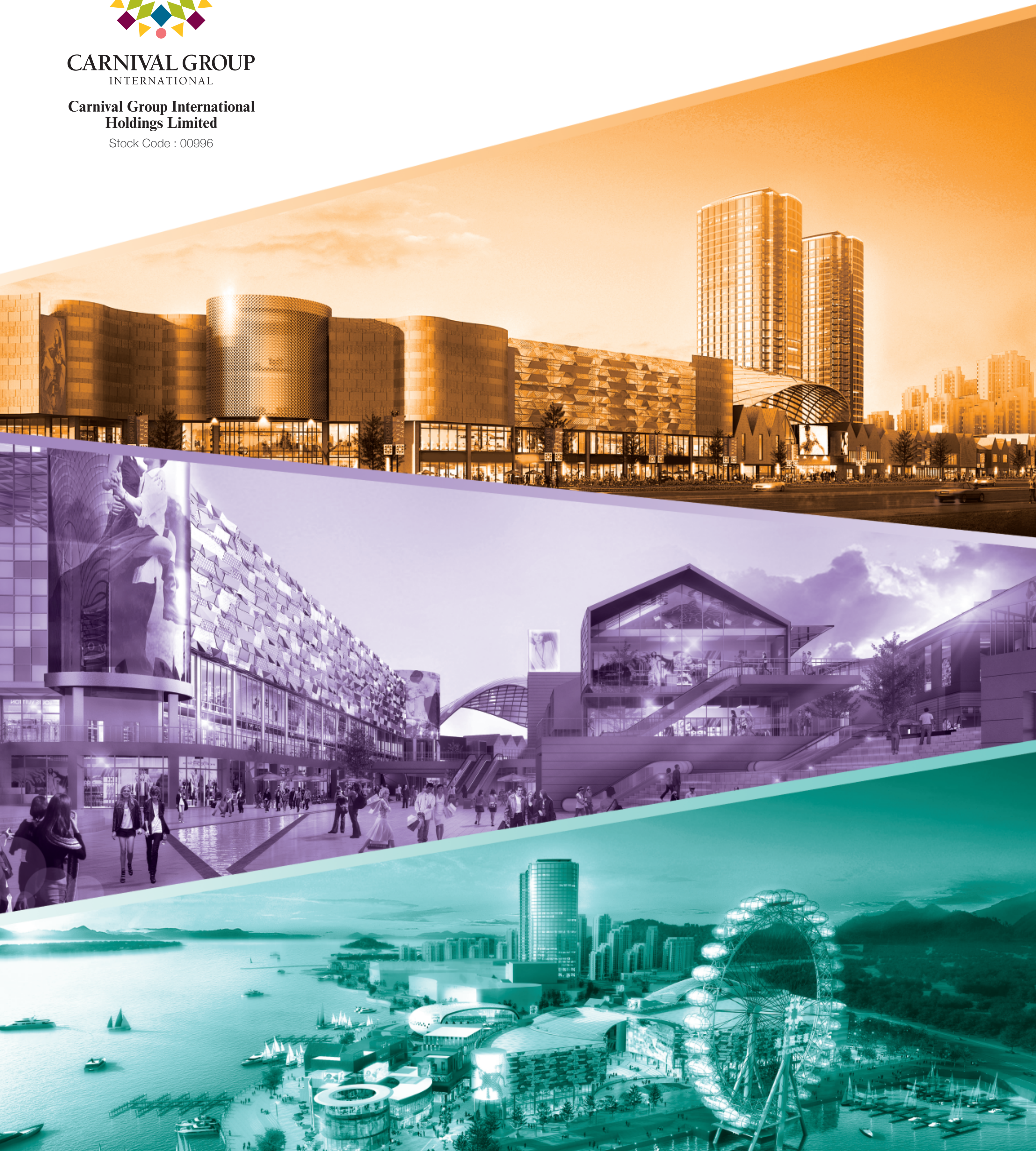
CARNIVAL GROUP
INTERNATIONAL

Carnival Group International Holdings Limited

Stock Code : 00996

ANNUAL REPORT 2014



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

King Pak Fu *(Chairman)*
Leung Wing Cheong Eric *(Chief Executive Officer)*
Gong Xiao Cheng

Independent Non-executive Directors

Chan Wai Cheung Admiral
Lie Chi Wing
Hu Gin Ing

AUDIT COMMITTEE

Chan Wai Cheung Admiral *(Chairman)*
Lie Chi Wing
Hu Gin Ing

REMUNERATION COMMITTEE

Chan Wai Cheung Admiral *(Chairman)*
Lie Chi Wing
Hu Gin Ing

NOMINATION COMMITTEE

Chan Wai Cheung Admiral *(Chairman)*
Hu Gin Ing
Gong Xiao Cheng

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

King Pak Fu
Chan Yuen Ying, Stella

LEGAL ADVISOR

Minter Ellison
Sidley Austin

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2003 & 2005, 20/F
AIA Central
1 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

The Bank of East Asia Limited
China Minsheng Banking Corp. Ltd.
Ping An Bank Co., Ltd.

STOCK CODE

996

WEBSITE

www.0996.com.hk

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Carnival Group International Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

FINANCIAL REVIEW

For the financial year ended 31 December 2014, the Group recorded a consolidated net profit of approximately HK$117.8 million as compared to a net loss of approximately HK$1,811.6 million for the previous year. The consolidated net profit of approximately HK$117.8 million mainly includes (i) gross profit of approximately HK$249.4 million (2013: gross loss of approximately HK$1,050.8 million) and (ii) fair value change on investment properties of approximately HK$161.1 million. The improvement on the results mainly due to (i) increase in revenue of approximately HK$867.6 million; (ii) decrease in non-cash item adjustments in respect of properties for sales of approximately HK$962.2 million; (iii) decrease in impairment loss on goodwill of approximately HK$543.7 million; (iv) increase in fair value change on investment properties of approximately HK$229.5 million; and (v) decrease in finance cost of approximately HK$109.3 million.

PROSPECTS

The Group is in the process of transforming from a real estate developer to a leading integrated tourism, hospitality and retail service provider in the People's Republic of China ("PRC") and overseas, in order to take advantage of the PRC's growing pool of affluent population with strong spending power, who is looking for and increasingly open to new lifestyle concept of experiential consumption in goods and services, as compared to narrow consumption channels such as e-commerce and stand-alone mall, hotel or theme park facilities.

Our new business model is to attract and retain customers through different themes for their experiential consumption inside each of our project complexes, including high-end retail outlet malls, international branded luxurious resort hotels with wide-ranging amenities and recreational activities, world-class convention centers, stadiums, theaters, innovative theme parks, varieties of fine restaurants, sports and entertainment options. We expect that projects designed, developed and managed by the Group will not only bring new lifestyle concepts to residents and visitors alike, but will also become the new landmarks in cities where they are located, due to their superior locations and excellent retail, hospitality, dining, leisure and entertainment facilities.

Our flagship Rio Carnival (Qingdao) project is scheduled to commence operations by mid-2015, which is a perfect example of the above experiential consumption themes.

During the second half of 2014, we entered into a non-legally binding letter of intent with Taiwan's E United Group and a non-legally binding memorandum of understanding with Malaysia's Berjaya Group, respectively, to explore jointly developing and investing in the business of integrated theme park, hotel and shopping mall facilities in Taiwan and the PRC, respectively, in various forms, such as equity participation, joint ventures and cooperation. We expect the due diligence and negotiation process with these two groups to conclude in 2015.

Chairman's Statement

The Group will continue to proactively identify development and acquisition opportunities for lifestyle and consumption related assets in both the PRC and overseas destination markets, which have high tourism growth potential for our target customer groups (the PRC population with spending need and purchasing power). We are open-minded with respect to the types of targets, such as assets in development which need large capital investments (greenfield and brownfield), assets already in operation, and light assets yet with strong cash flow generation and short payback period.

In addition, we are very pleased to welcome CTBC Life Insurance Co., Ltd. and Ping An Life Insurance Company of China, Ltd. as our strategic shareholders in 2014. We view them as invaluable partners in our expansion in the experiential consumption, lifestyle and tourism sector whereby the Group can leverage on their extensive network and customer base, strong financial resources and investment expertise in Taiwan, the PRC and other geographical locations to enhance our strategic development plans with high growth potential.

The year of 2014 marked a year of remarkable business developments for the Group. In addition to a successful turnaround to profitability, we became a constituent in the MSCI Small Cap Index on 14 May 2014, became a constituent in the Hang Seng Composite Mid Cap Index and was included in the Northbound Trading of the Shanghai-Hong Kong Stock Connect starting from 9 March 2015, in recognition of our unique business model and optimistic industry prospects, marking another important milestone in the development of the Group.

Looking ahead, the Group's core business, integrated tourism and leisure projects, will continue to benefit from the growing tourism market, expanding middle class and trend towards a consumption-driven economy in the PRC and abroad. I believe that the Group can fully leverage the uniqueness of our business model to gain first-mover advantage and seize the opportunities in the industry. We will continue to explore quality tourism and leisure projects in PRC and selected overseas destinations and strive to become a leading integrated tourism, hospitality and retail services project developer in PRC and abroad, thereby generating stable, long-term and abundant investment returns for our shareholders.

In closing, I would like to express my deep appreciation of our shareholders and business partners for their exceptional support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions in the past years.

King Pak Fu
Chairman

Hong Kong, 13 March 2015

Biographies of Directors

EXECUTIVE DIRECTORS

Mr. King Pak Fu, aged 44, was appointed as an executive Director on 10 September 2012 and was appointed as the chairman of the Board on 22 October 2012. He is experienced in property development and corporate management. Mr. King is currently the chairman and director of Fujian Start Group Co. Ltd. (a company listed on Shanghai Stock Exchange stock code: 600734). Mr. King was an executive director of Enterprise Development Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1808) up to 24 January 2014.

Mr. Leung Wing Cheong Eric, aged 54, was appointed as an executive Director on 26 May 2014 and the Chief Executive Officer of the Company on 1 July 2014, and in his capacity as the Chief Executive Officer of the Company, is responsible for the business development and general operations of the Company, and the execution of the strategic directions from time to time formulated by the Board. Before his appointment as the Chief Executive Officer of the Company, Mr. Leung was the deputy managing director, an executive director and the chief financial officer of China Gas Holdings Limited ("China Gas"), a company listed on the Stock Exchange (Stock Code: 384) up to 30 June 2014. Mr. Leung joined China Gas in early 2005 after a 13-year career in investment banking. Investment banks he had served include Lehman Brothers, Barclays Capital and Prudential Securities. His last position before he joined China Gas was managing director and head of corporate finance of UFJ Securities. Mr. Leung is a lawyer by training, and is qualified to practise law in Hong Kong, England & Wales and Australia and he holds bachelor degrees from the University of Hong Kong and University of London, and a master degree from the Chinese University of Hong Kong.

Mr. Gong Xiao Cheng, aged 30, was appointed as an executive Director on 7 March 2012. He is also a member of the nomination committee of the Company. He holds a Bachelor's degree of Finance, Accounting and Management from University of Nottingham in United Kingdom and a Master's degree of Real Estate Economics and Finance from London School of Economics and Politics Science.

Biographies of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung Admiral, aged 41, was appointed as an independent non-executive Director on 10 December 2014. He is also the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 15 years of experience in accounting and auditing field. Mr. Admiral Chan is an independent non-executive director of Jia Meng Holdings Limited (stock code: 8101; a company listed on the Growth Enterprise Market of the Stock Exchange). He was appointed as an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353; a company listed on the Main Board of the Stock Exchange) in March 2012 and was re-designated as an executive director in November 2013.

Mr. Lie Chi Wing, aged 37, was appointed as an independent non-executive Director on 5 February 2015. He is also a member of each of the audit committee and the remuneration committee of the Company. He holds a Bachelor Degree of Business Administration (First Class Honors) from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Financial Analyst. Mr. Lie has extensive experience in auditing and corporate advisory services with major international accounting firms. He is currently the company secretary of China Water Affairs Group Limited, a company listed on the main board of Stock Exchange.

Ms. Hu Gin Ing, aged 56, was appointed as an independent non-executive Director on 16 December 2013. She is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Ms. Hu holds a master degree in business administration from Florida International University, United States of America ("U. S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu currently holds the position of Corp. CFO, Global Finance, of Acer Incorporated, a company listed on the Taiwan Stock Exchange. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has been an independent non-executive director of Enterprise Development Holdings Limited (HK.1808) since March 2011, an independent director of Arich Enterprise Co. Ltd. (TW.4173), a company listed on the Taiwan Stock Exchange since December 2012, an independent non-executive director of United Pacific Industries limited (HK.176) since November 2013 and an independent non-executive director of LVGEM (China) Real Estate Investment Company Limited (formerly known as New Heritage Holdings Limited) (HK.95) since May 2014. She was a director of Gigamedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) from July 2003 to October 2013, an independent director of Evendata Holding Company Limited, a company which was previously listed on the Taiwan Stock Exchange, from April 2011 to May 2013, and a non-executive director of SMI Culture Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited), a company listed on the Stock Exchange, from 27 August 2013 to 31 October 2014. She has over 20 years of experience in accounting and finance.

Management Discussion and Analysis

CORPORATE OVERVIEW

The principal businesses of the Group are life style, leisure, entertainment, retail, hospitality and travel in the People's Republic of China ("PRC") and selected overseas destinations.

BUSINESS REVIEW

In the first half of 2014, market conditions remained challenging under the property control measures of the government of the People's Republic of China ("PRC Government"). However, the PRC Government started to relax such measures during the second half of the year. The Directors believe that the property market trend in tier-one and tourist cities is positive in the long-term, in view of the strong economic fundamentals, rapid urbanisation, huge spending power and flourishing tourism business in the PRC.

The Directors believe that the Group's timely transformation from a real estate developer to a developer of large-scale integrated tourism, hospitality and retail projects in the PRC and selected overseas destination with experiential consumption themes such as theme park, international premium brand outlet mall, hotel, dining, leisure and entertainment facilities will bear fruits in the next few years.

Properties Development and Property Investment

Revenue from the Group's properties development and property investment sector was approximately HK$1,412.7 million for the year ended 31 December 2014, representing an increase of approximately HK$877.2 million or an increase of approximately 164% as compared to the year ended 2013. The whole of year 2014 revenue was derived from the sale of residential units of the completed properties in Qingdao and Chengdu in the PRC.

FINANCIAL REVIEW

Financial Results

For the financial year ended 31 December 2014, the Group recorded a consolidated net profit of approximately HK$117.8 million as compared to the net loss of approximately HK$1,811.6 million for the previous year. The consolidated net profit of approximately HK$117.8 million mainly includes (i) gross profit of approximately HK$249.4 million (2013: gross loss of approximately HK$1,050.8 million) and (ii) fair value change on investment properties of approximately HK$161.1 million. The improvement on the results is mainly due to (i) increase in revenue of approximately HK$867.6 million; (ii) decrease in non-cash item adjustments in respect of properties for sales of approximately HK$962.2 million; (iii) decrease in impairment loss on goodwill of approximately HK$543.7 million; (iv) increase in fair value change on investment properties of approximately HK$229.5 million; and (v) decrease in finance costs of approximately HK$109.3 million.

Management Discussion and Analysis

Capital Structure, Liquidity and Financial Resources

As at 31 December 2014, the authorised share capital of the Company was HK$5,000.0 million divided into 25,000,000,000 shares of HK$0.2 each and the issued share capital of the Company was approximately HK$2,755.8 million divided into 13,778,884,046 shares of HK$0.2 each.

As at 31 December 2014, the current assets and current liabilities of the Group were approximately HK$9,120.5 million (2013: approximately HK$7,778.8 million) and approximately HK$4,844.2 million (2013: approximately HK$4,231.3 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.88 times as at 31 December 2014, as compared to that of approximately 1.84 times as at 31 December 2013.

The Group's total assets and total liabilities as at 31 December 2014 amounted to approximately HK$17,536.9 million (2013: approximately HK$14,763.9 million) and approximately HK$10,923.2 million (2013: approximately HK$9,087.1 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.62 times as at 31 December 2014, as compared to that of approximately 0.62 times as at 31 December 2013.

The cash and cash equivalents as at 31 December 2014 was approximately HK$1,418.0 million (2013: approximately HK$494.5 million). The increase was mainly attributable to equity placements and new borrowings during the year ended 31 December 2014.

As at 31 December 2014, the gearing ratio of the Group, expressed as a percentage of borrowings and long-term debts (including obligation under finance lease, convertible notes and promissory notes) over total equity, was approximately 100.3% (2013: approximately 68.4%). The increase in gearing ratio was mainly due to increase in borrowings somewhat offset by increase in equity.

In November 2013, the Group raised net proceeds of approximately HK$432.1 million from an open offer. As at 31 December 2014, the net proceeds have been fully paid out as intended for (i) future development and expansion of approximately HK$368.6 million and (ii) general working capital of approximately HK$63.5 million.

In January 2014, the Group entered into a HK$600 million Term Loan Facility Agreement (the "2014 Term Loan Facility") with financial institutions arranged by Haitong International Finance Company Limited. The loans under this facility had an original term of 24 months from their drawdown, which may be extended by an additional 12 months. The loans under this facility were also guaranteed by and secured by a pledge of equity interests in certain of the Group's subsidiaries. In addition, the facility included specific performance obligations on Mr. King Pak Fu ("Mr. King"), the Group's controlling shareholder and Chairman of the Board, as well as a personal guarantee by Mr. King. During 2014, the Group drew down approximately HK$287.3 million. On 4 December 2014, this facility was repaid in full, terminated and cancelled. Accordingly all of the relevant guarantees and securities had been released.

In December 2014, Haitong International Securities Company Limited (an affiliate of Haitong International Finance Company Limited), as the Group's global coordinator and sole bookrunner, issued and listed on the The Stock Exchange of Hong Kong Limited ("the Stock Exchange") 2-year senior unsecured bonds in the aggregate principal amount of RMB500 million. A portion of the proceeds from the senior bonds was used to repay in full the loans outstanding under the 2014 Term Loan Facility. The senior bonds bear interest at a rate of 11.5% per annum, payable semi-annually in arrears. The senior bonds are guaranteed by certain of the Group's subsidiaries and impose certain covenants on the Group, including maintenance of certain financial ratios and a net tangible worth.

Management Discussion and Analysis

During 2014, certain of the Group's PRC subsidiaries also entered into financing agreements including guarantees or security agreements with various PRC banks and financial institutions, which impose certain covenants and these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. These loans have original terms ranging from 12 months to 36 months. As of 31 December 2014, the Group's PRC subsidiaries have total external borrowings of approximately HK$5,853.7 million of which approximately HK$5,750.0 million are secured by land-use rights, properties and personal guarantee provided by Mr. King.

The principal amounts outstanding under these loans generally bear interest at fixed rates calculated by reference to the relevant bank's benchmark interest rate for such loans. Interest payments are payable on either monthly or quarterly basis and must be made on each payment date as provided in the particular loan agreement. As of 31 December 2014, the weighted average interest rate on the aggregate outstanding amount of the Group's loans is 12.37% per annum.

On 26 November 2014, the Company allotted and issued 220 million ordinary shares of HK$0.2 each by way of placing at a placing price of HK$1.13 per share to CTBC Life Insurance Co., Ltd ("CTBC Life Insurance"). The placing provides an opportunity to raise capital for the Company whilst broadening the shareholder base and the capital base of the Company. The gross and net proceeds from the placing were approximately HK$248.6 million and HK$247.7 million (net of expenses) respectively. The net price per share was approximately HK$1.126. As at 31 December 2014, (i) approximately HK$156 million were used in future development and expansion; (ii) approximately HK$53 million were used in working capital; and (iii) the remainder was deposited at bank.

On 9 December 2014, the Company allotted and issued 645 million ordinary shares of HK$0.2 each by way of placing at a placing price of HK$1.15 per share to Ping An Life Insurance Company of China, Ltd ("Ping An Life Insurance"). The placing provides an opportunity to raise capital for the Company whilst broadening the shareholder base and the capital base of the Company. The gross and net proceeds from the placing were approximately HK$741.8 million and HK$726.8 million (net of expenses) respectively. The net price per share was approximately HK$1.127. As at 31 December 2014, the net proceeds were deposited at bank.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of each individual group entity i.e. Renminbi and Hong Kong dollar. As at 31 December 2014, except for the borrowings of RMB500 million by the Company are denominated in Renminbi, other borrowings or share placements denominated in the functional currency of each individual group entity. Accordingly, the Directors consider that the currency risk is low to moderate. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2014, the Group's certain land-use rights, properties and bank deposits of approximately HK$13,371.6 million (2013: approximately HK$12,971.5 million) were pledged to banks and other financial institutions to secure certain loan facilities granted to the Group.

Management Discussion and Analysis

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had 284 employees (31 December 2013: 268 employees). The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the year ended 31 December 2014, the total staff costs of the Group were approximately HK$86.7 million (2013: approximately HK$52.4 million), representing an increase of approximately 65.3% over the corresponding year of 2013. The increase in staff cost was mainly due to the share option granted during the year 2014.

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**55,832**	50,285
Employee share-based compensation	**27,487**	–
Contributions to retirement benefit schemes	**3,371**	2,146
Total employee benefits expense	**86,690**	52,431

DIVIDEND

The Board resolved not to recommend any dividend for the year ended 31 December 2014 (2013: Nil).

PROSPECTS

The Directors believe that we are the PRC's only publicly listed developer of large-scale integrated tourism, hospitality and retail projects that combine theme parks, hotels, outlet shopping for international premium brands, dining, conference and exhibition centres, leisure, entertainment and recreational facilities. We aim to promote the concept of themed experiential leisure and travel by providing customers with a one-stop experience encompassing different distinctive themes to capture the opportunities brought about by the increasing affluence and formidable spending power of the PRC population and the rapidly growing tourism market in the PRC and overseas.

Tourism and leisure consumption have become one of the pillar industries that are driving structural transformation of the PRC economy and are receiving strong support from the PRC Government in terms of policies and infrastructure development. In recent years, the tourism industry in the PRC has experienced robust growth and shows potential for further development. According to China National Bureau of Statistics, the total number of domestic tourist visits reached over 3.61 billion in 2014, growing at a compound annual growth rate (CAGR) of 13.7% from 2009 to 2014. Total domestic tourism revenue grew at an even faster pace, reaching over RMB3.0 trillion in 2014, representing a CAGR of 24.4% from 2009 to 2014. We believe we are well positioned to capitalise on the PRC's burgeoning middle-class with increasing disposable incomes and greater willingness to spend time and money on leisure activities, both in the growing domestic tourism market in the PRC and selected overseas destinations.

Management Discussion and Analysis

Our flagship project, Rio Carnival (Qingdao), which is currently under development and soon to open, is located in the Phoenix Island Tourist Resort Zone in Huangdao District, Qingdao city, Shandong province in the PRC and occupies an aggregate site area of approximately 348,900 sq.m. with a total GFA of approximately 800,000 sq.m. The Directors believe that Rio Carnival (Qingdao) will be the first large-scale integrated commercial, residential and tourism complex of its kind in the PRC. It will include indoor and outdoor underwater ocean exploration theme parks, an upscale family-oriented hotel and a luxury hotel, an international premium brand outlet shopping mall, themed-street restaurant dining, a conference centre, a performance square for performances, concerts, sports matches and parades, and an entertainment complex featuring a large screen multiplex cinema, a karaoke establishment, electronic games parlour, medical beauty, Lego school, career experience center for children and an indoor skating rink. It is the Group's aim for Rio Carnival (Qingdao) to become one of the PRC's premier tourist destinations. The project commenced development in 2010 and is currently expected to commence operations by mid-2015. As part of the business model, the Group also develop and sell high-end coastal residential properties adjacent to the theme park, outlet malls and hotels in Rio Carnival (Qingdao). The Group is continually exploring opportunities for further development of its current projects, as well as searching for potential new and existing integrated tourism, hospitality and retail investment and development projects in the PRC and selected overseas destinations, either as sole developer or joint developer with strategic partners.

The Group entered into an arrangement with Qingdao Xin Chong Hai Trading Limited in December 2014 pursuant to which the Group will acquire 75% equity interest in a company which owns a parcel of land along the seashore at Laoshan District, Qingdao, Shangdong province, PRC, with a total site area of approximately 44,000 sq.m.. The Group already paid the deposit of approximately RMB420 million out of the total RMB450 million consideration with the remainder to be paid at closing. The Group plans to develop it into a commercial complex, which comprises shopping malls, luxury hotels, high-end residential buildings and other leisure facilities.

In July 2014, the Group entered into a non-legally binding letter of intent with the E United Group to explore jointly developing and investing in the business of integrated theme park, hotel and shopping mall facilities in Taiwan and the PRC in various forms, such as equity participation, joint ventures and cooperation. If the transactions contemplated under the revised letter of intent in January 2015 materialise, the Group will acquire (i) 81% of the equity interest in E-Da Development Corp. which currently owns all titles and operating rights of E-Da Theme Park and E-Da Outlet Mall, (ii) 40% of the equity interest, including the operating rights, in E-Da Skylark International Hotel Co., Limited which currently owns all titles and operating rights of E-Da Skylark Hotel Phase I and all development rights of E-Da Skylark Hotel Phase II and (iii) 19% of the equity interest in E-Da Royal Hotel Co., Limited which currently owns all titles and operating rights of E-Da Royal Hotel, all of which are located in E-Da World in Kaohsiung, Southern Taiwan, a popular tourist attraction for locals and visitors alike. According to the E United Group, E-Da World, attracted around 10 million visitors in 2013 and 2014. The Group believes there is tremendous potential for this project to capture the rapidly increasing number of PRC visitors to Taiwan and their considerable purchasing power.

In September 2014, the Group entered into a non-legally binding memorandum of understanding with Malaysia's Berjaya Leisure and Berjaya Times Square for the proposed acquisition of a 70% equity interest in Berjaya China, a company that is principally involved in the development and construction of a mega-sized integrated commercial development project within the Yanjiao National High-Tech Industrial Development Area in Sanhe city, Hebei province, which is located approximately 30 kilometers from central Beijing. The project has a total site area of approximately 306,000 sq.m. and a total GFA of approximately 1.2 million sq.m. (and an additional GFA of approximately 0.53 million sq.m. pending approval). If the proposed acquisition materialises with its strategic location close to the large population in Beijing, Tianjin and the rest of the key cities in Hebei province, the Group believes that the project will provide a platform to capture further tourism and consumption opportunities in northern China.

On 17 November 2014, CTBC Life Insurance, one of the major subsidiaries of CTBC Financial Holding Co., Ltd. ("CTBC Holding"), became the Group's strategic shareholder with approximately 1.68% of issued share capital and approximately HK$249 million investment.

Management Discussion and Analysis

CTBC Holding is a leading Asian financial institution group with global footprint in a diversity of businesses including banking, insurance, securities, asset management and investment. As an experienced and far-sighted global investor, CTBC Holding's equity investment in the Group via CTBC Life Insurance demonstrates that (1) its confidence in the Group's timely transformation from a real estate developer to a developer of large-scale integrated tourism, hospitality and retail projects in the PRC and other parts of Asia with experiential consumption themes such as theme park, international premium brand outlet mall, hotel, dining, leisure and entertainment facilities and (2) its recognition that a partnership with the Group offers the best way to capture the enormous opportunities brought about by the increasing affluence and spending power of the PRC population and the rapidly growing tourism market in the PRC and overseas, after evaluating the Group's business model, strategic development plans and project pipeline.

The Directors see CTBC Holding as an invaluable partner in the Group's expansion in the experiential consumption and tourism sector whereby the Group can leverage on CTBC Holding's global footprint, financial resources and investment expertise in Taiwan, the PRC and other geographical locations to enhance its strategic development plan with high growth potential.

Furthermore in November 2014, Ping An Life Insurance, which is part of the group headed by Ping An Insurance (Group) Company of China, Ltd. ("Ping An Group"), became the Group's second largest shareholder with approximately 4.68% of the issued share capital and approximately HK$742 million investment. The Directors consider Ping An Life Insurance as another important partner in the Group's expansion and development strategy, and believe that the Group will be able to leverage on Ping An Group's vast network and customer base, financial resources and investment expertise to support the Group's experiential consumption and lifestyle business model in the PRC.

The Directors are pleased to expand the Group's shareholder base through these two share placements to include long-term, institutional investors who are genuinely confident in the sustainable growth of the experiential consumption, life style and tourism sectors in the PRC and overseas. The proceeds from the share placements combined with CTBC Life Insurance and Ping An Life Insurance as the Group's strategic shareholders will further strengthen the Group's financial resources to execute its experiential consumption and tourism business model and strategic development plan, which are expected to create tremendous value for the Group's shareholders over the long term.

Furthermore, the Group has successfully tapped the capital markets and expanded its funding sources not only from bank loans by issuing its debut RMB500 million dim sum bonds in December 2014, debut HK$200 million bonds in January 2015 and another HK$200 million bonds in February and March 2015, respectively. The Directors plan to continue to reduce the Group's funding costs in 2015 by reducing and/or refinancing higher interest rate bank loans with lower interest rate bonds and/or bank loans.

The Group's senior management and operational team, comprising an international mix of seasoned professionals from the PRC, Hong Kong, Taiwan, Malaysia, the United States, the United Kingdom and Australia, has extensive experience in management and operations in their relevant fields spanning a number of industry sectors, including project development and management, operations, finance, banking and retail. The Directors believe that the Group can leverage on the experience of such a management composition to further develop and grow its business in a most effective manner.

In summary, the Directors believe that the Group is well positioned to capitalise on the growing tourism market and consumption trends, both domestically (i.e. Qingdao), and in selected overseas destinations (i.e. Taiwan), because the Group has a capable and experienced management and operation team, supportive partners and strengthened financial resources to execute its experiential consumption, life style and tourism business model and strategic development plan.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2014, the Company was in compliance with all code provisions set out in the CG Code except for the deviations from code provisions A.4.1, A.6.7, D.1.4 and E.1.2, which are explained below.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. Mr. Chan Wai Yip Freeman ("Mr. Freeman Chan") and Ms. Leung Po Ying Iris ("Ms. Leung"), former independent non-executive Directors resigned on 10 December 2014, were not appointed for a specific term, but they were subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company ("Bye-Laws").

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Hu Gin Ing, an independent non-executive Director, and Ms. Leung did not attend the annual general meeting of the Company held on 20 May 2014 ("2014 AGM"), due to their engagement in their own official business.

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

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. King Pak Fu, the Chairman of the Board, did not attend the 2014 AGM due to his prior engagement.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2014.

DIRECTORS' SECURITIES TRANSACTIONS

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

Corporate Governance Report

BOARD OF DIRECTORS

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

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

Executive Directors
King Pak Fu *(Chairman)*
Leung Wing Cheong Eric *(Chief Executive Officer)*
Gong Xiao Cheng

Independent Non-executive Directors
Chan Wai Cheung Admiral
Lie Chi Wing
Hu Gin Ing

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

Directors' Training

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

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2014 to the Company.

Corporate Governance Report

The individual training record of each Director received for the year ended 31 December 2014 is summarized below:

Name of Directors		**Attending or participating in seminars/ reading materials relevant to the director's duties**
Executive Directors		
Mr. King Pak Fu *(Chairman)*		✓
Mr. Leung Wing Cheong Eric *(Chief Executive Officer)*	(appointed as executive Director on 26 May 2014 and Chief Executive Officer on 1 July 2014)	✓
Mr. Gong Xiao Cheng		✓
Independent Non-executive Directors		
Mr. Chan Wai Cheung Admiral	(appointed on 10 December 2014)	✓
Mr. Lie Chi Wing	(appointed on 5 February 2015)	N/A
Ms. Hu Gin Ing		✓

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and the chief executive officer should be segregated.

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. King Pak Fu is the Chairman of the Board and Mr. Leung Wing Cheong, Eric is the Chief Executive Officer of the Company. Mr. King is in charge of the management of the Board and strategic planning of the Group. Mr. Leung is responsible for the day-to-day management of the Group's business. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Corporate Governance Report

Non-executive Directors

The independent non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the Bye-Laws.

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

Board Diversity Policy

The Board adopted a Board Diversity Policy on 23 August 2013 (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will discuss and review the measurable objectives for implementing the Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Meetings

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

During the year ended 31 December 2014, the Board held 12 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Corporate Governance Report

Name of Directors	**Number of attendance**
Executive Directors	
Mr. King Pak Fu *(Chairman)*	9/12
Mr. Wang Xiong *(former Vice Chairman)* (Note 1)	7/7
Mr. Leung Wing Cheong Eric *(Chief Executive Officer)* (Note 2)	8/8
Mr. Gong Xiao Cheng	10/12
Mr. Hon Ming Sang (Note 3)	1/1
Independent Non-executive Directors	
Mr. Chan Wai Cheung Admiral (Note 4)	1/1
Mr. Lie Chi Wing (Note 5)	N/A
Ms. Hu Gin Ing	8/12
Ms. Pan Wei-Kang (Note 6)	1/1
Mr. Chan Wai Yip Freeman (Note 7)	10/11
Ms. Leung Po Ying Iris (Note 7)	10/11

Notes:

1. Mr. Wang Xiong resigned as an executive Director and the Vice Chairman of the Company on 24 October 2014, 7 Board meetings were held before his resignation.

2. Mr. Leung Wing Cheong Eric was appointed as an executive Director on 26 May 2014, 8 Board meetings were held after his appointment.

3. Mr. Hon Ming Sang resigned as an executive Director on 16 January 2014, 1 Board meeting was held before his resignation.

4. Mr. Chan Wai Cheung Admiral was appointed as an independent non-executive Director on 10 December 2014, 1 Board meeting was held after his appointment.

5. Mr. Lie Chi Wing was appointed as an independent non-executive Director on 5 February 2015.

6. Ms. Pan Wei-Kang was appointed as an independent non-executive Director on 10 December 2014 and resigned on 5 February 2015, 1 Board meeting was held during her tenure of office in the Company in year 2014.

7. Mr. Chan Wai Yip Freeman and Ms. Leung Po Ying Iris resigned as independent non-executive Directors on 10 December 2014, 11 Board meetings were held before their resignation.

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

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

Corporate Governance Report

General Meetings

During the year ended 31 December 2014, 1 general meeting, being 2014 AGM, was held on 20 May 2014.

Name of Directors	Number of attendance
Executive Directors	
Mr. King Pak Fu *(Chairman)*	0/1
Mr. Wang Xiong *(former Vice Chairman)* (Note 1)	1/1
Mr. Leung Wing Cheong Eric *(Chief Executive Officer)* (Note 2)	N/A
Mr. Gong Xiao Cheng	1/1
Mr. Hon Ming Sang (Note 3)	N/A
Independent Non-executive Directors	
Mr. Chan Wai Cheung Admiral (Note 4)	N/A
Mr. Lie Chi Wing (Note 5)	N/A
Ms. Hu Gin Ing	0/1
Ms. Pan Wei-Kang (Note 6)	N/A
Mr. Chan Wai Yip Freeman (Note 7)	1/1
Ms. Leung Po Ying Iris (Note 7)	0/1

Notes:

1. Mr. Wang Xiong resigned as an executive Director and the Vice Chairman of the Company on 24 October 2014, 1 general meeting was held before his resignation.

2. Mr. Leung Wing Cheong Eric was appointed as an executive Director on 26 May 2014, no general meeting was held after his appointment.

3. Mr. Hon Ming Sang resigned as an executive Director on 16 January 2014, no general meeting was held before his resignation.

4. Mr. Chan Wai Cheung Admiral was appointed as an independent non-executive Director on 10 December 2014, no general meeting was held after his appointment.

5. Mr. Lie Chi Wing was appointed as an independent non-executive Director on 5 February 2015.

6. Ms. Pan Wei-Kang was appointed as an independent non-executive Director on 10 December 2014 and resigned on 5 February 2015, no general meeting was held during her tenure of office in the Company in year 2014.

7. Mr. Chan Wai Yip Freeman and Ms. Leung Po Ying Iris resigned as independent non-executive Directors on 10 December 2014, 1 general meeting was held before their resignation.

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

NOMINATION COMMITTEE

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

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

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

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

During the year ended 31 December 2014, the Nomination Committee held 1 meeting to assess the independence of the independent non-executive Directors; to consider the re-election of Directors; and to review the structure, size and diversity of the Board.

Name of Members	Number of attendance
Mr. Chan Wai Cheung Admiral *(chairman)* (Note 1)	N/A
Mr. Chan Wai Yip Freeman *(former chairman)* (Note 2)	1/1
Mr. Hon Ming Sang (Note 3)	N/A
Ms. Hu Gin Ing	1/1
Mr. Gong Xiao Cheng (Note 4)	1/1

Notes:

1. Mr. Chan Wai Cheung Admiral was appointed as the chairman on 10 December 2014, no meeting was held after his appointment.

2. Mr. Chan Wai Yip Freeman ceased to be the chairman on 10 December 2014, 1 meeting was held before his cessation.

3. Mr. Hon Ming Sang ceased to be a member on 16 January 2014, no meeting was held before his cessation.

4. Mr. Gong Xiao Cheng was appointed as a member on 16 January 2014, 1 meeting was held after his appointment.

Apart from the meeting held for the above, the Nomination Committee by passing of written resolutions made recommendation to the Board on the appointment of Directors and Chief Executive Officer.

Corporate Governance Report

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

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

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

During the year ended 31 December 2014, the Remuneration Committee held 1 meeting to review the remuneration packages of the Directors.

Name of Members	Number of attendance
Mr. Chan Wai Cheung Admiral *(chairman)* (Note 1)	N/A
Mr. Chan Wai Yip Freeman *(former chairman)* (Note 2)	1/1
Ms. Leung Po Ying Iris (Note 3)	1/1
Ms. Pan Wei-Kang (Note 4)	N/A
Mr. Lie Chi Wing (Note 5)	N/A
Ms. Hu Gin Ing	1/1

Notes:

1. Mr. Chan Wai Cheung Admiral was appointed as the chairman on 10 December 2014, no meeting was held after his appointment.

2. Mr. Chan Wai Yip Freeman ceased to be the chairman on 10 December 2014, 1 meeting was held before his cessation.

3. Ms. Leung Po Ying Iris ceased to be a member on 10 December 2014, 1 meeting was held before her cessation.

4. Ms. Pan Wei-Kang was appointed as a member on 10 December 2014 and ceased as a member on 5 February 2015, no meeting was held during her tenure of office in year 2014.

5. Mr. Lie Chi Wing was appointed as a member on 5 February 2015.

Apart from the meeting held for the above, the Remuneration Committee also by way of written resolutions made recommendation to the Board on the proposed remuneration of new Directors and the proposed grant of share options to Director.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 11 to the consolidated financial statements.

Corporate Governance Report

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 9 November 1999 and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

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

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

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

During the year ended 31 December 2014, the Audit Committee held 2 meetings.

Name of Members	**Number of attendance**
Mr. Chan Wai Cheung Admiral *(chairman)* (Note 1)	N/A
Mr. Chan Wai Yip Freeman *(former chairman)* (Note 2)	2/2
Ms. Leung Po Ying Iris (Note 3)	2/2
Ms. Pan Wei-Kang (Note 4)	N/A
Mr. Lie Chi Wing (Note 5)	N/A
Ms. Hu Gin Ing	2/2

Notes:

1. Mr. Chan Wai Cheung Admiral was appointed as the chairman on 10 December 2014, no meeting was held after his appointment.

2. Mr. Chan Wai Yip Freeman ceased to be the chairman on 10 December 2014, 2 meetings were held before his cessation.

3. Ms. Leung Po Ying Iris ceased to be a member on 10 December 2014, 2 meetings were held before her cessation.

4. Ms. Pan Wei-Kang was appointed as a member on 10 December 2014 and ceased as a member on 5 February 2015, no meeting was held during her tenure of office in year 2014.

5. Mr. Lie Chi Wing was appointed as a member on 5 February 2015.

Corporate Governance Report

During the year ended 31 December 2014, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

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

The accounts for the year ended 31 December 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2015 AGM"). The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the 2015 AGM.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2014, the Board held 1 meeting to review the training and continuous professional development of Directors and senior management, to review the Company's compliance with the CG Code and to review the Company's disclosure in Corporate Governance Report.

AUDITORS' REMUNERATION

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

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,300
Non-audit service*	350
Total:	1,650

* The non-audit service includes issuance of senior notes and interim review.

Corporate Governance Report

COMPANY SECRETARY

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

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

Mr. Leung Wing Cheong, Eric, an executive Director and the Chief Executive Officer of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

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

Shareholders to convene a special general meeting

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

Putting enquiries by shareholders to the Board

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

Procedures for putting forward proposals by shareholders at shareholders' meeting

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

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

(a) not less than one hundred members.

Corporate Governance Report

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

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

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

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

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2015 AGM will be vote by poll.

INVESTOR RELATIONS

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

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

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2014, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

INTERNAL CONTROL

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

During the year ended 31 December 2014, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2014.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 46 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 36 to 40.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the 2015 AGM to be held on Tuesday, 28 April 2015, the register of members of the Company will be closed from Monday, 27 April 2015 to Tuesday, 28 April 2015, both days inclusive, during the period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 April 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2014 in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements during the year ended 31 December 2014 in the investment properties of the Group are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2014, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately HK$9,404,000 (2013: approximately HK$9,404,000).

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in Note 28 to the consolidated financial statements.

Directors' Report

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 132 of this report.

DIRECTORS

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

Executive Directors

Mr. King Pak Fu (Chairman)	
Mr. Leung Wing Cheong Eric (Chief Executive Officer)	(appointed as executive Director on 26 May 2014 and Chief Executive Officer on 1 July 2014)
Mr. Gong Xiao Cheng	
Mr. Wang Xiong (former Vice Chairman)	(resigned on 24 October 2014)
Mr. Hon Ming Sang	(resigned on 16 January 2014)

Independent Non-executive Directors

Mr. Chan Wai Cheung Admiral	(appointed on 10 December 2014)
Mr. Lie Chi Wing	(appointed on 5 February 2015)
Ms. Hu Gin Ing	
Mr. Chan Wai Yip Freeman	(resigned on 10 December 2014)
Ms. Leung Po Ying Iris	(resigned on 10 December 2014)
Ms. Pan Wei-Kang	(appointed on 10 December 2014 and resigned on 5 February 2015)

Directors' Report

In accordance with Bye-law 111 of the Bye-Laws, Mr. King Pak Fu and Mr. Gong Xiao Cheng shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2015 AGM.

In accordance with Bye-law 115 of the Bye-Laws, Mr. Leung Wing Cheong Eric, Mr. Chan Wai Cheung Admiral and Mr. Lie Chi Wing, being Directors appointed after the 2014 annual general meeting of the Company, shall be subject to re-election at the AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

Name of Directors	Capacity	Long position/ Short position	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
Mr. King Pak Fu ("Mr. King")	Interest of controlled corporations	Long position	9,643,751,603	743,494,423	10,387,246,026	75.38	1
Mr. Leung Wing Cheong Eric ("Mr. Leung")	Beneficial owner	Long position	–	129,138,840	129,138,840	0.94	2

Notes:

1. (i) 6,125,279,787 ordinary shares and 743,494,423 derivative shares are held through Better Joint Venture Limited ("Better Joint"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King; (ii) 1,486,988,846 ordinary shares are held through Glory Merit International Holdings Limited ("Glory Merit"), a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 99% by Mr. King; and (iii) 2,031,482,970 ordinary shares are held through Elite Mile Investments Limited ("Elite Mile"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King.

2. These 129,138,840 shares are derived from the interest in 129,138,840 share options granted by the Company to Mr. Leung exercisable into 129,138,840 ordinary shares of the Company.

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests of the Directors and the chief executives of the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name of Shareholders	Capacity	Long position/ Short position	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
Better Joint	Beneficial owner	Long position	6,125,279,787	743,494,423	6,868,774,210	49.85	1
Glory Merit	Beneficial owner	Long position	1,486,988,846	—	1,486,988,846	10.79	2
Elite Mile	Beneficial owner	Long position	2,031,482,970	—	2,031,482,970	14.74	3

Notes:

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

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

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2014.

Directors' Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 43 to the consolidated financial statements also constituted connected transactions for the Company under Chapter 14A of the Listing Rules, which are set out below:

(1) On 14 January 2014, Cheertex Investment Limited ("Cheertex"), an indirect wholly-owned subsidiary of the Company, 北京中興鴻基科技有限公司 (Beijing Zhongxing Hongji Technology Company Limited) ("Zhongxing"), and Able Bright Asia Investment Limited entered into an equity transfer agreement, pursuant to which, Cheertex agreed to acquire and Zhongxing agreed to sell 4% equity interest in 海上嘉年華（青島）置業有限公司 (Sea Carnival (Qingdao) Advanced Property Development Co., Ltd.), a company owned as to 60% by Cheertex, 32% by Mr. King (an executive Director and the controlling shareholder of the Company) and his associates and 8% by Zhongxing, for the consideration of HK$140,000,000. The acquisition was completed on 3 November 2014.

The acquisition was subject to the reporting and announcement requirements, but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) On 27 January 2014, Leading Express Holdings Group Limited ("Leading Express"), a direct wholly-owned subsidiary of the Company, Mr. King, Beijing BSD Real Estate Company Limited ("Beijing BSD"), a company beneficially owned by Mr. King, and Netspac Investments Limited (the "Target Company") entered into a shares subscription agreement ("Share Subscription Agreement"), pursuant to which (a) Leading Express agreed to subscribe for 10 ordinary shares of the Target Company at US$1 (equivalent to HK$7.8) each (the "Subscription"); (b) Beijing BSD agreed to convert 50,000 then existing ordinary shares of the Target Company into 50,000 non-voting deferred shares (the "Deferred Share Conversion"); and (c) Beijing BSD agreed to assign the unsecured and interest-free loan in the principal amount of HK$16,000,000 in favour of Leading Express (the "Loan Assignment").

The aggregate consideration was HK$100,000,000, comprising (a) HK$78 for the Subscription; and (b) HK$99,999,922 for the Deferred Share Conversion and the Loan Assignment.

The transactions (the "Transactions") contemplated under the Share Subscription Agreement was completed on 30 January 2014. Upon completion, the Company through Leading Express holds the entire issued ordinary shares in the Target Company.

The Transactions were subject to the reporting and announcement requirements, but were exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save for the aforesaid, the Group did not have any other connected transaction (as defined in the Listing Rules), for the year ended 31 December 2014.

Directors' Report

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2014 are set out in Note 46 to the consolidated financial statements.

BORROWINGS

Particulars of loans of the Group as at 31 December 2014 are set out in Note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 34.8% in value of total purchases during the year ended 31 December 2014, while contracts with the Group's largest supplier by value, accounted for 21.3% in value of total purchases during the year ended 31 December 2014. Contracts with the Group's five largest customers aggregated accounted for less than 30% of the Group's sales during the year ended 31 December 2014.

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

EMOLUMENT POLICY

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

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2014 are set out in Note 11 to the consolidated financial statements.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company established an Audit Committee on 9 November 1999 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2014.

Directors' Report

AUDITORS

The accounts for the years ended 31 December 2012, 2013 and 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the 2015 AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the 2015 AGM.

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

Hong Kong, 13 March 2015

Independent Auditors' Report

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

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

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

We have audited the consolidated financial statements of Carnival Group International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 130, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

Independent Auditors' Report

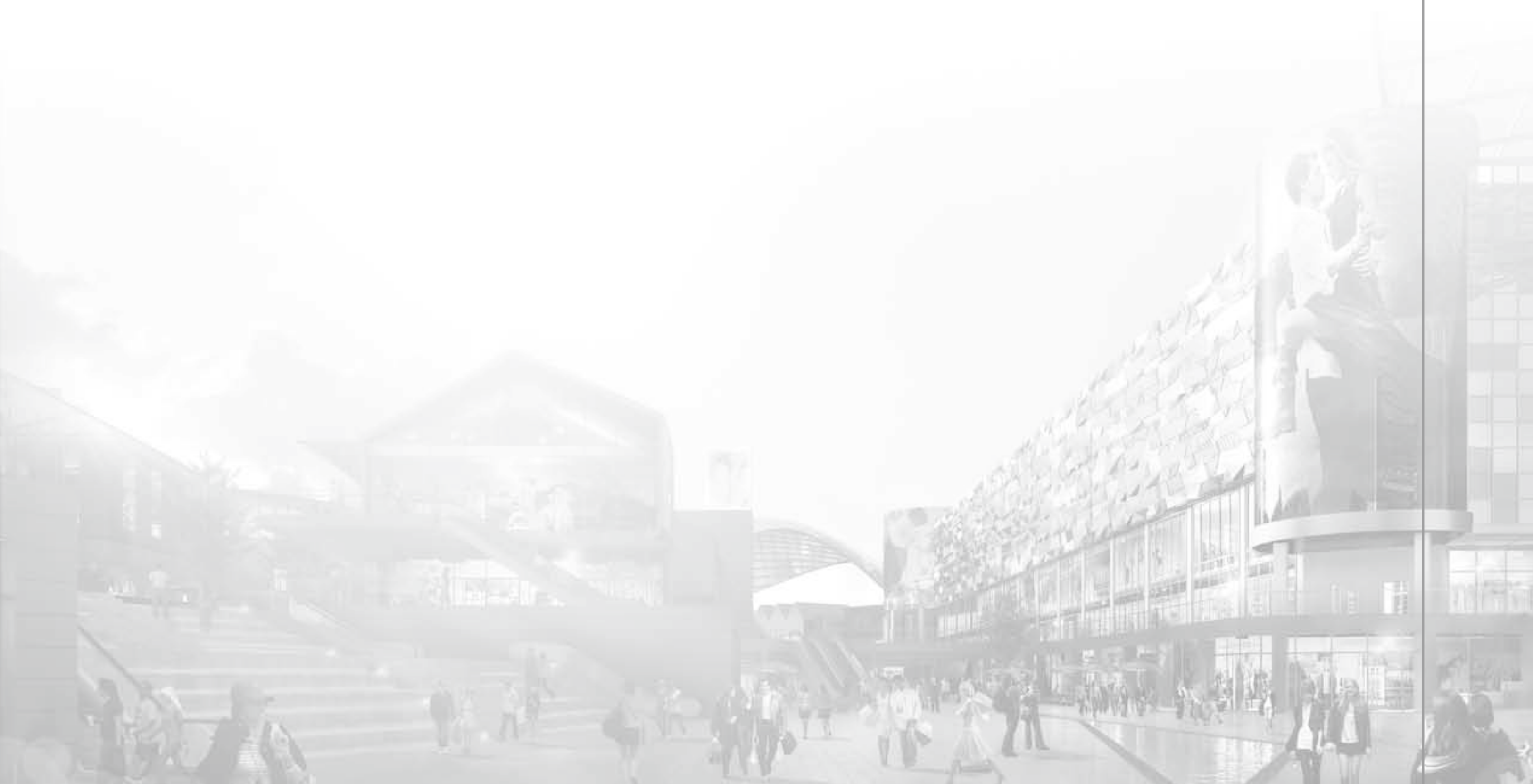
OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 13 March 2015



Consolidated Statement of Profit or Loss and Other Comprehensive Income

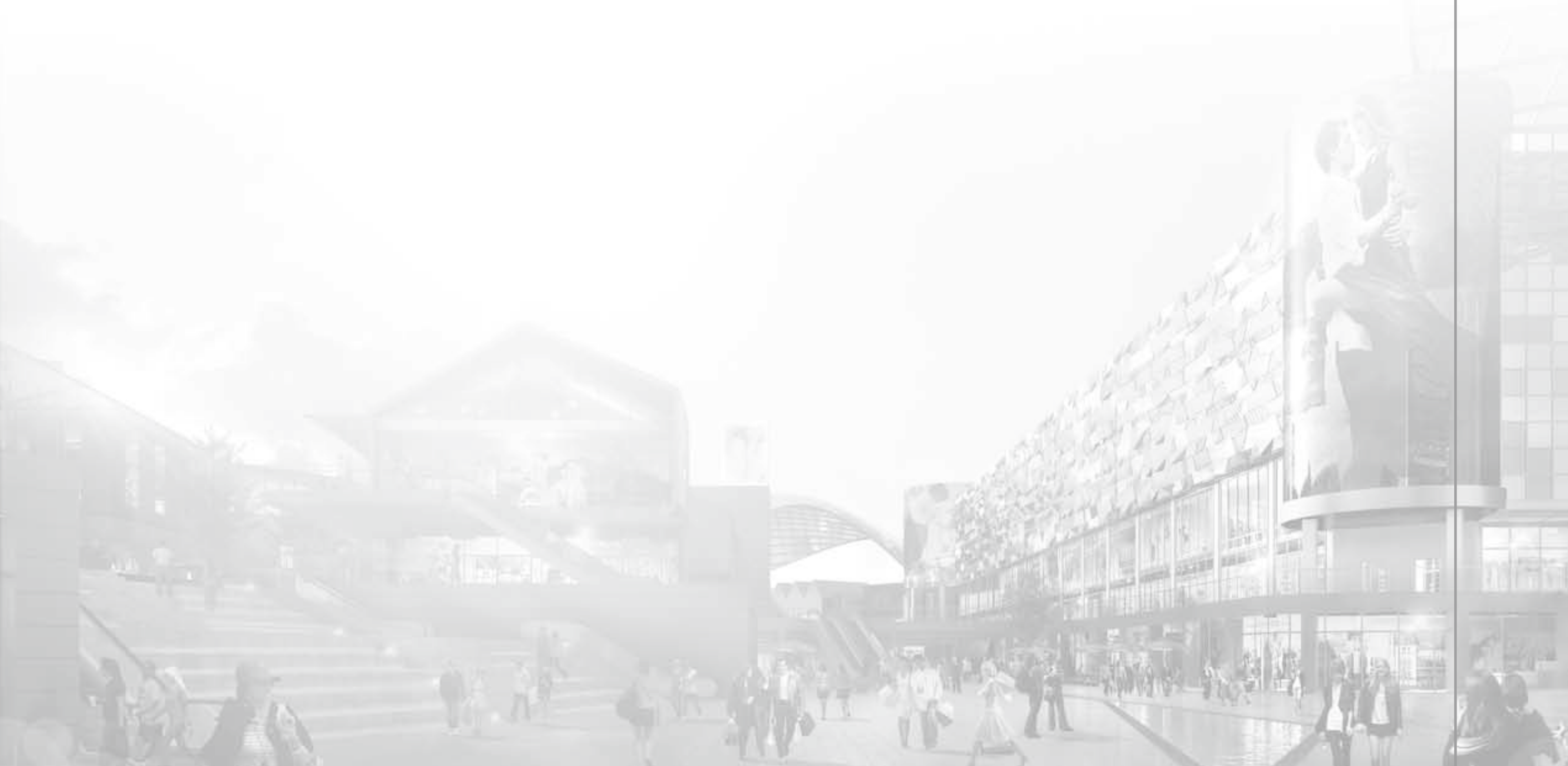
For the year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Revenue	5	**1,412,857**	545,287
Cost of sales		**(1,163,504)**	(1,596,088)
Gross profit/(loss)		**249,353**	(1,050,801)
Other income	7	**18,367**	5,930
Selling and marketing expenses		**(36,968)**	(35,299)
Administrative expenses		**(165,442)**	(186,518)
Impairment loss recognised in respect of property, plant and equipment	17	**–**	(55,908)
Fair value change on investment properties	18	**161,082**	(68,436)
Impairment loss recognised in respect of goodwill	19	**–**	(543,704)
Loss on early redemption on promissory notes	34	**–**	(4,660)
Gain on bargain purchase	35	**4,407**	–
Share of loss of an associate	16	**(5,843)**	–
Finance costs	8	**(85,970)**	(195,294)
Profit/(loss) before tax		**138,986**	(2,134,690)
Income tax (expense)/credit	9	**(21,163)**	323,121
Profit/(loss) for the year		**117,823**	(1,811,569)
Other comprehensive (expense)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Share of exchange differences of an associate	16	**(721)**	–
Exchange differences on translating of foreign operations		**(42,070)**	219,257
Other comprehensive (expense)/income for the year, net of income tax		**(42,791)**	219,257
Total comprehensive income/(expense) for the year		**75,032**	(1,592,312)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**43,018**	(1,485,874)
Non-controlling interests		**74,805**	(325,695)
		117,823	(1,811,569)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**7,698**	(1,341,682)
Non-controlling interests		**67,334**	(250,630)
		75,032	(1,592,312)
Earnings/(loss) per share			
–Basic (HK cents per share)	14	**0.33**	(32.28)
–Diluted (HK cents per share)	14	**0.33**	(32.28)



Consolidated Statement of Financial Position

At 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**4,115,332**	3,766,341
Investment properties	18	**4,203,210**	3,218,770
Interests in an associate	16	**97,843**	–
Goodwill	19	**–**	–
		8,416,385	6,985,111
Current assets			
Properties for sale	21	**4,953,942**	5,994,666
Trade receivables	22	**48,973**	11,072
Prepayments, deposits and other receivables	23	**2,699,627**	1,278,516
Pledge bank deposits	24	**107,418**	–
Bank balances and deposits	24	**1,310,561**	494,542
		9,120,521	7,778,796
Total assets		**17,536,906**	14,763,907
Current liabilities			
Trade payables	25	**1,437,145**	1,502,849
Deposits from sale of properties		**207,067**	1,257,586
Accrued liabilities and other payables	26	**510,800**	537,577
Amounts due to non-controlling interests	27	**429,990**	168,688
Amount due to a related company	27	**66,852**	67,089
Obligation under finance lease	30	**311**	–
Current tax liabilities		**3,215**	–
Borrowings – current portions	31	**2,188,803**	697,527
		4,844,183	4,231,316
Net current assets		**4,276,338**	3,547,480
Total assets less current liabilities		**12,692,723**	10,532,591

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	28	**2,755,777**	2,582,777
Share premium and reserves		**1,835,622**	909,032
Equity attributable to owners of the Company		**4,591,399**	3,491,809
Non-controlling interests		**2,022,304**	2,184,962
Total equity		**6,613,703**	5,676,771
Non-current liabilities			
Borrowings	31	**4,296,671**	2,916,931
Obligation under finance lease	30	**1,003**	–
Deferred tax liabilities	32	**1,633,847**	1,668,506
Convertible notes	33	**147,499**	126,316
Promissory notes	34	**–**	144,067
		6,079,020	4,855,820
		12,692,723	10,532,591

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 March 2015 and were signed on its behalf by:

King Pak Fu
Director

Leung Wing Cheong Eric
Director

Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	15	**2,843,952**	2,843,952
Current assets			
Prepayments and other receivables	23	**15,607**	2,003
Amounts due from subsidiaries	15	**1,607,446**	52,224
Bank balances and deposits	24	**51,928**	239,084
		1,674,981	293,311
Total assets		**4,518,933**	3,137,263
Current liabilities			
Accrued liabilities and other payables	26	**3,479**	2,019
Amounts due to subsidiaries	15	**46,282**	45,073
		49,761	47,092
Net current assets		**1,625,220**	246,219
Total assets less current liabilities		**4,469,172**	3,090,171
Capital and reserves			
Share capital	28	**2,755,777**	2,582,777
Share premium and reserves	29	**925,417**	224,855
Total equity		**3,681,194**	2,807,632
Non-current liabilities			
Borrowings	31	**631,816**	–
Deferred tax liabilities	32	**8,663**	12,156
Convertible notes	33	**147,499**	126,316
Promissory notes	34	**–**	144,067
		787,978	282,539
		4,469,172	3,090,171

King Pak Fu
Director

Leung Wing Cheong Eric
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000 Note (a)	Convertible surplus HK$'000 Note (b)(c)	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	2,582,777	3,209,256	9,404	90,116	–	160,834	(2,560,578)	3,491,809	2,184,962	5,676,771
Ptofit for the year	–	–	–	–	–	–	43,018	43,018	74,805	117,823
Exchange differences on translating of foreign operations	–	–	–	–	–	(35,320)	–	(35,320)	(7,471)	(42,791)
Total comprehensive income for the year	–	–	–	–	–	(35,320)	43,018	7,698	67,334	75,032
Acquisition of non-controlling interests (note 36)	–	–	–	–	–	–	89,992	89,992	(229,992)	(140,000)
Recognition of equity-settled share-based payments	–	–	–	–	27,524	–	–	27,524	–	27,524
Share options lapsed during the year	–	–	–	–	(37)	–	–	(37)	–	(37)
Issue of shares by way of placing	173,000	817,350	–	–	–	–	–	990,350	–	990,350
Transaction costs attributable to issue of shares	–	(15,937)	–	–	–	–	–	(15,937)	–	(15,937)
At 31 December 2014	**2,755,777**	**4,010,669**	**9,404**	**90,116**	**27,487**	**125,514**	**(2,427,568)**	**4,591,399**	**2,022,304**	**6,613,703**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Notes:

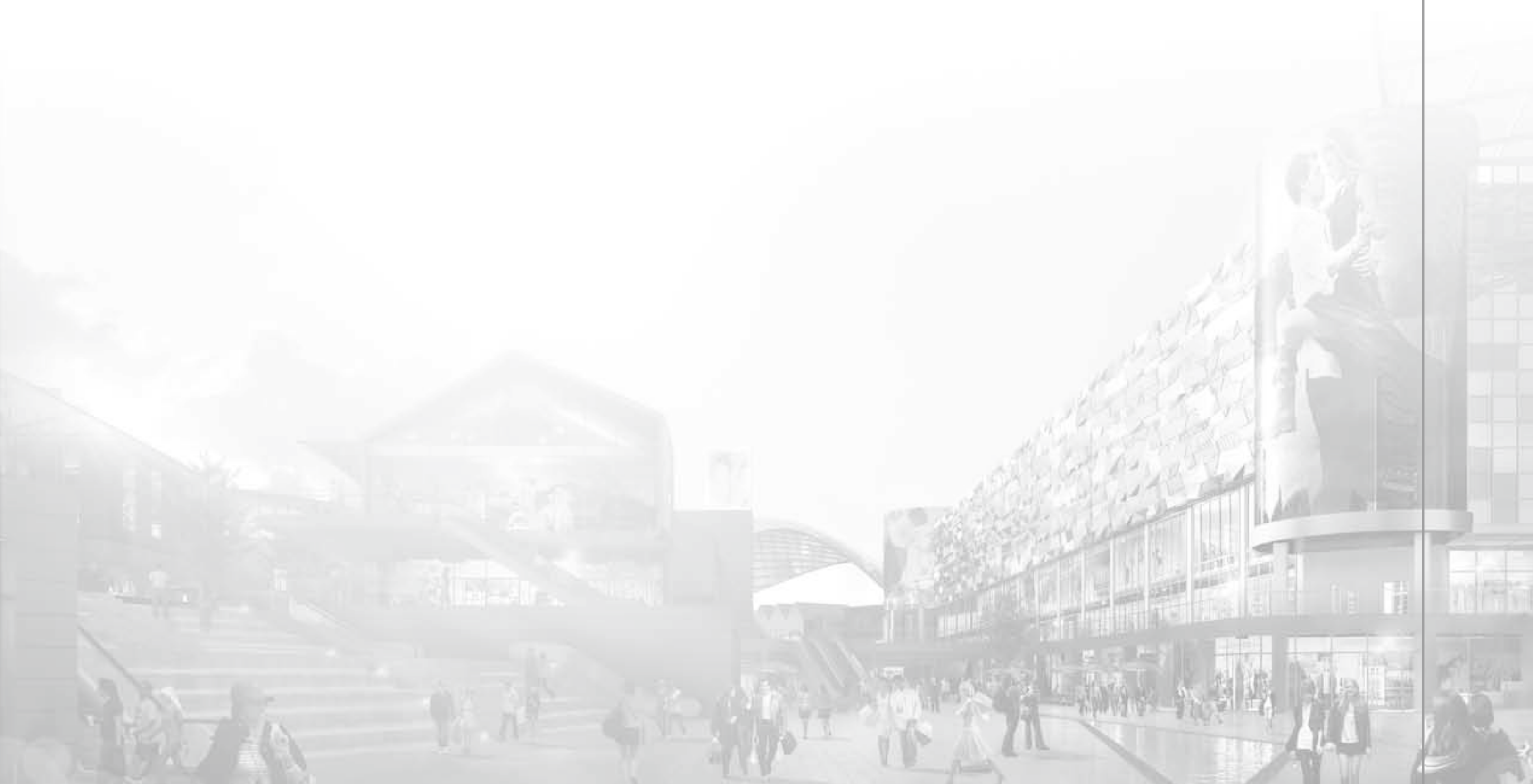
(a) Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

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

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

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

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



Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Operating activities			
Profit/(loss) for the year		**117,823**	(1,811,569)
Adjustments for:			
Depreciation of property, plant and equipment		**3,426**	4,024
Fair value change on investment properties		**(161,082)**	68,436
Finance costs		**85,970**	195,294
Equity-settled share-based payments		**27,487**	–
Gain on bargain purchase		**(4,407)**	–
Income tax		**21,163**	(323,121)
Interest income		**(15,511)**	(4,900)
Impairment loss recognised in respect of goodwill		**–**	543,704
Impairment loss recognised in respect of property, plant and equipment		**–**	55,908
(Gain)/loss on disposal of property, plant and equipment		**(1,607)**	361
Loss on early redemption of promissory notes		**–**	4,660
Recognition in non-cash item of cost of sales		**147,604**	253,709
Share of loss of an associate		**5,843**	–
Write-down on properties for sale		**–**	856,104
Operating cash flows before movements in working capital		**226,709**	(157,390)
Movements in working capital:			
Held for trading investments		**–**	54,788
Properties for sale		**1,147,719**	(1,282,371)
Trade receivables		**(37,897)**	(11,072)
Prepayments, deposits and other receivables		**(1,471,128)**	(474,540)
Trade payables		**(60,317)**	1,346,361
Deposits from sale of properties		**(1,044,881)**	(307,683)
Accrued liabilities and other payables		**(15,171)**	(28,039)
Cash used in operations		**(1,254,966)**	(859,946)
Taxes paid		**–**	(959)
Net cash used in operating activities		**(1,254,966)**	(860,905)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Investing activities			
Interest received		**15,511**	4,900
Additions to property, plant and equipment		**(195,420)**	(416,148)
Additions to investment properties		**(666,822)**	(336,024)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	**(100,000)**	–
Acquisition of non-controlling interests of a subsidiary	36	**(140,000)**	–
Pledged bank deposits		**(107,418)**	–
Proceeds from disposal of property, plant and equipment		**2,210**	
Net cash used in investing activities		**(1,191,939)**	(747,272)
Financing activities			
Advance from a related company		**–**	67,089
Interest paid		**(662,208)**	(365,889)
New bank and other borrowings		**7,119,700**	2,851,560
Repayment from/(to) non-controlling interests		**261,602**	(11,414)
Repayment of promissory notes		**(163,575)**	(56,911)
Repayment of bank and other borrowings		**(4,238,369)**	(1,259,234)
Repayment of obligation under finance lease		**(152)**	–
Proceeds on issue of ordinary shares		**990,350**	439,612
Share issue expenses		**(15,937)**	(7,550)
Senior bonds issue expenses		**(5,657)**	–
Net cash generated by financing activities		**3,285,754**	1,657,263
Net increase in cash and cash equivalents		**838,849**	49,086
Cash and cash equivalents at the beginning of the year		**494,542**	352,900
Effects of foreign exchange rate changes		**(22,830)**	92,556
Cash and cash equivalents at the end of the year		**1,310,561**	494,542

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

Carnival Group International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business in Hong Kong is situated at Suites 2003 & 2005, 20/F, AIA Central, 1 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in theme based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the People's Republic of China (the "PRC") that comprise of theme parks, hotels, shopping and leisure facilities.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

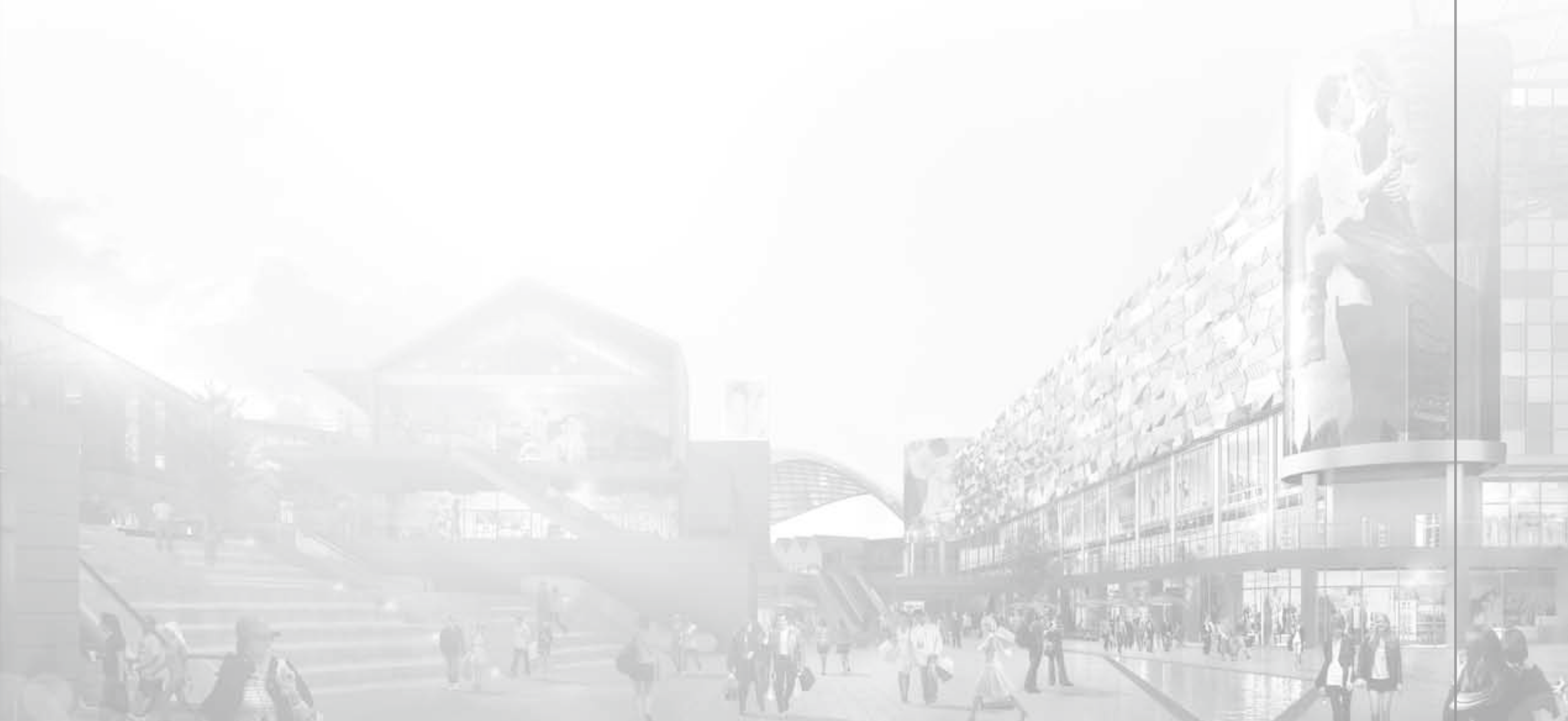
The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities" for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurements".

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments [1]
HKFRS 14	Regulatory Deferral Accounts [2]
HKFRS 15	Revenue from Contracts with Customers [3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [5]
Amendments to HKAS 1	Disclosure Initiative [5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions [4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception [5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle [6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle [4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle [5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Investment in subsidiaries

Investment in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in an associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of an associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in an associate is included in the determination of the gain or loss on disposal of an associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with an associate recognised in the Group's consolidated financial statements only to the extent of interests in an associate that are not related to the Group.

Business combinations

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Sale of properties is recognised as revenue when all of the following criteria are met:

– the significant risk and rewards of ownership of the properties are transferred to buyers;

– neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

– the amount of revenue can be measured reliably;

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

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Property management service income is recognised over the period in which the services are rendered.

Other property related service income is recognised when the services are rendered.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

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

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Costs include leasehold land cost, development cost, borrowing costs and other direct costs attributable to such properties, until the relevant properties reach a marketable state.

Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

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

Current tax

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Senior bonds

Senior bonds issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior bonds is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Senior bonds *(Continued)*

Transaction costs that relate to the issue of the senior bonds are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior bonds using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Convertible notes

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

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

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

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

Other financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

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

Embedded derivatives

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

Financial guarantee contracts

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Contingent liabilities acquired in a business combination

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

Impairment losses on tangible assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets *(Continued)*

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

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Estimated useful lives of property, plant and equipment

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

Deferred taxation on investment properties

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Key sources of estimation uncertainty

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

Valuation of investment properties under construction

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

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

Land Appreciation Tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Key sources of estimation uncertainty (Continued)

Impairment loss of trade and other receivables

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

Construction costs estimation for revenue recognition

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

Income taxes

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

Write-down of properties for sale under development

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Fair value measurements and valuation processes

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

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

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

5. REVENUE

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

	2014 **HK$'000**	2013 HK$'000
Sale of properties	**1,412,692**	535,477
Income from provision of retail-related consultancy and management services	**165**	–
Fair value gains on held for trading investments	**–**	9,697
Dividend income from listed investments	**–**	113
	1,412,857	545,287

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION

The management has determined the operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (the "CODM") that are used to assess performance and allocate resources. The two current reporting segments are (i) property development and investment (including entertainment related properties); and (ii) retail-related consultancy and management services. Following the change of reporting segments from three to two during the year, the comparative segment information have been restated.

Segment revenues and results

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

For the year ended 31 December 2014

	Property development and investment segment HK$'000	Retail-related consultancy and management services segment HK$'000	Total HK$'000
REVENUE			
External sales	1,412,692	165	1,412,857
RESULTS			
Segment results	307,656	(2,545)	305,111
Finance costs			(85,970)
Unallocated income			3,432
Unallocated corporate expenses			(83,587)
Profit before tax			138,986

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2013

	Property development and investment segment HK$'000	Retail-related consultancy and management services segment HK$'000	Total HK$'000
REVENUE			
External sales	535,477	–	535,477
RESULTS			
Segment results	(1,906,145)	(2,338)	(1,908,483)
Finance costs			(195,294)
Unallocated income			11,010
Unallocated corporate expenses			(41,923)
Loss before tax			(2,134,690)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Segment assets

	2014 **HK$'000**	2013 HK$'000
Property development and investment segment	**16,571,615**	14,359,867
Retail-related consultancy and management services segment	**8,421**	682
Total segment assets	**16,580,036**	14,360,549
Unallocated head office and corporate assets	**956,870**	403,358
Consolidated assets	**17,536,906**	14,763,907

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

Segment liabilities

	2014 **HK$'000**	2013 HK$'000
Property development and investment segment	**4,377,606**	3,531,300
Retail-related consultancy and management services segment	**2,713**	370
Total segment liabilities	**4,380,319**	3,531,670
Unallocated head office and corporate liabilities	**6,542,884**	5,555,466
Consolidated liabilities	**10,923,203**	9,087,136

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2014

	Property development and investment segment HK$'000	Retail-related consultancy and management services segment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure *(Note)*	1,195,597	25	4,413	1,200,035
Depreciation of property, plant and equipment	3,475	2	426	3,903
Net foreign exchange difference	(77)	(29)	5,828	5,722
Gain on disposal of property, plant and equipment	1,607	–	–	1,607
Fair value change on investment properties	161,082	–	–	161,082
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest on bank and other deposits	12,109	10	3,392	15,511
Income tax expense/(credit)	24,658	–	(3,495)	21,163

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2013

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

Note: Capital expenditure comprises additions to property, plant and equipment and investment properties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

Geographic information

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

Information about major customers

During the years ended 31 December 2014 and 2013, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

7. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Interest income on bank and other deposits	**15,511**	4,900
Gain on disposal of property, plant and equipment	**1,607**	–
Others	**1,249**	1,030
	18,367	5,930

8. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interest on bank and other borrowings:		
– wholly repayable within five years	**652,515**	365,889
– senior bonds	**5,560**	–
Interest on obligation under finance lease	**25**	–
Effective interest expense on convertible notes	**21,183**	171,250
Effective interest expense on promissory notes	**19,508**	23,235
Total finance costs	**698,791**	560,374
Less: amounts capitalised *(Note)*	**(612,821)**	(365,080)
	85,970	195,294

The weighted average capitalisation rate on funds borrowed generally is 12.14% (2013: 11.02%) per annum.

Note: Certain finance costs had been capitalised to property development projects in the PRC included in construction-in-progress of property, plant and equipment, investment properties and properties under development for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. INCOME TAX EXPENSE/(CREDIT)

	2014 **HK$'000**	2013 HK$'000
Current tax:		
LAT	**49,933**	–
Deferred tax:	**(28,770)**	(323,121)
	21,163	(323,121)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No EIT is paid or payable on the profit for the year arising in PRC since the assessable profit is absorbed by tax losses brought forward.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

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

	2014 **HK$'000**	2013 HK$'000
Profit/(loss) before tax	**138,986**	(2,134,690)
Tax at PRC Enterprise Income Tax rate of 25%	**34,746**	(533,673)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**–**	(43,450)
Tax effect of share of loss of an associate	**1,461**	–
Tax effect of income not taxable for tax purpose	**(19,910)**	(40,132)
Tax effect of expenses not deductible for tax purpose	**59,562**	97,966
Tax effect of temporary differences not recognised	**240**	–
LAT	**49,933**	–
Tax effect of LAT	**(10,787)**	–
Utilisation of tax losses previously not recognised	**(107,004)**	–
Effect of different tax rates of group entities operating in jurisdiction other than PRC	**12,922**	196,168
Income tax expense/(credit) for the year	**21,163**	(323,121)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2014 **HK$'000**	2013 HK$'000
Net foreign exchange difference	**5,722**	294
Auditors' remuneration	**1,300**	1,300
(Gain)/loss on disposal of property, plant and equipment	**(1,607)**	361
Costs of properties for sale included in cost of sales as expenses:		
– cash expenses item	**1,015,900**	486,275
– non-cash expenses item	**147,604**	253,709
Write-down on properties for sale	**–**	856,104
Total cost of sales	**1,163,504**	1,596,088
Rental expenses in respect of rented premises under operating leases	**5,650**	6,296
Employee benefits expense (including directors' emoluments)		
– Salaries and other benefits	**84,330**	88,770
– Contributions to retirement benefits schemes	**3,765**	2,795
– Equity settled share-based payment	**27,487**	–
	115,582	91,565
Less: amounts capitalised *(Note)*	**(28,892)**	(39,134)
Total employee benefits expenses	**86,690**	52,431
Depreciation of property, plant and equipment	**3,903**	4,266
Less: amounts capitalised *(Note)*	**(477)**	(242)
	3,426	4,024

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

For the year ended 31 December 2014	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Equity settled share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. King Pak Fu	–	600	17	–	617
Mr. Wang Xiong *(Note (j))*	–	300	13	–	313
Mr. Gong Xiao Cheng	–	1,500	17	–	1,517
Mr. Hon Ming Sang *(Note (k))*	–	–	–	–	–
Mr. Leung Wing Cheong Eric *(Note (a))*	–	3,200	10	15,567	18,777
Independent non-executive directors					
Mr. Chan Wai Yip Freeman *(Note (d))*	100	–	–	–	100
Ms. Leung Po Ying Iris *(Note (e))*	100	–	–	–	100
Ms. Hu Gin Ing *(Note (m))*	240	–	–	–	240
Mr. Chan Wai Cheung Admiral *(Note (b))*	14	–	–	–	14
Ms. Pan Wei-Kang *(Note (c))*	–	–	–	–	–
	454	5,600	57	15,567	21,678

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

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

Mr Leung Wing Cheong Eric is also the Chief Executive Officer of the Company and his emoluments was disclosed above include those for services rendered by him as the Chief Executive. No emoluments paid or payable to the Chief Executive Officer of the Company in year ended 31 December 2013.

Notes:

(a) Mr. Leung Wing Cheong Eric was appointed as an executive director and Chief Executive Officer on 26 May 2014 and 1 July 2014 respectively.
(b) Mr. Chan Wai Cheung Admiral was appointed as an independent non-executive director on 10 December 2014.
(c) Ms. Pan Wei-Kang was appointed as an independent non-executive director on 10 December 2014 and resigned on 5 February 2015.
(d) Mr. Chan Wai Yip Freeman resigned as an independent non-executive director on 10 December 2014.
(e) Ms. Leung Po Ying Iris resigned as an independent non-executive director on 10 December 2014.
(f) Mr. Zhou Cheng Rong resigned as an executive director on 28 March 2013.
(g) Mr. Wu Hong Guang resigned as an executive director 28 March 2013.
(h) Mr. Dai Peng resigned as an executive director 28 March 2013.
(i) Mr. Liu Jian was appointed as an executive director on 7 March 2013 and resigned on 16 December 2013.
(j) Mr. Wang Xiong was appointed as an executive director on 1 March 2013 and resigned on 24 October 2014.
(k) Mr. Hon Ming Sang resigned as an executive director on 16 January 2014.
(l) Mr. Ng Ka Chung Simon resigned as an independent non-executive director on 16 December 2013.
(m) Ms. Hu Gin Ing was appointed as an independent non-executive director on 16 December 2013.

In the year ended 31 December 2014, Ms. Pan Wei-Kang, an independent non-executive director waived emoluments of approximately HK$14,000 due to the short period of service. Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2013.

During both years, no emoluments were paid by the Group to any of the directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**2,890**	5,619
Contributions to retirement benefits schemes	**114**	28
	3,004	5,647

Their emoluments were within the followings bands:

	2014 **No. of employees**	2013 No. of employees
HK$Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	1

13. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14. EARNINGS/(LOSS) PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Earnings/(loss)		
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	**43,018**	(1,485,874)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**12,976,226,512**	4,603,045,074
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**13,787,321**	–
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**12,990,013,833**	4,603,045,074

The computation of diluted earnings/(loss) per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase/decrease in earnings/(loss) per share for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. INVESTMENTS IN SUBSIDIARIES

The Company

	2014 HK$'000	2013 HK$'000
Unlisted shares at cost	**4,178,423**	4,178,423
Less: impairment loss recognised	**(1,334,471)**	(1,334,471)
	2,843,952	2,843,952
Amounts due from subsidiaries	**2,353,626**	798,404
Less: impairment loss recognised	**(746,180)**	(746,180)
	1,607,446	52,224

Particulars of the Company's principal subsidiaries at 31 December 2014 are set out in Note 46. During both years ended, the directors of the Company reviewed the carrying values of the investments in subsidiaries. The recoverable amounts of these investments are determined with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period.

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

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

	2014 HK$'000	2013 HK$'000
At 1 January	**746,180**	–
Provided for the year	**–**	746,180
At 31 December	**746,180**	746,180

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. INTERESTS IN AN ASSOCIATE

	2014 HK$'000	2013 HK$'000
Cost of investment, unlisted	100,000	–
Bargain purchase	4,407	–
Share of post-acquisition results and other comprehensive income, net of dividends received	(6,564)	–
	97,843	–

Name of associate	Place of establishment/ operations	Class of share held	Proportion of ownership interests held by the Group	Proportion of voting rights held by the Group	Principal activities
北京百順達房地產開發有限公司 ("Beijing BSD RED")	PRC	Ordinary	26% (Indirect)	26%	Property development in the PRC

In the opinion of the directors of the Company, no associate is individually material to the Group.

Aggregate information of associate that one not individually material:

	2014 HK$'000	2013 HK$'000
The Group's share of loss	(5,843)	–
The Group's share of other comprehensive expense	(721)	–
The Group's share of total comprehensive expense	(6,564)	–
Aggregate carrying amount of the Group's interests in this associate	97,843	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
COST					
At 1 January 2013	240	3,439	8,966	3,208,314	3,220,959
Additions	–	2,583	1,019	553,732	557,334
Disposals	(240)	(125)	(827)	–	(1,192)
Exchange adjustments	–	182	377	52,600	53,159
At 31 December 2013	–	6,079	9,535	3,814,646	3,830,260
Additions	–	989	3,664	509,480	514,133
Transfer to properties for sale	–	–	–	(147,714)	(147,714)
Disposals	–	–	(4,076)	–	(4,076)
Exchange adjustments	–	(21)	(38)	(6,376)	(6,435)
At 31 December 2014	**–**	**7,047**	**9,085**	**4,170,036**	**4,186,168**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	76	942	2,526	–	3,544
Provided for the year	22	1,260	2,984	–	4,266
Eliminated on disposals	(98)	(68)	(665)	–	(831)
Impairment loss recognised in profit or loss (Note)	–	55	67	55,786	55,908
Exchange adjustments	–	85	197	750	1,032
At 31 December 2013	–	2,274	5,109	56,536	63,919
Provided for the year	–	1,478	2,425	–	3,903
Eliminated on disposals	–	–	(3,473)	–	(3,473)
Exchange adjustments	–	(6)	(17)	6,510	6,487
At 31 December 2014	**–**	**3,746**	**4,044**	**63,046**	**70,836**
CARRYING AMOUNTS					
At 31 December 2014	**–**	**3,301**	**5,041**	**4,106,990**	**4,115,332**
At 31 December 2013	–	3,805	4,426	3,758,110	3,766,341

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

Leasehold improvements	Over the shorter of the term of the lease or 10%
Furniture, fixtures and equipment	6.66%-33.33%
Motor vehicles	20%-33.33%
Construction-in-progress	Nil

At 31 December 2014, motor vehicles amounting to approximately HK$1,478,000 (2013: Nil) is held under finance lease.

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

As at 31 December 2014, the Group has pledged construction-in-progress with a carrying amount of approximately HK$4,106,990,000 (2013: approximately HK$3,758,110,000) to secure the Group's borrowings (Note 31).

Note: During the year ended 31 December 2014, an impairment loss of HK$Nil (2013: approximately HK$55,908,000) was recognised in profit or loss and was allocated to property development and investment segment's furniture, fixtures and equipment, motor vehicles and construction-in-progress on pro-rata basis. Details of the impairment assessment are set out in Note 20.

18. INVESTMENT PROPERTIES

	Investment properties under construction HK$'000
FAIR VALUE	
At 1 January 2013	2,794,208
Additions	395,054
Net decrease in fair value recognised in profit or loss	(68,436)
Exchange adjustments	97,944
At 31 December 2013	3,218,770
Additions	833,616
Net increase in fair value recognised in profit or loss	161,082
Exchange adjustments	(10,258)
At 31 December 2014	**4,203,210**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES *(Continued)*

	2014 **HK$'000**	2013 HK$'000
Unrealised gain/(loss) on investment property revaluation included in profit or loss	**161,082**	(68,436)

The fair value of the Group's investment properties at 31 December 2014 have been arrived at on the basis of a valuation carried out on that date by APAC Asset Valuation and Consulting Limited ("APAC") (2013: Vigers Appraisal and Consulting Limited ("Vigers")), a firm of independent qualified professional valuer not connected with the Group. APAC (2013: Vigers) had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties.

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

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	Level 3 **HK$'000**	**Fair value as at 31 December 2014** **HK$'000**
Investment properties located in the PRC	**4,203,210**	**4,203,210**

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

There were no transfers into or out of Level 3 during both years.

As at 31 December 2014, the Group's investment properties under construction with a carrying amount of approximately HK$4,203,210,000 (2013: approximately HK$3,218,770,000) have been pledged to secure the Group's borrowings (Note 31).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. INVESTMENT PROPERTIES *(Continued)*

The carrying amounts of investment properties shown above comprise:

	2014 **HK$'000**	2013 HK$'000
Land outside Hong Kong:		
Medium-term lease	**4,203,210**	3,218,770

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2014					
Investment properties under construction in Qingdao	Level 3	Direct comparison method The key inputs are: i. Gross development value; and	Gross development value on completion basis, taking into account of time, location and individual factors such as view and size between the comparable and the property of approximately RMB3,727 million (2013: approximately RMB3,319 million).	The higher the gross development value, the higher the fair value.	If the gross development value to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value of the property would increase/decrease by approximately RMB33 million (2013: approximately RMB25 million).
		ii. Developer's profit.	Developer's profit, taking into account of the progress of the property of 2% (2013: 12%).	The higher the developer's profit, the lower the fair value.	If the developer's profit to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value of the property would decrease by approximately RMB32 million (2013: approximately RMB22 million)/increase by approximately RMB33 million (2013: approximately RMB22 million) .

Notes to the Consolidated Financial Statements

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19. GOODWILL

The Group

	Property development and investment operations HK$'000
COST	
At 1 January 2013	526,090
Exchange adjustments	17,614
At 31 December 2013 and 31 December 2014	**543,704**
IMPAIRMENT	
At 1 January 2013	–
Impairment loss recognised for the year	543,704
At 31 December 2013 and 31 December 2014	**543,704**
CARRYING VALUES	
At 31 December 2014	**–**
At 31 December 2013	–

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

Notes to the Consolidated Financial Statements

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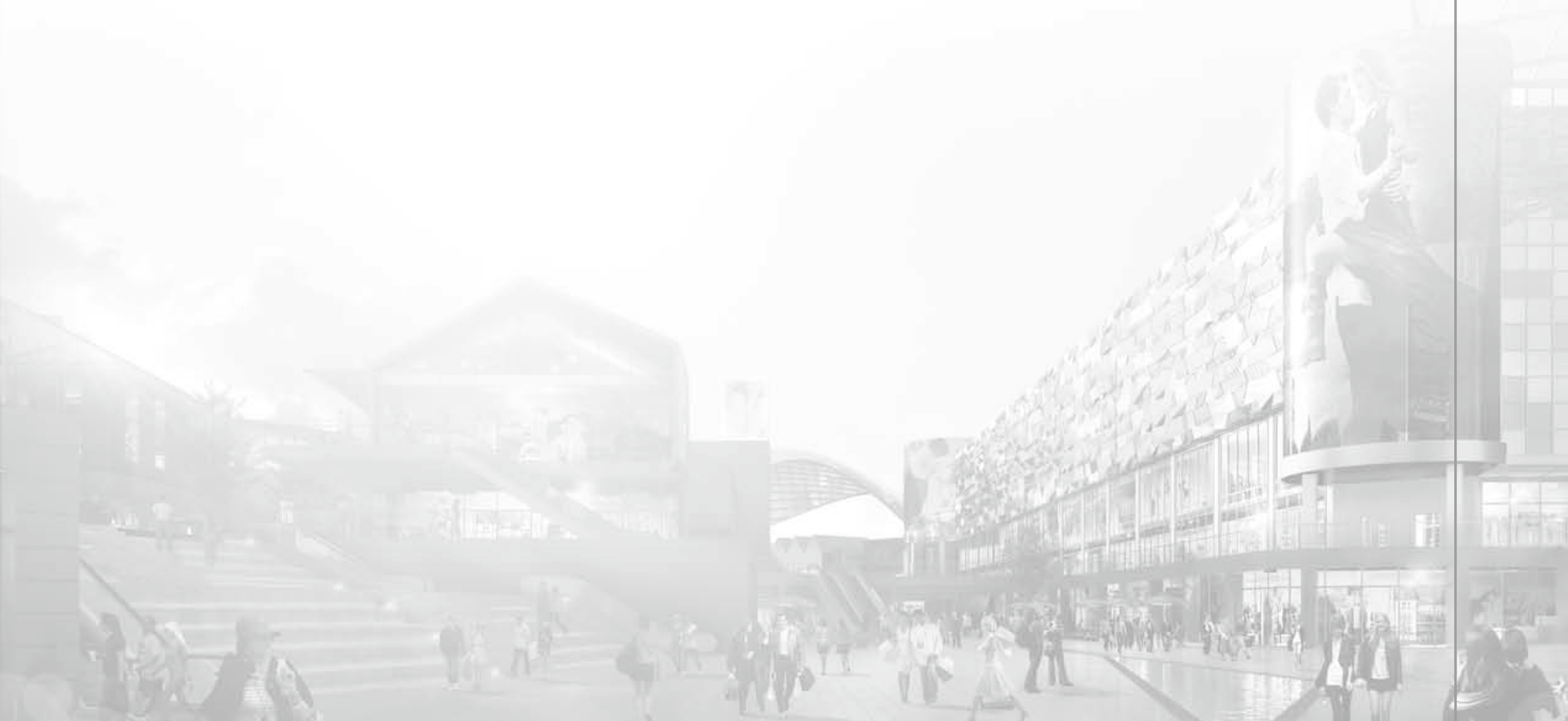
20. IMPAIRMENT TESTING ON GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. PROPERTIES FOR SALE

The Group

	2014 **HK$'000**	2013 HK$'000
Properties under development for sale	**584,509**	1,076,476
Completed properties for sale	**4,369,433**	4,918,190
	4,953,942	5,994,666

The Group's properties for sale with a carrying amount of approximately HK$4,953,942,000 as at 31 December 2014 (2013: approximately HK$5,994,666,000) have been pledged to secure the Group's borrowings (Note 31).

The properties for sale are situated in the PRC.

22. TRADE RECEIVABLES

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

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

	2014 **HK$'000**	2013 HK$'000
0 – 30 days	**27,199**	2,727
31 – 60 days	**–**	–
61 – 90 days	**3,836**	8,345
91 – 180 days	**3,595**	–
181 – 365 days	**14,343**	–
	48,973	11,072

As at 31 December 2014, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$21,774,000 (2013: approximately HK$8,345,000) which are past due for which the Group has not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group has collateral over these balances from sale of properties.

Notes to the Consolidated Financial Statements

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22. TRADE RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2014 **HK$'000**	2013 HK$'000
61 – 90 days	**3,836**	8,345
91 – 180 days	**3,595**	–
181 – 365 days	**14,343**	–
	21,774	8,345

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Prepayments:				
– construction contracts	**2,011,443**	1,048,513	**–**	–
– pre-sale related taxes	**36,164**	133,254	**–**	–
– others	**16,499**	2,394	**15,607**	1,849
Deposits	**579,714**	51,959	**–**	–
Other receivables	**55,807**	42,396	**–**	154
	2,699,627	1,278,516	**15,607**	2,003

Notes to the Consolidated Financial Statements

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24. PLEDGED BANK DEPOSITS/BANK BALANCES AND DEPOSITS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank deposits	**309,617**	230,000	**–**	230,000
Bank balances and cash	**1,108,362**	264,542	**51,928**	9,084
	1,417,979	494,542	**51,928**	239,084

Bank balances and deposits of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and have original maturity of three months or less. The Group's bank deposits carry interest rates ranging from Nil to 3.8% (2013: Nil to 1.26%) per annum.

As at 31 December 2014, approximately 34% (2013: 69%) of the Group's bank balances and deposits are denominated in Hong Kong dollars and 66% (2013: 31%) in Renminbi ("RMB"). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

As at 31 December 2014, the Group's bank balances and deposits of approximately HK$197,965,000 (2013: approximately HK$10,942,000) are solely for certain designated property development projects in the PRC.

25. TRADE PAYABLES

Trade payables comprise amounts outstanding for construction costs and ongoing costs.

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

	2014	2013
	HK$'000	HK$'000
0 – 30 days	**99,288**	1,479,592
31 – 60 days	**–**	3,889
61 – 90 days	**309,208**	–
Over 90 days	**1,028,649**	19,368
	1,437,145	1,502,849

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26. ACCRUED LIABILITIES AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Construction costs payable	**108,682**	395,396	**–**	–
Deposits received	**1,896**	1,728	**–**	–
Other payables	**371,812**	124,044	**899**	899
Accruals	**28,410**	16,409	**2,580**	1,120
	510,800	537,577	**3,479**	2,019

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

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

28. SHARE CAPITAL

	Notes	**Ordinary shares of HK$0.2 each**	**Amount** HK$'000
Authorised:			
At 1 January 2013, 31 December 2013 and 1 January 2014		15,000,000,000	3,000,000
Increase on 20 May 2014	(a)	10,000,000,000	2,000,000
At 31 December 2014		25,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2013		4,396,120,965	879,224
Issue of shares by way of open offer	(b)	2,198,060,482	439,612
Conversion of the convertible notes	(c)	6,319,702,599	1,263,941
At 31 December 2013 and 1 January 2014		12,913,884,046	2,582,777
Issue of shares by way of placing	(d)	865,000,000	173,000
At 31 December 2014		**13,778,884,046**	**2,755,777**

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For the year ended 31 December 2014

28. SHARE CAPITAL *(Continued)*

Notes:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed by the Company's shareholders at the annual general meeting held on 20 May 2014, the authorised share capital of the Company was increased from HK$3,000,000,000 to HK$5,000,000,000 by creation of an additional 10,000,000,000 shares of HK$0.2 each.

(b) Issue of shares by way of open offer

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

(c) Conversion of convertible notes

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

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

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

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

(d) Issue of shares by way of placing

i. On 26 November 2014, the Company allotted and issued 220,000,000 ordinary shares of HK$0.2 each in the capital of the Company by way of placing at a placing price of HK$1.13 per share. The Company raised approximately HK$247,653,000 (net of expenses).

ii. On 9 December 2014, the Company allotted and issued 645,000,000 ordinary shares of HK$0.2 each in the capital of the Company by way of placing at a placing price of HK$1.15 per share. The Company raised approximately HK$726,760,000 (net of expenses).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. SHARE PREMIUM AND RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share Options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	2,556,627	9,404	863,462	–	(849,287)	2,580,206
Loss for the year	–	–	–	–	(2,234,634)	(2,234,634)
Transaction costs attributable to issue of shares	(7,550)	–	–	–	–	(7,550)
Release of deferred tax liability upon conversion of convertible notes (Note 32)	–	–	108,530	–	–	108,530
Conversion of convertible notes	660,179	–	(881,876)	–	–	(221,697)
At 31 December 2013	3,209,256	9,404	90,116	–	(3,083,921)	224,855
Loss for the year	–	–	–	–	(128,338)	(128,338)
Recognition of equity-settled share-based payments	–	–	–	27,524	–	27,524
Share options lapsed during the year	–	–	–	(37)	–	(37)
Issue of shares by way of placing	817,350	–	–	–	–	817,350
Transaction costs attributable to issue of shares	(15,937)	–	–	–	–	(15,937)
At 31 December 2014	**4,010,669**	**9,404**	**90,116**	**27,487**	**(3,212,259)**	**925,417**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

30. OBLIGATION UNDER FINANCE LEASE

	2014 **HK$'000**	2013 HK$'000
Analysis for reporting purpose as:		
Current liabilities	**311**	–
Non-current liabilities	**1,003**	–
	1,314	–

The Group's leased certain of its motor vehicle under finance lease. The lease term is 5 years (2013: Nil). Interest rates underlying the obligation under finance lease are fixed at respective contract dates 3.57% (2013: Nil) per annum.

	Minimum lease payments **2014** HK$'000	**Present value of minimum lease payments** **2014** HK$'000
Amounts payable under finance lease:		
Within one year	353	346
More than one year but not more than two years	353	334
More than two years but not more than five years	706	634
	1,412	1,314
Less: future finance charges	(98)	N/A
Present value of lease obligation	1,314	
Less: amount due for settlement within 12 months (shown under current liabilities)		(311)
Amount due for settlement after 12 months		1,003

The Group's obligation under finance lease is secured by the lessor's title to the leased assets.

Finance lease obligation is denominated in Hong Kong dollars.

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31. BORROWINGS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings, secured *(Note (i))*	**103,627**	342,422	**–**	–
Other borrowings, secured *(Note (i))*	**5,750,031**	3,272,036	**–**	–
Senior bonds *(Note (ii))*	**631,816**	–	**631,816**	–
	6,485,474	3,614,458	**631,816**	–
Carrying amount repayable:				
On demand or within one year	**2,188,803**	697,527	**–**	–
More than one year but not exceeding two years	**4,296,671**	2,916,931	**631,816**	–
	6,485,474	3,614,458	**631,816**	–

Notes:

(i) As at 31 December 2014, the bank and other borrowings are denominated in RMB and carried at fixed interest rates of 3.89% to 13% (2013: 11% to 13%) per annum respectively.

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

(a) Group's property, plant equipment, investment properties and properties for sale as follows:

	2014	2013
	HK$'000	HK$'000
Property, plant and equipment *(Note 17)*	**4,106,990**	3,758,110
Investment properties *(Note 18)*	**4,203,210**	3,218,770
Properties for sale *(Note 21)*	**4,953,942**	5,994,666
	13,264,142	12,971,546

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

(c) Certain shares pledged were given by non-controlling interests of the Group.

(d) Pledged bank deposits of the Group amounting to approximately HK$107,418,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

31. BORROWINGS *(Continued)*

Notes: (continued)

(ii) On 5 December 2014, the Company issue RMB500,000,000 11.5% senior bonds due 2016 (the "Senior Bonds") in the aggregate principal amount of RMB500,000,000, which will mature on 4 December 2016 unless earlier redeemed pursuant to the terms thereof. The issue price of the Bonds is 100% of the principal amount of the Senior Bonds. The Senior Bonds are listed on the Stock Exchange.

The Senior Bonds bear interest at the rate of 11.5% per annum, payable semi-annually in arrears on 4 June and 4 December in each year, commencing on 4 June 2015.

Certain non-PRC subsidiaries of the Company which provide guarantee in respect of the Senior Bonds ("Subsidiary Guarantors"). Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Senior Bonds.

The Company may at its option redeem the Senior Bonds, in whole or in part, at any time and from time to time on or after the date which is one year from the original issue date at a redemption price equal to 105% of the principal amount of the Senior Bonds plus accrued and unpaid interest to the redemption date.

The Senior Bonds contain a liability component and the above early redemption options. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged to profit or loss is calculated by applying an effective interest rate of approximately 12.02% per annum to the liability component since the Senior Bonds were issued.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors of the Company consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

31. BORROWINGS *(Continued)*

Notes: (continued)

(ii) The movements of the Senior Bonds for the year ended 31 December 2014 and 2013 are as follows:

	2014 **HK$'000**	2013 HK$'000
Carrying amount as at 1 January	**–**	–
Net proceed on date of issuance	**626,938**	–
Exchange adjustments	**(682)**	–
Interest expense	**5,560**	–
Carrying amount as at 31 December	**631,816**	–

32. DEFERRED TAXATION

The Group

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**(10,800)**	–
Deferred tax liabilities	**1,644,647**	1,668,506
	1,633,847	1,668,506

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

32. DEFERRED TAXATION *(Continued)*

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

Deferred tax (asset)/liabilities:	**Convertible notes** HK$'000	**Undistributed profits of subsidiaries** HK$'000	**Revaluation of properties** HK$'000	**Deductible temporary differences arising from LAT provisions** HK$'000	**Total** HK$'000
At 1 January 2013	148,944	43,450	1,849,228	–	2,041,622
Credited to profit or loss	(28,258)	(43,450)	(251,413)	–	(323,121)
Credited to equity (Note 30)	(108,530)	–	–	–	(108,530)
Exchange adjustments	–	–	58,535	–	58,535
At 31 December 2013	12,156	–	1,656,350	–	1,668,506
Credited to profit or loss	(3,493)	–	(14,490)	(10,787)	(28,770)
Exchange adjustments	–	–	(5,876)	(13)	(5,889)
At 31 December 2014	**8,663**	**–**	**1,635,984**	**(10,800)**	**1,633,847**

At 31 December 2014, the Group has unused tax losses of approximately HK$298,855,000 (2013: approximately HK$341,160,000). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2014 **HK$'000**	2013 HK$'000
2014	**–**	5,555
2015	**–**	51,589
2016	**18,274**	70,999
2017	**73,198**	73,458
2018	**122,552**	125,882
2019	**71,154**	–
No Expiry	**13,677**	13,677
	298,855	341,160

Notes to the Consolidated Financial Statements

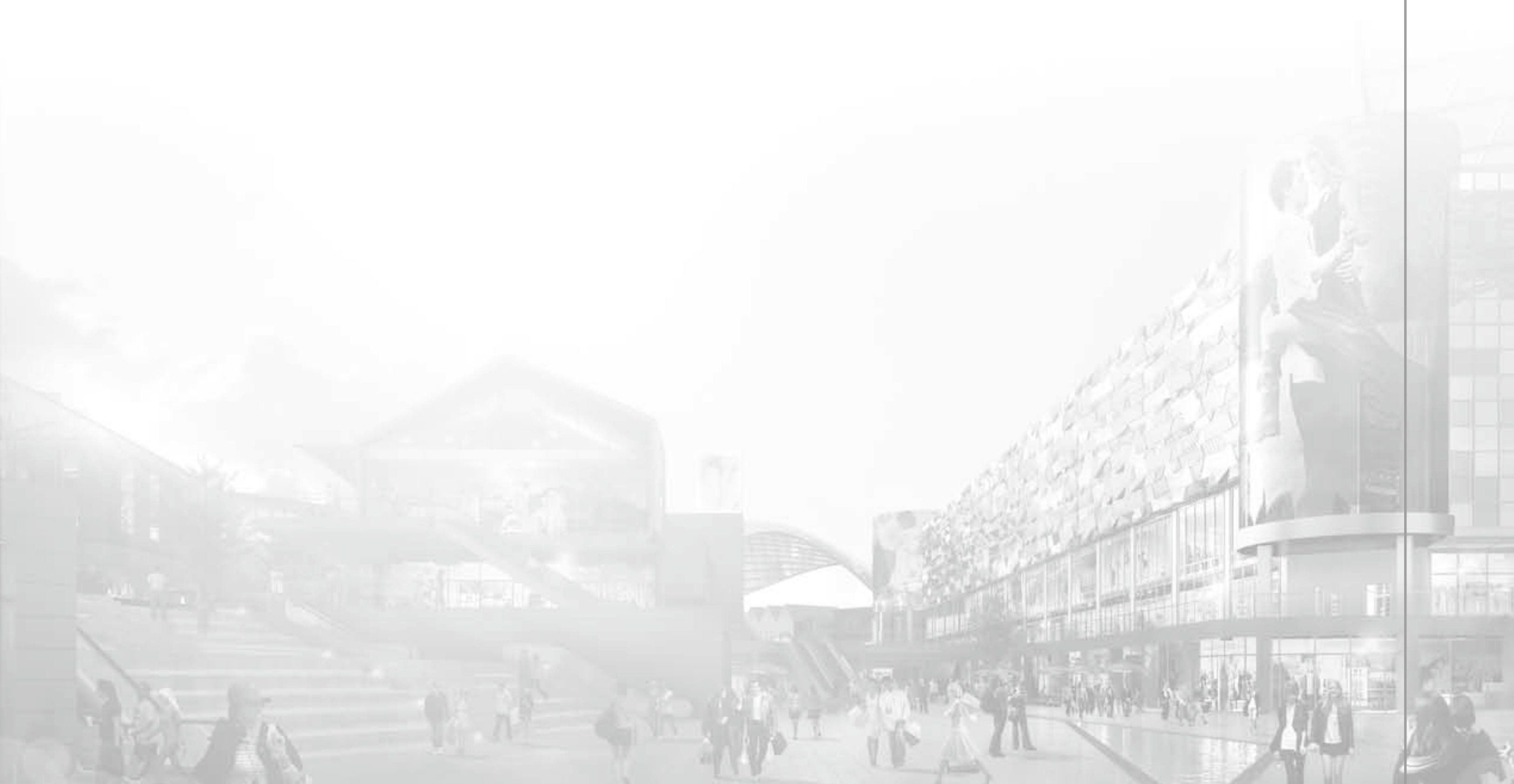
For the year ended 31 December 2014

32. DEFERRED TAXATION *(Continued)*

The Company

The following is the major deferred tax balance recognised and the movements thereon during the current and prior years:

Deferred tax liabilities:	**Convertible notes** HK$'000
At 1 January 2013	148,944
Credited to profit or loss	(28,258)
Credited to equity (Note 29)	(108,530)
At 31 December 2013	12,156
Credited to profit or loss	(3,493)
At 31 December 2014	**8,663**



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

33. CONVERTIBLE NOTES

The Group and the Company

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

33. CONVERTIBLE NOTES *(Continued)*

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

	First Convertible Notes HK$'000	Second Convertible Notes HK$'000	Total HK$'000
Carrying amount as at 1 January 2013	810,947	186,363	997,310
Interest charged (Note 8)	135,482	35,768	171,250
Conversion of the convertible notes	(820,113)	(222,131)	(1,042,244)
Carrying amount as at 31 December 2013	126,316	–	126,316
Interest charged (Note 8)	21,183	–	21,183
Carrying amount as at 31 December 2014	147,499	–	147,499

Notes to the Consolidated Financial Statements

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34. PROMISSORY NOTES

The Group and the Company

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

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

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

The promissory notes had been mature and fully repaid during the year.

	HK$'000
Carrying amount as at 1 January 2013	173,083
Repayment during the year	(56,911)
Loss on early redemption	4,660
Interest charged (Note 8)	23,235
Carrying amount as at 31 December 2013	144,067
Repayment during the year	(163,575)
Interest charged (Note 8)	19,508
Carrying amount as at 31 December 2014	**–**

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35. ACQUISITION OF A SUBSIDIARY

On 30 January 2014, the Group completed the acquisition of 100% of the equity interests in Netspac Investments Limited ("Netspac"), and is indirectly interested in 26% of the equity interests in Beijing BSD RED, with an aggregate consideration of HK$100,000,000. The transaction constituted a connected transaction on the part of the Company under the Listing Rules. Beijing BSD RED principally holds a piece of land with a total site area of 221,414.90 square metres located in Shunyi District, Beijing City, the PRC.

Assets and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Interests in an associate	104,407
Gain on bargain purchase on acquisition:	
Consideration transferred	100,000
Less: net assets acquired	(104,407)
	(4,407)
Consideration transferred:	
Cash	100,000

Acquisition-related costs amounting to approximately HK$367,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2014, within "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Netspac had contributed HK$Nil and a loss of approximately HK$5,843,000 to the Group's revenue and profit for the year from the date of acquisition to 31 December 2014 respectively.

Had the acquisition been completed on 1 January 2014, total Group's revenue for the year would have been approximately HK$1,412,857,000 and profit for the year would have been approximately HK$117,823,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

36. ACQUISITION OF NON-CONTROLLING INTERESTS OF A SUBSIDIARY

On 21 December 2011, the Group has obtained 60% equity interests of 海上嘉年華（青島）置業有限公司 ("Sea Carnival"), which, together with its subsidiary, became subsidiaries of the Group.

On 14 January 2014, Cheertex Investment Limited (an indirect wholly-owned subsidiary of the Company, the "Purchaser") and 北京中興鴻基科技有限公司 ("Zhongxing") and Able Bright Asia Investment Limited (the "Vendor Group") entered into the equity transfer agreement, pursuant to which, the Purchaser has agreed to acquire and Zhongxing has agreed to sell the 4% of the equity interest in Sea Carnival, for the Consideration of HK$140,000,000 (the "Acquisition").

The Acquisition was completed on 3 November 2014 and resulted in an increase in equity interests from 60% to 64% in Sea Carnival, which constituted a change in the Group's ownership interest in a subsidiary that does not result in a change of control. According to HKFRS 10, the Acquisition is accounted for as an equity transaction. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid is recognised directly in equity attributable to owners of the Company.

The effect of the changes in the ownership interests in Sea Carnival is summarised as follows:

	HK$'000
Cash consideration	140,000
Carrying amount of non-controlling interests acquired	229,992
Excess carrying amount paid over consideration	89,992

Notes to the Consolidated Financial Statements

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37. OPERATING LEASES

The Group as lessee

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

	2014 **HK$'000**	2013 HK$'000
Within one year	**9,256**	5,377
In the second to fifth years inclusive	**23,998**	14,204
Over five years	**42,462**	46,164
	75,716	65,745

Operating lease payments represent rentals payable by the Group for certain offices premises and retail shops. Leases are negotiated for an average term of 3 to 20 years with fixed rentals.

38. CAPITAL COMMITMENTS

	2014 **HK$'000**	2013 HK$'000
Capital expenditure		
– contracted but not provided for	**4,898,158**	2,291,727
– capital injection	**54,530**	62,038
	4,952,688	2,353,765

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38. CAPITAL COMMITMENTS *(Continued)*

The above commitments include mainly:

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

(ii) 嘉信泰(青島)商業管理有限公司, an indirect wholly owned subsidiary of the Company, is a wholly foreign-owned enterprise established in the PRC. As of 31 December 2014, Genius Choice Investments Limited was committed to contribute to the registered capital of 嘉信泰(青島)商業管理有限公司 in the amount of US$6,000,000 (equivalent to approximately HK$46,504,000) (2013: US$6,000,000 (equivalent to approximately HK$46,528,000)) which is payable on or before 14 February 2016;

(iii) 嘉寶年華投資諮詢(深圳)有限公司, an indirect wholly owned subsidiary of the Company, is a wholly foreign-owned enterprise established in the PRC. As of 31 December 2014, Million Famous International Limited was committed to contribute to the registered capital of 嘉寶年華投資諮詢(深圳)有限公司 in the amount of RMB4,334,511 (equivalent to approximately HK$5,498,000) which is payable on or before 26 February 2016;

(iv) 深圳市宏盛通源投資諮詢有限公司, an indirect wholly owned subsidiary of the Company, is a limited liability entity established in the PRC. As of 31 December 2014, 嘉寶年華投資諮詢(深圳)有限公司 was committed to contribute to the registered capital of 深圳市宏盛通源投資諮詢有限公司 in the amount of RMB1,000,000 (equivalent to approximately HK$1,264,000) which is payable on or before 4 July 2044; and

(v) 深圳市金泰世通投資諮詢有限公司, an indirect wholly owned subsidiary of the Company, is a limited liability entity established in the PRC. As of 31 December 2014, 嘉寶年華投資諮詢(深圳)有限公司 was committed to contribute to the registered capital of 深圳市金泰世通投資諮詢有限公司 in the amount of RMB1,000,000 (equivalent to approximately HK$1,264,000) which is payable on or before 11 July 2044.

Notes to the Consolidated Financial Statements

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39. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

    (iii) the nominal value of the share.

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

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39. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements of the share options granted under the Share Option Scheme during the year ended 31 December 2014:

Grantee	Date of grant	Adjusted exercise price	Exercise periods	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding as at 31 December 2014
Share Option Scheme: Executive Directors and Chief Executive Officer								
Mr. Leung Wing Cheong Eric	26 May 2014	0.63	26 May 2016 to 30 May 2023	–	129,138,840	–	–	129,138,840
Employee	29 September 2014	1.264	1 October 2016 to 30 September 2019	–	159,000,000	–	(500,000)^	158,500,000
Total				–	288,138,840	–	(500,000)	287,638,840

^ The 500,000 share options granted under the Share Options Scheme lapsed upon the resignation of the employees of the Group.

There were no outstanding share options at 31 December 2013. No share options were granted, exercised or lapsed/cancelled during the year ended 31 December 2013.

The exercise price in respect of any share options, shall subject to any adjustments in the event of any alteration in the capital structure of the Company whilst any share option remains exercisable or this scheme remains in effect. The exercise of any share option shall be subject to the shareholders in the general meeting approving any necessary increase in the authorised share capital of the Company.

The fair value of options granted on 26 May 2014 ("Option 1") was determined by using the Binomial options-pricing model at the date of grant; no subsequent revaluation at the year ended is required. The significant inputs into the model were closing share price of HK$0.63 at the grant date, exercise price of HK$0.63, expected volatility of 80%, expected dividend yield of nil, option live of 9 years, and annual risk-free rate of 1.9%.

Notes to the Consolidated Financial Statements

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39. SHARE OPTION SCHEME *(Continued)*

The fair value of options granted on 29 September 2014 ("Option 2") was determined by using the Binomial options-pricing model at the date of grant; no subsequent revaluation at the year ended is required. The significant inputs into the model were closing share price of HK$1.16 at the grant date, exercise price of HK$1.264, expected volatility of 70%, expected dividend yield of nil, option live of 5 years, and annual risk-free rate of 1.51%.

The vesting period of both options are 24 months since grant date. The exercise of options are subject to exercise in whole or in part at any time during the exercise periods upon the fulfillment of certain prescribed performance targets set to the Group.

During the year ended 31 December 2014, employee share-based payment of approximately HK$27,487,000 (2013: Nil) has been included in the consolidated statement of profit or loss and other comprehensive income with a corresponding credit to the share options reserve.

40. RETIREMENT BENEFIT PLANS

Defined contribution plan

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

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

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$3,371,000 (2013: approximately HK$2,146,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

41. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt, which included the borrowings, obligation under finance lease, convertible notes and promissory notes, net of cash and cash equivalents and total equity, comprising issued share capital, reserves and accumulated losses.

Net debt to equity ratio

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

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

	2014 **HK$'000**	2013 HK$'000
Debt (i)	**6,634,287**	3,884,841
Cash and cash equivalents (Note 24)	**(1,310,561)**	(494,542)
Net debt	**5,323,726**	3,390,299
Equity (ii)	**6,613,703**	5,676,771
Net debt to equity ratio	**80%**	60%

(i) Debt is defined as, obligation under finance lease, borrowings, convertible notes and promissory notes, as detailed in Notes 30, 31, 33 and 34 respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**2,051,313**	548,768
Financial liabilities		
Amortised cost	**9,079,074**	6,161,044

(b) Financial risk management objectives and policies

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

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

Market risk

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

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

Currency risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

Price risk

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

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, obligation under finance lease and senior bonds.

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

Credit risk

At 31 December 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

At 31 December 2014 and 2013, the Group has concentration of credit risk on the deposits paid for acquisition of a property project and subsidiaries paid to counterparties which are all engaged in PRC property development business, and are either state-owned entities or companies with good reputation, the directors of the Company consider that the credit risk is limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with good reputation established in the PRC and Hong Kong.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

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

Liquidity tables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables *(Continued)*

	Weighted average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2014						
Non-derivative financial liabilities						
Trade payables	**–**	**1,437,145**	**–**	**–**	**1,437,145**	**1,437,145**
Accrued liabilities and other payables	**–**	**510,800**	**–**	**–**	**510,800**	**510,800**
Bank and other borrowings						
– fixed rates	**3.39-13**	**2,857,204**	**3,840,285**	**–**	**6,697,489**	**5,853,658**
– senior bonds	**12.02**	**72,665**	**704,537**	**–**	**777,202**	**631,816**
Obligation under finance lease	**3.57**	**353**	**1,059**	**–**	**1,412**	**1,314**
Amounts due to non-controlling interests	**–**	**429,990**	**–**	**–**	**429,990**	**429,990**
Amount due to a related company	**–**	**66,852**	**–**	**–**	**66,852**	**66,852**
Convertible notes	**16.59**	**–**	**200,000**	**–**	**200,000**	**147,499**
31 December 2013						
Non-derivative financial liabilities						
Trade payables	–	1,502,849	–	–	1,502,849	1,502,849
Accrued liabilities and other payables	–	537,577	–	–	537,577	537,577
Bank and other borrowings						
– fixed rates	11.16	689,278	3,263,059	–	3,952,337	3,272,036
– variable rates	8.00	352,156	–	–	352,156	342,422
Amounts due to non-controlling interests	–	168,688	–	–	168,688	168,688
Amount due to a related company	–	67,089	–	–	67,089	67,089
Convertible notes	16.59	–	200,000	–	200,000	126,316
Promissory notes	13.78	155,000	–	–	155,000	144,067

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

42. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values

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

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

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

At 31 December 2014:	**Carrying amount HK$'000**	**Fair value HK$'000**
Financial liability:		
Convertible notes	**147,499**	**162,289**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2014 **HK$'000**	2013 HK$'000
Underwriting commission to Elite Mile Investments Limited in connection with the open offer *(Note)*	**–**	4,655

Note:

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

Compensation to key management personnel of the Group

	2014 **HK$'000**	2013 HK$'000
Short-term employee benefits	**6,054**	5,526
Post-employment benefits	**57**	62
Equity settled share-based payment	**15,567**	–
	21,678	5,588

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group entered into agreements with a contractor for the sales of properties amounting to approximately HK$50,639,000 in exchange for the construction work provided by the contractor equivalent to approximately HK$50,639,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

45. EVENTS AFTER THE REPORTING PERIOD

Senior Bonds I

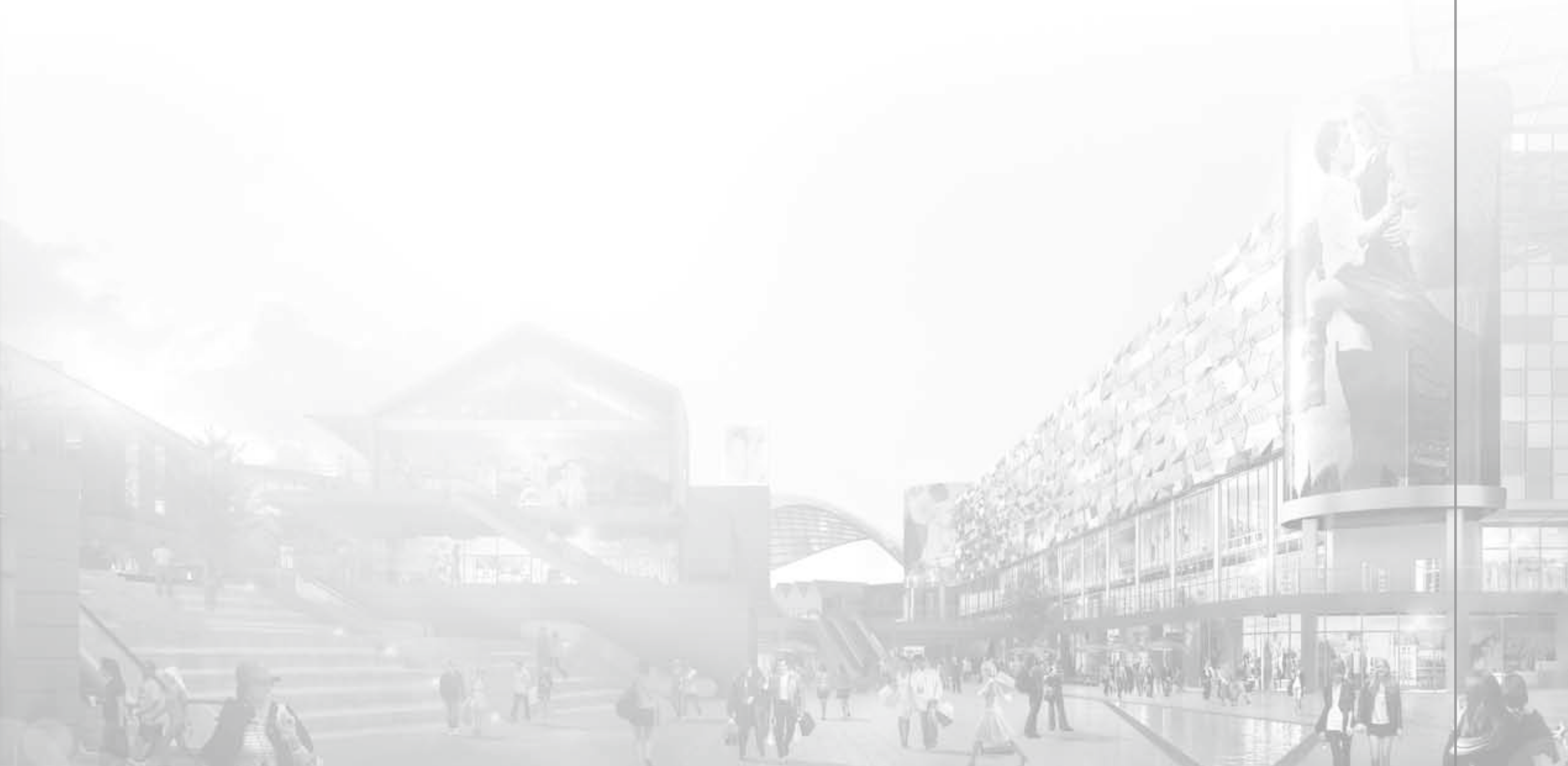
On 19 December 2014, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent agreed to act as a placing agent, on a best effort basis, for the purposes of arranging Placees for the issue of the HK$200,000,000 6% senior bonds due 2017 ("Senior Bonds I") with an aggregate principal amount of up to HK$200,000,000 multiple tranches. The Senior Bonds I are transferable in whole multiples of HK$500,000 (or such lesser amount as may represent the entire principal amount thereof).

On 5 January 2015 and 29 January 2015, Senior Bonds I in an aggregate principal amount of HK$130,000,000 and HK$70,000,000 was completed respectively.

Senior Bonds II

On 30 January 2015, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent agreed to act as a placing agent, on a best effort basis, for the purposes of arranging Placees for the issue of the HK$200,000,000 6% senior bonds due 2017 ("Senior Bonds II") with an aggregate principal amount of up to HK$200,000,000 multiple tranches. The Senior Bonds II are transferable in whole multiples of HK$500,000 (or such lesser amount as may represent the entire principal amount thereof).

On 6 February 2015 and 6 March 2015, Senior Bonds II in an aggregate principal amount of HK$131,000,000 and HK$69,000,000 was completed respectively.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2014

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
Easy Linkage Development Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding
Cheertex Investment Limited	Hong Kong	Ordinary HK$10	100% (Indirect)	Investment holding
Genius Choice Investments Limited	Hong Kong	Ordinary HK$1	100% (Indirect)	Investment holding
Carnival Group (Hong Kong) Holdings Limited	Hong Kong	Ordinary HK$1	100% (Indirect)	Provision of management services in Hong Kong
Sino Ever Investment Limited	British Virgin Islands	Ordinary US$100	99.01% (Indirect)	Investment holding
Ever Lead Holdings Limited	Hong Kong	Ordinary HK$1	99.01% (Indirect)	Investment holding
Heroic Empire Limited	British Virgin Islands	Ordinary US$1	100% (Indirect)	Investment holding
海上嘉年華(青島)置業有限公司	PRC *(Note (i))*	Registered capital RMB900,000,000	64% (Indirect)	Property development in the PRC
青島海灣豪庭物業管理有限公司	PRC *(Note (ii))*	Registered capital RMB1,000,000	64% (Indirect)	Property management in the PRC
青島海上嘉年華遊樂管理有限公司	PRC *(Note (ii))*	Registered capital RMB100,000	64% (Indirect)	Provision of enterprises management consultancy services in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2014 *(Continued)*

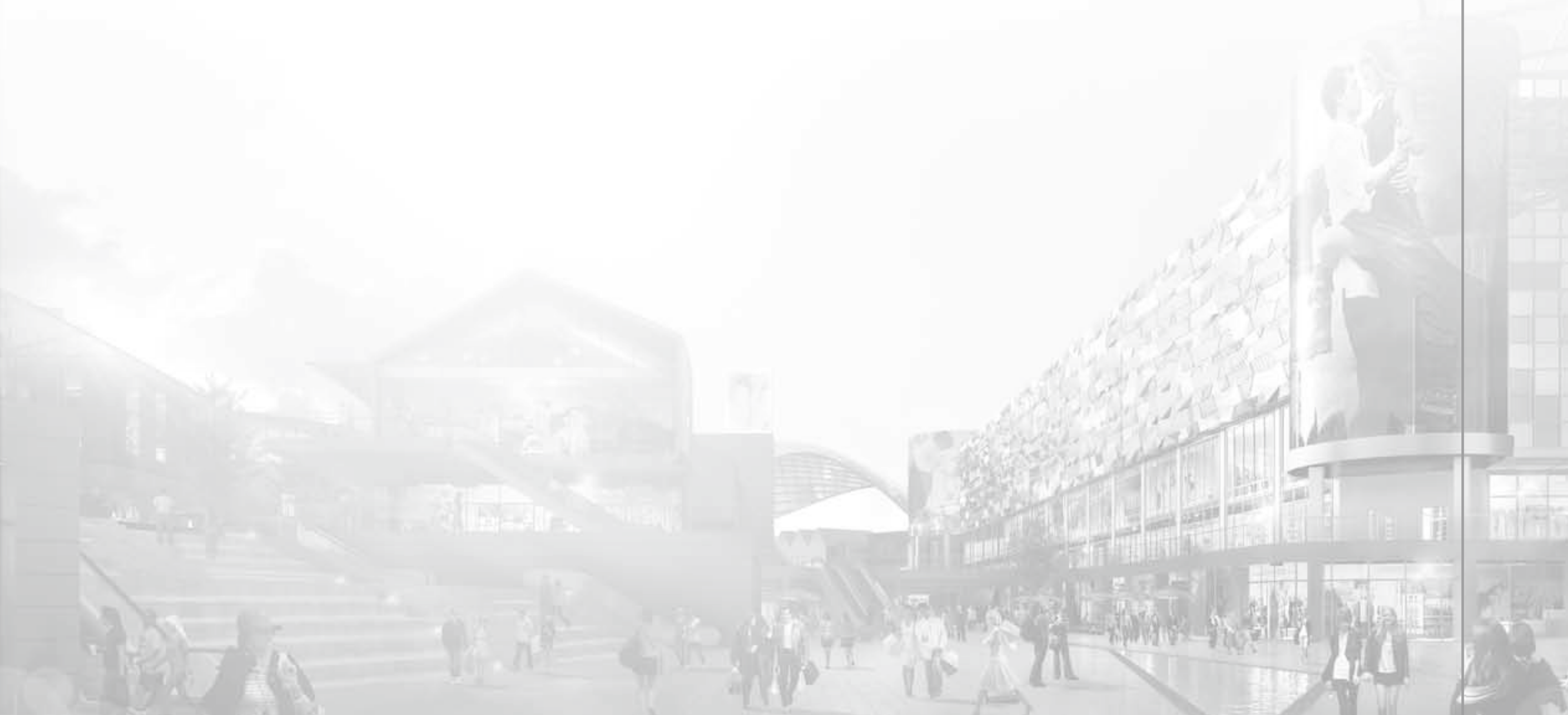
Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
青島海上嘉年華酒店管理有限公司	PRC *(Note (ii))*	Registered capital RMB100,000	64% (Indirect)	Provision of hotel, food and beverage management services in the PRC
青島海上嘉年華商業管理有限公司	PRC *(Note (ii))*	Registered capital RMB100,000	64% (Indirect)	Provision of enterprises management consultancy services in the PRC
成都市嘉錦置業有限公司	PRC *(Note (iii))*	Registered capital RMB70,600,000	99.01% (Indirect)	Property development in the PRC

Notes:

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
海上嘉年華(青島)置業有限公司	PRC	**36%**	40%	**63,102**	(249,671)	**2,026,207**	2,186,751

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

海上嘉年華（青島）置業有限公司

	2014	2013
	HK$'000	HK$'000
Current assets	**6,248,096**	6,735,122
Non-current assets	**7,646,749**	6,236,900
Current liabilities	**(3,770,391)**	(5,948,835)
Non-current liabilities	**(4,496,101)**	(1,556,310)
Equity attributable to owners of the Company	**3,602,146**	3,280,126
Non-controlling interests	**2,026,207**	2,186,751
Revenue	**969,473**	535,477
Profit/(loss) for the year	**180,477**	(811,899)
Total comprehensive income/(expense) for the year	**161,476**	(624,179)
Profit/(loss) for the year attributable to the non-controlling interests	**70,703**	(324,760)
Total comprehensive income/(expense) attributable to the non-controlling interests	**63,102**	(249,671)
Net cash outflow from operating activities	**(590,565)**	(844,594)
Net cash outflow from investing activities	**(790,685)**	(670,259)
Net cash inflow from financing activities	**1,698,154**	1,322,437
Net cash inflow/(outflow)	**316,904**	(192,416)

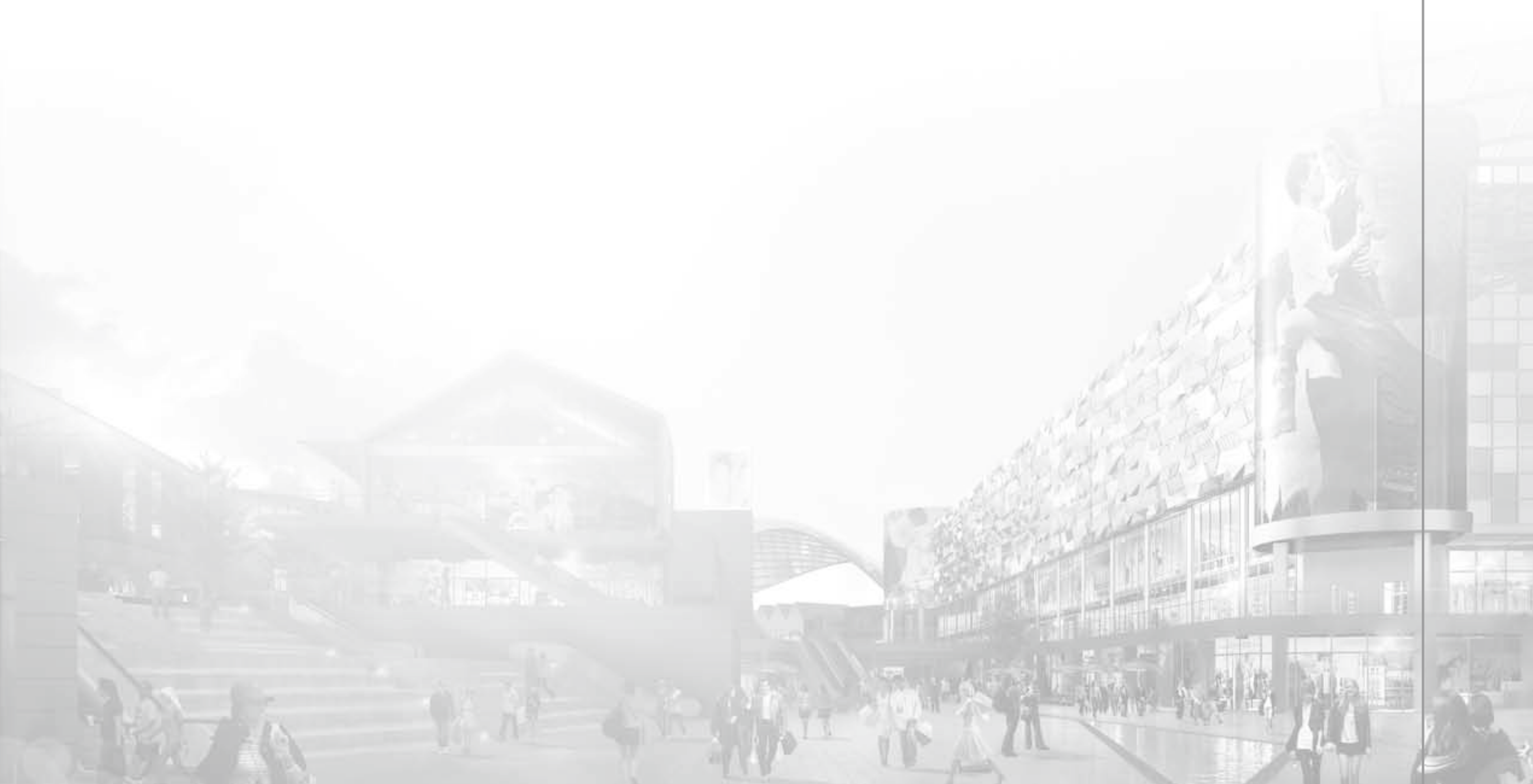
48. COMPARATIVE FIGURE

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

Particulars of the Major Properties Held

Details of the Group's major properties held as at 31 December 2014 under development for sale, investment or own use are as follows:

	Name of property and location	Intended use	Stage of completion	Expected year of completion	Approximate site area sq m	Approximate gross floor area sq m	Group's interest
(a)	Rio Carnival, Huangdao District, Qingdao City, Shandong Province, the PRC	– Residential – Commercial	– Partially completed – Construction-in-progress	2015 to 2016 in phases	348,900	765,800	64%
(b)	Carnival International Community, Chengdu Hi-tech Zone, Chengdu City, Sichuan Province, the PRC	– Residential – Commercial	– Partially completed – Construction-in-progress	2015 to 2016 in phases	72,500	481,000	100%



Financial Summary

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

RESULTS

Year ended 31 December	**2014 HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Continuing operations					
Revenue					
From continuing operations	**1,412,857**	545,287	(17,808)	(12,605)	311,702
From discontinued operations	**–**	–	–	14,344	–
	1,412,857	545,287	(17,808)	1,739	311,702
Profit/(loss) before tax	**138,986**	(2,134,690)	(384,404)	(61,101)	(9,051)
Income tax (expense)/credit	**(21,163)**	323,121	22,992	(217)	7,110
	117,823	(1,811,569)	(361,412)	(61,318)	(1,941)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	9,470	(16,136)	–
Loss for the year	**–**	–	(351,942)	(77,454)	(1,941)
Profit/(loss) for the year attributable to:					
Owners of the Company	**43,018**	(1,485,874)	(307,965)	(69,547)	(1,941)
Non-controlling interests	**74,805**	(325,695)	(43,977)	(7,907)	–
	117,823	(1,811,569)	(351,942)	(77,454)	(1,941)

ASSETS AND LIABILITIES

At 31 December	**2014 HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Assets	**17,536,906**	14,763,907	13,195,776	12,829,541	1,807,583
Liabilities	**(10,923,203)**	(9,087,136)	(7,509,529)	(6,982,428)	(369,714)
Net assets	**6,613,703**	5,676,771	5,686,247	5,847,113	1,437,869
Equity attributable to:					
Owners of the Company	**4,591,399**	3,491,809	3,250,655	3,385,282	1,437,869
Non-controlling interests	**2,022,304**	2,184,962	2,435,592	2,461,831	–
	6,613,703	5,676,771	5,686,247	5,847,113	1,437,869