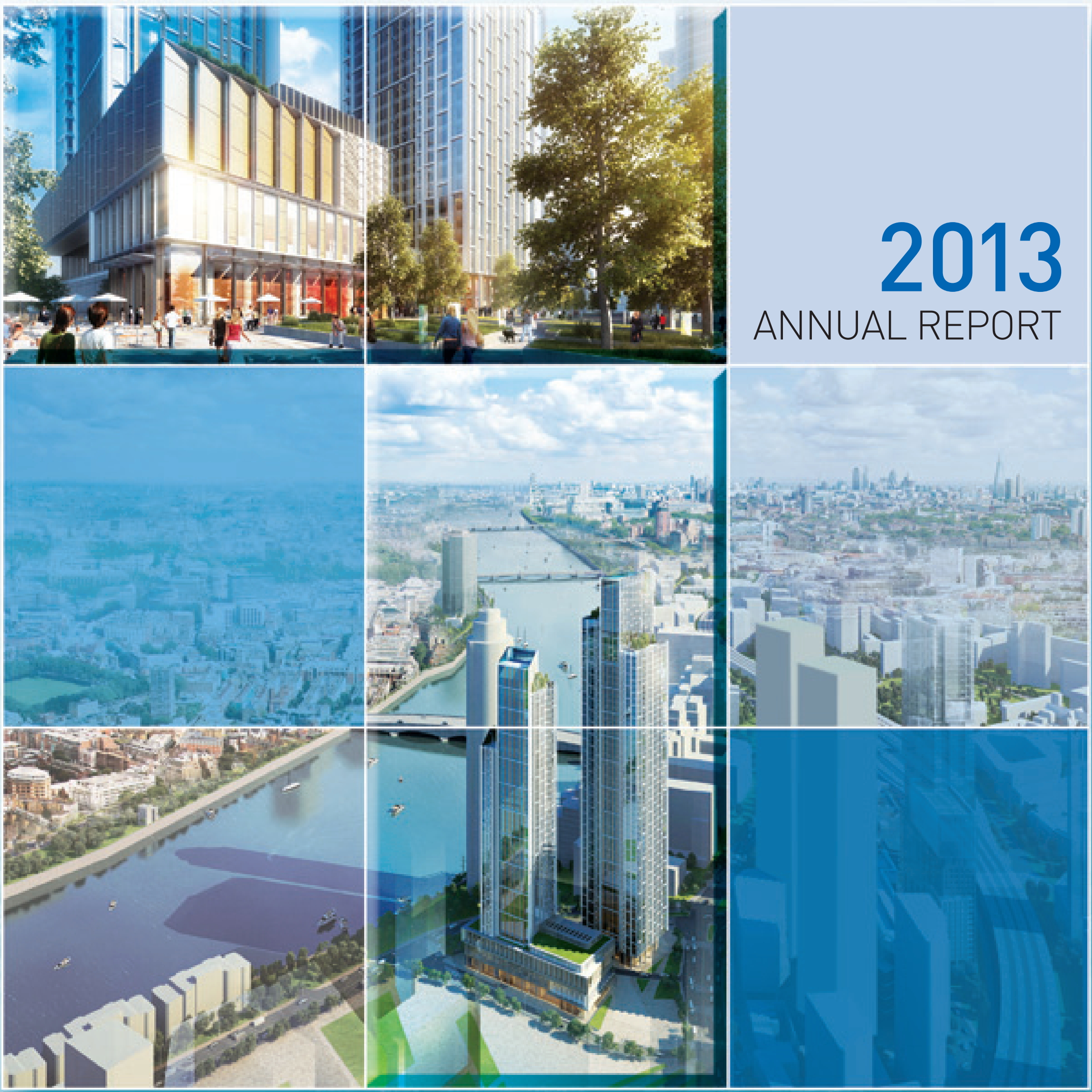
万达商业地产（集团）有限公司
WANDA COMMERCIAL PROPERTIES (GROUP) CO., LTD.

WANDA COMMERCIAL PROPERTIES (GROUP) CO., LIMITED
萬達商業地產（集團）有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 169

2013 ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Liu Chaohui

Non-executive Directors

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

Independent Non-executive Directors

Mr. Liu Jipeng
Mr. Xue Yunkui
Mr. Ba Shusong

AUDIT COMMITTEE

Mr. Xue Yunkui *(Chairman)*
Mr. Qi Jie
Mr. Ba Shusong

REMUNERATION COMMITTEE

Mr. Liu Jipeng *(Chairman)*
Mr. Qi Jie
Mr. Ba Shusong

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

DEPUTY CHIEF FINANCIAL OFFICER

Ms. Wu Weilan

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation
China Construction Bank
China Merchants Bank Co., Ltd.
Hang Seng Bank Limited

AUDITORS

KPMG, Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

169

Financial Highlights

	For year ended 31 December		
	2013 **HK$'000**	2012 (Restated) HK$'000	Change %
Turnover	**1,347,995**	2,773,419	-51.4
Profit for the year	**233,901**	243,363	-3.9
Profit attributable to equity shareholders of the Company	**190,879**	232,335	-17.8
Earnings per share (HK cents)			
Basic	**7.3**	9.9	-26.3
Diluted	**3.0**	3.9	-23.1
Cash and bank balances	**191,739**	519,545	-63.1
Total assets	**4,822,152**	6,168,259	-21.8
Total liabilities	**3,475,835**	5,377,119	-35.4
Net Assets	**1,346,317**	791,140	+70.2
Equity attributable to equity shareholders of the Company	**540,499**	663,406	-18.5
Current ratio	**1.15**	1.02	
Gearing ratio	**54.9%**	56.6%	

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Wanda Commercial Properties (Group) Co., Limited (the "Company"), I am pleased to present the annual report of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2013.

In June 2013, the Company disposed of 1) 47% of shares in Amazing Wise Limited, a wholly-owned subsidiary of the Company, 2) 100% of the shares in certain wholly-owned subsidiaries of the Company, and 3) shareholder's loan of approximately HK$399 million (together the "Disposal") to Mr. Chen Chang Wei ("Mr. Chen"), the then controlling shareholder of the Company. Upon completion of the Disposal, Hengli City became the only significant project of the Group and Wanda Commercial Properties Overseas Limited ("Wanda Overseas") became the controlling shareholder of the Company after the sale of 1,856,341,956 shares of the Company and convertible bonds in principal amount of HK$209 million by the former controlling shareholder to Wanda Overseas. In July 2013, after completion of the mandatory general offer, Wanda Overseas held approximately 65.02% of the total issued shares of the Company. Wanda Overseas is an indirect wholly-owned subsidiary of Dalian Wanda Commercial Properties Co., Ltd. ("DWCP"), a leading commercial properties company in the PRC.

With the support of DWCP, the new controlling shareholder, the Company jointly acquired a property at 1 Nine Elms Lane, London SW8 5NQ, the United Kingdom with Wanda Commercial Properties (Hong Kong) Co., Limited ("Wanda HK") in form of a joint venture in October 2013. The Company completed the demolition and relocation planning of the existing property in February 2014 as planned and commenced demolition and relocation work. The Company will proceed with the development of the project.

In order to enhance the capital strength of the Company to fund investments in suitable projects in the PRC and overseas markets, in December 2013 the Company announced a rights issue on the basis of three rights shares for every ten shares held at the price of HK$2.88 per rights share. The rights issue was successfully completed in January 2014, with net proceeds raised of approximately HK$2.45 billion, which laid a solid foundation for the future developments of the Company.

In addition, at the end of February 2014, the Company announced its proposed joint acquisition with Wanda HK of a piece of state-owned land in Guilin, Guangxi Zhuang Autonomous region, the PRC. The land will be developed into a "Wanda Plaza", which comprises commercial and residential properties. A special general meeting of the Company is expected to be held on 3 April 2014 for the purpose of considering and, if thought fit, approving the company's investment in the project. It is expected that the land use right certificate of the project will be obtained in April 2014. The Company will commence construction as soon as possible and it is expected that the development of this project will be completed in the third quarter of 2015.

ACKNOWLEDGEMENT

I am very confident about the future prospects of the Group. With the support of the controlling shareholder of the Company, DWCP, the Group shall continue to explore suitable growth opportunities.

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

Ding Benxi
Chairman
17 March 2014

Management Discussion and Analysis

CHANGE OF CONTROLLING SHAREHOLDER

On 25 June 2013, the absolute controlling shareholder of the Company was changed to Wanda Overseas upon the completion of a sale and purchase agreement dated 20 March 2013 relating to the sale of 1,856,341,956 shares of the Company and convertible bonds in principal amount of HK$209 million issued by the Company by the former controlling shareholder of the Company to Wanda Overseas. On 23 July 2013, after close of the mandatory general offer, Wanda Overseas held 1,856,876,006 shares of the Company, which constituted 65.02% of the total issued shares of the Company at the time being. Wanda Overseas is an indirect wholly-owned subsidiary of DWCP.

BUSINESS REVIEW

On 20 March 2013, the Company entered into a sale and purchase agreement with Mr. Chen, chairman of the Board, an executive director and a controlling shareholder of the Company at the time being, and two companies wholly owned by him, to dispose of 1) 47% of shares in Amazing Wise Limited, a wholly-owned subsidiary of the Company which indirectly holds a 95% interest in Hengli City (恒力城), 2) 100% of the shares in the wholly-owned subsidiaries of the Company which indirectly hold 100% interests in Hengli • Financial Center (恒力 • 金融中心) and Hengli • Prosperity Center (恒力 • 創富中心) and 70% interest in Hengli • Bona Plaza (恒力 • 博納廣場), and 3) shareholder's loan of approximately HK$399 million (together the "Disposal"). The total consideration of the Disposal was approximately HK$1,311.54 million, which brought to the Company cash of approximately HK$0.54 million and reduced convertible bonds issued by the Company in principal amount of HK$1,311 million, which formed a significant part of the Company's then outstanding convertible bonds. The Disposal was completed on 25 June 2013.

Upon the completion of the Disposal, Hengli City became the only significant project of the Group. Hengli City is a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters. The retail commercial podium of Hengli City of approximately 56,219 sq.m. was leased to Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司) for a term of 20 years, which, together with the leased office and car park units, contributed rental income of approximately HK$94.4 million to the Group for the year ended 31 December 2013. During the year, Hengli City also achieved income from sales of properties of approximately HK$356.2 million.

The Group completed the acquisition of the property at 1 Nine Elms Lane, London SW8 5NQ, the United Kingdom (further details are set out in the circular of the Company dated 30 September 2013) in 2013 and completed the demolition and relocation plan of the existing property in February 2014 as planned. The demolition and relocation work has also commenced accordingly. The Group will continue to develop the project.

In addition, the Group established a joint venture with Wanda HK, in which the Company holds 51% and Wanda HK 49% for the acquisition of a piece of state-owned land in Guilin, Guangxi Zhuang Autonomous region, the PRC. The land will be developed into a "Wanda Plaza" which comprises commercial and residential properties (further details are set out in the circular of the Company dated 17 March 2014). Subsequent to the approval of the financial statements on 17 March 2014, the project was approved by the independent shareholders on 3 April 2014 and a land use right certificate was obtained on 9 April 2014. The Company will commence the construction as soon as possible and it is expected that the development of this project will be completed in the third quarter of 2015.

On 23 January 2014, the Company completed a rights issue on the basis of three rights shares for every ten existing shares, issuing 856,773,210 shares ("Rights Shares") in total at the subscription price was HK$2.88 per Rights Shares ("Rights Issue") further details are set out in the prospectus of the Company dated 31 December 2013). The gross proceeds before expenses were about HK$2,467.5 million and the net proceeds were approximately HK$2,448.6 million. An aggregate of 356 valid acceptances and applications were received for an aggregate of 1,173,336,496 Rights Shares. Accordingly, the Rights Issue was approximately 36.95% oversubscribed.

Out of the HK$2,448.6 million net proceeds, approximately HK$2,348.6 million will be used for investment in property projects in the PRC and overseas and the rest for general working capital.

FINANCIAL REVIEW

Turnover and results

The Group's turnover for the year ended 31 December 2013 was approximately HK$1,348.0 million. Compared to HK$2,773.4 million for 2012, the decrease was mainly due to that Hengli City was completed in 2012 and a significant part of the pre-sales of the project since 2009 were recognized in 2012. Turnover of HK$1,231.7 million, HK$94.4 million and HK$21.8 million were derived from sales of developed properties, property leasing and property management service for the year ended 31 December 2013 respectively.

The Group's profit attributable to equity shareholders of the Company was approximately HK$190.9 million (2012: HK$232.3 million). The decrease was mainly due to i) decrease in valuation gain on investment properties of HK$356.7 million due to that the investment properties was completed in the prior period, ii) net loss on disposal of subsidiaries of HK$45.3 million incurred during the year, iii) impairment loss on goodwill of HK$57.6 million, which was partly set off by: iv) increase in gross profit of HK$215.0 million since properties with higher profit margin contributed to more sales in the year, v) increase of totally HK$54.3 million in gain on redemption of convertible bonds in the year and net gain on revaluation and cancellation of redemption right attached to the convertible bonds, and vi) decrease in finance cost of HK$74.0 million.

Net assets and equity attributable to equity shareholders

As at 31 December 2013, the Group recorded total assets and total liabilities of approximately HK$4,822.2 million and HK$3,475.8 million respectively. The Group had net assets of approximately HK$1,346.3 million as at 31 December 2013 as compared to approximately HK$791.1 million (Restated) as at 31 December 2012. As at 31 December 2013, the equity attributable to equity shareholders of the Company was approximately HK$540.5 million as compared to HK$663.4 million (Restated) as at 31 December 2012.

Liquidity and financial ratios

The Group had total bank and cash balances of approximately HK$191.7 million as at 31 December 2013 as compared with HK$519.5 million as at 31 December 2012. As at 31 December 2013, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 1.15 as compared with 1.02 as at 31 December 2012. The gearing ratio, which is the quotient arrived at by dividing net interest bearing debts by the aggregate of net interest bearing debts and total equity, was 54.9% as at 31 December 2013 as compared with 56.6% (Restated) as at 31 December 2012.

Borrowings

The Group had interest-bearing borrowings from financial institutions of approximately HK$137.0 million as at 31 December 2013 (31 December 2012: HK$51.1 million), representing an increase of approximately 168.1% over the amount as at 31 December 2012. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). Approximately 59.9% of the borrowings is repayable within one year of which 89.1% is secured by cash deposit. The rest represents bank loans repayable after one year of HK$55.0 million. The Company is confident in meeting its loan repayment obligations with its cash and bank deposits and proceeds from lease and sale of properties.

The Group had interest-bearing borrowings from related parties of approximately HK$256.3 million as at 31 December 2013 (31 December 2012: HK$280.3 million). These borrowings are repayable within one year.

The Group had interest-bearing borrowings from intermediate holding company of approximately HK$1,202.6 million as at 31 December 2013 (31 December 2012: nil). These borrowings are repayable in year 2016.

Taken into account its cash and bank deposits, proceeds from lease and sale of its properties, and that Mr. Chen has agreed to provide funding by way of loan in an amount up to the shortfall required to satisfy any funding needs or liabilities of the Hengli City project if the Group does not have sufficient financial resources and is unable to secure adequate third party financing to satisfy any immediate funding needs or liabilities relating to the Hengli City project, the Group is confident in meeting its loan repayment obligations.

The Group had aggregate net carrying amount of convertible bonds of approximately HK$234.9 million (principal amount of approximately HK$321.0 million) as at 31 December 2013. The Convertible Bonds bear zero coupon and the maturity date of the Convertible Bonds is 20 January 2018.

Foreign currency exposure

Other than borrowings denominated in Hong Kong Dollars, the Group had, during the period, conducted its business in RMB and Great Britain Pound (GBP). The Group was exposed to foreign exchange risk arising from fluctuations in the exchange rate between RMB and HK$ and between GBP and HK$.

During the year, the Group did not use any financial instruments to hedge foreign currency exposure and the Group did not have any hedging instruments outstanding as at 31 December 2013.

Interest rate exposure

During the year, the Group had interest-bearing borrowings from financial institutions, related parties and intermediate holding company. Accordingly, the Group's cost of borrowing was affected by changes in interest rates. As at 31 December 2013, borrowings of HK$1,340.0 million were on a floating rate basis, of which HK$1,202.6 million were loans from intermediate holding company. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. During the year, the Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate borrowings in order to manage interest rate risks.

PLEDGE OF ASSETS

As at 31 December 2013, the Group pledged certain of its property, plant and equipment, prepaid lease payments, investment properties, inventory and restricted bank deposits to financial institutions in the PRC to secure the loans of approximately HK$137.0 million and undrawn bank facilities of approximately HK$1,138.2 million granted by these financial institutions. The aggregate carrying value of these property, plant and equipment, prepaid lease payments, investment properties, inventory and restricted bank deposits as at 31 December 2013 amounted to approximately HK$8.8 million, HK$21.1 million, and HK$2,108.1 million, HK$56.0 million and HK$85.3 million respectively.

CHANGES IN SHARE CAPITAL

During the year ended 31 December 2013, 502,994,011 ordinary shares of HK$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.334 per share. As at 31 December 2013, total issued shares of the Company was 2,855,910,703 ordinary shares and paid up share capital was HK$285,591,070.3.

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

INVESTMENT

As at 31 December 2013, other than its investment in Hengli City and the property located at 1 Nine Elms Lane, London SW8 5NQ, United Kingdom, there were no significant investments held by the Group.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had provided guarantees of approximately HK$235.4 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon receipt by the bank of the real estate ownership certificate for the property from the customer as security for the loan.

MATERIAL ACQUISITION AND DISPOSAL

On 20 March 2013, the Company entered into a sale and purchase agreement with Mr. Chen, the then chairman of the Board, an executive director and a controlling shareholder of the Company, and two companies wholly owned by him, to dispose of 1) 47% of shares in Amazing Wise Limited, a wholly-owned subsidiary of the Company which indirectly holds a 95% interest in Hengli City (恒力城), 2) 100% of the shares in the wholly-owned subsidiaries of the Company which indirectly hold 100% interests in Hengli • Financial Center (恒力 • 金融中心) and Hengli • Prosperity Center (恒力 • 創富中心) and 70% interest in Hengli • Bona Plaza (恒力 • 博納廣場), and 3) shareholder's loan of approximately HK$399 million (together the "Disposal"). The total consideration of the Disposal was approximately HK$1,311.54 million.

The Group acquired the property located at 1 Nine Elms Lane, London SW8 5NQ, United Kingdom in October 2013. Details of the acquisition are set out in the circular of the Company dated 30 September 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had around 225 full time employees, all of them being in the PRC, Hong Kong and United Kingdom.

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

DIVIDEND

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

OUTLOOK

Looking forward, the Group believes that as the global economy continues to recover, there will be attractive investment and development opportunities in the commercial real estate sector in certain countries and regions. The Group, positioned as an investment and financing platform for the controlling shareholder, DWCP, will focus on developing overseas financing channels, actively seeking outstanding and profitable development opportunities that are in line with the Group's development strategy, steadily developing commercial properties together with DWCP, and thereby further expand our sources of revenue, enhance our profitability, and seek to maximize the interests of our shareholders.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Ding Benxi, aged 59, is a Chinese national and has been a non-executive Director and chairman of the Company since 3 July 2013. He is a senior engineer and holds a graduate certificate in economics management from Renmin University of China. He has been an executive director and president of Dalian Wanda Group Co., Ltd. ("Dalian Wanda") and the chairman of DWCP since December 2012. Mr. Ding was formerly a general manager of Dalian Wanda Group Commercial Development Co., Ltd., a senior vice president of Dalian Wanda and the president of DWCP. Before he joined Dalian Wanda in 2001, Mr. Ding was a general manager in Hong Kong Yifeng Group Real Estate Investment Co., the chairman and general manager of Dalian Fengyuan Real Estate Development Co., Ltd. and an assistant to the general manager of COSCO Dalian.

Mr. Qi Jie, aged 48, is a Chinese national and has been a non-executive Director since 3 July 2013. He holds a master's degree in Dalian University of Technology. Mr. Qi has been a director and a president of DWCP since January 2014. Mr. Qi was formerly the chief financial officer, the general manager of the audit department, the general manager of the project company of Kunming, an assistant to the president and the general manager of the cost department and a vice president of Dalian Wanda, and a director and executive president of DWCP. Before he joined Dalian Wanda in 2000, he was, among others, a lecturer and an associate professor of Liaoning Higher Tax Training School and a director of Dalian Zheng'an Accounting Firm, Free Trade Zone Branch.

Mr. Qu Dejun, aged 49, is a Chinese national and has been a non-executive Director since 3 July 2013. He holds a master's degree in management from the Dongbei University of Finance and Economics. Mr. Qu has been a director and a senior vice president of DWCP since December 2012. Mr. Qu was formerly the general manager of Dalian Wanda Changsha Commercial Management Company, the general manager of Dalian Wanda Wuhan Commercial Management Company, a vice general manager of Wanda Commercial Management Co., Ltd., an assistant to the president of Dalian Wanda and the general manager of Wanda Commercial Management Co., Ltd., and a director and vice president of DWCP. Before he joined Dalian Wanda in 2002, Mr. Qu was, among other things, a clerical officer in the Finance Department of Dalian Bureau of Foreign Trade and Economy, an assistant to the general manager of Hongkong Dalian International Development Co., Ltd. and the chief financial officer in Dalian Fortune Investment Corp., Ltd.

Mr. Chen Chang Wei, aged 51, joined the Group on 22 January 2008. Mr. Chen is currently a non-executive director of the Company and the director of various subsidiaries of the Group. Mr. Chen was the chairman, managing director and executive director of the Company until 3 July 2013 and during which he was responsible for the overall strategic planning and formulation of the corporate policies of the Group. Mr. Chen graduated from Department of Civil Engineering in Huaqiao University, the People's Republic of China (the "PRC"). He holds a Bachelor Degree of Civil Engineering. Mr. Chen has over 20 years of experience in investment, industrial and commercial sectors and real estate development.

EXECUTIVE DIRECTORS

Mr. Liu Chaohui, aged 41, is a Chinese national and has been an executive Director since 3 July 2013. He holds a doctorate degree in management science from Xiamen University and is a non-practising accountant accredited by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Liu has been the secretary of the Board of Directors and the general manager of the offshore property centre of DWCP since April 2014. Mr. Liu was formerly a manager and the director of the Finance Department of Dalian Wanda Group Commercial Development Co., Ltd., the general manager of the investment department of Dalian Wanda, the assistant to the president and the general manager of the investment and securities department of DWCP and a senior assistant to president and a general manager of the investment management centre in DWCP. He has been a director of Wanda Cinemaline Corporation since November 2006 and AMC Entertainment Holding, Inc. since September 2012. Before he joined Dalian Wanda in 2002, Mr. Liu worked with China Construction Bank, Xiamen Branch, from September 1996 to August 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Jipeng, aged 58, has been an independent director of DWCP since December 2009 and has been an independent non-executive Director since 3 July 2013.

Mr. Liu has 28 years of experience in economic and corporate research. He served as an assistant researcher at the Chinese Academy of Social Sciences (中國社會科學院) from 1986 to 1989; as a senior researcher at the Citic International Research Institute (中信國際研究所) from 1989 to 1993; as the chairman of Beijing Standard Consultant Inc (北京標準諮詢有限公司) from 1993 to 2009; as the head of the Company Research Center (公司研究中心) of the Capital University of Economics and Business (首都經濟貿易大學) from 2002 to 2006; as a professor of the Capital Research Centre of the China University of Political Science and Law (中國政法大學資本研究中心) since 2009; and as a vice chairman of the China Enterprise Reform and Development Society (中國企業改革與發展研究會) since 2012. He has also been a postgraduate tutor at the Postgraduate Section of the Research Institute for Fiscal Science of the Ministry of Finance of the PRC (中國財政部財政科學研究所研究生部) since 2003.

Mr. Liu has served as an independent director of Oceanwide Real Estate Group Co., Ltd. (泛海建設集團股份有限公司) and CNNC HuaYuan Titanium Dioxide Co., Ltd. (中核華原鈦白股份有限公司), both listed on the Shenzhen Stock Exchange, since 2008 and 2012, respectively, and AVIC Capital Co., Ltd (中航投資控股股份有限公司), a company listed on the Shanghai Stock Exchange, since 2011. Mr. Liu graduated with a bachelor's degree in Economics at the Beijing School of Economics (北京經濟學院) in 1983 and a master's degree in Economics at the Chinese Academy of Social Sciences (中國社會科學院) in 1986. Mr. Liu is also a non-practising accountant accredited by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Xue Yunkui, aged 50, has been an independent director of DWCP since December 2009 and has been an independent non-executive Director since 3 July 2013.

Mr. Xue has 30 years of experience in accounting research and practice. He served as teacher's assistant, lecturer and associate professor at the School of Economics and Management of the Southwest University (西南大學經濟與管理學院) from 1984 to 1996; as a post-doctorate fellow at the Accounting Institute of the Shanghai Finance University (上海財經大學會計學院) from 1996 to 1998; as the associate dean at the school of accounting at Shanghai University of Finance and Economics (上海財經大學) from 1998 to 1999; as the vice president of the Shanghai National Accounting Institute (上海國家會計學院) from 2000 to 2002; and as an associate dean of the Cheung Kong Graduate School of Business (長江商學院) since 2002.

Mr. Xue has served as an independent director for several companies listed in the PRC, including Shanghai Shentong Metro Co., Ltd. (上海申通地鐵股份有限公司), a company listed on the Shanghai Stock Exchange, since 2011, and Shanghai Baosight Software Co. Ltd. (上海寶信軟件股份有限公司), a company listed on the Shanghai Stock Exchange, since July 2013. Mr. Xue graduated with a bachelor's degree in Accounting at the Southwestern University of Finance and Economics (西南財經大學). He received his Ph.D. from the Southwest University and he completed post-doctorate research with the Shanghai University of Finance and Economics.

Mr. Ba Shusong, aged 44, has been an independent director of DWCP since December 2009 and has been an independent non-executive Director since 3 July 2013.

Mr. Ba has 20 years of experience in banking and finance. He served as a deputy division manager of the head office of the Bank of China Limited from 1994 to 1998; as the deputy manager in Hangzhou for the Bank of China from 1999 to 2000; as the assistant general manager of the risk management department of Bank of China (Hong Kong) Limited from 2000 to 2002; as the director-general of the strategy and development committee for the Securities Association of China (中國證券業協會發展戰略委員會) from 2002 to 2003; as the vice director-general of the Financial Research Institute of the Development Research Center of the State Council (中國國務院發展研究中心金融研究所) since 2003; and as deputy director for the economic department of the Liaison Office of the China Central People's Government in Hong Kong (中央人民政府駐香港聯絡辦公室經濟部) from 2007 to 2009.

Mr. Ba was an independent director of Da An Gene Co., Ltd. Of SunYat-Sen University (中山大學達安基因股份有限公司), a company listed on the Shenzhen Stock Exchange, from 2004 to 2010, Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange, from 2005 to 2012, and Shanghai DZH Limited (上海大智慧股份有限公司), a company listed on the Shanghai Stock Exchange, from 2009 to 2012. Mr. Ba is currently an independent director of China Minsheng Banking Corp., Ltd (中國民生銀行股份有限公司), a company listed on the Shanghai Stock Exchange, and Noah Holdings Limited (諾亞(中國)控股有限公司), a company listed on the New York Stock Exchange. Mr. Ba graduated with a bachelor's degree in Power Engineering in 1991 and a master's degree in Western Economics in 1994 at the Huazhong University of Science and Technology (華中科技大學); he then obtained a doctorate in Civilian Economics at the Central University of Finance and Economics (中央財經大學) in 1999 and a post-doctorate in Economics from Peking University (北京大學) in 2002. He has been a senior visiting scholar of the Columbia University School of Business in the United States since October 2013.

SENIOR MANAGEMENT

Ms. Hui Wai Man, Shirley, aged 46, joined the Group in December 2000. She is the Company Secretary of the Company. She is responsible for the company secretarial affairs of the Group. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. She is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of the Society of Chinese Accountants and Auditors and the Hong Kong Securities Institute.

Ms. Wu Weilan, aged 36, joined the Group in August 2009. She is the Company's Deputy Chief Financial Officer and is responsible for the financial management of the Group. Ms. Wu holds a Master of Business Administration degree from Paris Graduate School of Management, France. Ms. Wu was qualified as Certified Public Accountant in the USA in 2009. Prior to joining the Group, Ms. Wu has over 8 years' experience in public accounting.

Directors' Report

The directors have pleasure in submitting the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL PLACE OF BUSINESS

Wanda Commercial Properties (Group) Co., Limited is a company incorporated in Bermuda and has its principal place of business in Hong Kong at Unit 3007, 30th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

PRINCIPAL ACTIVITIES

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

The principal activities and other particulars of the Group's principal subsidiaries are set out in note 16 to the financial statements.

RESULTS FOR THE YEAR AND DIVIDEND

The profit of the Group for the year ended 31 December 2013 and the state of the affairs of the Company and the Group as at that date are set out in the financial statements.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 76.13% of the Group's total sales in 2013 while the sales attributable to the Group's largest customer was approximately 63.18% of the Group's total sales in 2013.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 98.3% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 95.3% of the Group's total purchases.

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

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 128. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 14(c) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 14(a) to the financial statements.

Particulars of the major properties and property interests of the Group are shown on page 129 to 130 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund scheme in Hong Kong and participates in various defined contribution retirement plans organized by municipal and provincial governments in mainland PRC for its employees. Particulars of these retirement schemes are set out in note 25 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 27 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on the consolidated statement of changes in equity and note 27 to the financial statements respectively.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Mr. Liu Chaohui	(Appointed on 3 July 2013)
Mr. Chen Chang Wei	(Re-designated to Non-executive Director on 3 July 2013)
Ms. Chen Dongxue	(Resigned on 24 July 2013)
Mr. Chan Chi Wang	(Resigned on 24 July 2013)
Ms. Wu Weilan	(Resigned on 24 July 2013)

Non-executive Directors:

Mr. Ding Benxi *(Chairman)*	(Appointed on 3 July 2013)
Mr. Qi Jie	(Appointed on 3 July 2013)
Mr. Qu Dejun	(Appointed on 3 July 2013)
Mr. Chen Chang Wei	(Re-designated from Executive Director on 3 July 2013)

Independent Non-executive Directors ("INED"):

Mr. Liu Jipeng	(Appointed on 3 July 2013)
Mr. Xue Yunkui	(Appointed on 3 July 2013)
Mr. Ba Shusong	(Appointed on 3 July 2013)
Mr. Ma Ving Lung	(Resigned on 24 July 2013)
Mr. Yip King Keung, Pony	(Resigned on 24 July 2013)
Ms. Lin Wen Feng	(Resigned on 24 July 2013)

In accordance with clause 99 of the Bye-Laws of the Company and code provision A.4.2 in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Mr. Liu Chaohui, Mr. Ding Benxi, Mr. Qi Jie, Mr. Qu Dejun, Mr. Liu Jipeng, Mr. Xue Yunkui and Mr. Ba Shusong will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

All of the directors of the Company have entered into services contracts with the Company. The term of appointment is 3 years from 3 July 2013 to 2 July 2016, and is renewable automatically for successive terms of one year each commencing from the date next after the expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2013, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordnance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in the shares and underlying shares of the Company

Name of Director	Long position/ short position	Capacity/ Nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Mr. Chen Chang Wei	Long	Beneficial owner and held by controlled corporation (Note 1)	228,815,562	8.01%
	Long	Interest of spouse (Notes 1 and 2)	12,346,000	0.43%
	Long	Beneficial owner (Note 3)	287,425,149	10.06%
	Long	Interest of spouse (Notes 2 and 4)	14,970,059	0.52%

Interests in Convertible Bonds

Name of Director	Long position/ short position	Capacity/Nature of interest	Amount of Convertible Bonds (HK$)
Mr. Chen Chang Wei	Long	Beneficial owner (Note 3)	96,000,000
	Long	Interest of spouse (Notes 2 and 4)	5,000,000

Interests in shares of DWCP (Note 5)

Name of Director	Long position/ short position	Capacity/Nature of interest	Interest in Shares of DWCP	Approximate percentage of the issued share capital of DWCP
Mr. Ding Benxi	Long	Beneficial owner	50,000,000	1.34%
Mr. Qi Jie	Long	Beneficial owner	6,000,000	0.16%
Mr. Qu Dejun	Long	Beneficial owner	6,000,000	0.16%
Mr. Liu Chaohui	Long	Beneficial owner	1,600,000	0.04%

Interests in shares of Amazing Wise Limited (Note 6)

Name of Director	Long position/ short position	Capacity/Nature of interest	Interest in Shares of Amazing Wise Limited	Approximate percentage of the issued share capital of Amazing Wise Limited
Mr. Chen Chang Wei	Long	Held by controlled corporation (Note 7)	47	47%

Notes:

(1) As at 31 December 2013, Mr. Chen was deemed to have a long position of 241,161,562 Shares, of which (i) 14,894,000 Shares were beneficially and legally owned by him, (ii) 157,106,000 Shares were held on trust for him by Ever Good Luck Limited ("Ever Good"), (iii) 56,815,562 Shares were beneficially owned by Ever Good, and (iv) 12,346,000 Shares were held by his spouse, Ms. Chan Sheung Ni, as beneficial owner.

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

(3) This represents Mr. Chen's interest in underlying shares of the Company by virtue of the Convertible Bonds held by him. As at 31 December 2013, Mr. Chen held Convertible Bonds of an outstanding principal amount of HK$96,000,000 which were convertible into Shares at the price of HK$0.334 per Share.

(4) This represents Mr. Chen's deemed interest in underlying shares of the Company by virtue of the Convertible Bonds held by his spouse, Ms. Chan Sheung Ni. As at 31 December 2013, Ms. Chan Sheung Ni held Convertible Bonds of an outstanding principal amount of HK$5,000,000 which were convertible into Shares at the price of HK$0.334 per Share.

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

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

(7) As at 31 December 2013, the 47 shares in Amazing Wise Limited was held by Zhizun Holdings Limited, which was wholly owned by Mr. Chen.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or which have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or which have been notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15 May 2002 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued shares of the Company from time to time. The scheme period of the Scheme is ten years commencing on the adoption date. As such, the Scheme has already expired.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than convertible bonds as disclosed in note 24 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2013, so far as was known to the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to section 336 of Part XV of the SFO, or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name	Long position/ short position	Capacity/ Nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Wanda Overseas	Long	Beneficial owner	1,856,876,006	65.02%
	Long	Beneficial owner (Note 1)	625,748,502	21.91%
Wanda Real Estate Investments Limited* (萬達地產投資有限公司)	Long	Interest in controlled corporation (Note 2)	1,856,876,006	65.02%
	Long	Interest in controlled corporation (Note 2)	625,748,502	21.91%
Wanda HK	Long	Interest in controlled corporation (Note 3)	1,856,876,006	65.02%
	Long	Interest in controlled corporation (Note 3)	625,748,502	21.91%
DWCP	Long	Interest in controlled corporation (Note 4)	1,856,876,006	65.02%
	Long	Interest in controlled corporation (Note 4)	625,748,502	21.91%

Name	Long position/ short position	Capacity/ Nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Dalian Wanda	Long	Interest in controlled corporation (Note 5)	1,856,876,006	65.02%
	Long	Interest in controlled corporation (Note 5)	625,748,502	21.91%
Dalian Hexing	Long	Interest in controlled corporation (Note 6)	1,856,876,006	65.02%
	Long	Interest in controlled corporation (Note 6)	625,748,502	21.91%
Mr. Wang Jianlin	Long	Interest in controlled corporation (Note 7)	1,856,876,006	65.02%
	Long	Interest in controlled corporation (Note 7)	625,748,502	21.91%
Ms. Chan Sheung Ni	Long	Beneficial owner	12,346,000	0.43%
	Long	Interest of spouse (Note 8)	228,815,562	8.01%
	Long	Interest of spouse (Note 12)	287,425,149	10.06%
	Long	Beneficial owner (Note 11)	14,970,059	0.52%
Ever Good Luck Limited (Note 9)	Long	Beneficial owner	56,815,562	1.99%
	Long	Trustee	157,106,000	5.50%
Glories Structure Limited (Note 10)	Long	Beneficial owner	170,000,000	5.95%
Mr. Wu Huishun	Long	Interest in controlled corporation (Note 13)	170,000,000	5.95%

Notes:

(1) This represents Wanda Overseas' interest in underlying shares of the Company by virtue of the Convertible Bonds held by Wanda Overseas. As at 31 December 2013, Wanda Overseas held Convertible Bonds of an outstanding principal amount of HK$209,000,000 which were convertible into Shares at the price of HK$0.334 per Share.

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

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

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

(5) Dalian Wanda holds more than one-third of the issued shares of DWCP and is therefore deemed to have an interest in the shares and underlying shares of the Company in which DWCP is deemed to be interested. Mr. Ding Benxi, being a non-executive Director, is an executive director and president of Dalian Wanda. Mr. Liu Chaohui, being an executive Director, is a general manager of the investment management centre in Dalian Wanda.

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

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

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

(9) The entire issued share capital of Ever Good Luck Limited is ultimately owned by Mr. Chen and Mr. Chen is the sole director of Ever Good Luck Limited. See note (1) in the section headed "DIRECTORS INTERESTS IN SECURITIES" in this Directors' report.

(10) Glories Structure Limited is a company incorporated in the BVI.

(11) This represents Ms. Chan Sheung Ni's interest in underlying shares of the Company by virtue of the Convertible Bonds held by her. As at 31 December 2013, Ms. Chan Sheung Ni held Convertible Bonds of an outstanding principal amount of HK$5,000,000 which were convertible into Shares at the price of HK$0.334 per Share.

(12) This represents Ms. Chan Sheung Ni's interest in underlying shares of the Company by virtue of the Convertible Bonds held by her spouse, Mr. Chen. As at 31 December 2013, Mr. Chen held Convertible Bonds of an outstanding principal amount of HK$96,000,000 which were convertible into Shares at the price of HK$0.334 per Share.

(13) According to the filing in relation to Mr. Wu Huishun made under Part XV of the SFO, Mr. Wu Huishun exercises control as to 100% of the voting rights of Glories Structure Limited and is therefore deemed to have an interest in the shares of the Company in which Glories Structure Limited is interested.

* *For identification purposes only.*

CONNECTED TRANSACTIONS

Connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 31(g) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The Group had certain loan agreements with a company controlled by Mr. Chen during the year ended 31 December 2013.

The loans from an entity controlled by Mr. Chen, amounted to HK$256,268,000 (2012: HK$280,284,000) that bear interest at 15% per annum, are unsecured and repayable six months after the date of the respective drawdowns. Interest incurred during the year and interest payable to related parties as at 31 December 2013 are set out in notes 6(a) and 21 respectively.

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

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2013, the interest of Directors and their respective associates in businesses which compete or are likely to compete, either directly or indirectly, with business of the Group:

Name of Director/ associate	Name of company	Nature of interest in the company	Business of the company
Mr. Chen Chang Wei	Fujian Hengli Real Estate Development Co., Ltd	Ultimate beneficial owner with 100% interest	Holding company of Fujian Hengli Commercial Properties Development Co. Ltd.
Mr. Chen Chang Wei	Fujian Hengli Commercial Properties Development Co. Ltd.	Ultimate beneficial owner with 100% interest	To develop, own and manage Hengli Prosperity Center, a composite commercial development in Fuzhou
Mr. Chen Chang Wei	Fujian Hengli Bona Plaza Development Co., Ltd.	Ultimate beneficial owner with 70% interest	To develop, own and manage Hengli Bona Plaza, a commercial and residential property to be developed in Fuzhou

As at 31 December 2013, save as disclosed above, none of the Directors or their respective associates was interested in any business which competes or is likely to compete either directly or indirectly, with business of the Group.

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

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2013.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The consolidated financial statements for the year ended 31 December 2013 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in Corporate Governance Report on pages 34 to 35 of the annual report.

AUDITORS

KPMG was re-appointed as the Company's auditors for the year ended 31 December 2013 at the Company's annual general meeting held on 24 June 2013 to hold office until the conclusion of the next annual general meeting.

On behalf of the Board

LIU Chaohui
Executive Director

Hong Kong, 17 March 2014

Corporate Governance Report

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

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") during the period from 1 January 2013 to 31 December 2013 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Except for deviations from CG Code provision A.2.1 (Separate roles of chairman and chief executive officer) and CG code provision A.6.7 (Independent Non-executive Directors' attendance at general meetings) as explained in the relevant paragraphs in this report.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2013.

THE BOARD OF DIRECTORS

The Board currently comprises eight Directors, including one Executive Director, four Non-executive Directors and three Independent Non-executive Directors. The Company has maintained three Independent Non-executive Directors which represent over one-third of the Board during the year ended 31 December 2013. The Board's composition during the year ended 31 December 2013 and up to the date of this report is set out as follows:

Executive Directors:

Mr. Liu Chaohui	(Appointed on 3 July 2013)
Mr. Chen Chang Wei	(Re-designated to be Non-executive Director on 3 July 2013)
Ms. Chen Dongxue	(Resigned on 24 July 2013)
Mr. Chan Chi Wang	(Resigned on 24 July 2013)
Ms. Wu Weilan	(Resigned on 24 July 2013)

Non-executive Directors:

Mr. Ding Benxi *(Chairman)*	(Appointed on 3 July 2013)
Mr. Qi Jie	(Appointed on 3 July 2013)
Mr. Qu Dejun	(Appointed on 3 July 2013)
Mr. Chen Chang Wei	(Re-designated from Executive Director on 3 July 2013)

Independent Non-executive Directors:

Mr. Liu Jipeng	(Appointed on 3 July 2013)
Mr. Xue Yunkui	(Appointed on 3 July 2013)
Mr. Ba Shusong	(Appointed on 3 July 2013)
Mr. Ma Ving Lung	(Resigned on 24 July 2013)
Mr. Yip King Keung, Pony	(Resigned on 24 July 2013)
Ms. Lin Wen Feng	(Resigned on 24 July 2013)

All Directors have distinguished themselves in their respective fields of expertise and have exhibited high standards of personal and professional ethics and integrity. The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on page 11 to page 14. Except for Ms. Chen Dongxue, being the sister of Mr. Chen Chang Wei and Mr. Chan Chi Wang, being the son of Mr. Chen Chang Wei there are no financial, business, or other material relationships amongst the Directors.

BOARD PRACTICE

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

— Publication of final and interim results of the Company;

— Dividend distribution or other distributions;

— Treasury, accounting and remuneration policies;

— Review on internal control system and risk management;

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

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

— Proposed transactions requiring Shareholders' approval;

— Capital re-structuring and issue of new securities;

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

— Financial assistance to Directors.

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

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

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

The Board held sixteen meetings during the year ended 31 December 2013, to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice is given for all regular Board meetings together with the meeting agenda such that all Directors are given the opportunity to include matters for discussion in the agenda. In addition, three general meetings were held during the year ended 31 December 2013 and attendance of each Director at these meetings is set out as follows:

	Number of Board meetings Attended/held	Number of general meetings Attended/held
Executive Directors:		
Mr. Chen Chang Wei (note i)	7/9	2/2
Ms. Chen Dongxue (note ii)	4/10	0/2
Mr. Chan Chi Wang (note ii)	6/10	1/2
Ms. Wu Weilan (note ii)	10/10	2/2
Mr. Liu Chaohui (note iii)	4/7	1/1
Non-executive Directors:		
Mr. Ding Benxi (Chairman) (note iii)	5/7	0/1
Mr. Qi Jie (note iii)	4/7	0/1
Mr. Qu Dejun (note iii)	2/7	0/1
Mr. Chen Chang Wei (note i)	2/7	1/1
Independent Non-executive Directors:		
Ms. Lin Wen Feng (note ii)	7/10	0/2
Mr. Ma Ving Lung (note ii)	8/10	2/2
Mr. Yip King Keung, Pony (note ii)	8/10	2/2
Mr. Liu Jipeng (note iii)	3/7	0/1
Mr. Xue Yunkui (note iii)	3/7	0/1
Mr. Ba Shusong (note iii)	3/7	0/1

Notes:

(i) Re-designated from Executive Director to Non-executive Director on 3 July 2013

(ii) Resigned on 24 July 2013

(iii) Appointed on 3 July 2013

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

General meeting is one of the channels for communication between the Board and the Company's shareholders. The Company's auditors, members of the remuneration committee, chairman of the nomination committee and the chairman of the Board were available to answer questions at the annual general meeting held on 24 June 2013. Other than the general meetings, the shareholders may also communicate with the Company through the contact information listed on the Company's website. Measures for effective communication between the Board and the shareholders are described in the paragraphs under "Communication with Shareholders" and "Shareholders' Rights" in this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

In line with the business development and growth of the Group, Mr. Chen Chang Wei held both positions of Chairman and Managing Director from 1 January 2013 to 3 July 2013. He was re-designated as Non-executive Director of the Company on 3 July 2013 and he resigned the position as Chairman and Managing Director with effective from 3 July 2013. Mr. Ding Benxi was appointed as Non-executive Director and Chairman of the Company on 3 July 2013, and Mr. Liu Chaohui was appointed as Executive Director of the Company on 3 July 2013. Whilst the Company has not appointed chief executive officer, the duties of the chief executive officer have been performed by Mr. Liu Chaohui, the executive director of the Company. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will consider appointing chief executive officer at an appropriate stage when the Group has increased the size of operation.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

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

Mr. Liu Jipeng	3 July 2013 to 2 July 2016
Mr. Xue Yukui	3 July 2013 to 2 July 2016
Mr. Ba Shusong	3 July 2013 to 2 July 2016

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee meet at least once a year. Two committee meetings were held in 2013 to, among other things, review and discuss the existing policy and structure for the remuneration of Directors, and the remuneration packages of the Directors. The members of the Remuneration Committee and the attendance of each member are set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Yip King Keung, Pony (note i)	2/2
Mr. Chen Chang Wei (note i)	2/2
Ms. Chen Dongxue (note i)	1/2
Ms. Lin Wen Feng (note i)	1/2
Mr. Ma Ving Lung (note i)	2/2
Mr. Liu Jipeng (note ii)	0/0
Mr. Qi Jie (note ii)	0/0
Mr. Ba Shusong (note ii)	0/0

Notes:

(i) Resigned on 24 July 2013

(ii) Appointed on 3 July 2013

Details of the Directors' remuneration are set out in note 9 to the financial statements.

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

The major roles and functions of the Remuneration Committee are:

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

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

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

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

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

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

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

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

Audit Committee

The Audit Committee meet at least twice each year. In 2013, the Audit Committee met two times considering, the annual results of the Group for the financial year ended 31 December 2012 and the interim results of the Group for the 6 months ended 30 June 2013, discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and the scope of work in relation to the annual audit. The members of the Audit Committee and the attendance records of the Audit Committee members in 2013 are set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Ma Ving Lung (note i)	1/1
Ms. Lin Wen Feng (note i)	1/1
Mr. Yip King Keung, Pony (note i)	1/1
Mr. Xue Yunkui (note ii)	1/1
Mr. Qi Jie (note ii)	1/1
Mr. Ba Shusong (note ii)	1/1

Notes:

(i) Resigned on 24 July 2013

(ii) Appointed on 3 July 2013

The Company has established an Audit Committee with written terms of reference in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of a Non-executive Director and two Independent Non-executive Directors.

The major roles and functions of the Audit committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nomination Committee

The Nomination Committee shall meet at least once a year. Two committee meetings were held in 2013 to review the revised term of reference of the Nomination Committee. The members of the Nomination Committee and the attendance of each member are set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Chen Chang Wei (note i)	1/1
Ms. Chen Dongxue (note i)	1/1
Ms. Lin Wen Feng (note i)	1/1
Mr. Ma Ving Lung (note i)	1/1
Mr. Yip King Keung, Pony (note i)	1/1
Mr. Ding Benxi (note ii)	1/1
Mr. Liu Jipeng (note ii)	1/1
Mr. Xue Yunkui (note ii)	1/1

Notes:

(i) Resigned on 24 July 2013

(ii) Appointed on 3 July 2013

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

The major roles and functions of the Nomination Committee are:

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

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

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

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

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

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

Board Diversity

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

External Auditor's Independence and Remuneration

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

Services rendered for the Group	**Fee paid/payable** HK$'000
Audit services	900
Review of interim report	550
Other non-audit services	1,900

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limit authority and, is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provisions of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is put in place to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board has conducted review of the Group's internal control system during the year ended 31 December 2013.

Directors' Training

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

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

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

Company Secretary's Training

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

COMMUNICATION WITH SHAREHOLDERS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

Enquiries from shareholders to the Board

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

The Board of Directors
Wanda Commercial Properties (Group) Co., Limited
Unit 3007, 30th Floor
Two Exchange Square
8 Connaught Place
Central, Hong Kong

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

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2013.

CORPORATE GOVERNANCE ENHANCEMENT

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

Independent Auditor's Report

Independent auditor's report to the shareholders of
Wanda Commercial Properties (Group) Co., Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wanda Commercial Properties (Group) Co., Limited ("the Company") and its subsidiaries (together the "Group") set out on pages 43 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 profit 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Turnover	3	**1,347,995**	2,773,419
Cost of sales		**(754,612)**	(2,395,066)
Gross profit		**593,383**	378,353
Gain on redemption/repurchase of convertible bonds	24	**39,370**	14,860
Gain on revaluation and cancellation of convertible bonds redemption options	4	**32,946**	3,166
Net loss on disposal of subsidiaries	8	**(45,326)**	—
Impairment loss on goodwill	15	**(57,574)**	—
Net valuation gain on investment properties	14(c)	**93,116**	449,846
Other revenue	5	**8,137**	10,740
Other net loss	5	**(6,805)**	(4,043)
Selling, administrative and other operating expenses		**(83,048)**	(75,957)
Profit from operations		**574,199**	776,965
Finance costs	6(a)	**(89,916)**	(163,924)
Profit before taxation	6	**484,283**	613,041
Income tax	7(a)	**(250,382)**	(369,678)
Profit for the year		**233,901**	243,363
Attributable to:			
Equity shareholders of the Company		**190,879**	232,335
Non-controlling interests		**43,022**	11,028
Profit for the year		**233,901**	243,363
Earnings per share (HK cents)	13		
Basic		**7.3**	9.9
Diluted		**3.0**	3.9

The notes on pages 50 to 127 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000 (Restated)
Profit for the year		**233,901**	243,363
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries in the mainland of the People's Republic of China (the "PRC") and the United Kingdom		**54,842**	107,621
Exchange reserve reclassified to profit or loss on disposal of subsidiaries		**(26,927)**	—
Other comprehensive income for the year		**27,915**	107,621
Total comprehensive income for the year		**261,816**	350,984
Attributable to:			
Equity shareholders of the Company		**204,793**	338,040
Non-controlling interests		**57,023**	12,944
Total comprehensive income for the year		**261,816**	350,984

The notes on pages 50 to 127 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000 (Restated)
Non-current assets			
Fixed assets	14		
— Property, plant and equipment		**12,860**	13,189
— Prepaid lease payments		**21,476**	46,469
— Freehold land		**321,121**	—
— Investment properties		**2,734,384**	2,361,583
		3,089,841	2,421,241
Goodwill	15	**30,557**	106,939
Deferred tax assets	26(c)	**52,318**	85,510
		3,172,716	2,613,690
Current assets			
Properties for sales	17	**1,314,138**	2,107,945
Deposits for land use right		**—**	702,694
Trade and other receivables	18	**73,549**	132,887
Derivative financial instruments	24, 28(e)	**70,010**	63,430
Prepaid tax	26(a)	**—**	28,068
Restricted bank deposits	19	**85,303**	42,904
Cash and cash equivalents	20(a)	**106,436**	476,641
		1,649,436	3,554,569
Current liabilities			
Trade and other payables	21	**594,398**	949,417
Receipts in advance	22	**47,435**	1,532,527
Loans from financial institutions	23	**81,967**	41,099
Loans from related parties	31(b)	**256,268**	280,284
Advance from lessee		**—**	124,360
Current taxation	26(a)	**450,910**	550,835
		1,430,978	3,478,522
Net current assets		**218,458**	76,047
Total assets less current liabilities		**3,391,174**	2,689,737

Consolidated Statement of Financial Position

At 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000 (Restated)
Non-current liabilities			
Loans from financial institutions	23	**54,993**	10,008
Loans from intermediate holding company	31(c)	**1,202,634**	—
Convertible bonds	24	**234,906**	1,220,962
Deferred tax liabilities	26(c)	**552,324**	667,627
		2,044,857	1,898,597
NET ASSETS		**1,346,317**	791,140
CAPITAL AND RESERVES	27		
Share capital		**285,591**	235,292
Retained profits		**272,032**	84,144
Other reserves		**(17,124)**	343,970
Total equity attributable to equity shareholders of the Company		**540,499**	663,406
Non-controlling interests		**805,818**	127,734
TOTAL EQUITY		**1,346,317**	791,140

Approved and authorised for issue by the board of directors on 17 March 2014.

Ding Benxi
Chairman

Liu Chaohui
Executive Director

The notes on pages 50 to 127 form part of these financial statements.

Statement of Financial Position

At 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Fixed assets			
— Property, plant and equipment	14(b)	**1,615**	—
— Investments in subsidiaries	16	**1,023,782**	1,705,241
		1,025,397	1,705,241
Current assets			
Trade and other receivables	18	**656,926**	287,328
Derivative financial instruments	24, 28(e)	**70,010**	63,430
Cash and cash equivalents	20(a)	**4,032**	23,684
		730,968	374,442
Current liabilities			
Trade and other payables	21	**38,437**	665,431
		38,437	665,431
Net current assets/(liabilities)		**692,531**	(290,989)
Total assets less current liabilities		**1,717,928**	1,414,252
Non-current liabilities			
Loans from intermediate holding company	31(c)	**771,201**	—
Convertible bonds	24	**234,906**	1,220,962
		1,006,107	1,220,962
NET ASSETS		**711,821**	193,290
CAPITAL AND RESERVES	27		
Share capital		**285,591**	235,292
Reserves		**426,230**	(42,002)
TOTAL EQUITY		**711,821**	193,290

Approved and authorised for issue by the board of directors on 17 March 2014.

Ding Benxi
Chairman

Liu Chaohui
Executive Director

The notes on pages 50 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(Expressed in Hong Kong Dollars)

		Attributable to equity shareholders of the Company										
		Share capital $'000	Share premium $'000	Capital reserve $'000	Special reserve $'000	Exchange reserve $'000	Statutory reserve fund $'000	Convertible bond reserve $'000	(Accumulated losses)/ Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Note	27(b)	27(c)(i)	27(c)(iii)	27(c)(iv)	27(c)(v)	27(c)(ii)	24/27(c)(vi)				
Balance at 1 January 2012		232,897	203,702	60,264	44,134	243,492	–	(116,608)	(297,644)	370,237	93,851	464,088
Changes in equity for 2012:												
Profit for the year		–	–	–	–	–	–	–	232,335	232,335	11,028	243,363
Other comprehensive income (restated)	12	–	–	–	–	105,705	–	–	–	105,705	1,916	107,621
Total comprehensive income (restated)		–	–	–	–	105,705	–	–	232,335	338,040	12,944	350,984
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	37,501	37,501
Dividend attributable to non-controlling interests		–	–	–	–	–	–	–	–	–	(16,562)	(16,562)
Convertible bonds converted	24	2,395	3,339	–	–	–	–	(466)	–	5,268	–	5,268
Convertible bonds redeemed	24	–	–	–	–	–	–	(50,139)	–	(50,139)	–	(50,139)
Reduction of share premium		–	(207,041)	–	–	–	–	–	207,041	–	–	–
Appropriation to statutory reserve fund	27(c)(ii)	–	–	–	–	–	57,588	–	(57,588)	–	–	–
Balance at 31 December 2012 and 1 January 2013 (restated)		235,292	–	60,264	44,134	349,197	57,588	(167,213)	84,144	663,406	127,734	791,140
Changes in equity for 2013:												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**190,879**	**190,879**	**43,022**	**233,901**
Other comprehensive income	12	**–**	**–**	**–**	**–**	**13,914**	**–**	**–**	**–**	**13,914**	**14,001**	**27,915**
Total comprehensive income		**–**	**–**	**–**	**–**	**13,914**	**–**	**–**	**190,879**	**204,793**	**57,023**	**261,816**
Capital injection from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**80,000**	**80,000**
Convertible bonds converted	24	**50,299**	**51,037**	**–**	**–**	**–**	**–**	**(9,787)**	**–**	**91,549**	**–**	**91,549**
Convertible bonds redeemed	24	**–**	**–**	**–**	**–**	**–**	**–**	**(428,659)**	**–**	**(428,659)**	**–**	**(428,659)**
Appropriation to statutory reserve fund	27(c)(ii)	**–**	**–**	**–**	**–**	**–**	**11,542**	**–**	**(11,542)**	**–**	**–**	**–**
Partial disposal of a subsidiary	8	**–**	**–**	**–**	**9,410**	**–**	**–**	**–**	**–**	**9,410**	**578,401**	**587,811**
Disposal of subsidiaries	8	**–**	**–**	**–**	**–**	**–**	**(8,551)**	**–**	**8,551**	**–**	**(37,340)**	**(37,340)**
Balance at 31 December 2013		**285,591**	**51,037**	**60,264**	**53,544**	**363,111**	**60,579**	**(605,659)**	**272,032**	**540,499**	**805,818**	**1,346,317**

The notes on pages 50 to 127 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Operating activities			
Cash (used in)/generated from operations	20(b)	**(792,638)**	1,574,162
PRC tax paid		**(347,403)**	(153,041)
Net cash (used in)/generated from operating activities		**(1,140,041)**	1,421,121
Investing activities			
Payment for the purchase of property, plant and equipment		**(324,391)**	(822)
Expenditure on investment properties		**—**	(161,620)
Disposal of subsidiaries net of cash disposed of	8	**(373,014)**	—
Disposal of discontinued operations, net of cash disposed of		**—**	73,000
Interest received		**8,137**	10,740
(Increase)/decrease in restricted bank deposits		**(42,399)**	306,519
Net cash (used in)/generated from investing activities		**(731,667)**	227,817
Financing activities			
Capital injection from non-controlling interests		**80,000**	37,501
Interest paid		**(12,865)**	(49,851)
Repayment of amount due to a director		**(58,000)**	—
Proceeds from loans from intermediate holding company		**1,179,267**	—
Proceeds from loans from related parties		**—**	27,062
Repayment of loans from related parties		**(31,165)**	(127,328)
Proceeds from new loans from financial institutions		**516,010**	—
Repayment of loans from financial institutions		**(51,107)**	(1,068,324)
Repayment of advance from lessee		**(124,360)**	—
Payment for the repurchase of convertible bonds		**—**	(50,000)
Net cash generated from/(used in) financing activities		**1,497,780**	(1,230,940)
Net (decrease)/increase in cash and cash equivalents		**(373,928)**	417,998
Cash and cash equivalents at 1 January		**476,641**	58,017
Effect of foreign exchange rate changes		**3,723**	626
Cash and cash equivalents at 31 December	20(a)	**106,436**	476,641

The notes on pages 50 to 127 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— derivative financial instruments (see note 1(f)); and

— investment property (see note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

(i) Adoption of new and amendments to standards

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the above new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(i) Adoption of new and amendments to standards *(Continued)*

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 16.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14(d) and 28(e). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(i) Adoption of new and amendments to standards *(Continued)*

Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

(ii) Change in accounting policy on buildings held for own use

In prior year, buildings held for own use of the Group are stated in the statement of financial position at their revalued amount, being fair value at the date of the revaluation less any subsequent accumulated depreciation. During the year, in order to align with the accounting policies of the ultimate controlling party of the Group after the change of controlling shareholder, the Group changed the accounting policy on buildings held for own use. In accordance with the new policy adopted by the Group, buildings held for own use are stated in the statement of financial position at cost less accumulated depreciation and impairment losses as set out in note 1(h).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(ii) Change in accounting policy on buildings held for own use *(Continued)*

This change in accounting policy has been applied retrospectively by restating the balance at 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported $'000	**Effect of change in accounting policy** $'000	**As restated** $'000
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012			
Other comprehensive income for the year	111,659	(4,038)	107,621
Total comprehensive income for the year	355,022	(4,038)	350,984
Consolidated statement of financial position as at 31 December 2012			
Property, plant and equipment	18,512	(5,323)	13,189
Fixed assets	2,426,564	(5,323)	2,421,241
Total non-current assets	2,619,013	(5,323)	2,613,690
Deferred tax liabilities	668,912	(1,285)	667,627
Total non-current liabilities	1,899,882	(1,285)	1,898,597
Net assets/Total equity	795,178	(4,038)	791,140
Total equity attributable to equity shareholders of the Company	667,444	(4,038)	663,406

This change in accounting policy did not have material impact on the statement of financial position of the Group as at 1 January 2012, and the consolidated statement of profit or loss for the year ended 31 December 2012. The Group's fixed assets and deferred tax liabilities at 31 December 2013 are higher by $6,253,000 and $1,563,000 respectively than they would have been if the policy had not been changed.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(ii) Change in accounting policy on buildings held for own use *(Continued)*

In addition, as previously reported in the interim financial report prepared by the Group, the net loss on disposal of subsidiaries as set out in note 8 was $45,872,000. As a result of the change in the accounting policy, the net loss on disposal of subsidiaries is restated at $45,326,000.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m), 1(n) or 1(o) depending on the nature of the liability.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that are being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

(h) Property, plant and equipment and freehold land

Property, plant and equipment and freehold land are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment or freehold land are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment and freehold land *(Continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Freehold land is not depreciated	
—	Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 to 50 years	
—	Leasehold improvements	5 years or over the lease term whichever is shorter
—	Furniture, fixtures and equipment	5 to 10 years
—	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) Classification of assets leased to the Group *(Continued)*

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale (see note 1(k)).

(j) Impairment of assets

(i) Impairment of other receivables

Other current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor:

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of other receivables *(Continued)*

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment and freehold land;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Properties for sales

Properties for sales are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Properties for sales *(Continued)*

– Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of fair value of the convertible bonds as a whole over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond equity reserve until either the bond is converted or redeemed.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Convertible bonds *(Continued)*

The convertible bonds redemption options held by the Group are initially measured at fair value and presented as derivative financial instruments (see note 1(f)) and subsequently remeasured in accordance with note 1(f).

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component and the derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued.

If the bond is redeemed, any difference between the fair value and the carrying amount of the liability component and the derivative is recognised immediately in profit or loss.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Proceeds received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

The Group makes estimates and assumptions concerning the future. Notes 14(d), 15 and 28 contain information about the assumptions and their risk factors relating to fair value of investment properties, goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

Income taxes

(i) PRC Corporate Income Tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions, including disposal of subsidiaries, and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Income taxes *(Continued)*

(ii) PRC Land Appreciation Tax

The Group is subject to Land Appreciation Tax in the PRC. However, the implementation and settlement of these taxes varies among tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC Land Appreciation Tax based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax in the years in which such taxes have been finalised with local tax authorities.

(iii) Deferred tax assets and liabilities

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management consider to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Deferred tax liabilities relating to certain temporary differences are recognised when the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax charge in the year in which such determination is made.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are property development, investment and management. Turnover during the year is analysed as follows.

	2013	2012
	$'000	$'000
Sales of properties	**1,231,746**	2,728,045
Rental income	**94,423**	43,124
Property management income	**21,826**	2,250
	1,347,995	2,773,419

Included in turnover from sales of properties during the year ended 31 December 2013 is an amount of $875,508,000 generated from subsidiaries disposed as set out in note 8 (2012: $378,724,000).

(b) Segment reporting

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

- The PRC: this segment engages in the development of commercial and residential properties for sales and leasing in the PRC.
- The United Kingdom: this segment engages in the development of a property project in the United Kingdom.

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities

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

Segment assets include all assets of the Group. Segment liabilities include current liabilities, bank borrowings managed directly by the segments and deferred tax liabilities.

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

The measure used for reporting segment profit is "Profit before taxation".

	The PRC		The United Kingdom		Total	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
For the years ended 31 December 2013 and 2012						
Revenue from external customers	**1,347,995**	2,773,419	**–**	–	**1,347,995**	2,773,419
Reportable segment profit/(loss)	**391,831**	712,313	**(5,126)**	–	**386,705**	712,313
At 31 December 2013 and 2012						
Reportable segment assets	**3,391,136**	5,939,952	**1,299,174**	–	**4,690,310**	5,939,952
Reportable segment liabilities	**1,326,939**	4,097,336	**1,104,363**	–	**2,431,302**	4,097,336

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2013 $'000	2012 $'000
Revenue		
Reportable segment and consolidated revenue	**1,347,995**	2,773,419
Profit before taxation		
Reportable segment profit	**386,705**	712,313
Unallocated head office and corporate results	**97,578**	(99,272)
Consolidated profit before taxation	**484,283**	613,041
Assets		
Reportable segment assets	**4,690,310**	5,939,952
Unallocated head office and corporate assets	**131,842**	228,307
Consolidated total assets	**4,822,152**	6,168,259
Liabilities		
Reportable segment liabilities	**2,431,302**	4,097,336
Unallocated head office and corporate liabilities	**1,044,533**	1,279,783
Consolidated total liabilities	**3,475,835**	5,377,119

(iii) Geographical information

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

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Geographical information *(Continued)*

	Revenue from external customers		**Specified non-current assets**	
	2013 **$'000**	2012 $'000	**2013** **$'000**	2012 $'000
The PRC (including Hong Kong)	**1,347,995**	2,773,419	**2,799,277**	2,528,180
United Kingdom	**—**	—	**321,121**	—
	1,347,995	2,773,419	**3,120,398**	2,528,180

(iv) Information about major customers

The Group had one customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2013 (2012: Nil). During the year ended 31 December 2013, revenue from this customer amounted to $849,501,000 (2012: Nil).

4 GAIN ON REVALUATION AND CANCELLATION OF CONVERTIBLE BONDS REDEMPTION OPTIONS

The amount included gain on revaluation of redemption options in respect of the convertible bonds, offset by loss arising from the cancellation of the respective redemption options as a result of redemption of the convertible bonds during the year as set out in note 24.

5 OTHER REVENUE AND NET LOSS

	2013 $'000	2012 $'000
Other revenue		
Interest income from banks	**8,137**	10,740
Other net loss		
Exchange loss	**(13,650)**	(3,952)
Forfeiture of deposits from purchasers	**6,350**	—
Others	**495**	(91)
	(6,805)	(4,043)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 $'000	2012 $'000
(a) Finance costs:		
Interest on loans from financial institutions	**4,452**	43,712
Interest on convertible bonds (note 24)	**53,569**	95,570
Interest on loans from related parties and intermediate holding company repayable within five years	**52,181**	67,270
Deemed interest on advance from lessee	**1,687**	26,232
	111,889	232,784
Less: Interest expenses capitalised into investment properties under development and properties under development *	**(21,973)**	(68,860)
	89,916	163,924

* The borrowing costs have been capitalised at rates ranging from 7%-15% per annum (2012: 5.85%-18% per annum).

6 PROFIT BEFORE TAXATION *(Continued)*

		2013 $'000	2012 $'000
(b)	***Staff costs:***		
	Contributions to defined contribution retirement plan	**1,226**	1,219
	Salaries, wages and other benefits	**27,865**	17,778
		29,091	18,997
(c)	***Other items:***		
	Amortisation of prepaid lease payments	**477**	138
	Depreciation of property, plant and equipment	**1,570**	982
	Auditor's remuneration		
	— Audit services	**900**	1,082
	— Other services	**2,450**	741
	Operating lease charges: minimum lease payments on the hire of property, plant and equipment	**2,098**	527
	Loss on disposal of property, plant and equipment	**7**	4
	Cost of properties sold	**740,531**	2,388,283

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2013 $'000	2012 $'000
Current tax		
PRC Corporate Income Tax (iii)	**193,833**	327,485
PRC Land Appreciation Tax (iv)	**177,599**	448,140
Withholding tax (v)	**—**	17,441
	371,432	793,066
Deferred tax (note 26(b))		
Origination and reversal of temporary differences:		
— Revaluation of properties	**(138,128)**	(373,099)
— Deductibility of PRC Land Appreciation Tax	**17,078**	(79,405)
— Tax losses	**—**	29,116
	(121,050)	(423,388)
Total income tax	**250,382**	369,678

Notes

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

(ii) No provision for Hong Kong Profits Tax or United Kingdom Corporation Tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profits in Hong Kong or the United Kingdom for the year.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2012: 25%).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

(a) Income tax in the consolidated statement of profit or loss represents:

(Continued)

Notes *(Continued)*

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

All income from sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2013 **$'000**	2012 $'000
Profit before taxation	**484,283**	613,041
Notional tax calculated at rates applicable to profits in the tax jurisdictions concerned	**141,838**	167,967
Tax effect of non-deductible expenses	**30,149**	41,158
Tax effect of non-taxable income	**(10,720)**	(5,173)
Tax effect of unused tax losses not recognised	**1,819**	1,383
Temporary differences not recognised in previous years	**(471)**	(3,594)
Withholding tax	**—**	17,441
LAT and corresponding PRC CIT effect	**75,299**	150,496
Others	**12,468**	—
Actual tax expense	**250,382**	369,678

8 DISPOSAL OF SUBSIDIARIES

On 20 March 2013, the Company entered into an agreement with Mr. Chen Chang Wei ("Mr. Chen"), Onu Holdings Limited ("Onu") and Zhizun Holdings Limited ("Zhizun"), companies wholly owned by Mr. Chen, for:

(1) the Company's sale to Zhizun of 47% of the issued share capital of Amazing Wise Limited ("Amazing Wise"), a subsidiary of the Company, at a consideration of approximately $587,811,000;

(2) the Company's sale to Onu of all the issued share capital of each of Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited at a total consideration of approximately $324,567,000; and

(3) the Company's sale to Onu of loans owed by Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited and their respective subsidiaries (the "Disposal Group") to the Company at a total consideration of approximately $399,164,000.

The aggregate consideration of the above, amounted to $1,311,542,000, was satisfied by:

(i) the setting-off of the amount owed by the Company to Mr. Chen as a result of the redemption by the Company of outstanding Convertible Bonds in a principal amount of $1,311,000,000 held by Mr. Chen; and

(ii) the payment of $542,000 by Mr. Chen in cash.

The above transactions were completed on 25 June 2013. Subsequent to the above transactions, Flying Hope Investments Limited, Brilliant Hope Investments Limited, Sparkling Hope Investments Limited and Hengli Capital Management Limited ceased to be subsidiaries of the Company while Amazing Wise remained as a subsidiary of the Company.

8 DISPOSAL OF SUBSIDIARIES *(Continued)*

The effect on the Group's assets and liabilities is set out as below:

	$'000
Current assets	(2,037,538)
Non-current assets	(40,208)
Current liabilities	1,286,992
Non-current liabilities	379,052
Non-controlling interests	37,340
Net identifiable assets and liabilities disposed of	(374,362)
De-recognition of goodwill attributable to the Disposal Group (note 15)	(22,458)
Reclassification of exchange reserve of the Disposal Group within equity to profit or loss	26,927
Total consideration	324,567
Loss on disposal	(45,326)
Consideration satisfied by cash	542
Cash and cash equivalents disposed of	(373,556)
Net cash outflow	(373,014)

No gain or loss was recognised in relation to the disposal of 47% equity interest in Amazing Wise as the Company continues to retain control over Amazing Wise. The difference between the consideration of $587,811,000 and the non-controlling interest of $578,401,000 was credited to special reserve within the equity of the Group.

9 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

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

9 DIRECTORS' REMUNERATION *(Continued)*

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

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

	2012			
	Directors' fee $'000	Salaries allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Chairman and executive director:				
Mr. Chen Chang Wei	–	3,888	28	3,916
Executive directors:				
Ms. Chen Dongxue	–	1,701	47	1,748
Mr. Chan Chi Wang	–	1,187	14	1,201
Ms. Wu Weilan	–	960	14	974
Independent non-executive directors:				
Ms. Lin Wen Feng	96	–	–	96
Mr. Ma Ving Lung	120	–	–	120
Mr. Yip King Keung, Pony	96	–	–	96
	312	7,736	103	8,151

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1 (2012: 4) of them is director and 3 (2012: Nil) of them are ex-directors whose emoluments are disclosed in note 9 and which represented such amounts paid/payable since their appointment or up to their resignation as directors. The total emoluments of the five individuals with the highest emoluments, including the emoluments of directors and ex-directors during their directorship which have been included in the directors' remuneration in note 9, are as follows:

	2013 $'000	2012 $'000
Salaries and other emoluments	**8,596**	8,205
Retirement scheme contributions	**104**	75
	8,700	8,280

The emoluments of the five individuals with highest emoluments (including emoluments to ex-directors after their resignation) are within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil — $1,000,000	**1**	2
$1,000,001 — $1,500,000	**2**	1
$1,500,001 — $2,000,000	**1**	1
$3,500,001 — $4,000,000	**1**	1

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $855,641,000 (2012: loss of $99,271,000) which has been dealt with in the financial statements of the Company.

12 OTHER COMPREHENSIVE INCOME — RESTATED

Components of other comprehensive income, including reclassification adjustments:

	2013 $'000	2012 $'000
Exchange reserve:		
— Arising from translation of financial statements of subsidiaries in the mainland of the PRC and the United Kingdom	**54,842**	107,621
— Reclassification to profit or loss	**(26,927)**	—
Net movement in exchange reserve during the year recognised in other comprehensive income	**27,915**	107,621

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $190,879,000 (2012: $232,335,000) and divided by the weighted average number of 2,625,774,000 (2012: 2,351,804,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013 **'000**	2012 '000
Issued ordinary shares at 1 January	**2,352,917**	2,328,965
Effect of exercise of convertible bonds	**272,857**	22,839
	2,625,774	2,351,804

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit attributable to equity shareholders of the Company of $172,132,000 (2012: $309,879,000) and the weighted average number of 5,698,910,000 shares (2012: 8,033,686,000 shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2013 **$'000**	2012 $'000
Profit attributable to equity shareholders	**190,879**	232,335
Interest on convertible bonds	**53,569**	95,570
Gain on redemption/repurchase of convertible bonds	**(39,370)**	(14,860)
Gain on revaluation and cancellation of convertible bonds redemption options	**(32,946)**	(3,166)
	172,132	309,879

13 EARNINGS PER SHARE *(Continued)*

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

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

	2013	2012
	’000	’000
Weighted average number of ordinary shares at 31 December	**2,625,774**	2,351,804
Effect of deemed conversion of convertible bonds	**3,073,136**	5,681,882
	5,698,910	8,033,686

14 FIXED ASSETS

(a) The Group

	Buildings held for own use $'000	Furniture, fixtures, and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Freehold land $'000	Investment properties $'000 (note 14(c))	Total fixed assets $'000
Cost or valuation:									
At 1 January 2012	2,933	707	3,483	118	7,241	25,200	–	1,683,501	1,715,942
Exchange adjustments	–	6	21	–	27	–	–	18,614	18,641
Additions	–	462	360	–	822	–	–	161,620	162,442
Disposals	–	(47)	–	–	(47)	–	–	–	(47)
Surplus on revaluation (restated)	–	–	–	–	–	–	–	449,846	449,846
Transfer from properties for sales	8,902	–	–	–	8,902	21,667	–	48,002	78,571
At 31 December 2012 (restated)	11,835	1,128	3,864	118	16,945	46,867	–	2,361,583	2,425,395
Representing:									
Cost (restated)	11,835	1,128	3,864	118	16,945	46,867	–	–	63,812
Valuation – 2012 (restated)	–	–	–	–	–	–	–	2,361,583	2,361,583
	11,835	1,128	3,864	118	16,945	46,867	–	2,361,583	2,425,395
At 1 January 2013 (restated)	11,835	1,128	3,864	118	16,945	46,867	–	2,361,583	2,425,395
Exchange adjustments	249	24	73	–	346	331	–	67,034	67,711
Additions	–	735	812	1,723	3,270	–	321,121	–	324,391
Disposals	–	(72)	–	–	(72)	–	–	–	(72)
Disposals of subsidiaries	(2,933)	(97)	(1,030)	–	(4,060)	(25,200)	–	–	(29,260)
Surplus on revaluation	–	–	–	–	–	–	–	93,116	93,116
Transfer from properties for sales	385	–	–	–	385	–	–	235,223	235,608
Reversal of over-accrued development costs	–	–	–	–	–	–	–	(22,572)	(22,572)
At 31 December 2013	9,536	1,718	3,719	1,841	16,814	21,998	321,121	2,734,384	3,094,317
Representing:									
Cost	9,536	1,718	3,719	1,841	16,814	21,998	321,121	–	359,933
Valuation – 2013	–	–	–	–	–	–	–	2,734,384	2,734,384
	9,536	1,718	3,719	1,841	16,814	21,998	321,121	2,734,384	3,094,317

14 FIXED ASSETS *(Continued)*

(a) The Group *(Continued)*

	Buildings held for own use $'000	Furniture, fixtures, and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Freehold land $'000	Investment properties $'000 (note 14(c))	Total fixed assets $'000
Accumulated depreciation:									
At 1 January 2012	933	493	1,277	118	2,821	260	–	–	3,081
Exchange adjustments	–	(1)	(3)	–	(4)	–	–	–	(4)
Charge for the year	197	141	644	–	982	138	–	–	1,120
Written back on disposals	–	(43)	–	–	(43)	–	–	–	(43)
At 31 December 2012	1,130	590	1,918	118	3,756	398	–	–	4,154
At 1 January 2013 (restated)	1,130	590	1,918	118	3,756	398	–	–	4,154
Exchange adjustments	2	15	51	–	68	2	–	–	70
Charge for the year	553	283	549	185	1,570	477	–	–	2,047
Written back on disposals	–	(65)	–	–	(65)	–	–	–	(65)
Disposal of subsidiaries	(987)	(13)	(375)	–	(1,375)	(355)	–	–	(1,730)
At 31 December 2013	698	810	2,143	303	3,954	522	–	–	4,476
Net book value:									
At 31 December 2013	8,838	908	1,576	1,538	12,860	21,476	321,121	2,734,384	3,089,841
At 31 December 2012 (restated)	10,705	538	1,946	–	13,189	46,469	–	2,361,583	2,421,241

14 FIXED ASSETS *(Continued)*

(b) The Company

	Furniture, fixtures, and equipment $'000	Leasehold improvements $'000	Total $'000
Cost			
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—
Additions	126	1,683	1,809
At 31 December 2013	126	1,683	1,809
Accumulated depreciation			
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—
Charge for the year	9	185	194
At 31 December 2013	9	185	194
Net book value:			
At 31 December 2013	117	1,498	1,615
At 31 December 2012	—	—	—

14 FIXED ASSETS *(Continued)*

(c) Investment properties

The Group

	Completed	Under development	Total
	$'000	$'000	$'000
At 1 January 2012	—	1,683,501	1,683,501
Transfer from properties for sales	48,002	—	48,002
Addition	—	161,620	161,620
Exchange adjustments	—	18,614	18,614
Surplus on revaluation	449,846	—	449,846
Transfer	1,863,735	(1,863,735)	—
At 31 December 2012	2,361,583	—	2,361,583
Representing:			
Valuation — 2012	2,361,583	—	2,361,583
At 1 January 2013	2,361,583	—	2,361,583
Transfer from properties for sales	235,223	—	235,223
Reversal of over-accrued development costs	(22,572)	—	(22,572)
Exchange adjustments	67,034	—	67,034
Surplus on revaluation	93,116	—	93,116
At 31 December 2013	2,734,384	—	2,734,384
Representing:			
Valuation — 2013	2,734,384	—	2,734,384

14 FIXED ASSETS *(Continued)*

(d) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2013	**Fair value measurements as at 31 December 2013 categorised into**		
		Level 1	**Level 2**	**Level 3**
	$'000	$'000	$'000	$'000
The Group				
Investment properties	2,734,384	—	—	2,734,384

During the year ended 31 December 2013, 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.

All of the Group's investment properties were revalued as at 31 December 2013. The valuations were carried out by an independent firm of surveyors, CBRE HK Limited, which has recent experience in the location and category of property being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FIXED ASSETS *(Continued)*

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

(ii) Information about Level 3 fair value measurements

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

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

Both direct comparison approach and direct capitalisation approach are adopted to assess the fair value of shopping mall and office. The conclusive value was determined by reconciling the results of the two approaches.

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

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

Fair value adjustment and exchange adjustment of investment properties is recognised in the line item “net valuation gain on investment properties” on the face of the consolidated statement of profit or loss and other comprehensive income and “exchange reserve” in other comprehensive income, respectively.

14 FIXED ASSETS *(Continued)*

(e) The analysis of net book value of the properties of the Group is as follows:

	2013 $'000	2012 $'000 (Restated)
In Hong Kong		
— held under long lease (over 50 years)	**—**	27,304
Outside Hong Kong		
— Freehold	**321,121**	—
— Held under medium term lease (10 to 50 years)	**2,764,698**	2,391,453
	3,085,819	2,418,757
Representing:		
— Freehold land carried at cost	**321,121**	—
— Prepaid lease payment carried at cost	**21,476**	46,469
— Buildings held for own use carried at cost	**8,838**	10,705
— Investment properties carried at fair value	**2,734,384**	2,361,583
	3,085,819	2,418,757

(f) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of two to twenty years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	2013 $'000	2012 $'000
Within 1 year	**93,620**	43,347
After 1 year but within 5 years	**356,454**	278,797
After 5 years	**1,091,675**	1,232,774
	1,541,749	1,554,918

14 FIXED ASSETS *(Continued)*

(g) Fixed assets pledged as collateral

As at 31 December 2013, the Group's buildings held for own use, prepaid lease payments and investments properties with carrying values of $8,838,000 (2012: $1,884,000), $21,102,000 (2012: $24,875,000) and $2,108,080,000 (2012: nil) respectively are pledged as collateral for the Group's borrowings and undrawn facilities (note 23).

15 GOODWILL

	The Group	
	2013	2012
	$'000	$'000
Cost	**394,782**	394,782
Accumulated impairment losses	**(356,574)**	(299,000)
De-recognised on disposal of subsidiaries (note 8)	**(22,458)**	—
Exchange adjustments	**14,807**	11,157
Carrying amount	**30,557**	106,939

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

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill includes all subsidiaries under the PRC segment. In previous years, an impairment loss of $299,000,000 was recorded. During the year ended 31 December 2013, as a result of disposal of the Disposal Group as set out in note 8, the recoverable amount of CGU, which was estimated based on its fair value less cost to sale of the CGU, was re-determined and accordingly, an additional impairment loss of $57,574,000 was provided.

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	$'000	$'000
Unlisted investments, at cost	**1,023,782**	1,705,241

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of principal subsidiaries of the Group are as follow:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by a subsidiary	Principal activities
Amazing Wise Limited	British Virgin Islands	100 ordinary shares of US$1 each	53%	53%	–	Investment holding
Dalong Industrial Group Limited	Hong Kong	10,000,000 ordinary shares of $1 each	53%	–	53%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	1,000 ordinary shares of $1 each	53%	–	53%	Treasury
Fujian Zhonglu Real Estate Development Co., Limited ("Fujian Zhonglu") (note i, iii)	PRC	RMB129,820,000	50.35%	–	50.35%	Property development
Fuzhou Hengli & Savills Property Management Co., Limited (note i)	PRC	RMB500,000	29.15%	–	29.15%	Property management
Fujian Hengli Assets Management Co., Limited (note ii)	PRC	RMB7,573,126	53%	–	53%	Property management
Wanda International Real Estate Investment Co., Ltd	Hong Kong	–	60%	60%	–	Investment holding
Wanda One (UK) Limited ("Wanda One")	United Kingdom	–	60%	–	60%	Property development
Wanda One Nine Elms (UK) Limited ("Wanda One Nine Elms")	United Kingdom	–	60%	–	60%	Property development

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

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

iii Pursuant to a share transfer agreement (the “Agreement”) dated 22 May 2005 between Dalong Industrial Limited (“Dalong”), a subsidiary of the Group, and Fujian Zhonglu Group Co., Limited (“Zhonglu Group”), Zhonglu Group agreed to transfer 95% of equity of Fujian Zhonglu Real Estate Development Co., Limited (“Fujian Zhonglu”) to Dalong, after which Fujian Zhonglu became a subsidiary of Dalong. Zhonglu Group has since then been the non-controlling equity holder of Fujian Zhonglu. According to the Agreement, certain assets and liabilities related to an old project commenced before the transfer were retained by Zhonglu Group, the relevant risks and benefits of the aforesaid projects were also retained by Zhonglu Group. Fujian Zhonglu maintains a separate books and records for this old project. As at 31 December 2013, the relevant assets and liabilities amounted to $35,572,000 (2012: $35,526,000) and $35,000 (2012: $35,000) respectively have not been legally transferred. However, as the risk and benefits of these assets and liabilities were retained by Zhonglu Group, these assets and liabilities were excluded from the consolidated financial statements.

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) Material non-controlling interests

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

	2013		2012		
	$'000	$'000	$'000	$'000	$'000
	Amazing Wise Group	Wanda International Real Estate Investment Co., Ltd	Amazing Wise Group	Wanda International Real Estate Investment Co., Ltd	Fujian Hengli Bona Plaza Development Co., Ltd
NCI percentage	47%	40%	–	–	30%
Current assets	586,310	978,053	2,080,921	–	813,866
Non-current assets	2,819,423	321,121	2,511,157	–	406
Current liabilities	(1,368,220)	(25,779)	(1,885,470)	–	(686,756)
Non-current liabilities	(607,317)	(1,078,584)	(672,753)	–	–
Net assets	1,430,196	194,811	2,033,855	–	127,516
NCI	(105,098)	–	(90,632)	–	–
Equity attributable to shareholder	1,325,098	194,811	1,943,223	–	127,516
Carrying amount of NCI	622,796	77,924	–	–	37,102
Revenue	472,487	–	2,394,879	–	–
Profit/(loss) attributable to shareholder for the year	104,229	(5,126)	224,402	–	(3,004)
Total comprehensive income attributable to shareholder	114,183	(5,190)	328,686	–	(1,284)
Profit/(loss) allocated to NCI	35,556	(2,050)	–	–	(901)
Total comprehensive income allocated to NCI	44,383	(2,076)	–	–	(392)
Cash flows from					
operating activities	(330,804)	(900,699)	457,813	–	(301,159)
investing activities	(10,014)	321,342	818,804	–	(366)
financing activities	72,988	1,257,670	(999,395)	–	313,676

17 PROPERTIES FOR SALES

	The Group	
	2013	2012
	$'000	$'000
Properties under development	**938,177**	700,723
Completed properties for sales	**375,961**	1,407,222
	1,314,138	2,107,945

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

	The Group	
	2013	2012
	$'000	$'000
Held under:		
— long leases (over 50 years) in the PRC	**88,290**	183,112
— medium-term leases (10 to 50 years) in the PRC	**116,845**	1,264,982
Freehold land in the United Kingdom	**938,177**	—
	1,143,312	1,448,094

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	The Group	
	2013	2012
	$'000	$'000
Properties under development	**938,177**	700,723

(c) Certain of the Group's properties for sale were pledged as securities for the Group's loans from financial institutions and undrawn bank facilities as at 31 December 2013 (note 23).

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trade receivables	**4,567**	115	**—**	—
Other receivables, prepayments and deposits	**68,253**	132,772	**3,170**	34,255
Amounts due from subsidiaries	**—**	—	**653,756**	253,073
Amounts due from related parties	**729**	—	**—**	—
	73,549	132,887	**656,926**	287,328

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

Details of the Group's credit policy are set out in note 28(a).

(a) Ageing analysis

The ageing analysis of trade receivables based on the invoice date is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Within 1 month	3,357	115	—	—
Over 3 months but within 6 months	1,210	—	—	—
	4,567	115	—	—

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

19 RESTRICTED BANK DEPOSITS

The balance represents bank deposits pledged as security for loans from financial institutions (see note 23). The pledged bank deposits will be released upon the settlement of relevant bank loans.

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**106,436**	476,641	**4,032**	23,684

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	**2013** **$'000**	2012 $'000
Profit before taxation		**484,283**	613,041
Adjustments for:			
Gain on redemption/repurchase of convertible bonds	24	**(39,370)**	(14,860)
Gain on revaluation and cancellation of convertible bonds redemption options	4	**(32,946)**	(3,166)
Net valuation gain on investment properties	14(c)	**(93,116)**	(449,846)
Depreciation and amortisation		**2,047**	1,120
Loss on disposal of property, plant and equipment	6(c)	**7**	4
Finance costs	6(a)	**89,916**	163,924
Interest income	5	**(8,137)**	(10,740)
Net loss on disposal of subsidiaries	8	**45,326**	—
Impairment loss on goodwill	15	**57,574**	—
Changes in working capital:			
(Increase)/decrease in properties for sales		**(193,373)**	1,751,322
(Increase)/decrease in trade and other receivables		**(93,732)**	59,784
Decrease in receipts in advance		**(1,142,926)**	(519,190)
Decrease/(increase) in trade and other payables		**131,809**	(17,231)
Cash (used in)/generated from operations		**(792,638)**	1,574,162

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trade payables (note (a))	**95,692**	135,898	**—**	—
Other creditors and accrued charges	**197,288**	659,747	**15,337**	822
Interest payable to related parties	**121,706**	79,002	**—**	—
Interest payable to intermediate holding company	**12,320**	—	**7,916**	—
Amount due to a director	**—**	58,000	**—**	58,000
Amounts due to subsidiaries (note (b))	**—**	—	**11**	606,609
Amounts due to intermediate holding company (note (b))	**27,833**	—	**15,173**	—
Amounts due to related parties (note (b))	**122,491**	—	**—**	—
Amounts due to non-controlling equity holders (note (b))	**17,068**	16,770	**—**	—
	594,398	949,417	**38,437**	665,431

(a) None of the Group's trade payables are expected to be settled after more than one year (2012: $93,373,000).

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

	The Group	
	2013	2012
	$'000	$'000
Within 1 month	**7,260**	11,428
1 to 3 months	**837**	4,840
Over 3 months but within 6 months	**3,218**	4,791
Over 6 months but within 12 months	**2,484**	9,846
Over 12 months	**81,893**	104,993
	95,692	135,898

21 TRADE AND OTHER PAYABLES *(Continued)*

(b) The amounts due to subsidiaries, intermediate holding company, related parties and non-controlling equity holders are unsecured, interest free and repayable on demand or within one year.

22 RECEIPTS IN ADVANCE

The amount mainly represents instalments of sales proceeds received from buyers in connection with the Group's sales of properties.

23 LOANS FROM FINANCIAL INSTITUTIONS

At 31 December 2013, loans from financial institutions were repayable and secured as follows:

	The Group		**The Company**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Current				
Within 1 year	**81,967**	41,099	**–**	–
Non-current				
After 1 year but within 2 years	**8,952**	2,159	**–**	–
After 2 years but within 5 years	**46,041**	6,851	**–**	–
After 5 years	–	998	**–**	–
	54,993	10,008	**–**	–
	136,960	51,107	**–**	–

(a) As at 31 December 2013, undrawn bank facilities of the Group amounted to $1,138,221,000 (2012: $Nil).

(b) Certain loans from financial institutions as at 31 December 2013 were guaranteed by Mr. Chen.

23 LOANS FROM FINANCIAL INSTITUTIONS *(Continued)*

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

	2013	2012
	$'000	$'000
		(Restated)
Buildings held for own use (note 14(g))	**8,838**	1,884
Prepaid lease payments (note 14(g))	**21,102**	24,875
Investment properties (note 14(g))	**2,108,080**	—
Properties for sale (note 17)	**56,029**	—
Restricted bank deposits (note 19)	**85,303**	42,904
	2,279,352	69,663

24 CONVERTIBLE BONDS

On 21 January 2008, the Company issued $2,701,711,500 zero coupon convertible bond at 100% of principal amount to Mr. Chen as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries.

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

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

— Pursuant to the terms of the convertible bonds, the conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bonds have been adjusted as a result of a rights issue in January 2011. The Company is required to deliver ordinary shares at a rate of $0.334 per share (originally $0.5 per share before the rights issue of the Company in January 2011). The Company announced a rights issue in December 2013 and the rights issue was completed on 23 January 2014 and dealings of shares issued under the rights issue commenced on 27 January 2014. As a result of the rights issue in 2014, the conversion price of the convertible bonds of the Company was adjusted to $0.326 per share accordingly.

The Company has the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Company to redeem the convertible bonds is considered as derivative financial assets of the Company and revalued at each reporting date.

If the convertible bond holder's conversion rights have not been exercised or the convertible bonds have not been repurchased or redeemed up to the maturity date, i.e. on 20 January 2018, the Company will redeem at face value on 20 January 2018.

24 CONVERTIBLE BONDS *(Continued)*

During the year ended 31 December 2013, convertible bonds with principal amount of $168,000,000 were converted into 502,994,011 ordinary shares of the Company. In addition, as mentioned in note 8, convertible bonds with principal amount of $1,311,000,000 was redeemed by the Company. Subsequent to the conversion and the redemption, the outstanding principal amount of the convertible bonds was reduced to $321,000,000. As a result of the redemption, the liability component of the convertible bond was remeasured at its fair value at the date of the redemption and the difference between the remeasured amount and the carrying amount upon the redemption date was dealt with in the profit or loss. As a result of the redemption, a gain of approximately $39,370,000 was recognised in the profit or loss.

Further, on 25 June 2013, convertible bonds with principal amount of $209,000,000 were transferred by Mr. Chen to Wanda Commercial Properties Overseas Limited, intermediate holding company of the Company. As a result, as at 31 December 2013, convertible bonds with principal amount of $209,000,000 were held by Wanda Commercial Properties Overseas Limited and convertible bonds with principal amount of $112,000,000 were held by Mr. Chen and his family.

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

	Liability component $'000	**Equity component** $'000
Carrying amount at 1 January 2012	1,203,381	111,620
Interest expense (i)	95,570	—
Conversion rights exercised	(5,268)	(466)
Convertible bonds redeemed	(72,721)	(6,292)
Carrying amount at 31 December 2012	1,220,962	104,862
Carrying amount at 1 January 2013	1,220,962	104,862
Interest expense (i)	53,569	—
Convertible bonds converted	(117,915)	(9,787)
Convertible bonds redeemed	(921,710)	(76,375)
Carrying amount at 31 December 2013	234,906	18,700

24 CONVERTIBLE BONDS *(Continued)*

(i) Interest expense

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

25 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $25,000 ($20,000 prior to June 2012). Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 12% to 18% of the salaries, bonuses and certain allowances of the employees.

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

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2013	2012
	$'000	$'000
Prepaid tax:		
PRC Corporate Income Tax	**–**	22,366
PRC Land Appreciation Tax	**–**	5,702
	–	28,068
Current tax payable:		
PRC Corporate Income Tax	**24,250**	208,796
PRC Land Appreciation Tax	**426,660**	342,039
	450,910	550,835

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:

	Revaluation of properties $'000	Land appreciation tax $'000	Tax losses $'000	Total $'000
At 1 January 2012	(1,029,101)	—	29,116	(999,985)
Exchange adjustments	(5,458)	(62)	—	(5,520)
Credited/(charged) to profit or loss (note 7(a))	373,099	79,405	(29,116)	423,388
At 31 December 2012 (restated)	(661,460)	79,343	—	(582,117)
At 1 January 2013 (restated)	(661,460)	79,343	—	(582,117)
Exchange adjustments	(28,992)	2,430	—	(26,562)
Credited/(charged) to profit or loss (note 7(a))	138,128	(17,078)	—	121,050
Disposal	—	(12,377)	—	(12,377)
At 31 December 2013	(552,324)	52,318	—	(500,006)

(c) Reconciliation to the consolidated statement of financial position:

	The Group	
	2013 $'000	2012 $'000 (Restated)
Deferred tax assets	**52,318**	85,510
Deferred tax liabilities	**(552,324)**	(667,627)
	(500,006)	(582,117)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(d) Deferred tax liabilities not recognised

The Group is subject to withholding tax ranging from 5% to 10% on dividends receivable from its PRC subsidiaries in respect of their profits earned since 1 January 2008. As at 31 December 2013, temporary differences relating to the undistributed profits of the Group's certain PRC subsidiaries amounted to $219,678,000 (2012: $187,044,000). Deferred tax liabilities of $10,984,000 (2012: $12,925,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these PRC subsidiaries and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

27 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Special reserve $'000	Convertible bond reserve $'000	(Accumulated losses)/ Retained profits $'000	Total $'000
Balance at 1 January 2012		232,897	203,702	60,264	127,961	(116,608)	(170,784)	337,432
Changes in equity for 2012								
Loss for the year		–	–	–	–	–	(99,271)	(99,271)
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	(99,271)	(99,271)
Reduction of share premium		–	(207,041)	–	–	–	207,041	–
Convertible bonds converted		2,395	3,339	–	–	(466)	–	5,268
Convertible bonds redeemed		–	–	–	–	(50,139)	–	(50,139)
Balance at 31 December 2012 and 1 January 2013		235,292	–	60,264	127,961	(167,213)	(63,014)	193,290
Changes in equity for 2013								
Profit for the year		–	–	–	–	–	855,641	855,641
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	855,641	855,641
Convertible bonds converted	24	50,299	51,037	–	–	(9,787)	–	91,549
Convertible bonds redeemed	24	–	–	–	–	(428,659)	–	(428,659)
Balance at 31 December 2013		285,591	51,037	60,264	127,961	(605,659)	792,627	711,821

27 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2013		2012	
	No. of shares '000	**Amount $'000**	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of $0.1 each				
At 1 January	**2,352,917**	**235,292**	2,328,965	232,897
Conversion of convertible bonds	**502,994**	**50,299**	23,952	2,395
At 31 December	**2,855,911**	**285,591**	2,352,917	235,292

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

As mentioned in note 24, convertible bonds with principal amount of $168,000,000 were converted to ordinary shares of the Company on 17 June 2013. Accordingly, 502,994,011 shares of $0.1 each were issued by the Company and share premium of $51,037,000 was arose.

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors of the respective subsidiaries in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

27 CAPITAL AND RESERVES *(Continued)*

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

(iii) Capital reserve

The capital reserve represents the fair value of the derivative financial assets upon the execution of the supplemental deeds to insert an early redemption clause to the convertible bond accepted by a shareholder in 2011 (note 24).

(iv) Special reserve

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

(v) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations in the PRC and the United Kingdom.

The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

(vi) Convertible bond reserve

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

(vii) Distributable reserve

The Company's share premium, capital reserve, special reserve and retained profits as at 31 December 2013 may be distributable to shareholders, after netting off with the convertible bond reserve in certain circumstances prescribed by Section 54 of the Companies Act 1981 of Bermuda.

As at 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $426,230,000 (2012: $Nil). The Directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2013 (2012: $Nil).

27 CAPITAL AND RESERVES *(Continued)*

(d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the current year.

The Group monitors capital using a gearing ratio, which is defined as net debt divided by aggregate of net debts and total equity. Net debts are calculated as loans from financial institutions, including current and non-current portion, loans from related parties and intermediate holding company and convertible bonds, net of cash and cash equivalents and pledged bank deposits as shown in the consolidated statement of financial position. Total equity is as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The net gearing ratio at 31 December 2013 and 2012 was as follows:

	The Group		The Company	
	2013 **$'000**	2012 $'000 (Restated)	**2013** **$'000**	2012 $'000
Loans from financial institutions	**136,960**	51,107	**—**	—
Loans from related parties	**256,268**	280,284	**—**	—
Loans from intermediate holding company	**1,202,634**	—	**771,201**	—
Convertible bonds	**234,906**	1,220,962	**234,906**	1,220,962
Total debt	**1,830,768**	1,552,353	**1,006,107**	1,220,962
Less: Cash and cash equivalents and pledged bank deposits	**(191,739)**	(519,545)	**(4,032)**	(23,684)
Net debts	**1,639,029**	1,032,808	**1,002,075**	1,197,278
Total equity	**1,346,317**	791,140	**711,821**	193,290
Gearing ratio	**54.90%**	56.62%	**58.47%**	86.10%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

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

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

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

In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is set out in note 30. Except for these financial guarantee by the Group as set out in note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in note 30.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table show the remaining contractual maturities at the end of each reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date of the Group and the Company can be required to pay.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Group:

	2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Statement of financial position carrying amount $'000
Trade and other payables	566,359	20,028	8,011	594,398	594,398
Loans from related parties	294,708	–	–	294,708	256,268
Loans from intermediate holding company	73,619	73,619	1,423,491	1,570,729	1,202,634
Loans from financial institutions	84,115	9,611	49,430	143,156	136,960
Convertible bonds	–	–	321,000	321,000	234,906
	1,018,801	103,258	1,801,932	2,923,991	2,425,166

	2012					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Statement of financial position carrying amount $'000
Trade and other payables	696,438	132,690	61,176	1,113	891,417	891,417
Advance from lessee	124,360	–	–	–	124,360	124,360
Loans from related parties	330,735	–	–	–	330,735	280,284
Loans from financial institutions	42,144	2,411	7,234	1,006	52,795	51,107
Convertible bonds	–	–	–	1,800,000	1,800,000	1,220,962
Amount due to director	58,000	–	–	–	58,000	58,000
	1,251,677	135,101	68,410	1,802,119	3,257,307	2,626,130

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company:

	2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Statement of financial position carrying amount $'000
Trade and other payables	38,437	–	–	38,437	38,437
Loans from intermediate holding company	47,209	47,209	912,828	1,007,246	771,201
Convertible bonds	–	–	321,000	321,000	234,906
	85,646	47,209	1,233,828	1,366,683	1,044,544

	2012			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 5 years $'000	Total $'000	Statement of financial position carrying amount $'000
Trade and other payables	665,431	—	665,431	665,431
Convertible bonds	—	1,800,000	1,800,000	1,220,962
	665,431	1,800,000	2,465,431	1,886,393

(c) Interest rate risk

The Group's interest rate risk arises primarily from loans from related parties, intermediate holding company and financial institutions. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of each reporting period:

The Group:

	2013		2012	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings:				
— Convertible bonds	**8**	**234,906**	8	1,220,962
— Loans from financial institutions	**—**	**—**	3.5	39,000
— Loans from related parties	**15**	**256,268**	18	280,284
		491,174		1,540,246
Variable rate borrowings:				
— Loans from financial institutions	**2.1%-7.5%**	**136,960**	2.8%-6.0%	12,107
— Loans from intermediate holding company	**Libor+5%**	**1,202,634**	—	—
Total net borrowings		**1,830,768**		1,552,353
Net fixed rate borrowing as a percentage of total net borrowings		**26.8%**		99.2%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile *(Continued)*

The Company:

	2013		2012	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings:				
— Convertible bonds	**8**	**234,906**	8	1,220,962
Variable rate borrowings:				
— Loans from intermediate holding company	**Libor+5%**	**771,201**		—
Total borrowings		**1,006,107**		1,220,962
Net fixed rate borrowing as a percentage of total net borrowings		**23.3%**		100%

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant would increase/decrease the Group's financial costs by approximately $1,370,000 (2012: $121,000). The Group's profit after tax would decrease/increase by approximately $1,210,000 (2012: $121,000), after taking into account of interest capitalisation to property for sales and fixed assets. Other components of consolidated equity would not be affected by the changes in interest rates.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense of such change in interest rates. The analysis is performed on the same basis for 2012.

(d) Currency risk

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

The Company is exposed to currency risk primarily through loans from intermediate holding company and amounts due from subsidiaries that are demonstrated in GBP.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Company. For presentation purposes, the amounts of the exposures are shown in HK$, translated using the spot rate at the year end date.

	Exposure to GBP (Expressed in HK$)	
	2013 **$'000**	2012 $'000
Amounts due from subsidiaries	**647,150**	—
Loans from intermediate holding company	**(771,201)**	—
Net exposure arising from recognised assets and liabilities	**(124,051)**	—

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in exchange rates of HK$ to GBP, with all other variables held constant would increase/decrease the Group's profit after tax and consolidated equity by approximately $1,241,000 (2012: $Nil).

(e) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

The Group engages external valuers in performing valuations for the financial instruments, including convertible bonds redemption options. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date. Discussion of the valuation process and results with management is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2013	**Fair value measurement at 31 December 2013 categorised into Level 2**	**Fair value at 31 December 2012**	**Fair value measurement at 31 December 2012 categorised into Level 2**
	$'000	$'000	$'000	$'000
The Group and the Company				
Recurring fair value measurement				
Financial assets				
Convertible bonds redemption options	70,010	70,010	63,430	63,430

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: Nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bond redemption option in level 2 is determined using binomial option pricing method.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values *(Continued)*

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments are carried at cost or amortised cost is not materially different from their fair values as at 31 December 2013 and 2012 except for the following financial instrument, for which its carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 31 December 2013	Fair value at 31 December 2013	Carrying amount at 31 December 2012	Fair value at 31 December 2012
	$'000	$'000	$'000	$'000
Convertible bonds	234,906	246,147	1,220,962	1,104,537

The fair value of liability portion of convertible bond is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

29 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Contracted for	**—**	908,033	**—**	—
Authorised but not contracted for	**1,740,702**	230,069	**—**	—
	1,740,702	1,138,102	**—**	—

The above commitments mainly include the land costs and construction related costs to be incurred in respect of the Group's development of its buildings held for own use and properties for sales in the United Kingdom.

(b) At 31 December 2013, the total future minimum lease payments regarding properties under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Within 1 year	**5,009**	50	**5,009**	720
After 1 year but within 5 years	**7,514**	—	**7,514**	2,880
	12,523	50	**12,523**	3,600

The Company is the lessee in respect of a property held under operating leases. The lease typically runs for an initial period of three years, with an option to renew the lease when all terms are renegotiated. The lease does not include contingent rentals.

30 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2013 **$'000**	2012 $'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**235,440**	587,427

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the period under guarantee as the individual property ownership certificates have not been obtained and thus the Group can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group is as follows:

	2013 $'000	2012 $'000
Short-term employee benefits	**8,700**	8,280

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Loans from related parties

Mr. Chen is a director and shareholder of the Group and is considered a related party of the Group. The loans from related parties are made from an entity controlled by Mr. Chen. The loans from an entity controlled by Mr. Chen, amounted to $256,268,000 (2012: $280,284,000) that bear interest at 15% per annum, are unsecured and repayable six months after the date of the respective drawdowns. Interest incurred during the year and interest payable to related parties as at 31 December 2013 are set out in notes 6(a) and 21 respectively.

(c) Loans from intermediate holding company

The loans from intermediate holding company are interest-bearing at a rate of six month LIBOR plus 5% per annum, secured by the share charge over all the shares held by the Company in Wanda International Real Estate Investments Co., Limited and repayable three years after the date of the respective drawdowns. The loans are denominated in GBP with carrying amount of GBP94,048,000 as at 31 December 2013. Interest incurred during the year and interest payable to intermediate holding company as at 31 December 2013 are set out in notes 6(a) and 21 respectively.

(d) Disposal of subsidiaries

On 20 March 2013, the Company entered into a disposal agreement with Mr. Chen and two companies wholly owned by him, being Zhizun and Onu, for (1) the Company's sale to Zhizun of 47% of the issued share capital of Amazing Wise at a consideration of approximately $587,811,000; (2) the Company's sale to Onu of all the issued share capital of the subsidiaries disposed as set out in note 8 at a total consideration of approximately $324,567,000; and (3) the Company's sale to Onu of the shareholder's loans at a total consideration of approximately $399,164,000. Details of the disposal are set out in note 8.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) Convertible bonds

During the year, Mr. Chen converted convertible bonds with principal amount of HK$168,000,000 into 502,994,011 ordinary shares at a conversion price of $0.334 per share. Details of the convertible bonds converted are set out in note 24.

(f) Other related party transactions

Other amounts due from/to related parties are set out in notes 18 and 21.

(g) Applicability of the Listing Rules relating to connected transactions

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

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*	1 January 2014
HKFRS 9, *Financial instruments*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Rights issue

On 13 December 2013, the Company announced its proposed rights issue (the "Rights Issue") of 856,773,210 shares (the "Rights Shares") at a subscription price of HK$2.88 per Rights Share. The Rights Shares were proposed to be issued on the basis of three Rights Shares for every ten existing ordinary shares of the Company in issue on 24 December 2013. The Rights Issue were completed on 23 January 2014 and the dealings of the Rights Shares commenced on 27 January 2014. As set out in note 24, the conversion price of the convertible bonds of the Company was adjusted from HK$0.334 to HK$0.326 per share as a result of the Rights Issue in 2014.

(b) Development of a new property project in the PRC

On 27 February 2014, the Company, Wanda Commercial Properties (Hong Kong) Co., Limited ("Wanda HK", a controlling shareholder of the Company) and Wanda Properties Investment Limited (owned as to 51% by the Company and 49% by Wanda HK) entered into an agreement in relation to the development of a piece of land in Guilin, the PRC, into a "Wanda Plaza", which comprises commercial and residential properties (the "Agreement"). Pursuant to the Agreement, the total capital commitment to be made by the Company and Wanda HK is expected to be, respectively, US$91.8 million and US$88.2 million, with reference to the consideration of the land acquired and the estimated capital requirement of its development.

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2013, the directors consider the immediate parent and ultimate controlling party of the Group to be Wanda Commercial Properties Overseas Limited and Dalian Wanda Commercial Properties Co., Ltd. respectively, which are incorporated in BVI and PRC respectively. These entities do not produce financial statements available for public use.

Financial Summary

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS					
Turnover	426,086	174,379	—	2,773,419	**1,347,995**
Profit/(loss) before taxation from continuing operations	146,546	(69,524)	149,345	613,041	**484,283**
Income tax expenses from continuing operations	(63,070)	(10,256)	(17,626)	(369,678)	**(250,382)**
Results of discontinued operations	—	—	516	—	**—**
Net gain/(loss) on disposal of subsidiaries	—	—	62,460	—	**(45,326)**
Profit/(loss) for the year	83,476	(79,780)	194,695	243,363	**233,901**
Profit/(loss) attributable to equity shareholders of the Company	11,217	(102,911)	185,411	232,335	**190,879**
Non-controlling interests	72,259	23,131	9,284	11,028	**43,022**
Profit/(loss) for the year	83,476	(79,780)	194,695	243,363	**233,901**

	At 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 (Restated) HK$'000*	**2013** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,648,574	5,703,955	7,215,414	6,168,259	**4,822,152**
Total liabilities	4,372,374	5,293,577	6,751,326	5,377,119	**3,475,835**
Net assets	276,200	410,378	464,088	791,140	**1,346,317**
Equity attributable to equity shareholders of the Company	116,908	222,331	370,237	663,406	**540,499**
Non-controlling interests	159,292	188,047	93,851	127,734	**805,818**
Total equity	276,200	410,378	464,088	791,140	**1,346,317**

* Total assets, total liabilities and equity attributable to equity shareholders of the Company as at 31 December 2012 are restated as a result of changes in accounting policy on buildings held for own use as set out in note 1(c)(ii) of the consolidated financial statements. The change in accounting policy did not have any impact on the net assets of the Group for the years 2009 to 2011 and profits or losses of the Group for the years 2009 to 2012.

Property Portfolio

1 MAJOR PROPERTY UNDER DEVELOPMENT

Location	Intended use	stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's interest (%)
1 Nine Elms Lane, London SW8 5NQ, the United Kingdom	Residential and Commercial	Under development	2018	8,400	106,200*	60%

* Subject to governmental approval.

2 MAJOR PROPERTIES HELD FOR SALE

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
Hengli City No.128 Wusi Road Gulou District Fuzhou City, Fujian	Residential and Commercial	16,342	50.35%

3 MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Gross floor area (sq m)	Group's interest (%)	Term of lease
The Commercial Podium of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	56,219	50.35%	Medium
Portion of the Carpark of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	11,804	50.35%	Medium
Portion of the office of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	8,973	50.35%	Medium

4 MAJOR PROPERTIES HELD FOR OWN USE

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