CARNIVAL GROUP
INTERNATIONAL

Carnival Group International Holdings Limited

ANNUAL REPORT 2013

Stock Code : 00996

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

King Pak Fu *(Chairman)*
Wang Xiong *(Vice Chairman)*
Gong Xiao Cheng

Independent Non-executive Directors

Chan Wai Yip Freeman
Leung Po Ying Iris
Hu Gin Ing

AUDIT COMMITTEE

Chan Wai Yip Freeman *(Chairman)*
Leung Po Ying Iris
Hu Gin Ing

REMUNERATION COMMITTEE

Chan Wai Yip Freeman *(Chairman)*
Leung Po Ying Iris
Hu Gin Ing

NOMINATION COMMITTEE

Chan Wai Yip Freeman *(Chairman)*
Hu Gin Ing
Gong Xiao Cheng

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

King Pak Fu
Chan Yuen Ying, Stella

LEGAL ADVISOR

Minter Ellison

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4402-03, 44/F
COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

The Bank of East Asia Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

996

WEBSITE

www.0996.com.hk

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Carnival Group International Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

For the financial year ended 31 December 2013, the Group recorded a consolidated net loss of approximately HK$1,811.6 million as compared to the net loss of approximately HK$351.9 million for the previous year. The consolidated net loss of approximately HK$1,811.6 million mainly includes the non-cash item adjustments in respect of (i) properties for sale of approximately HK$1,109.8 million (2012: Nil); (ii) impairment loss on goodwill of approximately HK$543.7 million (2012: Nil); (iii) imputed finance cost on convertible notes of approximately HK$171.3 million (2012: HK$127.9 million); (iv) impairment loss on property, plant and equipment of approximately HK$55.9 million (2012: Nil); and (v) fair value change on investment properties of approximately HK$68.4 million (2012: gain HK$3.8 million). The increase in net loss from the previous year was mainly attributable to the increase in impairment loss on goodwill of approximately HK$543.7 million and the loss of non-cash item adjustments in respect of properties for sale of approximately HK$1,109.8 million.

The property market in China (the "PRC") remained challenging during 2013, when the PRC maintained its restrictions on property purchases and residential mortgage borrowings in major cities for most of the year. Property transaction prices and volumes in cities not affected by the restrictions, meanwhile, were still on the rise due to strong end-user demand, a phenomenon that invited anticipations of further tightening measures.

Faced with a broadly tight regulatory regime the PRC Government imposes on the country's property market for most of the time, making participants in the sector increasingly homogeneous in terms of their product offerings, business models and development philosophies, the Group has picked a niche of tourism-driven property development.

We have been making tremendous inroads in establishing this new business model of tourism-driven property development that, we believe, has distinctively differentiated ourselves from our peers. We endeavor to develop in selected cities large-scale complexes that embody commercial, residential, tourism and leisure functions on a single location, offering residents with an all-in-one novel experience in housing, shopping, relaxation and entertainment.

During the year under review, we have completed an open offer in December 2013 to enlarge our capital base and improve the financial position. Also, our two pillar projects, Rio Carnival in Qingdao and Carnival International Community in Chengdu, were in progress.

Rio Carnival in Qingdao is our flagship project. Since the acquisition of the development site in 2011, the Group has gone through a long way seeking to establish in there a unique large-scale mixed-use commercial, residential and tourism complex. After years of significant efforts, the construction of superstructures of the main buildings. Our luxury hotels are now in a final refurbishment stage and will soon be available to offer guests various accommodation options and a diversity of facilities. We are also delighted to report that our premium outlet mall has received warm responses from international and world-renowned brands. Residential units in Phase I sold during pre-sale had been partially delivered in the second half of 2013.

Carnival International Community, located in the Hi-tech Industrial Development Zone in Chengdu, is another important project the Group acquired in 2012. With the project's superior location advantage and the surrounding rich natural scenery, the Group plans to develop it into a high-end living community comprising luxury residences, park-side retail-commercial areas and serviced apartments. In 2013, the main buildings of residential in the project had been built and the pre-sale has been commenced.

Chairman's Statement

With a growing pool of increasingly affluent population in the PRC, we are very confident about our new business model. Qingdao is an ideal place for inbound tourism. We believe that Rio Carnival will become a landmark project in this coastal city and attract customers from all walks of life. It will also become a pilot project of the Group and open more doors of opportunities to us.

Meanwhile, as we groom Carnival International Community into the first high-end foreign living area in Chengdu, this project will benefit from the ongoing and planned development of Chengdu and the business opportunities associated therewith. We believe that the demand for residential and commercial space in the future will continue to grow steadily and bring about improvements in profitability of the Group.

As we contemplate potential expansion of our businesses into tourism-related property and project development, the Company and the renewed international integrated resort developer and operator intend to cooperate and jointly identify tourism-related project development opportunities in the PRC.

Looking ahead, we shall continue to work diligently towards our goal of becoming a world-class premium quality tourism property developer as we pursue our business plan and strategy with both passion and discipline and identify property development and investment opportunities which are of high potential to bring about long term benefits to the Group and the Company's shareholders. On the top of these, the Group will continue to proactively identify acquisition opportunities for tourism-property related assets or participate in public auctions of land parcels located in cities with high tourism growth potential. To this end, the Company has been actively exploring investment opportunities to diversify its portfolio in order to improve the profitability of the Group.

The Company has the intention to set up a potential dividend policy in future for the benefits of the Company's shareholders.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

King Pak Fu
Chairman

Hong Kong, 26 March 2014

Biographies of Directors

EXECUTIVE DIRECTORS

Mr. King Pak Fu, aged 43, was appointed as an executive Director on 10 September 2012 and was appointed as the chairman of the Board on 22 October 2012. He is experienced in property development and corporate management. Mr. King is currently the chairman and director of Fujian Start Group Co. Ltd. (a company listed on Shanghai Stock Exchange stock code: 600734). Mr. King was an executive director of Enterprise Development Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1808) up to 24 January 2014. Save as aforesaid, Mr. King did not hold any directorship in other listed public companies during the past three years.

Mr. Wang Xiong, aged 47, was appointed as an executive Director and the vice chairman of the Board on 1 March 2013. He graduated with the degree of Bachelor of Engineering from Harbin Engineering University in 1987 and with the degree of Master of Engineering from Tokai University in Japan in 1993. Mr. Wang has extensive experience working in various government departments in the People's Republic of China and business corporations in Hong Kong. He has over 15 years of experience of investment in the fields of information technology and finance and has maintained an extensive social network with government officials. Mr. Wang did not hold any directorship in other listed public companies during the past three years.

Mr. Gong Xiao Cheng, aged 29, was appointed as an executive Director on 7 March 2012. He is also a member of the nomination committee of the Company ("Nomination Committee"). He holds a Bachelor's degree of Finance, Accounting and Management from University of Nottingham in United Kingdom and a Master's degree of Real Estate Economics and Finance from London School of Economics and Politics Science. Mr. Gong did not hold any directorship in other listed public companies during the past three years.

Biographies of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Yip Freeman, aged 50, was appointed as an independent non-executive Director with effect from 26 October 2006. He is also the chairman of each of the Nomination Committee, the remuneration committee of the Company (the "Remuneration Committee") and the audit committee of the Company (the "Audit Committee"). He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong. He is a practicing certified public accountant and possesses over 20 years of professional experience in auditing and tax consultancy services. Mr. Chan did not hold any directorship in other listed public companies during the past three years.

Ms. Leung Po Ying Iris, aged 43, was appointed as an independent non-executive Director on 26 October 2006. She is also a member of each of the Audit Committee and the Remuneration Committee. She graduated with a BBA degree from the University of Hong Kong and received a MBA degree from the Hong Kong University of Science & Technology. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung is currently General Manager of Growth-Link Trade Services Company Limited, a trade services company in Hong Kong, and possesses over 20 years of professional and business experience in finance and investment services. Ms. Leung did not hold any directorship in other listed public companies in the last three years.

Ms. Hu Gin Ing, aged 55, was appointed as an independent non-executive Director on 16 December 2013. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Hu holds a master degree in business administration from Florida International University, United States of America ("U.S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has been an independent non-executive director of Enterprise Development Holdings Limited (stock code: 1808) since March 2011, an independent director of Arich Enterprise Co. Ltd. (TW.4173), a company listed on the Taiwan Stock Exchange since December 2012, a non-executive director of SMI Culture Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited) (stock code: 2366) since August 2013, and an independent non-executive director of United Pacific Industries limited (stock code: 176) since November 2013. She was a director of Gigamedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) from July 2003 to October 2013, and an independent director of Evendata Holding Company Limited, a company which was previously listed on the Taiwan Stock Exchange, from April 2011 to May 2013. She has over 19 years of experience in accounting and finance. Save as disclosed above, Ms. Hu did not hold any directorship in other listed public companies during the last three years.

Management Discussion and Analysis

CORPORATE OVERVIEW

The principal businesses of the Group are (i) property development and investment; (ii) trading and investment; and (iii) retail-related consultancy and management services business.

BUSINESS REVIEW

The property market in the PRC remained challenging during 2013, when the PRC maintained its restrictions on property purchases and residential mortgage borrowings in major cities for most of the year. Property transaction prices and volumes in cities not affected by the restrictions, meanwhile, were still on the rise due to strong end-user demand, a phenomenon that invited anticipations of further tightening measures.

Faced with a broadly tight regulatory regime the PRC government imposes on the country's property market for most of the time, making participants in the sector increasingly homogeneous in terms of their product offerings, business models and development philosophies, the Group has picked a niche of tourism-driven property development.

We have been making tremendous inroads in establishing this new business model of tourism-driven property development that, we believe, has distinctively differentiated ourselves from our peers. We endeavor to develop in selected cities large-scale complexes that embody commercial, residential, tourism and leisure functions on a single location, offering residents with an all-in-one novel experience in housing, shopping, relaxation and entertainment.

Properties under Development and Property Investment

The Group's properties under development and property investment in Qingdao and Chengdu cover a total site area of approximately 348,900m^2 and 72,500m^2 respectively. The Group intends to develop a hotel, shopping arcades, recreational facilities, residential units and commercial compound with an aggregate gross floor area of approximately 1,246,800m^2.

Sale of properties for the year ended 31 December 2013 amounted to approximately HK$535.5 million was first generated due to residential units in Phase I sold in Qingdao during pre-sale had been partially delivered in the second half of 2013.

During the year ended 31 December 2013, the Group predicted the market demand of visitors going to theme park and its hotel less than previous expectation due to the underground oil pipeline explosion on 22 November 2013, around Huangdao area in Qingdao. The incident raise public concern to the safety of the Huangdao area covered by underground oil pipeline, public panic may last for sometime. As a result, the future cash flows have been revised based on the management's expectation for the market development. An impairment loss of goodwill and property, plant and equipment of approximately HK$543,704,000 and HK$55,908,000 have been recognised respectively during the year ended 31 December 2013. Also, after the underground oil pipeline explosion and change of market condition, the management changed the sales strategy to stimulate the demand of property market. As a result, a write-down of properties for sale of approximately HK$856,104,000 have been recognised during the year ended 31 December 2013.

Management Discussion and Analysis

Trading and Investment Business

Trading and investment business includes the trading of securities and investment income from securities investment and investment holding. During the year, net gain from trading in securities amounted to approximately HK$9.7 million. The gain was mainly due to the improvement in the stock market during the year 2013.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group recorded a revenue of approximately HK$545.3 million (2012: negative HK$17.8 million), of which revenue mainly from (i) sale of properties amounted to approximately HK$535.5 million (2012: Nil); and (ii) net realised gain from trading in securities of approximately HK$9.7 million (2012: negative HK$32.9 million).

Gross loss

For the year ended 31 December 2013, the Group recorded a gross loss of approximately HK$1,050.8 million mainly due to the non-cash item adjustments of properties for sale of HK$1,109.8 million. It recorded a gross profit of approximately HK$59 million if excluding this non-cash item adjustments.

Financial Results

For the year ended 31 December 2013, loss attributable to owners of the Company was approximately HK$1,485.9 million, representing an increase of 382.4% as compared to loss of approximately HK$308.0 million for the year ended 31 December 2012. The substantial increase in loss was mainly due to (i) about HK$1,109.8 million non-cash loss adjustments on properties for sale; and (ii) about HK$543.7 million impairment loss on goodwill.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2013, the authorised share capital of the Company was HK$3,000 million divided into 15,000,000,000 shares of HK$0.2 each. The issued share capital of the Company was approximately HK$2,582.8 million divided into 12,913,884,046 shares of HK$0.2 each as at 31 December 2013.

As at 31 December 2013, the current assets and current liabilities of the Group were approximately HK$7,778.8 million (2012: HK$6,658.1 million) and approximately HK$4,231.3 million (2012: HK$3,622.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.84 times as at 31 December 2013 as compared to that of 1.84 times as at 31 December 2012.

The Group's total assets and total liabilities amounted to approximately HK$14,763.9 million (2012: HK$13,195.8 million) and HK$9,087.1 million (2012: HK$7,509.5 million) as at 31 December 2013 respectively. The debt ratio, which is calculated based on total liabilities over total assets, was 0.62 times as at 31 December 2013, as compared to that of 0.57 times as at 31 December 2012. The increase in debt ratio was mainly due to the increase in borrowings.

Management Discussion and Analysis

The cash and cash equivalents as at 31 December 2013 was approximately HK$494.5 million (2012: HK$352.9 million). The increase was mainly attributable to the (i) net proceeds from the open offer in December 2013; (ii) increase in borrowings; and net of (iii) cost incurred for the properties for sale, property, plant and equipment and the investment properties.

The gearing ratio of the Group, expressed as a percentage of borrowings and long-term debts (including convertible notes and promissory notes) over total equity, was 68.4% as at 31 December 2013 (2012: 54.2%). The increase in gearing ratio was mainly due to the increase in borrowings.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the Group entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2013, the Group's certain properties of approximately HK$12,971.5 million were pledged to banks and other financial institutions to secure certain loan facilities granted to the Group.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 268 employees. The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the year ended 31 December 2013, the total staff costs of the Group were approximately HK$52.4 million (2012: HK$38.7 million), representing an increase of approximately 35.4% over the year 2012.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Other staff benefits include discretionary performance-based bonus, medical scheme, share options and sales commission.

Management Discussion and Analysis

PROSPECTS

Looking ahead, with the PRC's economic growth gradually slows down to a more moderate, yet sustainable path from the previously rapid pace, the country's growing pool of increasingly affluent population will be looking for residential properties with more dedicated functions and features. They will be looking for accommodations that integrate high-end living, high-end shopping, novel-style amenities that allow them to relax and recharge from the hustle and bustle of urban living during their vocations.

The Group has been established to put this advanced concept of leisure and resort-style living into reality. Projects designed, developed and managed by the Group will not only bring new lifestyles to people, but also become the new landmarks due to their superior locations and perfect facilities encompassing entertainment, food and beverage, high-end shopping, conference and exhibition functions, etc. The Group aspires to groom these projects into highlights and landmarks in cities where they are located, making people feel the joy like enjoying themselves in a carnival.

Meanwhile, the Group will continue to proactively identify acquisition opportunities for tourism-property related assets or participate in public auctions of land parcels located in cities with high tourism growth potential.

Corporate Governance Report

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2013, the Company was in compliance with all code provisions set out in the CG Code except for the deviations from code provisions A.2.1, A.4.1, A.6.7, D.1.4 and E.1.2, which are explained below.

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and chief executive officer (the "CEO") should be segregated. Mr. Wang Xiong ("Mr. Wang") was appointed as the vice chairman of the Company to take up the responsibilities of CEO on 1 March 2013. Before the appointment of Mr. Wang as vice chairman, the CEO's duties were undertaken by the members of the Board.

Under code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term and subject to re-election. Mr. Chan Wai Yip Freeman and Ms. Leung Po Ying Iris, being independent non-executive Directors, are not appointed for a specific term, but they are subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company (the "Bye-Laws").

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. (i) Mr. Chan Wai Yip Freeman, an independent non-executive Director, and Mr. Ng Ka Chung Simon, a former independent non-executive Director, did not attend the annual general meeting ("2013 AGM") and special general meeting of the Company held on 31 May 2013 and 8 November 2013 respectively, due to their engagement in their own official business; and (ii) Ms. Leung Po Ying Iris, being an independent non-executive Director, did not attend the 2013 AGM, due to her engagement in her own official business. However, they have actively participated in the Board and committees' meetings to understand the affairs of the Company.

Under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chan Wai Yip Freeman and Ms. Leung Po Ying Iris, being independent non-executive Directors. However, the Directors shall be subject to retirement by rotation in accordance with the Bye-Laws. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. King Pak Fu, the Chairman of the Board, did not attend the 2013 AGM due to his engagement in his own official business. However, he has actively participated in the Board meetings to get involved in the Company's affairs.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2013.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors
King Pak Fu *(Chairman)*
Wang Xiong *(Vice Chairman)*
Gong Xiao Cheng

Independent Non-executive Directors
Chai Wai Yip Freeman
Leung Po Ying Iris
Hu Gin Ing

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 5 to 6 under the section headed "Biographical of Directors".

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2013 to the Company.

Corporate Governance Report

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and the CEO should be segregated. Mr. Wang Xiong, an executive Director, was appointed as the vice chairman of the Company to take up the responsibilities of the CEO on 1 March 2013. Before the appointment of Mr. Wang as vice chairman, the CEO's duties were undertaken by the members of the Board.

Non-executive Directors

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, finance and law. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

Mr. Chan Wai Yip Freeman and Ms. Leung Po Ying Iris are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Articles.

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

Corporate Governance Report

During the year ended 31 December 2013, the Board held 5 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
Mr. King Pak Fu *(Chairman)*	4/5
Mr.Wang Xiong *(Vice Chairman)*	4/5
Mr. Gong Xiao Cheng	5/5
Mr. Hong Ming Sang (Note 1)	5/5
Mr. Liu Jian (Note 2)	4/5
Mr. Zhou Cheng Rong (Note 3)	0/0
Mr. Wu Hong Guang (Note 3)	0/0
Mr. Dai Peng (Note 3)	0/0
Independent Non-executive Directors	
Mr. Chai Wai Yip Freeman	5/5
Mr. Ng Ka Chung Simon (Note 2)	5/5
Ms. Leung Po Ying Iris	5/5
Ms. Hu Gin Ing (Note 4)	N/A

Notes:

1. Mr. Hon Ming Sang resigned as an executive Director on 16 January 2014.

2. Mr. Liu Jian and Mr. Ng Ka Chung Simon resigned as an executive Director and an independent non-executive Director respectively on 16 December 2013.

3. Mr. Zhou Cheng Rong, Mr. Wu Hong Guang and Mr. Dai Peng resigned as executive Directors on 28 March 2013, and no Board meeting was held before their resignations.

4. Ms. Hu Gin Ing was appointed as an independent non-executive Director on 16 December 2013, no Board meeting was held after her appointment.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

Corporate Governance Report

General Meetings

During the year ended 31 December 2013, 2 general meetings of the Company were held, being 2013 AGM and one special general meeting held on 8 November 2013.

Name of Directors	Number of attendance
Executive Directors	
Mr. King Pak Fu *(Chairman)*	0/2
Mr. Wang Xiong *(Vice Chairman)*	0/2
Mr. Gong Xiao Cheng	0/2
Mr. Hong Ming Sang (Note 1)	2/2
Mr. Liu Jian (Note 2)	1/2
Mr. Zhou Cheng Rong (Note 3)	N/A
Mr. Wu Hong Guang (Note 3)	N/A
Mr. Dai Peng (Note 3)	N/A
Independent Non-executive Directors	
Mr. Chai Wai Yip Freeman	0/2
Mr. Ng Ka Chung Simon (Note 2)	0/2
Ms. Leung Po Ying Iris	1/2
Ms. Hu Gin Ing (Note 4)	N/A

Notes:

1. Mr. Hon Ming Sang resigned as an executive Director on 16 January 2014.

2. Mr. Liu Jian and Mr. Ng Ka Chung Simon resigned as an executive Director and an independent non-executive Director respectively on 16 December 2013.

3. Mr. Zhou Cheng Rong, Mr. Wu Hong Guang and Mr. Dai Peng resigned as executive Directors on 28 March 2013, and no general meeting was held before their resignations.

4. Ms. Hu Gin Ing was appointed as an independent non-executive Director on 16 December 2013, no general meeting was held after her appointment.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Corporate Governance Report

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 28 March 2012 and currently consists of two independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman) and Ms. Hu Gin Ing, and one executive Director, namely Mr. Gong Xiao Cheng. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange's and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the CG Code.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Board adopted a board diversity policy (the "Board Diversity Policy") on 23 August 2013 and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Board is of the opinion the Board consisted of members with different gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, which met the requirements under the terms of the Board Diversity Policy.

During the year ended 31 December 2013, the Nomination Committee held 1 meeting to assess the independence of the independent non-executive Directors; to consider the re-election of Directors; and to review the composition of the Board.

Name of Members	**Number of attendance**
Mr. Chan Wai Yip Freeman *(Chairman)*	1/1
Mr. Ng Ka Chung Simon (Note 2)	1/1
Mr. Hon Ming Sang (Note 1)	1/1
Ms. Hu Gin Ing (Note 3)	N/A
Mr. Gong Xiao Cheng (Note 4)	N/A

Notes:

1. Mr. Hon Ming Sang resigned as an executive Director and ceased to be a member on 16 January 2014.

2. Mr. Ng Ka Chung Simon resigned as an independent non-executive Director and ceased to be a member on 16 December 2013.

3. Ms. Hu Gin Ing was appointed as an independent non-executive Director and a member on 16 December 2013, no committee meeting was held after her appointment.

4. Mr. Gong Xiao Cheng was appointed as a member on 16 January 2014.

Corporate Governance Report

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman), Ms. Leung Po Ying Iris and Ms. Hu Gin Ing. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the year ended 31 December 2013, the Remuneration Committee held 1 meeting to review the remuneration packages of the Directors and senior management.

Name of Members	Number of attendance
Mr. Chan Wai Yip Freeman *(Chairman)*	1/1
Mr. Ng Ka Chung Simon (Note 1)	1/1
Ms. Leung Po Ying Iris	1/1
Ms. Hu Gin Ing (Note 2)	N/A

Notes:

1. Mr. Ng Ka Chung Simon resigned as an independent non-executive Director and ceased to be a member on 16 December 2013.

2. Ms. Hu Gin Ing was appointed as an independent non-executive Director and a member on 16 December 2013, no committee meeting was held after her appointment.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 12 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 9 November 1999 and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman), Ms. Leung Po Ying Iris and Ms. Hu Gin Ing. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange's and the Company.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

Corporate Governance Report

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2013, the Audit Committee held 2 meetings.

Name of Members	Number of attendance
Mr. Chan Wai Yip Freeman *(Chairman)*	2/2
Mr. Ng Ka Chung Simon [(Note 1)]	2/2
Ms. Leung Po Ying Iris	2/2
Ms. Hu Gin Ing [(Note 2)]	N/A

Notes:

1. Mr. Ng Ka Chung Simon resigned as independent non-executive Director and ceased to be a member on 16 December 2013.

2. Ms. Hu Gin Ing was appointed as an independent non-executive Director and a member on 16 December 2013, no committee meeting was held after her appointment.

During the year ended 31 December 2013, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out annually.

The accounts for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors are set out below:–

Services rendered	Fee paid/payable HK$'000
Audit services	1,300
Non-audit services	400
	1,700

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit difference commercial needs.

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Mr. Gong Xiao Cheng, an executive Director of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

Shareholders to convene a special general meeting

Shareholders may convene a special general meeting of the Company according to the provisions as set out in the Bye-laws and the Companies Act of Bermuda. The procedures shareholders can use to convene a special general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meeting

The number of members necessary for a requisition for putting forward a proposal at a general meeting shall be:

(a) any number of members representing not less than one-twentieth of the total voting rights at the date of the requisition; or

(b) not less than one hundred members.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, at the Company's principal place of business in Hong Kong in the case of:–

(a) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(b) any other requisition, not less than one week before the meeting.

The Company will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2014 AGM will be vote by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2013, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

INTERNAL CONTROL

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2013, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2013.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 32 to 36.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 20 May 2014, the register of members of the Company will be closed from Monday, 19 May 2014 to Tuesday, 20 May 2014, both dates inclusive, during the period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 May 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2013 in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements during the year ended 31 December 2013 in the investment properties of the Group are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2013, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately HK$9,404,000 (2012: HK$9,404,000).

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in Note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 124 of this report.

CHARITABLE DONATIONS

During the year, the Group made HK$800,000 charitable donations (2012: HK$300,000).

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

Mr. King Pak Fu *(Chairman)*	
Mr. Wang Xiong *(Vice Chairman)*	(appointed on 1 March 2013)
Mr. Gong Xiao Cheng	
Mr. Hon Ming Sang	(resigned on 16 January 2014)
Mr. Liu Jian	(appointed on 7 March 2013 and resigned on 16 December 2013)
Mr. Zhou Cheng Rong	(resigned on 28 March 2013)
Mr. Wu Hong Guang	(resigned on 28 March 2013)
Mr. Dai Peng	(resigned on 28 March 2013)

Independent Non-executive Directors

Mr. Chai Wai Yip Freeman	
Mr. Ng Ka Chung Simon	(resigned on 16 December 2013)
Ms. Leung Po Ying Iris	
Ms. Hu Gin Ing	(appointed on 16 December 2013)

Directors' Report

In accordance with Bye-law 111 of the Bye-laws, Mr. Gong Xiao Cheng and Mr. Chan Wai Yip Freeman shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the annual general meeting ("AGM").

In accordance with Bye-law 115 of the Bye-laws, Ms. Hu Gin Ing, being a Director appointed after the 2013 AGM, shall be subject to re-election at the AGM and, being eligible, offers herself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as these disclosed in the section "Connected Transactions" below, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Name of Director	Capacity	Long position/ Short position	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company
Mr. King Pak Fu	Interest of controlled corporation	Long position	4,811,037,850	743,494,423	5,554,532,273	43.01%
	Interest of controlled corporation	Short position	4,832,713,753	–	4,832,713,753	37.42%

Note: (i) 1,292,566,034 ordinary shares; (ii) 743,494,423 derivative shares of long position; (iii) 4,832,713,753 shares of short position are held through Better Joint Venture Limited ("Better Joint"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King Pak Fu. (iv) 1,486,988,846 shares of long position are held through Glory Merit International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 99% by Mr. King Pak Fu; and (v) 2,031,482,970 shares of long position are held through Elite Mile Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King Pak Fu.

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests of the Directors and the chief executive, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
Central Huijin Investment Ltd.	Interest of controlled corporation	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
China Construction Bank Corporation	Interest of controlled corporation	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
CCB International Group Holdings Limited	Interest of controlled corporation	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
CCB Financial Holdings Limited	Interest of controlled corporation	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
CCB International (Holdings) Limited	Interest of controlled corporation	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
CCB International Asset Management Limited	Interest of controlled corporation	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
Sino Thrive Investments Limited	Nominee for another person	Long position	—	4,333,333,333	4,333,333,333	33.56%	1
Better Joint Venture Limited	Beneficial owner	Long position	1,292,566,034	743,494,423	2,036,060,457	15.77%	2
		Short Position	4,832,713,753	—	4,832,713,753	37.42%	2
Glory Merit International Holdings Limited	Beneficial owner	Long position	1,486,988,846	—	1,486,988,846	11.51%	3
Elite Mile Investments Limited	Beneficial owner	Long position	2,031,482,970	—	2,031,482,970	15.73%	4

Directors' Report

Note 1: China Construction Bank Corporation ("CC Bank") was beneficially 57.26%-owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in those shares which CC Bank was interested.

CCB International Group Holdings Limited ("CCB-IGH") was wholly and beneficially owned by CC Bank. By virtue of the SFO, CC Bank was deemed to be interested in those shares which CCB-IGH was interested.

CCB Financial Holdings Limited ("CCB-FH") was wholly and beneficially owned by CCB-IGH. By virtue of the SFO, CCB-IGH was deemed to be interested in those shares which CCB-FH was interested.

CCB International (Holdings) Limited ("CCB-IH") was wholly and beneficially owned by CCB-FH. By virtue of the SFO, CCB-FH was deemed to be interested in those shares which CCB-IH was interested.

CCB International Asset Management Limited ("CCB-IAM") was wholly and beneficially owned by CCB-IH. By virtue of the SFO, CCB-IH was deemed to be interested in those shares which CCB-IAM was interested.

Sino Thrive Investments Limited ("Sino Thrive") was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCBIAM was deemed to be interested in those shares which Sino Thrive was interested.

Note 2: Better Joint is the legal and beneficial owner of 6,125,279,787 shares and holder of the convertible notes issued by the Company ("Former Convertible Notes") in the principal amount of HK$200,000,000 due 2016 which is convertible into a maximum of 578,034,682 Shares upon full conversion at the initial conversion price of HK$0.346 per conversion share (subject to anti-dilutive adjustment) as set out in the terms and conditions of the Former Convertible Notes. On 10 September 2012, the conversion price of each conversion price was adjusted to HK$0.30, and on 4 November 2013, the conversion price of each conversion price was further adjusted to HK$0.269, and Better Joint then owns 743,494,423 derivative shares. Better Joint is wholly and beneficially owned by Mr. King Pak Fu ("Mr. King"). By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Better Joint.

Note 3: Glory Merit is the legal and beneficial owner of 1,486,988,846 shares of the Company. Glory Merit is beneficially owned as to 99% by Mr. King. By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Glory Merit.

Note 4: Elite Mile is the legal and beneficial owner of 2,031,482,970 shares of the Company. Elite Mile is wholly and beneficially owned by Mr. King Pak Fu. By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Elite Mile.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2013.

Directors' Report

CONNECTED TRANSACTIONS

On 6 December 2013, the Company proceed an open offer on the basis of one offer share for every two shares held on 31 October 2013 (the "Open Offer"). Elite Mile, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. King, who is the chairman, an executive Director and a substantial shareholder of the Company, as an underwriter of the Open Offer subscribed the untaken shares being 2,031,482,970 shares at a consideration of HK$0.20 each and received an underwriting commission of an amount of approximately HK$4,655,000.

Save for the aforesaid, the Group does not have any other connected transaction (as defined in the Listing Rules), for the year ended 31 December 2013.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2013 are set out in Note 45 to the consolidated financial statements.

BORROWINGS

Particulars of bank loans of the Group as at 31 December 2013 are set out in Note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 66.6% in value of total purchases during the year ended 31 December 2013, while contracts with the Group's largest supplier by value, accounted for 37.5% in value of total purchases during the year ended 31 December 2013. Contracts with the Group's five largest customers aggregated accounted for less than 30% of the Group's sales during the year ended 31 December 2013.

None of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Directors' Report

EMOLUMENT POLICY

The emolument policy for 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 decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the Company's share option scheme are set out in Note 39 to the consolidated financial statements. Details of the Group's retirement benefit plans are set out in Note 40 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2013 are set out in Note 12 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 November 1999 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Chan Wai Yip Freeman (as chairman), Ms. Leung Po Ying Iris and Ms. Hu Gin Ing. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2013.

AUDITORS

The accounts for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

The accounts for the years ended 31 December 2011 and 2012 were audited by HLB Hodgson Impey Cheng and HLB Hodgson Impey Cheng Limited respectively. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On behalf of the Board
Carnival Group International Holdings Limited
King Pak Fu
Chairman

Hong Kong, 26 March 2014

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

To the shareholders of
Carnival Group International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Carnival Group International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 122, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report

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 2013, 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 26 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Continuing operations			
Revenue	5	**545,287**	(17,808)
Cost of sales		**(1,596,088)**	–
Gross loss		**(1,050,801)**	(17,808)
Other gains and net losses	7	**5,930**	18,013
Selling and marketing expenses		**(35,299)**	(33,283)
Administrative expenses		**(186,518)**	(182,163)
Impairment loss recognised in respect of property, plant and equipment	17	**(55,908)**	–
Fair value change on investment properties	18	**(68,436)**	3,850
Impairment loss recognised in respect of goodwill	19	**(543,704)**	–
Loss on early redemption on promissory notes	34	**(4,660)**	(199,707)
Gain on bargain purchase	35	**–**	185
Gain on disposal of subsidiaries	36	**–**	195,592
Finance costs	8	**(195,294)**	(169,083)
Loss before tax		**(2,134,690)**	(384,404)
Income tax	9	**323,121**	22,992
Loss for the year from continuing operations	11	**(1,811,569)**	(361,412)
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	9,470
Loss for the year		**(1,811,569)**	(351,942)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for translation reserve released upon disposal of subsidiaries		**–**	(50,468)
Exchange differences on translation of foreign operations		**219,257**	46,442
Other comprehensive income/(expense) for the year, net of income tax		**219,257**	(4,026)
Total comprehensive expense for the year		**(1,592,312)**	(355,968)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
(Loss)/profit for the year attributable to owners of the Company			
–from continuing operations		**(1,485,874)**	(317,435)
–from discontinued operations		**–**	9,470
Loss for the year attributable to owners of the Company		**(1,485,874)**	(307,965)
Loss for the year attributable to non-controlling interests			
–from continuing operations		**(325,695)**	(43,977)
–from discontinued operations		**–**	–
Loss for the year attributable to non-controlling interests		**(325,695)**	(43,977)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,341,682)**	(322,215)
Non-controlling interests		**(250,630)**	(33,753)
		(1,592,312)	(355,968)
Loss per share			
From continuing and discontinued operations			
Basic and diluted (HK$ per share)	15	**(0.32)**	(0.070)
From continuing operations			
Basic and diluted (HK$ per share)	15	**(0.32)**	(0.072)

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**3,766,341**	3,217,415
Investment properties	18	**3,218,770**	2,794,208
Goodwill	19	**–**	526,090
		6,985,111	6,537,713
Current assets			
Properties for sale	21	**5,994,666**	5,469,341
Trade receivables	22	**11,072**	–
Prepayments, deposits and other receivables	23	**1,278,516**	781,034
Held for trading investments	24	**–**	54,788
Bank balances and deposits	25	**494,542**	352,900
		7,778,796	6,658,063
Total assets		**14,763,907**	13,195,776
Current liabilities			
Trade payables	26	**1,502,849**	133,900
Deposits from sale of properties		**1,257,586**	1,520,903
Accrued liabilities and other payables	27	**537,577**	557,371
Amounts due to non-controlling interests	28	**168,688**	174,267
Amount due to a related company	28	**67,089**	–
Borrowings – current portions	31	**697,527**	1,236,144
		4,231,316	3,622,585
Net current assets		**3,547,480**	3,035,478
Total assets less current liabilities		**10,532,591**	9,573,191

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	29	**2,582,777**	879,224
Share premium and reserves		**909,032**	2,371,431
Equity attributable to owners of the Company		**3,491,809**	3,250,655
Non-controlling interests		**2,184,962**	2,435,592
Total equity		**5,676,771**	5,686,247
Non-current liabilities			
Borrowings	31	**2,916,931**	674,929
Deferred tax liabilities	32	**1,668,506**	2,041,622
Convertible notes	33	**126,316**	997,310
Promissory notes	34	**144,067**	173,083
		4,855,820	3,886,944
		10,532,591	9,573,191

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014 and were signed on its behalf by:

King Pak Fu
Director

Wang Xiong
Director

Statement of Financial Position

At 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Investments in subsidiaries	16	**2,843,952**	4,178,419
Current assets			
Prepayments and other receivables	23	**2,003**	449
Amounts due from subsidiaries	16	**52,224**	629,586
Bank balances and deposits	25	**239,084**	–
		293,311	630,035
Total assets		**3,137,263**	4,808,454
Current liabilities			
Accrued liabilities and other payables	27	**2,019**	1,043
Amounts due to subsidiaries	16	**45,073**	28,644
		47,092	29,687
Net current assets		**246,219**	600,348
Total assets less current liabilities		**3,090,171**	4,778,767
Capital and reserves			
Share capital	29	**2,582,777**	879,224
Share premium and reserves	30	**224,855**	2,580,206
Total equity		**2,807,632**	3,459,430
Non-current liabilities			
Deferred tax liabilities	32	**12,156**	148,944
Convertible notes	33	**126,316**	997,310
Promissory notes	34	**144,067**	173,083
		282,539	1,319,337
		3,090,171	4,778,767

King Pak Fu
Director

Wang Xiong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000 Note (a)	Contributed surplus HK$'000 Note (b)(c)	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	879,224	2,556,627	9,404	863,462	16,642	(1,074,704)	3,250,655	2,435,592	5,686,247
Loss for the year	–	–	–	–	–	(1,485,874)	(1,485,874)	(325,695)	(1,811,569)
Exchange differences on translation of foreign operations	–	–	–	–	144,192	–	144,192	75,065	219,257
Total comprehensive expense for the year	–	–	–	–	144,192	(1,485,874)	(1,341,682)	(250,630)	(1,592,312)
Issue of shares by way of open offer	439,612	–	–	–	–	–	439,612	–	439,612
Transaction costs attributable to issue of shares	–	(7,550)	–	–	–	–	(7,550)	–	(7,550)
Release of deferred tax liability upon conversion of convertible notes (Note 32)	–	–	–	108,530	–	–	108,530	–	108,530
Conversion of convertible notes	1,263,941	660,179	–	(881,876)	–	–	1,042,244	–	1,042,244
At 31 December 2013	**2,582,777**	**3,209,256**	**9,404**	**90,116**	**160,834**	**(2,560,578)**	**3,491,809**	**2,184,962**	**5,676,771**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000 Note (a)	Contributed surplus HK$'000 Note (b)(c)	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 Note (d)	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	879,224	2,556,627	9,404	675,874	30,892	30,497	(797,236)	3,385,282	2,461,831	5,847,113
Loss for the year	–	–	–	–	–	–	(307,965)	(307,965)	(43,977)	(351,942)
Reclassification adjustment for translation reserve released upon disposal of subsidiaries (Note 36)	–	–	–	–	(50,468)	–	–	(50,468)	–	(50,468)
Exchange differences on translation of foreign operations	–	–	–	–	36,218	–	–	36,218	10,224	46,442
Total comprehensive expense for the year	–	–	–	–	(14,250)	–	(307,965)	(322,215)	(33,753)	(355,968)
Recognition of equity component of convertible notes	–	–	–	224,657	–	–	–	224,657	–	224,657
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	(37,069)	–	–	–	(37,069)	–	(37,069)
Disposal of subsidiaries (Note 36)	–	–	–	–	–	(30,497)	30,497	–	7,514	7,514
At 31 December 2012	**879,224**	**2,556,627**	**9,404**	**863,462**	**16,642**	**–**	**(1,074,704)**	**3,250,655**	**2,435,592**	**5,686,247**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

Notes:

(a) Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(b) The contributed surplus of the Group represented the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write off the accumulated losses in prior years.

(c) Under the Companies Act of Bermuda, the contributed surplus of a company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(d) The People's Republic of China (the "PRC") statutory reserves consist of a reserve fund and an expansion fund provided in accordance with the articles of association of the PRC subsidiaries. Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after tax, prepared in accordance with the PRC rules and regulations, an annual amount to the reserve fund and expansion fund according to the decision of the board or the articles of association.

The reserve fund is to be used to expand the working capital of the PRC subsidiaries. When the PRC subsidiaries suffer losses, the reserve fund may be used to make up accumulated losses under special circumstances.

The expansion fund is to be used for business expansion and, if approved, can also be used to increase the capital of the PRC subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Operating activities			
Loss for the year		**(1,811,569)**	(351,942)
Adjustments for:			
Depreciation of property, plant and equipment		**4,024**	4,281
Fair value change on investment properties		**68,436**	(3,850)
Finance costs		**195,294**	169,083
Gain on disposal of subsidiaries		**–**	(195,592)
Gain on disposal of discontinued operations		**–**	(9,470)
Gain on bargain purchase		**–**	(185)
Income tax		**(323,121)**	(22,992)
Interest income		**(4,900)**	(16,880)
Impairment loss recognised in respect of goodwill		**543,704**	–
Impairment loss recognised in respect of property, plant and equipment		**55,908**	–
Loss on disposal of property, plant and equipment		**361**	–
Loss on early redemption of promissory notes		**4,660**	199,707
Recognition in non-cash item of cost of sales		**253,709**	–
Write-down on properties for sale		**856,104**	–
Operating cash flows before movements in working capital		**(157,390)**	(227,840)
Movements in working capital:			
Held for trading investments		**54,788**	30,716
Properties for sale		**(1,282,371)**	(530,789)
Trade receivables		**(11,072)**	(497)
Prepayments, deposits and other receivables		**(474,540)**	(62,126)
Trade payables		**1,346,361**	44,637
Deposits from sale of properties		**(307,683)**	(96,156)
Accrued liabilities and other payables		**(28,039)**	227,116
Cash used in operations		**(859,946)**	(614,939)
Taxes paid		**(959)**	(107)
Net cash used in operating activities		**(860,905)**	(615,046)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Investing activities			
Interest received		**4,900**	16,880
Additions to property, plant and equipment		**(416,148)**	(361,000)
Additions to investment properties		**(336,024)**	(187,045)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	**–**	49,782
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed)	36	**–**	828,860
Net cash (used in)/generated by investing activities		**(747,272)**	347,477
Financing activities			
Advance from a related company		**67,089**	–
Repayment to non-controlling interests		**(11,414)**	–
Interest paid		**(365,889)**	(140,282)
Share issue expenses		**(7,550)**	–
New bank and other borrowings		**2,851,560**	1,296,419
Repayment of promissory notes		**(56,911)**	(907,834)
Repayment of bank and other borrowings		**(1,259,234)**	(944,881)
Proceeds on issue of ordinary shares		**439,612**	–
Net cash generated by/(used in) financing activities		**1,657,263**	(696,578)
Net increase/(decrease) in cash and cash equivalents		**49,086**	(964,147)
Cash and cash equivalents at the beginning of the year		**352,900**	1,286,446
Effects of foreign exchange rate changes		**92,556**	30,601
Cash and cash equivalents at the end of the year		**494,542**	352,900

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

Carnival Group International Holdings (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business in Hong Kong is situated at Units 4402-03, 44th Floor, COSCO Tower, 183 Queen's Road, Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development and investment; retail-related consultancy and management services; and trading and investment business.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial statements" that deal with consolidated financial statements and HK(SIC) INT-12 "Consolidation — Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company have made an assessment as at the date of initial application of HKFRS 10 in respect of the Group's control in its investees under the new definition in the new and revised HKFRSs and concluded that the application of the new standard has no impact on the classification of investees currently reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements with respect to the Group's interests in subsidiaries (please see note 16 and 46 for details).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Except for as described above, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.
[5] Effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Company anticipate that application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Service income is recognised when services are rendered.

Income from sale of equity securities is recognised on the trade date basis.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Dividend income from investments is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of services or for administrative purposes (other than construction-in-progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account of their estimated residual value using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Costs include leasehold land cost, development cost, borrowing costs and other direct costs attributable to such properties, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into the following categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets FVTPL *(Continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in in Note 42.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables and bank balances and deposits) are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis, of which the interest expense is included in net gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits/(accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including bank and other borrowings, trade payables, accrued liabilities and other payable, amounts due to non-controlling interests, amount due to a related company and promissory notes are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debt or fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation (if appropriate) recognised in accordance with HKAS 18 "Revenue".

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down obsolete assets that have been abandoned or sold.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

As a result, the Group has recognised deferred taxes on changes in fair value of investment properties as the Group is subject to any income taxes on disposal of its investment properties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are 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.

Valuation of investment properties under construction

As described in Note 18, investment properties under construction are stated at fair value based on the valuation performed by independent professional valuers.

Investment properties under construction are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction and a reasonable profit margin.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill as at 31 December 2013 was HK$Nil (31 December 2012: approximately HK$526,090,000). Details are disclosed in Notes 19 and 20.

Construction costs estimation for revenue recognition

Certain projects of the Group are divided into several phases according to the development and delivery plans. The Group recognises sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

Income taxes

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Write-down of properties for sale under development

Management performs a regular review on the carrying amounts of properties for sale under development. Based on management's review, write-down of properties for sale under development will be made when the estimated net realisable value has declined below the carrying amount.

These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new properties sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified professional valuers to perform the valuation of the Group's investment properties.

At the end of each reporting period, the management of the Group works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation technique and inputs used in determining the fair value of the Group's investment properties are disclosed in Note 18.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2013	2012
	HK$'000	HK$'000
Sale of properties	**535,477**	–
Property rental income	**–**	4,452
Fair value gains/(losses) on held for trading investments	**9,697**	(32,947)
Dividend income from listed investments	**113**	171
Income from provision of retail-related consultancy and management services	**–**	10,516
	545,287	(17,808)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (i.e. the board of directors of the Company) that are used to assess performance and allocate resources. The Group is principally engaged in property development and investment business, trading and investment business and retail-related consultancy and management services business.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 December 2013

Continuing operations	**Property development and investment business HK$'000**	**Trading and investment business HK$'000**	**Retail-related consultancy and management services business HK$'000**	**Total HK$'000**
REVENUE				
External sales	535,477	9,697	–	545,174
Investment income and net gain	–	113	–	113
	535,477	9,810	–	545,287
RESULTS				
Segment results	(1,906,145)	9,581	(2,338)	(1,898,902)
Finance costs				(195,294)
Unallocated income				1,200
Unallocated corporate expenses				(41,694)
Loss before tax (continuing operations)				(2,134,690)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2012

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Total HK$'000
REVENUE				
External sales	4,452	(33,599)	10,516	(18,631)
Investment income and net gain	–	823	–	823
	4,452	(32,776)	10,516	(17,808)
RESULTS				
Segment results	(123,536)	(32,871)	(4,665)	(161,072)
Finance costs				(169,083)
Unallocated income				196,709
Unallocated corporate expenses				(250,958)
Loss before tax (continuing operations)				(384,404)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs including directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of performance assessment and resources allocation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Property development and investment business	**14,359,867**	13,128,919
Trading and investments business	**9,516**	55,010
Retail-related consultancy and management services business	**682**	210
Total segment assets	**14,370,065**	13,184,139
Unallocated head office and corporate assets	**393,842**	11,637
Consolidated assets	**14,763,907**	13,195,776

Note: All assets are allocated to operating segments other than certain bank balances and deposits and other unallocated assets.

Segment liabilities

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Property development and investment business	**3,531,300**	2,382,923
Retail-related consultancy and management services business	**370**	75
Total segment liabilities	**3,531,670**	2,382,998
Unallocated head office and corporate liabilities	**5,555,466**	5,126,531
Consolidated liabilities	**9,087,136**	7,509,529

Note: All liabilities are allocated to operating segments other than borrowings, deferred tax liabilities, convertible notes, promissory notes and other unallocated liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2013

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure *(Note)*	952,328	–	–	60	952,388
Depreciation of property, plant and equipment	3,949	–	–	317	4,266
Net foreign exchange difference	294	–	–	–	294
Loss on disposal of property, plant and equipment	–	–	–	361	361
Loss on early redemption on promissory notes	–	–	–	4,660	4,660
Fair value change on investment properties	68,436	–	–	–	68,436
Impairment loss recognised in respect of goodwill	543,704	–	–	–	543,704
Write-down on properties for sale	856,104	–	–	–	856,104
Impairment loss recognised in respect of property, plant and equipment	55,908	–	–	–	55,908
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest on bank deposits	(4,730)	–	–	(170)	(4,900)
Income tax credit	(294,863)	–	–	(28,258)	(323,121)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2012

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure *(Note)*	1,279,312	–	–	77	1,279,389
Depreciation of property, plant and equipment	3,707	–	325	320	4,352
Net foreign exchange difference	2,922	–	–	68	2,990
Gain on disposal of subsidiaries	–	–	–	(195,592)	(195,592)
Gain on bargain purchase	–	–	–	(185)	(185)
Loss on early redemption on promissory notes	–	–	–	199,707	199,707
Fair value change on investment properties	(3,850)	–	–	–	(3,850)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest on bank deposits	(16,669)	–	(11)	(200)	(16,880)
Income tax (credit)/expense	(1,891)	–	3	(21,104)	(22,992)

Note: Capital expenditure comprises additions to property, plant and equipment, investment properties and other assets, including additions resulting from acquisitions through business combinations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION *(Continued)*

Geographic information

No geographic information has been presented as the Group's operating activities are mostly carried out in the PRC.

Information about major customers

The Group's revenue from customers of corresponding years contributing over 10% of total revenue from property development and investment business and retail-related consultancy and management services business of the Group are as follows:

	2013 **HK$'000**	2012 HK$'000
Customer A	–[1]	2,482
Customer B	–[1]	2,069

Note:

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue during current year.

7. OTHER GAINS AND NET LOSSES

Continuing operations	**2013** **HK$'000**	2012 HK$'000
Interest on bank deposits	**4,900**	16,880
Others	**1,030**	1,133
	5,930	18,013

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8. FINANCE COSTS

Continuing operations	**2013** **HK$'000**	2012 HK$'000
Interest on borrowings:		
– wholly repayable within five years	**365,889**	140,282
Effective interest expense on convertible notes (Note 33)	**171,250**	127,900
Effective interest expense on promissory notes (Note 34)	**23,235**	41,099
Total finance costs	**560,374**	309,281
Less: amounts capitalised *(Note)*	**(365,080)**	(140,198)
	195,294	169,083

The weighted average capitalisation rate on funds borrowed generally is 11.02% (2012: 10.53%) per annum.

Note: Certain finance costs had been capitalised to property development projects in the PRC.

9. INCOME TAX CREDIT

Continuing operations	**2013** **HK$'000**	2012 HK$'000
Current tax:		
PRC Enterprise Income Tax	**–**	56
Deferred tax: (Note 32)	**(323,121)**	(23,048)
	(323,121)	(22,992)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in or derived from Hong Kong for both years. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. INCOME TAX CREDIT *(Continued)*

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	HK$'000
Loss before tax (from continuing operations)	**(2,134,690)**	(384,404)
Tax at PRC Enterprise Income Tax rate of 25%	**(533,673)**	(96,101)
Tax effect of income not taxable for tax purpose	**(40,132)**	(14,937)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**(43,450)**	(2,907)
Tax effect of expenses not deductible for tax purpose	**294,134**	90,953
Income tax credit for the year (relating to continuing operations)	**(323,121)**	(22,992)

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link Investments Limited ("Virtue Link"). Virtue Link and its subsidiaries (hereinafter collectively referred as "Virtue Link Group") carried out all of the Group's gasoline and diesel operations, which have been classified as discontinued operations during the year ended 31 December 2011.

The profit for the year from the discontinued operations is analysed as follows:

	2013	2012
	HK$'000	HK$'000
Gain on disposal of gasoline and diesel operations (Note 36(a))	**–**	9,470

Except the gain on disposal of gasoline and diesel operations shown above, the Virtue Link Group had no further contribution to the Group's revenue and results for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. LOSS FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
Net foreign exchange difference	**294**	2,990
Auditors' remuneration	**1,300**	800
Loss on disposal of property, plant and equipment	**361**	–
Costs of properties for sale included in cost of sales as expenses:		
– cash expenses item	**486,275**	–
– non-cash expenses item	**253,709**	–
Write-down on properties for sale	**856,104**	–
Total cost of sales	**1,596,088**	–
Operating lease rentals in respect of premises		
– Minimum lease payments	**6,296**	16,607
Employee benefits expense (including directors' emoluments)		
– Salaries and other benefits	**88,770**	48,220
– Contributions to retirement benefits schemes	**2,795**	1,872
	91,565	50,092
Less: amounts capitalised *(Note)*	**(39,134)**	(11,422)
Total employee benefits expenses	**52,431**	38,670
Depreciation of property, plant and equipment	**4,266**	4,352
Less: amounts capitalised *(Note)*	**(242)**	(71)
	4,024	4,281

Note: Certain employee benefits expense and depreciation of property, plant and equipment had been capitalised to property development projects in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company were as follows:

For the year ended 31 December 2013	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Mr. King Pak Fu (Note (a))	–	600	15	615
Mr. Wang Xiong (Note (f))	–	300	13	313
Mr. Zhou Cheng Rong (Note (b))	–	144	3	147
Mr. Gong Xiao Cheng (Note (g))	–	1,500	–	1,500
Mr. Wu Hong Guang (Note (c))	–	96	3	99
Mr. Dai Peng (Note (d))	–	150	–	150
Mr. Liu Jian (Note (e))	–	1,477	13	1,490
Mr. Hon Ming Sang (Note (h))	–	960	15	975
Independent non-executive directors				
Mr. Chan Wai Yip Freeman	100	–	–	100
Mr. Ng Ka Chung Simon (Note (i))	99	–	–	99
Ms. Leung Po Ying Iris	100	–	–	100
Ms. Hu Gin Ing (Note (j))	–	–	–	–
	299	5,227	62	5,588

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2012	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Mr. King Pak Fu (Note (a))	–	150	4	154
Mr. Zhou Cheng Rong (Note (b))	–	600	14	614
Mr. Wu Hong Guang (Note (c))	–	400	14	414
Mr. Dai Peng (Note (d))	–	600	–	600
Mr. Gong Xiao Cheng (Note (g))	–	1,250	–	1,250
Mr. Lo Kai Bong (Note (k))	–	625	6	631
Mr. Xu Yi (Note (l))	–	850	–	850
Mr. Hon Ming Sang	–	1,163	14	1,177
Non-executive director				
Mr. Wang John Peter Ben (Note (m))	–	200	–	200
Independent non-executive directors				
Mr. Chan Wai Yip Freeman	100	–	–	100
Mr. Ng Ka Chung Simon (Note (i))	100	–	–	100
Ms. Leung Po Ying Iris	100	–	–	100
	300	5,838	52	6,190

No emoluments paid or payable to the chief executive of the Company during both years.

Notes:

(a) Mr. King Pak Fu was appointed as an executive director on 10 September 2012.
(b) Mr. Zhou Cheng Rong resigned as an executive director on 28 March 2013.
(c) Mr. Wu Hong Guang resigned as an executive director 28 March 2013.
(d) Mr. Dai Peng resigned as an executive director 28 March 2013.
(e) Mr. Liu Jian appointed as an executive direct on 7 March 2013 and resigned on 16 December 2013.
(f) Mr. Wang Xiong was appointed as an executive director on 1 March 2013.
(g) Mr. Gong Xiao Cheng was appointed as an executive director on 7 March 2012.
(h) Mr. Hon Ming Sang resigned as an executive director on 16 January 2014.
(i) Mr. Ng Ka Chung Simon resigned as an independent non-executive director on 16 December 2013.
(j) Ms. Hu Gin Ing was appointed as an independent non-executive director on 16 December 2013.
(k) Mr. Lo Kai Bong was appointed as an executive director on 7 March 2012 and resigned on 31 July 2012.
(l) Mr. Xu Yi resigned as an executive director on 10 September 2012.
(m) Mr. Wang John Peter Ben resigned as a non-executive director on 1 March 2012.

During both years, no emoluments were paid by the Group to the Company's directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Company's directors has waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**5,619**	3,768
Contributions to retirement benefits schemes	**28**	24
	5,647	3,792

Their emoluments were within the followings bands:

	2013 **No. of employees**	2012 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	–

14. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2013 (2012: Nil), nor has any dividend been proposed since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

15. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2013 **HK$'000**	2012 HK$'000
Loss for the purpose of calculating basic and diluted loss per share		
Loss for the year	**(1,485,874)**	(307,965)

Number of shares

	2013	2012
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**4,603,045,074**	4,396,120,965

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2013 **HK$'000**	2012 HK$'000
Loss for the year attributable to owners of the Company	**(1,485,874)**	(307,965)
Add: profit for the year from discontinued operations	**–**	(9,470)
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(1,485,874)**	(317,435)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share from continuing operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

15. LOSS PER SHARE *(Continued)*

From discontinued operations

For the year ended 31 December 2012, basic and diluted earnings per share for the discontinued operations is HK$0.002 per share, based on the profit for the year from the discontinued operations of approximately HK$9,470,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share.

16. INVESTMENTS IN SUBSIDIARIES

The Company

	2013 **HK$'000**	2012 HK$'000
Unlisted shares at cost	**4,178,423**	4,178,419
Less: impairment loss recognised	**(1,334,471)**	–
	2,843,952	4,178,419
Amounts due from subsidiaries	**798,404**	629,586
Less: impairment loss recognised	**(746,180)**	–
	52,224	629,586

Particulars of the Company's principal subsidiaries at 31 December 2013 are set out in Note 45. During both years ended, the directors of the Company reviewed the carrying values of the investments in subsidiaries. The recoverable amounts of these investments are determined with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period.

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	2013	2012
	HK$'000	HK$'000
At 1 January	**–**	7,809
Provided for the year	**746,180**	–
Elimination on disposal of subsidiaries	**–**	(7,809)
At 31 December	**746,180**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
COST							
At 1 January 2012	13,943	21,916	2,882	5,858	7,762	2,130,626	2,182,987
Additions	–	–	–	1,165	633	416,651	418,449
Acquired on acquisition of subsidiaries (Note 35)	–	–	–	300	1,397	651,988	653,685
Derecognised on disposal of subsidiaries (Note 36 (b), (c) & (d))	(13,999)	(21,739)	(3,032)	(3,894)	(861)	–	(43,525)
Exchange adjustments	56	63	150	10	35	9,049	9,363
At 31 December 2012	–	240	–	3,439	8,966	3,208,314	3,220,959
Additions	–	–	–	2,583	1,019	553,732	557,334
Disposals	–	(240)	–	(125)	(827)	–	(1,192)
Exchange adjustments	–	–	–	182	377	52,600	53,159
At 31 December 2013	**–**	**–**	**–**	**6,079**	**9,535**	**3,814,646**	**3,830,260**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	870	12,955	2,497	3,346	555	–	20,223
Provided for the year	217	717	17	942	2,459	–	4,352
Eliminated on disposal of subsidiaries (Note 36 (b), (c) & (d))	(1,091)	(13,613)	(2,661)	(3,348)	(496)	–	(21,209)
Exchange adjustments	4	17	147	2	8	–	178
At 31 December 2012	–	76	–	942	2,526	–	3,544
Provided for the year	–	22	–	1,260	2,984	–	4,266
Eliminated on disposals	–	(98)	–	(68)	(665)	–	(831)
Impairment loss recognised in profit or loss *(Note)*	–	–	–	55	67	55,786	55,908
Exchange adjustments	–	–	–	85	197	750	1,032
At 31 December 2013	**–**	**–**	**–**	**2,274**	**5,109**	**56,536**	**63,919**
CARRYING AMOUNTS							
At 31 December 2013	**–**	**–**	**–**	**3,805**	**4,426**	**3,758,110**	**3,766,341**
At 31 December 2012	–	164	–	2,497	6,440	3,208,314	3,217,415

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

The above items of property, plant and equipment, except for construction-in-progress, are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease or 2-5%
Leasehold improvements	Over the shorter of the term of the lease or 10%
Plant and machinery	7 to 10 years
Furniture, fixtures and equipment	6.66%-33.33%
Motor vehicles	20%-33.33%
Construction-in-progress	Nil

The Group's land and buildings and construction-in-progress are situated in the PRC and held under medium-term lease.

As at 31 December 2013, the Group has pledged construction-in-progress with a carrying amount of approximately HK$3,758,110,000 (2012: HK$3,208,314,000) to secure the Group's borrowings (Note 31).

Note: During the year ended 31 December 2013, an impairment loss of approximately HK$55,908,000 was recognised in profit or loss and was allocated to property development and investment business segment's furniture, fixtures and equipment, motor vehicles and construction-in-progress on pro-rata basis. Details of the impairment assessment are set out in Note 20.

18. INVESTMENT PROPERTIES

The Group

	Completed investment properties HK$'000	**Investment properties under construction** HK$'000	**Total** HK$'000
FAIR VALUE			
At 1 January 2012	495,964	2,574,609	3,070,573
Additions	–	207,255	207,255
Disposal of subsidiaries (Note 36(c)&(d))	(497,908)	–	(497,908)
Net increase in fair value recognised in profit or loss	–	3,850	3,850
Exchange adjustments	1,944	8,494	10,438
At 31 December 2012	–	2,794,208	2,794,208
Additions	–	395,054	395,054
Net decrease in fair value recognised in profit or loss	–	(68,436)	(68,436)
Exchange adjustments	–	97,944	97,944
At 31 December 2013	**–**	**3,218,770**	**3,218,770**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. INVESTMENT PROPERTIES *(Continued)*

	2013	2012
	HK$'000	HK$'000
Unrealised (loss)/gain on property revaluation included in profit or loss	**(68,436)**	3,850

The fair value of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited ("Vigers"), a firm of independent qualified professional valuer not connected with the Group. Vigers had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties.

The valuations of investment properties under construction have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 3	**Fair value as at 31 December 2013**
	HK$'000	**HK$'000**
Investment properties located in PRC	**3,218,770**	**3,218,770**

There were no transfers into or out of Level 3 during the year.

As at 31 December 2013, the Group's investment properties under construction with a carrying amount of approximately HK$3,218,770,000 (2012: HK$2,794,208,000) have been pledged to secure the Group's borrowings (Note 31).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. INVESTMENT PROPERTIES *(Continued)*

The carrying amounts of investment properties shown above comprise:

	2013	2012
	HK$'000	HK$'000
Land outside Hong Kong:		
Medium-term lease	**3,218,770**	2,794,208

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2013					
Investment properties under construction in Qingdao	Level 3	Direct comparison approach The key inputs are: i. Gross development value; and	Gross development value on completion basis, taking into account of time, location and individual factors such as view and size between the comparables and the property of RMB3,319 million.	The higher the gross development value, the higher the fair value.	If the gross development value to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value of the property would increase/decrease by RMB25 million.
		ii. Developer's profit.	Developer's profit, taking into account of the progress of the property of 12%.	The higher the developer's profit, the lower the fair value.	If the developer's profit to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value of the property would decrease/increase by RMB22 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

19. GOODWILL

The Group

	Property development and investment operations HK$'000
COST	
At 1 January 2012	521,002
Exchange adjustments	5,088
At 31 December 2012	526,090
Exchange adjustments	17,614
At 31 December 2013	**543,704**
IMPAIRMENT	
At 1 January 2012 and 31 December 2012	–
Exchange adjustments	–
Impairment loss recognised for the year	543,704
At 31 December 2013	**543,704**
CARRYING VALUES	
At 31 December 2013	**–**
At 31 December 2012	526,090

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

20. IMPAIRMENT TESTING ON GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

For the purposes of impairment testing, goodwill and property, plant and equipment related to property development and investment operations (Unit A) have been allocated to one individual cash generating unit ("CGU").

An impairment loss has been recognised for the CGU as the recoverable amounts of CGU were less than respective carrying amounts. The impairment loss was allocated to reduce the carrying amount of assets of the respective CGU.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount of the Unit A has been determined based on a value in use calculation. Its recoverable amount is based on certain key assumptions. All value in use calculation use cash flow projection based on financial budget approved by management covering a five-year period and at a discount rate of 16.44% (2012: 16.09%) for Unit A. The cash flows beyond the five-year period are extrapolated by assuming with 3% (2012: 3%) growth rate. The key assumptions for the value in use calculation are those regarding the discount rate, budgeted sales and expected gross margins during the budget period and the same construction materials price inflation during the budget period which have been determined based on past performance and management's expectations for the market development. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the directors of the Company have also made reference to a valuation performed by an independent professional valuer. During the year ended 31 December 2013, the Group predicted the market demand of visitors going to theme park and its hotel less than previous expectation due to the underground oil pipeline explosion in around November 2013, around the Huangdao area in Qingdao. The incident raised public concern to the safety of the Huangdao area covered by the underground oil pipeline, and such concern might last for sometime. As a result, the future cash flows have been revised based on the management's expectation for the market development. An impairment loss of goodwill and property, plant and equipment of approximately HK$543,704,000 and HK$55,908,000 have been recognised respectively during the year ended 31 December 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

21. PROPERTIES FOR SALE

The Group

	2013 HK$'000	2012 HK$'000
Properties under development for sale	**5,994,666**	5,469,341

After the underground oil pipeline explosion mentioned in Note 20 and change of market condition, the management changed the sales strategy to stimulate the demand of property market. As a result, an write-down of properties for sales of approximately HK$856,104,000 have been made during the year ended 31 December 2013.

The Group's properties under development for sale with a carrying amount of approximately HK$5,994,666,000 as at 31 December 2013 (2012: HK$5,469,341,000) have been pledged to secure the Group's borrowings (Note 31).

The properties for sale are situated in the PRC.

22. TRADE RECEIVABLES

The Group

Trade receivables comprise receivables arising from sale of properties which are due for settlement in accordance with the terms of the related sale and purchase agreement.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 – 30 days	**2,727**	–
31 – 60 days	**–**	–
61 – 90 days	**8,345**	–
Over 90 days	**–**	–
	11,072	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

22. TRADE RECEIVABLES *(Continued)*

As at 31 December 2013, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$8,345,000 which are past due for which the Group has not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group has collateral over these balances from sale of properties.

Ageing of trade receivables which are past due but not impaired

	2013 **HK$'000**	2012 HK$'000
Over 60 days	**8,345**	–

Movement in the allowance for doubtful debts

	2013 **HK$'000**	2012 HK$'000
1 January	**–**	330
Eliminated on disposal of subsidiaries	**–**	(330)
31 December	**–**	–

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Prepayments:				
– construction contracts	**1,048,513**	580,802	**–**	–
– pre-sale related taxes	**133,254**	152,041	**–**	–
– others	**2,394**	2,774	**1,849**	449
Deposits	**51,959**	2,095	**–**	–
Other receivables	**42,396**	43,322	**154**	–
	1,278,516	781,034	**2,003**	449

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

24. HELD FOR TRADING INVESTMENTS

The Group

	2013 **HK$'000**	2012 HK$'000
Equity securities listed in Hong Kong	**–**	54,788

The fair values of all equity securities are determined based on the quoted market bid prices at the end of reporting period.

25. BANK BALANCES AND DEPOSITS

	The Group		**The Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Bank deposits	**230,000**	27,111	**230,000**	–
Bank balances and cash	**264,542**	325,789	**9,084**	–
	494,542	352,900	**239,084**	–

Bank balances and deposits of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and have original maturity of three months or less. The Group's bank deposits carry interest rates ranging from Nil to 1.26% (2012: Nil to 5%) per annum.

At 31 December 2013, approximately 69% (2012: 2%) of the Group's bank balances and deposits are denominated in Hong Kong dollars, Nil% (2012: 2%) in United States dollars and 31% (2012: 96%) in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

As at 31 December 2013, the Group's bank balances and deposits of approximately HK$10,942,000 (2012: HK$1,485,000) are solely for certain designated property development projects in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

26. TRADE PAYABLES

The Group

Trade payables comprise amounts outstanding for trade purposes and ongoing costs.

The following is an aged analysis of trade payables at the end of the reporting period.

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**1,479,592**	50,281
31 – 60 days	**3,889**	27,449
61 – 90 days	**–**	1,878
Over 90 days	**19,368**	54,292
	1,502,849	133,900

27. ACCRUED LIABILITIES AND OTHER PAYABLES

	The Group		**The Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Construction costs payable	**395,396**	454,228	**–**	–
Deposits received	**1,728**	1,298	**–**	–
Other payables	**124,044**	89,223	**899**	–
Accruals	**16,409**	12,622	**1,120**	1,043
	537,577	557,371	**2,019**	1,043

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28. AMOUNTS DUE TO NON-CONTROLLING INTERESTS/A RELATED COMPANY

The amounts due are unsecured, interest-free and repayable on demand.

29. SHARE CAPITAL

	Notes	Ordinary shares of HK$0.2 each	Amount HK$'000
Authorised:			
At 1 January 2012, 31 December 2012 and 2013		**15,000,000,000**	**3,000,000**
Issued and fully paid:			
At 1 January 2012 and 31 December 2012		4,396,120,965	879,224
Issue of shares by way of open offer	(a)	2,198,060,482	439,612
Conversion of the convertible notes	(b)	6,319,702,599	1,263,941
At 31 December 2013		**12,913,884,046**	**2,582,777**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

29. SHARE CAPITAL *(Continued)*

Notes:

a) Issue of shares by way of open offer

On 11 December 2013, the Company allotted and issued 2,031,482,970 offer shares and 166,577,512 offer shares, totally 2,198,060,482 offer shares to Mr. King Pak Fu ("Mr. King") and 28 valid acceptances at the subscription price of HK$0.2 per offer share respectively, on the basis of one offer share for every two existing ordinary shares held. The Company raised approximately HK$432,062,000 (net of expenses).

b) Conversion of convertible notes

i. On 20 December 2013, convertible notes with original outstanding principal amount of HK$400,000,000 of which HK$300,000,000 was converted at the conversion price of HK$0.269 per share, resulting in the issue of 1,115,241,635 ordinary shares of HK$0.2 each.

ii. On 20 December 2013, convertible notes with original outstanding principal amount of HK$1,500,000,000 of which HK$200,000,000 was converted at the conversion price of HK$0.269 per share, resulting in the issue of 743,494,423 ordinary shares of HK$0.2 each.

iii. On 24 December 2013, convertible notes with original outstanding principal amount of HK$400,000,000 of which HK$100,000,000 was converted at the conversion price of HK$0.269 per share, resulting in the issue of 371,747,211 ordinary shares of HK$0.2 each.

iv. On 31 December 2013, convertible notes with original outstanding principal amount of HK$1,500,000,000 of which HK$1,100,000,000 was converted at the conversion price of HK$0.269 per share, resulting in the issue of 4,089,219,330 ordinary shares of HK$0.2 each.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

30. SHARE PREMIUM AND RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	2,556,627	9,404	675,874	(457,792)	2,784,113
Loss for the year	–	–	–	(391,495)	(391,495)
Recognition of equity component of convertible notes	–	–	224,657	–	224,657
Deferred tax liability on recognition of equity component of convertible notes	–	–	(37,069)	–	(37,069)
At 31 December 2012 and 1 January 2013	2,556,627	9,404	863,462	(849,287)	2,580,206
Loss for the year	–	–	–	(2,234,634)	(2,234,634)
Transaction costs attributable to issue of shares	(7,550)	–	–	–	(7,550)
Release of deferred tax liability upon conversion of convertible notes (Note 32)	–	–	108,530	–	108,530
Conversion of convertible notes	660,179	–	(881,876)	–	(221,697)
At 31 December 2013	**3,209,256**	**9,404**	**90,116**	**(3,083,921)**	**224,855**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. BORROWINGS

The Group

	2013	2012
	HK$'000	HK$'000
Bank borrowings	**342,422**	331,329
Other borrowings	**3,272,036**	1,579,744
	3,614,458	1,911,073
Secured	**3,614,458**	1,558,472
Unsecured	**–**	352,601
	3,614,458	1,911,073
Carrying amount repayable:		
On demand or within one year	**697,527**	1,236,144
More than one year but not exceeding two years	**2,916,931**	674,929
	3,614,458	1,911,073

As at 31 December 2013, the bank borrowings are denominated in Renminbi and carried interest at the prevailing interest rate of the People's Bank of China above 30% (2012: 30%) per annum, other borrowings denominated in Renminbi and carried interests at fixed rate of 11% to 13% (2012: 11% to 13%) per annum.

As at 31 December 2012, certain other borrowings are denominated in Hong Kong dollar and carried interest at Hong Kong dollar prime lending rate per annum.

The average effective interest rate on the Group's borrowings is approximately 12.05% (2012: 7.34%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. BORROWINGS *(Continued)*

The Group's certain bank and other borrowings were secured by:

	2013	2012
	HK$'000	HK$'000
Investment properties (Note 18)	**3,218,770**	2,794,208
Property, plant and equipment (Note 17)	**3,758,110**	3,208,314
Properties for sale (Note 21)	**5,994,666**	5,469,341
	12,971,546	11,471,863

Personal guarantee was given by a substantial shareholder of the Company for certain borrowings.

32. DEFERRED TAXATION

The Group

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

Deferred tax liabilities:	**Convertible notes**	**Undistributed profits of subsidiaries**	**Revaluation of properties**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	132,979	66,590	1,813,146	2,012,715
Charged to equity	37,069	–	–	37,069
Acquisition of subsidiaries (Note 35)	–	–	111,189	111,189
Disposal on subsidiaries (Note 36 (c)&(d))	–	(20,233)	(82,546)	(102,779)
(Credited)/charged to profit or loss	(21,104)	(2,907)	963	(23,048)
Exchange adjustments	–	–	6,476	6,476
At 31 December 2012	148,944	43,450	1,849,228	2,041,622
Credited to profit or loss	(28,258)	(43,450)	(251,413)	(323,121)
Credited to equity (Note 30)	(108,530)	–	–	(108,530)
Exchange adjustments	–	–	58,535	58,535
At 31 December 2013	**12,156**	**–**	**1,656,350**	**1,668,506**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. DEFERRED TAXATION *(Continued)*

Deferred tax assets:

At the end of the reporting period, the Group has unused tax losses of approximately HK$13,677,000 (2012: HK$13,677,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The Company

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

Deferred tax liabilities:	**Convertible notes** HK$'000
At 1 January 2012	132,979
Charged to equity	37,069
Credited to profit or loss	(21,104)
At 31 December 2012	148,944
Credited to profit or loss	(28,258)
Credited to equity (Note 30)	(108,530)
At 31 December 2013	**12,156**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

33. CONVERTIBLE NOTES

The Group and the Company

On 21 December 2011, the Company issued unlisted convertible notes with a principal amount of HK$1,500,000,000 (the "First Convertible Notes") to the Better Joint Venture Limited ("Better Joint") as part of the consideration for the acquisition of the entire equity interest in Easy Linkage Development Limited ("Easy Linkage"). The First Convertible Notes are unsecured, non-interest bearing and have a term of 5 years. The First Convertible Notes are convertible at the option of the holder into ordinary shares of the Company on or before maturity at a conversion price of HK$0.346 (the "First Conversion Price") per share (subject to anti-dilutive adjustment). The Company has the right to early redeem the First Convertible Notes at the redemption amount before maturity. If the conversion right is not exercised by the holder, the First Convertible Notes not converted will be redeemed on maturity at 100% of their principal amount.

On 10 September 2012, the Company issued unlisted convertible notes with a principal amount of HK$400,000,000 (the "Second Convertible Notes") to the Glory Merit International Holdings Limited ("Glory Merit"), a company beneficially owned by Mr. King, as part of the consideration for the subscription of 99.01% of the issued share capital, the conversion of non-voting deferred share and related shareholder's loan in Sino Ever Investment Limited as detailed in Note 35. The Second Convertible Notes are unsecured, non-interest bearing and have a term of 5 years. The Second Convertible Notes are convertible at the option of the holder into ordinary shares of the Company on or before maturity at a conversion price of HK$0.30 per share (subject to anti-dilutive adjustment). The Company has the right to early redeem the Second Convertible Notes at the redemption amount before maturity. If the conversion right is not exercised by the holder, the Second Convertible Notes not converted will be redeemed on maturity at 100% of their principal amount.

Upon the completion and issuance of the Second Convertible Notes, the First Conversion Price of the First Conversion Notes was adjusted from HK$0.346 per share to HK$0.30 per share. Further the completion and issuance of share by way of open offer, the First Conversion Price and Second Conversion Price was adjusted from HK$0.30 per share to HK$0.269 per share (subject to further adjustment).

The convertible notes contain two components, liability (together with embedded derivative for early redemption option by the Company which is closely related to the host debt) and equity elements. The equity element is presented in equity under the heading of "convertible notes equity reserve". The effective interest rate of the liability component for First and Second Convertible Notes are 16.591% per annum and 13.892% per annum at the date of initial recognition respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

33. CONVERTIBLE NOTES *(Continued)*

The movement of liability component of the convertible notes are as follows:

	First Convertible Notes HK$'000	Second Convertible Notes HK$'000	Total HK$'000
Carrying amount as at 1 January 2012	694,067	–	694,067
Principal amount of convertibles notes issued (Note 35)	–	400,000	400,000
Equity component	–	(224,657)	(224,657)
At date of issue	–	175,343	175,343
Interest charged (Note 8)	116,880	11,020	127,900
Carrying amount as at 31 December 2012	810,947	186,363	997,310
Interest charged (Note 8)	135,482	35,768	171,250
Conversion of the convertible notes	(820,113)	(222,131)	(1,042,244)
Carrying amount as at 31 December 2013	**126,316**	**–**	**126,316**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. PROMISSORY NOTES

The Group and the Company

On 21 December 2011, the Company issued promissory notes with a principal amount of HK$1,100,000,000 to Better Joint as part of the consideration for the acquisition of the entire equity interest in Easy Linkage.

The promissory notes are unsecured, interest bearing at 3.5% per annum and have a term of 3 years from the date of issue. The promissory notes were fair valued at initial recognition with an effective interest rate of 13.781% per annum.

Interest charged on the promissory notes is calculated using the effective interest method by applying the effective interest rate of 13.781% to the liability.

	HK$'000
Carrying amount as at 1 January 2012	840,111
Repayment during the year	(907,834)
Loss on early redemption	199,707
Interest charged (Note 8)	41,099
Carrying amount as at 31 December 2012	173,083
Repayment during the year	(56,911)
Loss on early redemption	4,660
Interest charged (Note 8)	23,235
Carrying amount as at 31 December 2013	**144,067**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. ACQUISITION OF SUBSIDIARIES

Acquisition of Sino Ever Investment Limited and its subsidiaries (the "Sino Ever Group")

On 10 September 2012, the Group subscripted 99.01% of the issued share capital and related shareholder's loan (the "Subscription") in Sino Ever Investment Limited, a company beneficially owned by Mr. King, with aggregate consideration of HK$400,000,780. Gain on bargain purchase arising as a result of the Subscription was approximately HK$185,000. The transaction constituted a major and connected transaction on the part of the Company under the Listing Rules. The Sino Ever Group is principally engaged in the property investment business in the PRC.

Consideration transferred

	HK$'000
Cash	1
Convertible notes (Note 33)	400,000
Total	**400,001**

Acquisition-related costs amounting to approximately HK$1,445,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2012, within the "administration expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment	653,685
Properties for sale	492,966
Prepayments, deposits and other receivables	76,125
Bank balances and deposits	49,783
Trade payables	(54,109)
Accrued liabilities and other payables	(34,292)
Bank and other borrowings, secured	(672,783)
Deferred tax liabilities	(111,189)
	400,186
Gain on bargain purchase on acquisition:	
Consideration transferred	400,001
Less: net assets acquired	(400,186)
Gain on bargain purchase	(185)

	HK$'000
Net cash inflow on acquisition of the Sino Ever Group:	
Cash consideration paid	1
Less: cash and cash equivalent balances acquired	(49,783)
	(49,782)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Virtue Link Group

On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link and related shareholder's loan for a cash consideration of HK$380,000,000. Virtue Link Group (subsidiaries namely, Wide Merit Limited, China-HK Holdings Investment Limited, 長三角徐州石油科技有限公司 and 鹽城賽孚石油化工有限公司) were principally engaged in gasoline and diesel operations in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 8 February 2012.

The assets and liabilities attributable to the gasoline and diesel operations had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2011.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Goodwill	443,550
Property, plant and equipment	42,195
Prepaid leases payment	30,745
Inventories	9,998
Trade receivables	2,397
Prepayments, deposits and other receivables	43,829
Bank balances and cash	447
Accrued liabilities and other payables	(20,510)
Retention money payable	(122,400)
Amounts due to non-controlling interests	(4,981)
Other borrowings, secured	(62,316)
	362,954
Release of translation reserve	62
Non-controlling interests	7,514
Gain on disposal of subsidiaries	9,470
	380,000
Satisfied by:	
Cash consideration received	380,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	380,000
Less: cash and cash equivalent balances disposed of	(447)
	379,553

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Sundynasty International Limited and its subsidiaries (the "Sundynasty Group")

On 8 March 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Sundynasty International Limited for a cash consideration of HK$4,000,000. Sundynasty Group (subsidiaries namely, Timecastle International Limited, Master Empire Development Limited, 東方銀座商業(北京)有限公司, 北京華文韜廣告有限公司, 北京東方銀座商業投資顧問有限公司 and 北京東方銀座商業管理有限公司) were principally engaged in the provision of retail-related consultancy and management services in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal has been completed on 5 June 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	999
Bank balances and cash	1,645
Trade receivables	27,685
Prepayments, deposits and other receivables	60,247
Trade payables	(1,436)
Accrued liabilities and other payables	(161,710)
Taxation payable	(23,657)
	(96,227)
Release of translation reserve	(29,400)
Gain on disposal of subsidiaries	129,627
	4,000
Satisfied by:	
Cash consideration received	4,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	4,000
Less: cash and cash equivalent balances disposed of	(1,645)
	2,355

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Disposal of Angel Fay Limited and its subsidiary (the "Angel Fay Group")

On 21 March 2012, Daylight Express Group Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Angel Fay Limited and related shareholder's loan for a cash consideration of HK$220,000,000. Angel Fay Group (subsidiary namely, 重慶太平洋屋業發展有限公司) were principally engaged in property investment in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 23 April 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	14,580
Investment properties	255,874
Bank balances and cash	1,796
Trade receivables	917
Prepayments, deposits and other receivables	10,188
Accrued liabilities and other payables	(4,783)
Deferred tax liabilities	(77,779)
	200,793
Release of translation reserve	(10,729)
Gain on disposal of subsidiaries	29,936
	220,000
Satisfied by:	
Cash consideration received	220,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	220,000
Less: cash and cash equivalent balances disposed of	(1,796)
	218,204

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(d) Disposal of 瀋陽市建興源投資管理有限公司

On 27 April 2012, 深圳市深恒貿易有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in 瀋陽市建興源投資管理有限公司 for a cash consideration of HK$230,000,000. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 22 June 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	6,737
Investment properties	242,034
Bank balances and cash	1,252
Trade receivables	4,145
Prepayments, deposits and other receivables	6,401
Accrued liabilities and other payables	(31,197)
Deferred tax liabilities	(25,000)
	204,372
Release of translation reserve	(10,401)
Gain on disposal of subsidiaries	36,029
	230,000
Satisfied by:	
Cash consideration received	230,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	230,000
Less: cash and cash equivalent balances disposed of	(1,252)
	228,748

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**5,377**	8,119
In the second to fifth years inclusive	**14,204**	13,744
Over five years	**46,164**	48,104
	65,745	69,967

Operating lease payments represent rentals payable by the Group for certain offices premises and retail shops. Leases are negotiated for an average term of 1 to 20 years with fixed rentals.

38. CAPITAL COMMITMENTS

	2013 **HK$'000**	2012 HK$'000
Capital expenditure		
– contracted but not provided for	**2,291,727**	2,663,903
– capital injection	**62,038**	–
	2,353,765	2,663,903

The above commitments include mainly:

(i) the construction related costs on development of the Group's investment properties, property, plant and equipment and properties for sale in the PRC; and

(ii) 嘉信泰(青島)商業管理有限公司, an indirect wholly owned subsidiary of the Company, is a wholly foreign-owned enterprise established in the PRC. As of 31 December 2013, Genius Choice Investments Limited was committed to contribute to the registered capital of 嘉信泰(青島)商業管理有限公司 in the amount of US$2,000,000 (equivalent to approximately HK$15,510,000) which was paid on 10 February 2014 and of US$6,000,000 (equivalent to approximately HK$46,528,000) which is payable on or before 14 February 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2013, the Company adopted the share option scheme ("Share Option Scheme"). The major terms of the Share Option Scheme are summarised as follows:

(a) The purpose was to provide incentives to eligible participants as incentives or rewards for their contributions to the Group.

(b) The participants included any employee, whether full time or part time, director of the Company, consultant, adviser or agent of any member of the Group, subsidiary or any invested entity.

(c) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(d) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(e) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors and provided in the offer of grant of option.

(f) The exercise period should be any period fixed by the board of directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(g) The acceptance of an option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

(h) The exercise price of an option must be the highest of:

   (i) the closing price of the shares on the date of grant which day must be a trading day;

   (ii) the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

   (iii) the nominal value of the share.

(i) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 30 May 2023.

There were no outstanding share options at 31 December 2012 and 2013. No share options were granted, exercised or cancelled during the years ended 31 December 2012 and 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. RETIREMENT BENEFIT PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$2,146,000 (2012: HK$1,714,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which included the amounts due to non-controlling interests and a related company, borrowings, convertible notes and promissory notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

Net debt to equity ratio

The Group's management reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2013 **HK$'000**	2012 HK$'000
Debt (i)	**4,120,618**	3,255,733
Cash and cash equivalents (Note 25)	**(494,542)**	(352,900)
Net debt	**3,626,076**	2,902,833
Equity (ii)	**5,676,771**	5,686,247
Net debt to equity ratio	**64%**	51%

(i) Debt is defined as amounts due to non-controlling interests and a related company, borrowings, convertible notes and promissory notes, as detailed in Notes 28, 31, 33 and 34 respectively.

(ii) Equity includes all capital and reserves of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
FVTPL	–	54,788
Loans and receivables (including cash and cash equivalent)	548,768	398,317
Financial liabilities		
Amortised cost	6,161,044	3,947,004

(b) Financial risk management objectives and policies

The Group's major financial instruments include bank balances and deposits, trade and other receivables, trade payables, accrued liabilities and other payables, amounts due to non-controlling interests and a related company, borrowings, convertible notes and promissory notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's risks exposure relating to financial instruments or the manner in which it manages and measures the risks.

Market risk

The Group's activities expose it to market risks of changes in currency risk, price risk and interest rate risk.

There has been no significant change to Group's exposure to market risks or the manner in which it manages and measures the risk over the year.

Currency risk

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the group entity making the sales or incurring the costs. Accordingly, the directors of the Company consider that the currency risk is not significant.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

Price risk

As the Group has no significant investments, the Group is not subject to significant price risk.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 31 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing interest rate of the People's Bank of China arising from the Group's Renminbi denominated bank borrowings.

The Group currently does not have a formal interest rate hedging policy in relation to cash flow interest rate risk. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2013 would increase/decrease by approximately HK$Nil (2012: HK$45,000), net of interest capitalised in accordance with the Group's accounting policy.

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

42. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables *(Continued)*

	Weighted average interest rate %	Less than 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 December 2013						
Non-derivative financial liabilities						
Trade payables	**–**	**1,502,849**	**–**	**–**	**1,502,849**	**1,502,849**
Accrued liabilities and other payables	**–**	**537,577**	**–**	**–**	**537,577**	**537,577**
Bank and other borrowings						
– fixed rates	**11.16%**	**689,278**	**3,263,059**	**–**	**3,952,337**	**3,272,036**
– variable rates	**8.00%**	**352,156**	**–**	**–**	**352,156**	**342,422**
Amounts due to non–controlling interests	**–**	**168,688**	**–**	**–**	**168,688**	**168,688**
Amount due to a related company	**–**	**67,089**	**–**	**–**	**67,089**	**67,089**
Convertible notes	**16.591%**	**–**	**200,000**	**–**	**200,000**	**126,316**
Promissory notes	**13.781%**	**155,000**	**–**	**–**	**155,000**	**144,067**
31 December 2012						
Non-derivative financial liabilities						
Trade payables	–	133,900	–	–	133,900	133,900
Accrued liabilities and other payables	–	557,371	–	–	557,371	557,371
Bank and other borrowings						
– fixed rates	12.83%	1,243,587	399,008	–	1,642,595	1,579,744
– variable rates	8.32%	–	367,108	–	367,108	331,329
Amounts due to non–controlling interests	–	174,267	–	–	174,267	174,267
Convertible notes	16.023%	–	1,900,000	–	1,900,000	997,310
Promissory notes	13.781%	–	200,000	–	200,000	173,083

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

42. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the consolidated statement of financial position

	Fair value as at		**Fair value hierarchy**	**Valuation technique and key input**
	31 December 2013	31 December 2012		
Financial assets at FVTPL				
Equity securities listed in Hong Kong classified as held for trading investments	–	**54,788**	Level 1	Quoted price in an active market

During the year ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

42. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values (Continued)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

At 31 December 2013:	**Carrying amount HK$'000**	**Fair value HK$'000**
Financial liabilities:		
Convertible notes	**126,316**	**148,320**
Promissory notes	**144,067**	**150,883**

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2013 HK$'000	2012 HK$'000
Underwriting commission to Elite Mile Investments Limited in connection with the open offer *(Note)*	**4,655**	–

Note:

The underwriting commission is calculated at 1.5% of the aggregate subscription price in respect of the number of shares underwritten by Elite Mile Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King under the underwriting agreement.

Compensation to key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**5,526**	6,138
Post-employment benefits	**62**	52
	5,588	6,190

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

44. EVENTS AFTER THE REPORTING PERIOD

a) On 14 January 2014, Cheertex Investment Limited ("Cheertex"), an indirect wholly-owned subsidiary of the Company, 北京中興鴻基科技有限公司 ("Zhongxing"), and Able Bright Asia Investment Limited, an indirect wholly-owned subsidiary of Zhongxing, entered into the Equity Transfer Agreement, pursuant to which, Cheertex has agreed to acquire and Zhongxing has agreed to sell 4% of the equity interest in 海上嘉年華（青島）置業有限公司 ("Sea Carnival"), for the cash consideration of HK$140,000,000.

Upon Completion, the equity interest held by the Company, through Cheertex, in Sea Carnival will increase from 60% to 64%. This transaction constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules on the basis that a substantial shareholder of Sea Carnival, Mr. King, is a director of the Company and beneficial owner of approximately 74.68% in the issued share capital of the Company, and hence a controller of the Company.

b) On 27 January 2014, Leading Express Holdings Group Limited ("Leading Express"), a direct wholly-owned subsidiary of the Company, Mr. King, Beijing BSD Real Estate Company Limited ("Beijing BSD") and Netspac Investments Limited ("Netspac") entered into the shares subscription agreement with aggregate consideration of HK$100,000,000, comprising (a) HK$78 for the subscription; and (b) HK$99,999,922 for the deferred share conversion and the loan assignment.

Upon completion, the Company, through the Leading Express will hold the entire issued ordinary shares in Netspac. Netspac will become an indirect wholly-owned subsidiary of the Company and the Company will have full control over the Netspac and will be indirectly owned 26% of the equity interest of the 北京百順達房地產開發有限公司（"北京百順達"）. The assets of 北京百順達 comprise principally the land with a total site area of 221,414.90 square metres located in Shunyi District, Beijing City, the PRC. This transaction constitutes a connected transaction of the Company on the basis that (a) Mr. King, a substantial shareholder of the Company, is a connected person of the Company; and (b) Beijing BSD and Netspac, each an associate of Mr. King, are also connected persons of the Company. For details, please refer to Company's announcement dated 27 January 2014.

c) On 29 January 2014, the Group voluntary announced an update on the Company's plan to expand its business into tourism-related property and project development. In contemplation of the potential expansion of the Group's business, the Company is currently in discussion with a renowned international integrated resort developer cum operator, to jointly cooperate and identify tourism-related project development opportunities in the PRC. Both parties will jointly bear the associated costs during the preparation period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2013

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
Easy Linkage Development Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding
Cheertex Investment Limited	Hong Kong	Ordinary HK$10	100% (Indirect)	Investment holding
Genius Choice Investments Limited	Hong Kong	Ordinary HK$1	100% (Indirect)	Investment holding
Carnival Group (Hong Kong) Holdings Limited	Hong Kong	Ordinary HK$1	100% (Indirect)	Provision of management services in Hong Kong
Sino Ever Investment Limited	British Virgin Islands	Ordinary US$100	99.01% (Indirect)	Investment holding
Ever Lead Holdings Limited	Hong Kong	Ordinary HK$1	99.01% (Indirect)	Investment holding
海上嘉年華(青島)置業有限公司	PRC (Note (i))	Registered capital RMB900,000,000	60% (Indirect)	Property development in the PRC
青島海灣豪庭物業管理有限公司	PRC (Note (ii))	Registered capital RMB1,000,000	60% (Indirect)	Property management in the PRC
青島海上嘉年華遊樂管理有限公司	PRC (Note (ii))	Registered capital RMB100,000	60% (Indirect)	Provision of enterprises management consultancy services in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2013 *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
青島海上嘉年華酒店管理有限公司	PRC (Note (ii))	Registered capital RMB100,000	60% (Indirect)	Provision of hotel, food and beverage management services in the PRC
青島海上嘉年華商業管理有限公司	PRC (Note (ii))	Registered capital RMB100,000	60% (Indirect)	Provision of enterprises management consultancy services in the PRC
成都市嘉錦置業有限公司	PRC (Note (iii))	Registered capital RMB70,600,000	99.01% (Indirect)	Property development in the PRC

Notes:

(i) The company is a sino-foreign equity joint venture established in the PRC.

(ii) The company is a limited liability company established in the PRC.

(iii) The company is a wholly foreign-owned enterprise established in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

46. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
				HK$'000	HK$'000	**HK$'000**	HK$'000
海上嘉年華(青島)置業有限公司	PRC	**40%**	40%	**(249,671)**	(33,500)	**2,186,751**	2,436,422

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

海上嘉年華(青島)置業有限公司

	2013	2012
	HK$'000	HK$'000
Current assets	**6,735,122**	6,031,662
Non-current assets	**6,236,900**	5,347,741
Current liabilities	**(5,948,835)**	(3,550,663)
Non-current liabilities	**(1,556,310)**	(1,737,684)
Equity attributable to owners of the Company	**3,280,126**	3,654,634
Non-controlling interests	**2,186,751**	2,436,422
Revenue	**535,477**	–
Loss for the year	**(811,899)**	(109,312)
Total comprehensive expense for the year	**(624,179)**	(83,751)
Loss for the year attributable to the non-controlling interests	**(324,760)**	(43,725)
Total comprehensive expense attributable to the non-controlling interests	**(249,671)**	(33,500)
Net cash outflow from operating activities	**(844,594)**	(656,936)
Net cash outflow from investing activities	**(670,259)**	(529,463)
Net cash inflow from financing activities	**1,322,437**	353,790
Net cash outflow	**(192,416)**	(832,609)

47. COMPARATIVE FIGURE

Certain comparative figures are reclassified to conform with the current year's presentation.

Particulars of the Major Properties Held

Details of the Group's major properties held as at 31 December 2013 under development for sale, investment or own use are as follows:

	Name of property and location	Intended use	Stage of completion	Expected year of completion	Approximate site area sq m	Approximate gross floor area sq m	Group's interest
(a)	Rio Carnival, Huangdao District, Qingdao City, Shandong Province, the PRC	– Residential – commercial	– Partially completed – Construction-in-progress	2014 to 2015 in phases	348,900	765,800	60%
(b)	Carnival International Community, Chengdu Hi-tech Zone, Chengdu City, Sichuan Province, the PRC	Residential and commercial	Construction-in-progress	2014 to 2016 in phases	72,500	481,000	100%

Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated as appropriated is set out below:

RESULTS

Year ended 31 December	**2013** **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Continuing operations					
Revenue					
From continuing operations	**545,287**	(17,808)	(12,605)	311,702	507,694
From discontinued operations	**–**	–	14,344	–	–
	545,287	(17,808)	1,739	311,702	507,694
Loss before tax	**(2,134,690)**	(384,404)	(61,101)	(9,051)	(533,948)
Income tax credit/(expense)	**323,121**	22,992	(217)	7,110	75,193
	(1,811,569)	(361,412)	(61,318)	(1,941)	(458,755)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	9,470	(16,136)	–	–
Loss for the year	**–**	(351,942)	(77,454)	(1,941)	(458,755)
Loss for the year attributable to:					
Owners of the Company	**(1,485,874)**	(307,965)	(69,547)	(1,941)	(458,755)
Non-controlling interests	**(325,695)**	(43,977)	(7,907)	–	–
	(1,811,569)	(351,942)	(77,454)	(1,941)	(458,755)

ASSETS AND LIABILITIES

At 31 December	**2013** **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Assets	**14,763,907**	13,195,776	12,829,541	1,807,583	3,751,281
Liabilities	**(9,087,136)**	(7,509,529)	(6,982,428)	(369,714)	(2,180,206)
Net assets	**5,676,771**	5,686,247	5,847,113	1,437,869	1,571,075
Equity attributable to:					
Owners of the Company	**3,491,809**	3,250,655	3,385,282	1,437,869	1,571,073
Non-controlling interests	**2,184,962**	2,435,592	2,461,831	–	2
	5,676,771	5,686,247	5,847,113	1,437,869	1,571,075