holding company	**—**	**—**	**886,595**	**—**	**886,595**
Trade payables and other payables and accruals	**166,068**	**—**	**48,469**	**—**	**214,537**
	213,587	**357,921**	**1,948,295**	**—**	**2,519,803**

	2013				
	Less than 1 year or on demand $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Convertible bonds	—	—	321,000	—	321,000
Loans from an intermediate holding company	47,209	47,209	912,828	—	1,007,246
Trade payables and other payables and accruals	38,437	—	—	—	38,437
	85,646	47,209	1,233,828	—	1,366,683

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio and debt-to-asset ratio. Gearing ratio is defined as net debt divided by total equity plus net debt. Net debt includes, loans from financial institutions, including current and non-current portion, loans from related parties and intermediate holding company and convertible bonds, less cash and cash equivalents and pledged deposits. Debt-to-asset ratio is total liabilities net of advance from customers divided by total assets. The gearing ratio as at the end of the reporting period was as follows:

	2014	2013
	$'000	$'000
Loans from financial institutions	**1,583,558**	136,960
Loans from related parties	**225,026**	256,268
Loans from an intermediate holding company	**3,451,423**	1,202,634
Convertible bonds	**—**	234,906
Less: Cash and cash equivalents	**(2,103,615)**	(106,436)
Pledged deposits	**(83,208)**	(85,303)
Net debt	**3,073,184**	1,639,029
Total equity	**3,478,349**	1,346,317
Total equity plus net debt	**6,551,533**	2,985,346
Gearing ratio	**46.91%**	54.90%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The debt-to-asset ratio as at the end of the reporting period was as follows:

	2014	2013
	$'000	$'000
Total liabilities	**8,706,053**	3,475,835
Less: Advance from customers	**(1,445,354)**	(47,435)
	7,260,699	3,428,400
Total assets	**12,184,402**	4,822,152
Debt-to-asset ratio	**59.6%**	71.1%

43. EVENTS AFTER THE REPORTING PERIOD

On 23 January 2015, pursuant to the Master Australia JV Agreement approved by the independent shareholders, the Company and Wanda HK acquired the Sydney project in Australia through Wanda One Sydney Pty Ltd ("Wanda One"), a wholly owned subsidiary of the joint venture platform in Australia, which is expected to be developed into a new high-end and mixed-use hotel, residential and retail complex (further details are set out in the announcement of the Company dated 25 January 2015). As additional time is required for the Company to prepare and finalise certain information to be included in the circular, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and to extend the deadline for the despatch of the circular to a date on or before 31 May 2015.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2015.


Financial Summary

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	174,379	—	2,773,419	1,347,995	**185,849**
Profit/(loss) before tax from continuing operations	(69,524)	149,345	613,041	484,283	**(190,416)**
Income tax credit/(expenses) from continuing operations	(10,256)	(17,626)	(369,678)	(250,382)	**73,322**
Results of discontinued operations	—	516	—	—	**—**
Net gain/(loss) on disposal on subsidiaries	—	62,460	—	(45,326)	**—**
Profit/(loss) for the year	(79,780)	194,695	243,363	233,901	**(117,094)**
Profit/(loss) attributable to owners of the parent	(102,911)	185,411	232,335	190,879	**(176,026)**
Non-controlling interests	23,131	9,284	11,028	43,022	**58,932**
Profit/(loss) for the year	(79,780)	194,695	243,363	233,901	**(117,094)**

	At 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS and LIABILITIES					
Total assets	5,703,955	7,215,414	6,168,259	4,822,152	**12,184,402**
Total liabilities	5,293,577	6,751,326	5,377,119	3,475,835	**8,706,053**
Net assets	410,378	464,088	791,140	1,346,317	**3,478,349**
Equity attributable to owners of the parent	222,331	370,237	663,406	540,499	**2,769,147**
Non-controlling interests	188,047	93,851	127,734	805,818	**709,202**
Total equity	410,378	464,088	791,140	1,346,317	**3,478,349**

Property Portfolio

1. MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	Stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's interest (%)
1 Nine Elms Lane, London SW8 5NQ, the United Kingdom	Residential and commercial	Under development	2018	8,400	107,000	60%
Site P05, north to Huan Cheng Nan Road No. 1, Guilin, Guangxi Zhuang Autonomous Region, the PRC	Residential and commercial	Under development	2015	73,041	330,000	51%
Plaza de España, 19, 28008, Madrid, Spain	Residential and commercial	Under development	2019	4,655	83,000*	60%

* Subject to government approval

2. COMPLETED PROPERTIES HELD FOR SALE

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Residential and commercial	8,668	50.35%


3. MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Gross floor area (sq m)	Group's interest (%)	Term of lease
The Commercial Podium of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	56,219	50.35%	Medium
Portion of the Carpark of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	11,804	50.35%	Medium
Portion of the office of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	11,450	50.35%	Medium

4. MAJOR PROPERTIES HELD FOR OWN USE

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
40/F the office of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Office	981	50.35%