



海昌控股有限公司

HAICHANG HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2255

Annual Report 2014



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COMPANY PROFILE

Haichang Holdings Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) is a leading developer and operator of theme parks and ancillary commercial properties in the PRC. The Group’s theme parks provide a comprehensive theme park, leisure, dining and shopping experience to its customers through both the in-park offerings and the complementary services offered by the ancillary commercial properties adjacent to the theme parks. Following the completion of the acquisitions of Dalian Discoveryland and Chongqing Caribbean Water Park by the Group in December 2014, the Group has expanded its theme park portfolio and enhanced its strategic geographical layout in the PRC. The Group currently operates six marine theme parks with a focus on polar animals, one adventure theme park and one water park across the PRC located in Dalian, Qingdao, Tianjin, Yantai, Wuhan, Chengdu and Chongqing. All of the Group’s marine theme parks, adventure theme park and water park have been operated by the senior management team of the Group since their inception. According to the research jointly conducted by the Themed Entertainment Association (TEA) and AECOM, the Group was among the ten largest theme park operators in the world in terms of admission attendance (measured by the number of visitors based on actual admissions) in 2013. The Group has recorded an increase in both the admission attendance (measured by the number of visitors based on actual admissions) and ticket attendance (measured by the number of visitors based on ticket sales) of the eight theme parks owned and operated by the Group in 2014. The Company successfully listed its shares on The Stock Exchange of Hong Kong Limited on 13 March 2014. Additional information about the Company is available on the Company’s website at www.haichangholdings.com.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wang Xuguang (王旭光) (Chief Executive Officer)

Zhao Wenjing (趙文敬) (Joint President)

Qu Naiqiang (曲乃強) (Joint President)

Non-executive Directors

Qu Naijie (曲乃杰) (Chairman)

Makoto Inoue (井上亮)

Yuan Bing (袁兵)

Independent Non-executive Directors

Fang Hongxing (方紅星)

Sun Jianyi (孫建一)

Wei Xiaoan (魏小安)

(resigned with effect from 27 May 2014)

Xie Yanjun (謝彥君)

(appointed with effect from 22 August 2014)

COMPANY SECRETARY

Yu Leung Fai (HKICPA, AICPA) *(resigned with effect from 27 March 2015)*

Xing Jun (HKICS, ICSA) *(appointed with effect from 27 March 2015)*

AUTHORISED REPRESENTATIVES

Wang Xuguang

Yu Leung Fai (HKICPA, AICPA) *(resigned with effect from 27 March 2015)*

Xing Jun (HKICS, ICSA) *(appointed with effect from 27 March 2015)*

LEGAL ADVISORS

As to Hong Kong Law

Kwok Yih & Chan

As to PRC Law

Liaoning Think Tank Law Firm

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUDITOR

Ernst & Young

Certified Public Accountants

AUDIT COMMITTEE

Fang Hongxing (Chairman)

Sun Jianyi

Wei Xiaoan *(ceased to act as a member*

from 27 May 2014)

Xie Yanjun *(appointed with effect from 22 August 2014)*

REMUNERATION COMMITTEE

Sun Jianyi (Chairman)

Wang Xuguang

Fang Hongxing

NOMINATION COMMITTEE

Qu Naijie (Chairman)

Sun Jianyi

Wei Xiaoan *(ceased to act as a member*

from 27 May 2014)

Xie Yanjun *(appointed with effect from 22 August 2014)*

RISK MANAGEMENT AND CORPORATE GOVERNANCE COMMITTEE

Yuan Bing (Chairman)

Fang Hongxing

Wei Xiaoan *(ceased to act as a member*

from 27 May 2014)

Xie Yanjun *(appointed with effect from 22 August 2014)*

INDEPENDENT BOARD COMMITTEE

Sun Jianyi (Chairman)

Fang Hongxing

Wei Xiaoan *(ceased to act as a member*

from 27 May 2014)

Xie Yanjun *(appointed with effect from 22 August 2014)*

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No.1, Lianjing Garden, Huale Street

Zhongshan District

Dalian, Liaoning Province

PRC

CORPORATE INFORMATION

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Suites 2606-2607, 26/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

The Export-Import Bank of China, Liaoning Branch
China Construction Bank Corporation,
Dalian Zhongshan District Branch
Industrial and Commercial Bank of China,
Dalian Economic and Technological Development
Zone Branch
Industrial and Commercial Bank of China,
Qingdao South 4th Branch
Industrial and Commercial Bank of China,
Wuhan East Lake District Branch
Industrial and Commercial Bank of China,
Chengdu Hi-tech Industrial Development Zone Branch
Industrial and Commercial Bank of China,
Tianjin Economic Development Zone Branch
Bank of Dalian, First Central Branch
China Merchants Bank, Dalian Branch
China Construction Bank (Asia) Corporation Limited
BNP Paribas, Hong Kong Branch

STOCK CODE

2255

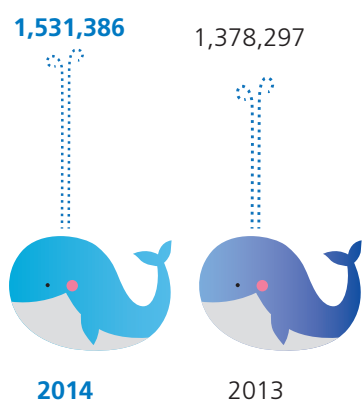
COMPANY WEBSITE

<http://www.haichangholdings.com>

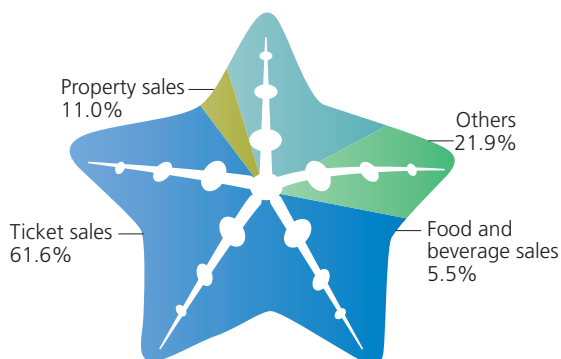
FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 11.1% to approximately RMB1,531.4 million
- Profit for the year increased by approximately 65.1% to approximately RMB211.5 million
- Profit attributable to owners of the parent increased by approximately 77.1% to approximately RMB192.0 million

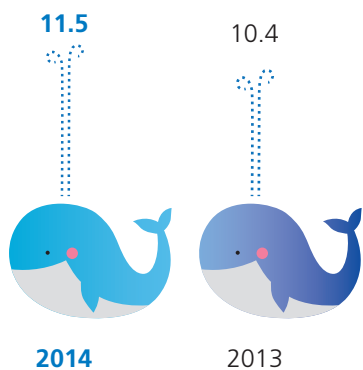
Revenue (RMB'000) *(Audited)*



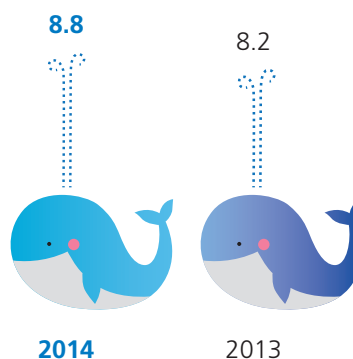
Revenue per segment



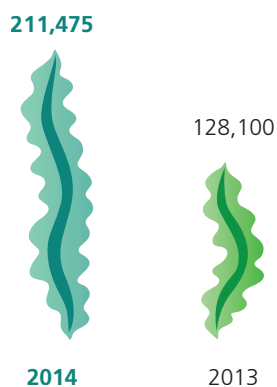
Admission Attendance (Million)



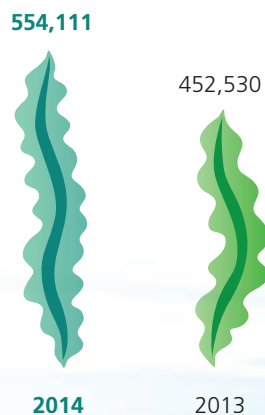
Ticket Attendance (Million)



Profit (RMB'000) *(Audited)*



EBITDA (RMB'000)



FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	For the year ended 31 December				
	2010 RMB'000 (Restated)*	2011 RMB'000 (Restated)*	2012 RMB'000 (Restated)*	2013 RMB'000 (Restated)*	2014 RMB'000
Results					
Revenue	977,031	904,687	1,112,884	1,378,297	1,531,386
Gross profit	457,556	372,493	460,702	589,305	673,617
Profit before tax	309,708	141,568	210,829	217,194	375,368
Income tax expenses	(114,720)	(70,983)	(115,628)	(89,094)	(163,893)
Profit after tax for the year	194,988	70,585	95,201	128,100	211,475
Attributable to:					
Owner of the parent	158,515	50,621	73,006	108,393	191,984
Non-controlling interests	36,473	19,964	22,195	19,707	19,491
Assets and liabilities					
Non-current assets	3,664,361	4,514,456	5,153,276	4,842,934	5,091,280
Current assets	2,886,986	4,551,851	4,057,513	3,350,623	3,342,737
Current liabilities	3,214,490	4,337,397	4,016,498	3,139,934	2,271,818
Non-current liabilities	1,760,842	3,404,859	3,370,943	3,391,655	2,434,197
Shareholders' equity	1,576,015	1,324,051	1,823,348	1,661,968	3,728,002

* Because of the acquisitions of Dalian Discoveryland and Chongqing Caribbean Water Park by the Group in December 2014, which were business combinations for entities under common control, the financial figures of the previous years were restated. Details are set out in note 3.2 of the consolidated financial statement.

OUR THEME PARKS



6 Tianjin Polar Ocean World



7 Chengdu Polar Ocean World



8 Wuhan Polar Ocean World



9 Chongqing Caribbean Water Park



10 Sanya Haitang Bay Dream World
(Under Planning)





6

7

8

9

10

1

2

3

4

5

Illustrations include: a pink octopus, a penguin, a hot air balloon, a blue seahorse, a pink dolphin, a red penguin, a yellow flower, and a red coral.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the board (the "Board") of directors of Haichang Holdings Ltd. ("Haichang Holdings" or the "Company") and its subsidiaries (collectively the "Group" or "we"), I am pleased to present the 2014 annual report of the Company.

For the year ended 31 December 2014 (the "Year"), the Group recorded a turnover of approximately RMB1,531,400,000, representing an increase of about 11.1% as compared with last year. Profit for the Year increased by about 65.1% to approximately RMB211,500,000. Profit attributable to owners of the Company increased by about 77.1% to approximately RMB192,000,000. Net debt ratio was about 19.9%, down by about 134.7% year on year. Admission attendance of the eight theme parks during the Year increased by 10.6% to approximately 11,494,200 visitors, and ticket attendance increased by 7.5% to approximately 8,773,183 visitors.

We achieved a stable growth in admission attendance through strengthening brand promotion, planning seasonal theme activities and actively laying out internet sales channels. We made various improvements in terms of product and service mix and visitor experience through upgrading and reconstructing project venues to increase entertainment contents as well as introducing innovative fee-charging entertainment projects and performing arts activities within the parks. The introduction of hot spring, wedding celebration, children's entertainment and other commercial activities strengthened the synergy between the ancillary commercial facilities and the theme parks, leading to an apparent improvement in the occupancy rate, tenant structure and rent level. Benefiting from the above measures, our operating performance was significantly improved, hence handing out an acceptable answer sheet to shareholders and investors.

The increasingly competitive market environment has posed new challenges for us. In addition to ensuring that the Shanghai Haichang Polar Ocean Park and Sanya Haitang Bay Dream World projects can be commenced and opened for business according to schedule, seeking investment opportunities in major cities and M&A opportunities worldwide, and continuing to strengthen the Group's core competitive advantages in the area of theme parks, "innovation" will be our long-term development strategy and mainline going forward.

CHAIRMAN'S STATEMENT

We will continue to enhance our two major competitive edges, namely, animal conservation management technology as well as project design development and operational management system, and actively develop into management consulting and technology management service productivity, so as to provide design, installation and maintenance services for aquariums, marine culture themed restaurants, children's entertainment and other marine-embedded products, hence generating a growth momentum for the Company's brand development and profit improvement. We will strengthen the integration of shareholder resources and the building of professional teams as well as the capability to produce marine-themed cultural and entertainment contents, and develop children's entertainment, cultural and performing arts and entertainment products to achieve reasonable placement, rapid replication and excellent return, hence building up as a provider of marine-themed cultural contents with our own independent intellectual property rights. We firmly believe that "innovation" will help to inject new vitality and power into our development and bring more lucrative returns to investors.

Looking ahead, as the industry structure improves and the industry upgrading trends become better, the role which the travel industry assumes as a strategic pillar of the national economy will become more prominent. Benefiting from the fast-growing tourism market and the continuously expanding consumer groups, our theme parks and innovation businesses are expected to obtain more opportunities for development and accordingly our competitive advantages will become more distinct.

As we develop, we will continue to take up the responsibilities and obligations of a corporate citizen by implementing social responsibilities and environmental commitments through establishment of animal conservation research centres, creation of animal protection charitable funds as well as continued participation in and promotion of popular science activities, animal rescues and other charity events.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to the management and all staff for their hard work, and to express our gratitude to our shareholders and business partners for their support and trust. Looking forward, the Group will continue its persistent efforts to reward its shareholders with better results.

Qu Naijie

Chairman

27 March 2015







MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Due to China's economic development, increase in disposable income of its citizens, infrastructure improvement, change in holiday policies and gradual development of transport infrastructure in China, public consumption in the tourism industry in China is experiencing a fast growth period. Many Chinese citizens have adopted traveling as part of their lifestyles.

According to the 2015 National Tourism Meeting Working Report (《2015年全國旅遊工作會議工作報告》) issued by the China National Tourism Administration, China's tourism achieved a steady growth in 2014. It is estimated that the number of domestic tourist visits in 2014 has increased by 10.0% to 3.6 billion and the total national tourism receipts has increased by 11.0% to approximately RMB3.3 trillion. Number of domestic tourist visits has increased by approximately 17 times from about 200 million in 1984 to about 3.6 billion in 2014. The number of outbound travel per capita has increased by approximately 12 times from 0.2 times in 1984 to 2.6 times in 2014, while the number of inbound visitors has increased by approximately 69.7 times from about 1.8 million in 1978 to about 128.0 million in 2014, representing an average annual growth rate of 12.6%. Receipts from international tourism has also increased by approximately 213.8 times from about US\$263.0 million to about US\$56.5 billion, representing an average annual growth rate of 16.1%. Due to the rapid growth of China's tourism consumption power, China has become the largest domestic tourism market in the world.



Dining in The Water World

MANAGEMENT DISCUSSION AND ANALYSIS



Dalian Discoveryland

In China, the tourism industry has contributed to its related business sectors significantly. Its contribution to the accommodation sector, the civil aviation and railway passenger transport sectors, the cultural and entertainment sectors and the catering and commercial sectors reached over 90%, 80%, 50% and 40%, respectively. Due to the continued strengthening of the integration between the tourism industry and its related business sectors, the emergence of new tourism products and business trends, the development of the variety of tourism enterprises and the further enhancement of tourism service models, the tourism industry and its related business sectors have formed a comprehensive industry consisting of different business sectors. Since the share of the tourism industry in the gross domestic product of the PRC is still relatively low

as compared to the developed countries, it is expected that the PRC tourism has great potential for future growth.

In 2014, the amount of actual completed investment in the tourism industry in China was approximately RMB705.3 billion, representing a year-on-year increase of 32.0%, which is higher than the growth rate of tertiary industry investment and national investment for approximately 15.0% and 16.2%, respectively. It is expected that in the coming three years, direct investment in the tourism industry will exceed RMB3.0 trillion. The development of rural tourism, tourist towns, large tourist spots and resorts areas, travel products such as medical and health travel, elderly healthcare travel, self-drive travel, cruise and boat trip and online travel agency, as well as manufacturing of travelling goods, outdoor leisure products and travelling equipment are becoming attractive areas for tourism investment.

Regulatory and Government Support

It is expected that the PRC government will continue to attach great importance and support to the tourism and leisure industry. Apart from a series of policies, laws and regulations such as the National Travel Leisure Outline (2013-2020) (《國民旅遊休閒綱要(2013-2020年)》) and the Tourism Law of the PRC (《中華人民共和國旅遊法》) issued on 25 April 2013 and effective as of 1 October 2013, the "Opinions on Promoting the Reform and Development of the Tourism Industry" (《關於促進旅遊業改革發展的若干意見》) (the "Opinions") were issued by the State Council on 21 August 2014 to facilitate the reform and development of the tourism industry in China. The Opinions set out the priority missions in the reform and development of the tourism industry in the forthcoming period, such as, to strengthen the momentum of tourism development, expand the space for tourism development and optimise the environment for tourism development. Focusing on the prevailing challenges and problems identified in the reform and development of the tourism industry in China, measures have been introduced to implement the paid leave system, strengthen the tourism infrastructure development, implement fiscal and financial policies which can support tourism development under the new market conditions, improve the land use management system of tourism land and optimise the system for tourism-related personnel development. In the working report of the Government delivered by Mr. Li Keqiang, the Premier of the PRC State Council, in March 2015, objectives and measures in connection with the development of the tourism industry such as elevation of tourism and leisure spending, implementation of paid leave system, promotion of expansion and multi-development of national tourism brand names and promotion of development of tourism lifestyle and manufacturing service industries were suggested.

MANAGEMENT DISCUSSION AND ANALYSIS

In the coming three years, it is expected that the PRC Government will continue to strengthen the reform of the tourism system so as to motivate the development of the tourism industry, enhance and standardise tourism laws and regulations, improve the public services at tourist spots, promote the establishment of a convenient transportation system, innovate regional tourism co-operation mechanisms, launch new investment and financing platforms for tourism, support the innovative development of tourism enterprises, and encourage the development of leisure vacation products with strong market demand, high-end theme parks and tourism performance shows, all of which will provide more development opportunities to the tourism industry in China.

BUSINESS REVIEW

The Group is a leading developer and operator of theme parks and ancillary commercial properties in the PRC. The Group's theme parks provide a comprehensive theme park, leisure, dining and shopping experience to its customers through both the in-park offerings and the complementary services offered by the ancillary commercial properties adjacent to the theme parks. Following the completion of the acquisitions of Dalian Discoveryland and Chongqing Caribbean Water Park by the Group in December 2014, the Group has expanded its theme park portfolio and enhanced its strategic geographical presence in the PRC. The Group currently operates six marine theme parks with a focus on polar animals, one adventure theme park and one water park across the PRC located in Dalian, Qingdao, Tianjin, Yantai, Wuhan, Chengdu and Chongqing. The key advantageous assets of the Group are its large and diverse animal collection showcased in its theme parks. All of the Group's marine theme parks, adventure theme park and water park have been operated by the senior management team of the Group since their inception.

The Group has recorded an increase in both the admission attendance (measured by the number of visitors based on actual admissions) and ticket attendance (measured by the number of visitors based on ticket sales) of the eight theme parks owned and operated by the Group in 2014. For the twelve months ended 31 December 2014, the admission attendance of the eight theme parks of the Group increased by 10.6% from approximately 10,393,742 visitors for the twelve months ended 31 December 2013 to approximately 11,494,200 visitors for the same period in 2014. The ticket attendance of the eight theme parks of the Group increased by 7.5% from approximately 8,161,540 visitors for the twelve months ended 31 December 2013 to approximately 8,773,183 visitors for the same period in 2014.

As to brand building, through strengthening the Group's internal training on the unification of the usage of its brand and completing the design and usage specifications of its new theme park cartoon figures, the Group has established the foundations for brand promotion and derivative products development. Also, it has strengthened and promoted the *Haichang Holdings* brand and improved its branding management system. Furthermore, the Group has continuously strengthened the promotion of its brand name through cooperation with main stream media such as China Central Television. As to marketing and promotion, in addition to the preliminary completion and operation of the official network and new media platform, the Group has also proactively implemented its online sales platform, commenced extensive cooperation with various online travel agencies and increased its sales volume with enhanced sales channels combination and integration of offline activities. The Group has expanded the facilities in the intelligent zones of its theme parks by introducing the application of Quick Response Code, tour guide mobile application and in-park public Wi-Fi network. The Group has also imported a gridding management model for its regional market development and placed great emphasis on the development of new customer base and new cooperative partners, as well as seasonal themed activities, in order to stabilise its customer flow during the peak and non-peak seasons and to ensure a stable admission attendance increment. In January and March 2014, the Group launched the "South Pole Fairytale Village (南極童話村)" and the "Haichang Little Explorer (海昌小小

MANAGEMENT DISCUSSION AND ANALYSIS

旅行家” activities. Later in the summer of 2014, the Group cooperated with Taomee Holdings Ltd. (NYSE: TAOM) and jointly presented the “Haichang Little Magician – Mole World Adventure (海昌小小魔法師－摩爾莊園大冒險)” activity. Through these activities, the Group aroused the attention of the market and media and attracted more visitors to its theme parks, especially families and children visitors. For the year ended 2014, the Group obtained a number of awards such as “2014 Top 20 Tourism Corporation in the PRC”, “2014 Most Favourite Tourism Group of Internet Users” and “2014 Leading Theme Park in the PRC”.

The Group has proactively implemented various measures to optimise and increase the revenue from in-park spending and profitability, the results of which were obvious in the year of 2014. In particular, the Group has improved its entertainment contents by upgrading its existing venues and implemented various creative performance activities to enrich visitors’ experience and promote public understanding of marine science. It has established and implemented systems to maintain the standard of its catering services and unify the working process. In order to increase its gross profit margin, the Group has implemented effective incentive scheme and costs control system to increase its revenue and profits, carried out scientific adjustments to its business and profit-sharing models and gradually retrieved projects with higher profit margin for self-operation. Based on the spending patterns of its visitors, the Group has also independently conducted research and developed food and beverages with recreational themed packing in order to enrich its product portfolio, enhanced the location, image and environment of its in-park spending points and devoted more effort in innovation for the development of more creative products and new projects with interactive entertainment experience in order to enrich the visitors’ experience dimensions.

The park operations and others segments of the Group have experienced significant revenue growth in 2014. Revenue from the park operations and others segments increased from approximately RMB978.3 million in 2013 to approximately RMB1,111.6 million in 2014. Revenue from the property development and holding segment amounted to approximately RMB400.0 million and RMB419.8 million in 2013 and 2014, respectively. The total revenue of the Group was approximately RMB1,378.3 million and RMB1,531.4 million in 2013 and 2014, respectively.

In addition, the Group and Ocean Park Corporation entered into a memorandum of cooperation and stipulated a framework of cooperation on 25 August 2014, pursuant to which the Group and Ocean Park Corporation will extend and deepen the existing scope of their cooperation in areas such as brand names promotion and marketing, personnel development, animal sustainability and technical skills exchange so as to motivate the world to support the continuing environmental conservation works, especially marine environmental protection and biodiversity. The Board believes that the memorandum of cooperation will allow the Group to share its experience and enhance its professional knowledge in different areas; realise advanced resources sharing; increase public awareness of its brand and elevate the level of its internationalisation through organising animal-related educational activities and environmental protection activities; and more importantly, to promote the importance of animal and environmental protection to the public. The memorandum of cooperation will bring mutual benefits to both parties and is in the interests of the Company and its shareholders as a whole.

The Group has cooperated with many renowned e-commerce enterprises, such as LY.com, Ctrip.com, Qunar.com and Taobao.com, to enlarge its sales channels and explore in-depth online to offline cooperation model. The Group has also actively promoted cross-border cooperation and explored the development of marine-themed cultural industry. Besides the cooperation with Taomee.com in launching themed sales promotion activities and the “Mole World” drama touring shows, they also jointly produced a movie called the “Mole World Movie 3: Magic Train Adventure 《摩爾莊園大電影3：魔幻列車大冒險》”. Furthermore, certain elements and features of the Group’s polar ocean world concept have been incorporated in a movie called “The Mermaid 《美人魚》”, a 3D magical movie invested by Mr. Stephen Chow.

MANAGEMENT DISCUSSION AND ANALYSIS

To offer the park visitors an integrated travel experience and benefit from the potential appreciation in value of the properties adjacent to the theme parks, the Group develops, sells and selectively holds ancillary commercial properties adjacent to the theme parks. The Group continues to focus on providing leisure experience and lifestyle services and promoting the concept of synergic development of theme parks and ancillary commercial properties. The Group has facilitated the sales of its properties held for sale through taking a forward-looking approach to identify the positioning of its products, reinforcing the expansion of sales channels and strengthening the management of sales revenue. Therefore, the Group reached the expected sales target of its properties held for sale for the year ended 31 December 2014. By analysing the structure of its product portfolio, carrying out regular assessment and selection of its tenants, consolidating the complementary functions between different business segments and standardising the standard of its property services, the Group has successfully adjusted the combination of the tenant base of its properties held for investment and developed a more diversified tenant base with higher rental income level, such as hot springs, wedding banquets and children's entertainments. The commercial leasing business of the Group has also improved in 2014 as compared to the same period in 2013 as it recorded a substantial growth in its leasable area, occupancy rate and rental income level. With the purposes of prolonging the staying time of visitors in its theme parks and increasing the possibility of consumption, the Group has started to study the self-support business model and has preliminarily completed the research on certain self-support businesses with good synergies effect such as themed hotels and themed restaurants.

With respect to industry exchange activities, the Group participated in the 42nd Annual Symposium of the European Association for Aquatic Mammals (EAAM) held in Spain in March 2014 and the 45th Annual Conference of the International Association for Aquatic Animal Medicine (IAAAM) held in Australia in May 2014, at which the Group exchanged and shared views and experiences on international exchange, global marine theme parks growth trends, establishment of animal pedigree, animal species management and animal medical care with its industry peers. The Group, as an organiser, cooperated with the Aquarium Special Committee of the Chinese Association of Natural Science Museums, Hong Kong Ocean Park and International Marine Animal Trainer's Association (IMATA), and jointly launched an animal trainer training program in May 2014. In mid-May 2014, the Group was further appointed as an organiser of the annual meeting of the Polar Science Education Centre of the State Oceanic Administration. Later in September 2014, the Group was invited to participate in the 22nd Biennial Conference of the International Zoo Educators Association and the meetings of the United States' Association of Zoos and Aquariums (AZA) and the IMATA. The Group also participated in the first Hong Kong, Taiwan and China aquarium forum and the annual academic conference of the Aquarium Special Committee of the Chinese Association of Natural Science Museums in October and November 2014, respectively. The Group has established a regular two-way exchange mechanism with the Fixed Assets and Aquarium Division of ORIX Group in Japan to facilitate the exchange of ideas in relation to research and development of themed merchandise, management experience and scientific research results. Through the above exchanges and cooperation, the Group has not only acquired experience in advanced operation management and scientific research, it has also strengthened its influence in the marine theme park industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding animal breeding and scientific research, the Group bred a total of ten animal species and more than 100 polar marine animals during the year 2014. In September 2014, the Group and National Aquatic Wildlife Conservation Association jointly presented the annual “Aquatic Wildlife Conservation Haichang Award” to reward organisations and individuals who had made outstanding contributions to the conservation, research and science education of aquatic wildlife. The Group also entered into a cooperation agreement with Qingdao Agricultural University in December 2014 to establish a polar marine animal research centre for scientific research on polar marine animals, with the aims to actively convert the research results into animal conservation techniques productivity and promote the integration of academic research and industrial development. The Group has also enhanced the technical knowledge and performance of its staff by circulating internal technical journals covering areas such as animal management, medical care and training and establishing mechanisms for internal exchange on animal scientific research.

In order to reward the existing management of the Group for their contributions and to encourage and maintain a long-term service relationship between the Company and the management, the Group adopted a management share purchase scheme on 19 November 2014 and extended the scheme on 13 January 2015, with an aim to provide the directors, management or other core employees of the Group or any other persons who have contributed or will contribute to the development and operation of the Group (collectively, the “Eligible Participants”) with the opportunities to hold the shares (the “Shares”) of the Company. The share purchase scheme will allow the Group to share its future value and growth with the Eligible Participants and align the personal interests of the Eligible Participants with those of the Company and its shareholders. The Eligible Participants shall have the ownerships, rights to income and voting rights in respect of any scheme shares so purchased. The Board may further encourage the management to increase their shareholdings in the Company in the future.

The Group has always been endeavoured to establish good investor relations and public relations and has placed particular emphasis on communication with investors. After the listing (the “Listing”) of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group has communicated with more than one hundred investment institutions on matters such as the Group’s current operating situation, industry prospects, development strategies and future plans, through organising sizeable results conferences, annual general meeting, non-transactional roadshows after publication of results announcements, investors’ reverse roadshows, as well as participating in activities such as investment forums and discussion meetings organised by investment banks. On one hand, the management actively engaged in frequent interactions with investors through one-to-one/group meetings and teleconferences and sending monthly newsletters to investors regularly, with the purposes to increase the public awareness and understanding of the Group. On the other hand, the Group established a two-way communication mechanism with the media in China and Hong Kong, organised a number of reverse roadshow activities in Hong Kong and the places in which its projects are located, it also actively participated in award events for listed companies organised by professional media and industry exchange activities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

The Group will continue to focus on the development of its two pipeline projects, Shanghai Haichang Polar Ocean Park (previously known as Shanghai Haichang Polar Ocean World) and Sanya Haitang Bay Dream World, as well as the cooperation with Dalian Laohutan Marine Park (“Hutan Park”) (the state-owned enterprise which holds 41.7% interests in Dalian Laohutan Ocean Park Co., Ltd. (“Dalian Laohutan”), a subsidiary of the Group which operates Dalian Laohutan Ocean Park).

Shanghai Haichang Polar Ocean Park

Shanghai Haichang Polar Ocean Park is expected to be developed into a flagship marine theme park of the Group with ancillary commercial properties, and will become a new landmark in Shanghai. The marine theme park will showcase marine animals from the North and South Poles, marine fish and marine wildlife together with large-scale amusement equipment, special effects films, animal performances and water-borne parades.

As disclosed in the announcement of the Company dated 18 January 2015 in relation to the completion of the acquisitions of the land plots to be used for the development of the park portion of Shanghai Haichang Polar Ocean Park, which will comprise of a theme park and ancillary hotels, on 16 January 2015, the Group won the bids for the land use rights of the relevant land plots through the listing-for-sale procedures at RMB728.1 million and entered into the corresponding land grant contracts, marking a big step forward for this pipeline project. Establishment of Shanghai Haichang Polar Ocean Park will be regarded as a key business development milestone of the Group. This will help to materialise the Group’s geographical strategy with respect to the Yangtze River Delta region and the first-tier cities in the PRC and to strengthen the Group’s status as a leading developer and operator of theme parks and ancillary commercial properties in the PRC.

Sanya Haitang Bay Dream World

Sanya Haitang Dream World is planned to be an international tourist destination situated on the “national seashore” of the Sanya Haitang Bay. The project is expected to provide entertainment programs to visitors and be positioned as a large-scale integrated project that blends leisure, dining, shopping, culture and entertainment. In respect of the project land for the tourism-related part of the project, the Group entered into a land lease contract with the local government authority on 16 January 2014. As of 30 June in the same year, the design firm engaged by the Group completed the conceptual planning for the land use of the project and passed the preliminary reporting stage with the relevant local municipal government authority in Sanya. In July of the same year, China Academy of Urban Planning and Design, the organisation responsible for the examination and approval of the overall planning of the Sanya Haitang Bay area, approved the guidelines for a gross floor area of approximately 100,000 sq.m. of the project. The Group and the Sanya Haitang Bay Management Committee (三亞市海棠灣管理委員會) have entered into an agreement in connection with the construction work of the project land for the tourism-related portion of the project, the greening and road construction work of a portion of the project land have commenced in August of the same year pursuant to the agreement.

In respect of the project land for the ancillary commercial properties, the Group expects the local government authority to announce the land tender, auction or listing-for-sale procedures for the relevant project land in phases. The Group will continue to communicate with the relevant government authorities in order to push forward the acquisitions of the land for the tourism-related portion and the ancillary commercial properties of the project.

MANAGEMENT DISCUSSION AND ANALYSIS

Dalian Laohutan Park

During the year under review, Haichang (China) Co., Ltd., Dalian Laohutan and Hutun Park entered into a cooperation framework agreement (the "Cooperation Framework Agreement") to strengthen and extend the scope of the existing cooperation between the Group and Hutun Park in relation to the operation and management of Dalian Laohutan Park. Pursuant to the Cooperation Framework Agreement, Hutun Park shall solely appoint Dalian Laohutan to manage Dalian Laohutan Park and Dalian Laohutan shall have the right to develop, operate and manage any new attractions in the park. Despite the parties have already reached consensus on the details of the material terms and conditions in relation to the proposed cooperation stipulated under the Cooperation Framework Agreement, they still require additional time to finalise the definitive agreement(s) and the parties will finalise all the terms and conditions of the definitive agreement(s) as soon as practicable. In February 2015, the Group and Hutun Park reached consensus on the settlement method of the ticket sales revenue of Dalian Laohutan Park for the year of 2014 and also reached an intention to cooperate in various aspects for the year of 2015, such as marketing and promotion, ticket management, settlement, data statistics and new projects development.

Besides, the Group plans to continue strengthening and promoting the construction of travel and leisure spots with marine features, innovating and developing marine cultural techniques service system and product exporting services, and establishing a logical distribution of product areas with the aims to develop a leading tourism and leisure brand name with a focus on marine culture in China and become an international travel and leisure platform type enterprise featuring marine culture. The major plans of the Group are as follows:

Continuous reinforcement of the continuous attractiveness and regional competitive advantages of the existing theme parks and development of travel and leisure destinations with featured culture in the region

The Group will improve the capital investment mechanism with development of travel and leisure destinations as the goal and collaboration and innovation as the principles and enhance the products and services of its existing theme parks. It will also increase the interactive entertainment contents in its existing theme parks and develop featured hotels, hot springs, themed restaurants, coffee shops and children's entertainments at self-owned and leased commercial properties. The Group will reserve a certain percentage of its operating income every year for the upgrading and reconstruction of its theme parks and the formation and operation of self-support business. It is expected that the upgrading of the existing eight theme parks of the Group will be completed in phases within the coming three to five years in order to enhance the continuous attractiveness of the existing parks as the travel and leisure destinations in the region. Through strategies such as importation of science and technology, inclusion of marine cultural features and cooperation with international brands, the Group will be able to improve the income and gross profit margin of its non-ticket operation revenue by enhancing its ability to generate in-park spending, such as to improve the contents of its in-park entertainments and chargeable entertainments and attractiveness of its non-ticket nature products. Through methods such as structural reform, technological innovation and institutional improvement, the Group will be able to control and manage its costs at a reasonable level and thus will maintain its EBITDA and income ratio at a favourable level.

MANAGEMENT DISCUSSION AND ANALYSIS

Completion of the development of Shanghai Haichang Polar Ocean Park and Sanya Haitang Bay Dream World and the unified operation of Dalian Laohutan Park, exploration of project investment opportunities in first-tier cities for travel consumption and cities of strategic significance in the PRC, as well as merger and acquisition opportunities across the world

Shanghai Haichang Polar Ocean Park will be positioned as a flagship polar marine park comparable with the Disneyland theme park to be built in Pudong, Shanghai and Sanya Haitang Bay Dream World will be positioned as the most attractive entertainment and leisure destination featuring marine culture in China. The Group will focus on cooperation in respect of international intellectual properties during the course of development and operation and joint development of international consumer goods and services contents. The Group expects that the listing-for-sale procedures for the land plot for the development of Sanya Haitang Bay Dream World will complete and construction works will commence in 2015, and that the development and construction of Shanghai Haichang Polar Ocean Park will be completed in 2017 with all the opening conditions imposed by the relevant PRC government authorities being satisfied. The Group will strive to complete the preliminary reconstruction plan of Dalian Laohutan Ocean Park and commence the reconstruction within the coming three years. The Group will actively explore suitable project investment opportunities in the first-tier cities for travel consumption and cities of strategic significance in the PRC, with a target to conduct thorough investigation and research on cities reserved for development and assess the feasibility of development within a year and to initiate new investment plans within the following three years. The Group will also be actively exploring vertical and horizontal merger and acquisition opportunities across the world. While focusing on the variety of international strategic cooperation, the Group and its strategic partners will jointly develop international tourism consumption products and services.

Continuous improvement of the two core competitiveness (animal conservation management technology; and project design and development and operation management systems) and proactive conversion into output of management consultancy and techniques management services

The Group will continue to promote the harmony between human and animal and the concept of environmental protection; formulate animal protection and conservation strategies; construct animal conservation scientific and research centres; establish animal protection charitable fund; continue to invest in and strengthen the research on management techniques of animal conservation and actively strengthen the cooperation with renowned enterprises and research institutions in the industry so as to highlight and strengthen its position in the industry, and proactively promote the conversion of scientific research results into industry productivity. The Group will continue to improve the overall and individual abilities of each stage of its project development and management process (such as venue design, construction, operation and management). It will set up a management consultancy and techniques services company for active promotion of its marketing consultancy and techniques management services to the market and will fully utilise the advantages of chained distribution in order to develop more opportunities for provision of its services within the region, which will in turn become a momentum for its brand development and profit increment. The Group will highlight and strengthen its design and planning abilities, act along with the fast-changing trend of the commercial service industry and provide services on the design and installation of embedded or portable marine themed products and maintenance services of life-support systems for entities such as aquariums, marine-themed restaurants and children's entertainments.

MANAGEMENT DISCUSSION AND ANALYSIS

Development of production capacity in marine themed cultural and entertainment contents and development of children's entertainments, cultural performances and entertainment products

The Group will perform a full assessment of customers' needs, current market competition and development trends of indoor children's entertainment projects under the premises to meet the needs of customers and achieve quick return on investment, the Group will be able to develop logical arrangement and replicate rapidly based on its creative and unique content production ability. The Group will confer cultural connotations to its existing theme parks and those to be developed in light of the "Scene Strategy" concept, the Group will also actively develop creativity through exploration of online virtual scenes and build a design team with creativity and contents production ability in order to become a provider of marine-themed cultural contents with independent intellectual property rights. The Group will also fully utilise shareholders' resources, attract advanced cultural and entertainment enterprises from the United States, Japan, Korea and China and mainstream media for collaboration in the development of dramas and animation works for children with the theme of marine science and knowledge. Based on the Group's continuing research and development abilities, the Group will upgrade its existing marine-themed cultural performances and innovate sizeable marine culture shows.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, the Group recorded a turnover of approximately RMB1,531.4 million (2013: RMB1,378.3 million), representing an approximately 11.1% increment as compared to last year. The increase in turnover was attributed to an increase in the revenue generated from its park operations, property development and holding and others segments.

Revenue generated from the Group's park operations and others segments increased by 13.6% from approximately RMB978.3 million in 2013 to approximately RMB1,111.6 million in 2014, primarily due to an increase in tickets sales and non-ticket revenue, which was mainly driven by the increase in the number of ticket attendance. For the year ended 31 December 2014, the ticket attendance of the eight theme parks increased to approximately 8.77 million visitors in 2014 from approximately 8.16 million visitors in 2013. Revenue generated from sales of tickets therefore increased by 13.3% from approximately RMB832.6 million in 2013 to approximately RMB943.1 million in 2014. Revenue generated from non-ticket sales increased by 15.6% from approximately RMB145.7 million in 2013 to approximately RMB168.5 million in 2014.

Revenue generated from the Group's property development and holding segment increased by 5.0% from approximately RMB400.0 million in 2013 to approximately RMB419.8 million in 2014, of which revenue generated from property sales decreased by 1.0% from approximately RMB375.5 million to approximately RMB371.7 million, and revenue generated from rental income increased 96.3% from approximately RMB24.5 million to approximately RMB48.1 million.

Cost of Sales

The Group's cost of sales increased by 8.7% from approximately RMB789.0 million in 2013 to approximately RMB857.8 million in 2014, which was in line with the increase in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's overall gross profit increased by approximately 14.3% to approximately RMB673.6 million (2013: RMB589.3 million) and overall gross profit margin slightly improved to 44.0% (2013: 42.8%).

Segment gross profit of the Group's park operations and others segments increased by 24.0% to approximately RMB545.7 million (2013: RMB440.0 million) and segment gross margin of the Group's park operations and others segments improved from 45.0% in 2013 to 49.1% in 2014, primarily due to the increase in revenue generated from its theme parks as a result of the higher admission attendance of its theme parks in 2014 and the relatively stable operating expenses of most of its theme parks during the same period.

Segment gross profit of the Group's property development and holding segment decreased by 14.3% to approximately RMB127.9 million (2013: RMB149.3 million). Segment gross margin of the Group's property development and holding segment was 30.5% (2013: 37.3%). The decrease in gross margin of this segment was mainly due to the difference in the types of properties sold as compared to the prior period.

Other Income and Gains

The Group's other income and gains increased by 18.1% from approximately RMB284.9 million in 2013 to approximately RMB336.3 million in 2014, mainly due to an increase in the fair value gains on the revaluation of investment properties, which was caused by an increase in the leasable area and rental rates of the investment properties in 2014.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 20.5% from approximately RMB100.0 million in 2013 to approximately RMB120.5 million in 2014, mainly due to an increase in promotion and advertising expenses on the Group's theme parks for the purpose of the Listing and an increase in commission fees paid to the travel agencies as a result of the increase in revenue from tickets sales in 2014.

Administrative Expenses

The Group's administrative expenses increased by 32.2% from approximately RMB200.9 million in 2013 to approximately RMB265.6 million in 2014, mainly due to certain expenses in connection with the Listing incurred in 2014 and an increase in staff costs as a result of the reorganisation of the listed businesses of the Group.

Finance Costs

The Group's finance costs decreased by 45.5% from approximately RMB354.8 million in 2013 to approximately RMB193.5 million in 2014, mainly due to a substantial decrease in the total amount of bank loans and other borrowings and the optimisation of the Group's debt structure in 2014.

Income Tax Expenses

The Group's income tax expenses increased by 84.0% from approximately RMB89.1 million in 2013 to approximately RMB163.9 million in 2014, mainly due to an increase in deferred tax arising from the increase in the Group's profit before tax and fair value gains on its investment properties recognised during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

As a result of the foregoing, the profit of the Group for the year increased by 65.1% from approximately RMB128.1 million in 2013 to approximately RMB211.5 million in 2014, while the net profit margin increased from 9.3% in 2013 to 13.8% in 2014. During the same period, the profit attributable to owners of the parent increased by 77.1% from approximately RMB108.4 million in 2013 to approximately RMB192.0 million in 2014.

Liquidity and Financial Resources

As at 31 December 2014, the Group had current assets of approximately RMB3,342.7 million (2013: RMB3,350.6 million). The Group had cash and bank deposits of approximately RMB1,551.4 million (2013: RMB498.8 million) and its pledged bank balances amounted to approximately RMB482.1 million (2013: RMB2.3 million). The increase in cash and bank deposits by the end of 2014 was mainly attributable to the proceeds obtained from the Listing and the increase in revenue generated from its parks operations. The current ratio of the Group was approximately 1.47 (as at 31 December 2013: 1.07).

Total equity of the Group as at 31 December 2014 was approximately RMB3,728.0 million (2013: RMB1,662.0 million). The increase in total equity was mainly due to an increase in the Share premium of the Company as a result of the Listing and the proceeds received from Mr. Qu Naijie in respect of the acquisitions of Dalian Haichang Discoveryland Theme Park Co., Ltd. and Chongqing Haichang Caribbean Tourism Development Co., Ltd. by the Group in December 2014. As at 31 December 2014, the total interest-bearing bank and other borrowings of the Group was approximately RMB2,770.0 million (2013: RMB3,385.9 million). The repayment schedule of the Group's interest-bearing bank and other borrowings as at 31 December 2013 and 2014 is summarised below:

	31 December 2014		31 December 2013	
	RMB'000	(%)	RMB'000	(%)
Within one year or on demand	1,310,613	47.3%	945,520	27.9%
In the second year	375,064	13.5%	525,097	15.5%
In the third to fifth year, inclusive	819,259	29.6%	1,557,838	46.0%
Beyond five years	265,200	9.6%	357,398	10.6%
Total	2,770,136	100.0%	3,385,853	100.0%

As at 31 December 2014, the Group had a net gearing ratio of 19.9% (as at 31 December 2013: 154.6%). The net liabilities of the Group include interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The substantial decrease of the net gearing ratio as at 31 December 2014 was mainly attributable to the increase in total equity as a result of the Listing.

As indicated by the above figures, the Group has maintained stable financial resources to execute its future commitments and future investments for expansion. The Board believes that the existing financial resources will be sufficient to execute future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms.

Capital structure

The share capital of the Company comprises ordinary shares for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

	31 December 2014 RMB'000 (Audited)	31 December 2013 RMB'000 (Audited)
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	51,788	87,657
Guarantees given to banks in connection with facilities granted to related companies**	–	449,449
	51,788	537,106

* The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the mortgage loan and ends after the execution of the purchaser's collateral agreement.

The Group did not incur any material losses during the year (2013: nil) in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

** The Group provided guarantees to banks in connection with bank facilities granted to the related companies and the Directors consider that no provision is required in respect of the guarantees.

Capital Commitments

For the year ended 31 December 2014, the Group had capital commitments of approximately RMB402.7 million (2013: RMB358.3 million), which shall be funded through a variety of means, including cash generated from operations, bank financing and proceeds from the Listing.

Foreign Exchange Rate Risk

The Group mainly operates in China. Other than bank deposits and bank borrowings denominated in foreign currency, the Group is not exposed to material foreign exchange rate risk. Appreciation in RMB would have a positive effect on the repayment of interest and bank borrowings denominated in foreign currency. During the year ended 31 December 2014, though the exchange rate of RMB against the United States Dollar and the Hong Kong Dollar decreased slightly, the Directors expect that any fluctuation in the exchange rate of RMB will not have material adverse effect on the operation of the Group.

Pledge of Assets

The Group's bank loans were secured by the pledges of the Group's property, plant and equipment, investment properties, prepaid land lease payments, properties under development and pledged bank balances, with a total carrying value of RMB2,735.1 million at the end of 2014 (as at 31 December 2013: RMB1,942.8 million). Details of the assets pledged for the secured bank borrowings are set out in note 31 of the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Events after Balance Sheet Date

Below are the major events which occurred after the balance sheet date:

1. On 13 January 2015, Mr. Qu Naijie sold to certain Eligible Participants under the management share purchase scheme, 83,084,476 ordinary shares of the Company, representing approximately 2.08% of the total issued share capital of the Company, at a price of HKD1.36 per share via an intermediary which is an associate of Mr. Qu Naijie.
2. In January 2015, the Group successfully bid for the land use rights of land plots with a total site area of approximately 297,155 square metres in Shanghai, the PRC which will be used for the development of Shanghai Haichang Polar Ocean Park, at a total purchase consideration of approximately RMB728.1 million.

MATERIAL ACQUISITION AND DISPOSAL

ORIX (China) Investment Company Limited, Haichang Asia Investment Limited, Dalian Haichang (Group) Co., Ltd. and Haichang Holdings (Hong Kong) Limited entered into an equity transfer agreement on 24 September 2013. Pursuant to that transfer agreement, after the expiry of a one-year period from August 2013, Haichang Holdings (Hong Kong) Limited would acquire 100% equity interests in Dalian Haichang Discoveryland Theme Park Co., Ltd. from ORIX (China) Investment Company Limited, Haichang Asia Investment Limited and Dalian Haichang (Group) Co., Ltd. at a US dollars consideration equivalent to RMB416,621,420.83. The acquisition was completed on 12 December 2014 and Dalian Haichang Discoveryland Theme Park Co., Ltd. has become an indirect wholly-owned subsidiary of the Company and its financial results have been consolidated into the Group's financial results.

Details of the above acquisition were set out in the announcement of the Company dated 12 December 2014.

Dalian Haichang Real Estate Group Co., Ltd. and Dalian Haichang Travel Group Co., Ltd. entered into an equity transfer agreement on 23 September 2013. Pursuant to that transfer agreement, after the expiry of a one-year period from November 2013, Dalian Haichang Travel Group Co., Ltd. would acquire 100% equity interests in Chongqing Haichang Caribbean Tourism Development Co., Ltd. from Dalian Haichang Real Estate Group Co., Ltd. at a total consideration of RMB10,210,831.35. The acquisition was completed on 22 December 2014 and Chongqing Haichang Caribbean Tourism Development Co., Ltd. has become an indirect wholly-owned subsidiary of the Company and its financial results have been consolidated into the Group's financial results.

Details of the above acquisition were set out in the announcement of the Company dated 22 December 2014.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associated companies undertaken by the Group during the year ended 31 December 2014.

STAFF POLICY

When taking into account the eight theme parks of the Group, the Group had approximately 2,400 full-time employees and approximately 400 temporary workers in the PRC (2013: 2,300 full-time and 400 temporary) and 5 full-time employees in Hong Kong (2013: Nil) as at 31 December 2014. The Group offers a comprehensive and competitive remuneration, retirement schemes and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group and its employees in the PRC are required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. During the year, all of the Hong Kong full-time employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

The Group sets its emolument policy with regard to the prevailing market conditions and individual performance and experience.

DIRECTORS AND SENIOR MANAGEMENT

AN OVERVIEW OF DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of nine Directors, three of whom are independent non-executive Directors. The Directors were appointed by the Board. According to the articles of association of the Company (the "Articles of Association"), not less than one-third of the Directors must retire from office by rotation at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years and any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the next following general meeting of the Company after his/her appointment.

The Board is responsible and has general powers for the management and conduct of the Company's business. The following table sets out certain information concerning the Directors as at the date of this annual report:

Name	Age	Position/Title	Date of appointment(s)	Job Responsibilities and Relationship with other Directors
Executive Directors				
Wang Xuguang (王旭光)	46	Executive Director and Chief Executive Officer	19 July 2012	Primarily responsible for the strategic decision making and the management of the Group. He also serves on the remuneration committee.
Zhao Wenjing (趙文敬)	60	Executive Director and Joint President	19 July 2012	Primarily responsible for human resources management and the business of the theme parks.
Qu Naiqiang (曲乃強)	52	Executive Director and Joint President	19 July 2012	Primarily responsible for managing the development and construction of the theme parks and the ancillary commercial real estate development. He is the brother of Qu Naijie.
Non-executive Directors				
Qu Naijie (曲乃杰)	54	Non-executive Director and Chairman	21 November 2011	Primarily responsible for the overall strategic planning and overseeing the general corporate, financial and compliance affairs of the Group. He also serves on the nomination committee. He is the brother of Qu Naiqiang.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Date of appointment(s)	Job Responsibilities and Relationship with other Directors
Makoto Inoue (井上亮)	62	Non-executive Director	19 July 2012	Primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group.
Yuan Bing (袁兵)	46	Non-executive Director	24 August 2012	Primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group. He also serves on the risk management and corporate governance committee.
Independent Non-executive Directors				
Fang Hongxing (方紅星)	42	Independent Non-executive Director	23 February 2014	Serves on the audit, remuneration, risk management and corporate governance and independent board committees; primarily responsible for supervising and providing independent judgment to the Board.
Sun Jianyi (孫建一)	62	Independent Non-executive Director	23 February 2014	Serves on the audit, nomination, remuneration and independent board committees; primarily responsible for supervising and providing independent judgment to the Board.
Xie Yanjun (謝彥君)	55	Independent Non-executive Director	22 August 2014	Serves on the audit, nomination, risk management and corporate governance and independent board committees; primarily responsible for supervising and providing independent judgment to the Board.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Wang Xuguang (王旭光), aged 46, was appointed to the Board on 19 July 2012 and his title was designated as the executive Director on 23 February 2014. Mr. Wang is also the Chief Executive Officer of the Company, primarily responsible for the strategic decision making and the management of the Group. Mr. Wang obtained a bachelor's degree in economics and investment management at the Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1990. He was awarded a master's degree in international laws by the Dalian Maritime University (大連海事大學) in April 2002.

After graduation from university, Mr. Wang worked in the Dalian Branch of the China Construction Bank for more than 16 years until he became the deputy branch manager, during which he developed his extensive knowledge and experience in real estate financing. Mr. Wang then joined Dalian Haichang (Group) Co., Ltd ("Haichang Group Co") in February 2007 as a director and the president. He was further appointed as a director and the general manager of Dalian Haichang Corporation Development Co., Ltd. ("Haichang Enterprise Development") in February 2010. From October 2010 to February 2012, he also served as the president of Dalian Haichang Real Estate Group Co., Ltd. ("Haichang Real Estate"). Mr. Wang was appointed as a director of Haichang (China) Co., Ltd. ("Haichang China") in October 2011 and was promoted to the chairman of the board of directors in July 2012 and the president in April 2013. In July 2012, he was also appointed as a director of Haichang Holdings (Asia) Ltd. ("Haichang Asia BVI") and Haichang Holdings (Hong Kong) Limited ("Haichang Holdings HK"). Currently, he is also serving as a non-executive director of Haichang Group Co and Haichang Enterprise Development. Mr. Wang is the vice president of the Chamber of Commerce in Dalian (大連市總商會) and a representative of the People's Congress of Dalian Municipality (大連市人民代表大會).

Zhao Wenjing (趙文敬), aged 60, was appointed to the Board on 19 July 2012 and his title was designated as the executive Director on 23 February 2014. Mr. Zhao is also a Joint President of the Company, primarily responsible for human resources management and the business of the theme parks. Mr. Zhao educated in Dalian Ocean University (大連海洋大學) (formerly known as Dalian Institute of Aquaculture (大連水產學院)) major in marine engineering management in February 1978. He further obtained a Master of Business Administration at the Open University of Hong Kong in December 2003. Mr. Zhao was awarded as a senior level engineer by the Personnel Department of Liaoning Province in November 1993 and as a professor level senior engineer by the Human Resources and Social Security Department of Liaoning Province in September 2013.

Mr. Zhao has extensive experience in theme park management and operations and tourism project planning. He has been engaged in the theme park business for more than 23 years and was involved in and led the planning and construction of many theme parks. Mr. Zhao has experience in working as a general manager and principal at various theme parks and zoos such as Dalian Laohutan Park, Dalian Forest Zoo and Dalian Discoveryland. From January 1991 to March 2008, Mr. Zhao served as the general manager of Hutan Park, during which he primarily managed the operations of Dalian Laohutan Park and the overall works of Dalian Laohutan Polar Aquarium. In 2001, Mr. Zhao joined Dalian Laohutan Ocean Park Co., Ltd ("Dalian Laohutan") as a vice chairman of the board of directors, where he became the chairman of the board in March 2008. Mr. Zhao was appointed as the vice president of Haichang Group Co and a director of Haichang Enterprise Development in February 2008 and February 2010. Mr. Zhao then became a director of Dalian Haichang Travel Group Co., Ltd. ("Haichang Travel") and Haichang China in March 2010 and October 2011, respectively. Since April 2013, he has also become a joint president of Haichang China. Currently, Mr. Zhao is also serving as a director of Haichang Asia BVI, Haichang Holdings HK, Qingdao Polar Ocean World Co., Ltd. ("Qingdao Polar") and Dalian Haichang Commercial Service Co., Ltd ("Dalian Haichang Commercial").

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao is one of the founder and was the deputy manager of the Aquarium Special committee of Chinese Association of Natural Science Museums (中國自然科學博物館協會水族館專業委員會). Since January 2008, Mr. Zhao was also a committee member of the Ethnic and Foreign Affairs Committee (民族僑務外事委員會) of the Dalian Municipal People's Congress (大連市人民代表大會). Since March 2012, Mr. Zhao has become the vice chairman of the China Association of Amusement Parks and Attractions (中國遊藝機遊樂園協會).

Qu Naiqiang (曲乃強), aged 52, was appointed to the Board on 19 July 2012 and his title was designated as the executive Director on 23 February 2014. Mr. Qu is the younger brother of Qu Naijie, the founder, the controlling shareholder of the Company, the chairman of the Board and the non-executive Director. Mr. Qu is also a Joint President of the Company, primarily responsible for managing the development and construction of the theme parks and ancillary commercial real estate development. In January 2003, Mr. Qu graduated with a diploma in economics management from the Liaoning Normal University (遼寧師範大學) in Dalian, at which he also completed an education course in economics management in January 2006. Since September 2012, Mr. Qu has been pursuing an Executive Master in Business Administration at the MBA School of the Dongbei University of Finance and Economics (東北財經大學) and completed the program in December 2014.

Mr. Qu joined Dalian Haichang Housing Development Co., Ltd. ("Haichang Housing") in 1995 as the manager of the materials department, during which he acquired extensive management experience in theme park construction. In December 1999, Mr. Qu joined the Dalian Laohutan Polar Aquarium project construction office as a standing deputy manager and was responsible for the purchase of animals and facilities and management of construction costs. He was then appointed as a director of Dalian Laohutan in December 2000 and also became the general manager of the resources department of Haichang Group Co in June 2002. Later in June 2004, Mr. Qu was appointed as the standing deputy manager of the project construction office of the Dalian Discoveryland project company and was mainly responsible for the management of the construction of the park and construction costs. In March 2005, he became the president's assistant and the head of the resources department of Haichang Group Co, and continue acting as the standing deputy manager of the construction office of the Dalian Discoveryland project company. He was primarily responsible for procuring resources, managing the project costs and overall project supervision. In April 2007, he was appointed as the vice president of Haichang Group Co and was responsible for the tourism development and management and resources management. In July 2009, on the basis of his existing position, he further served as the general manager of Chengdu Polar Ocean Industrial Co., Ltd ("Chengdu Polar") and was fully responsible for the daily management of the company, cost control and management of construction works. In January 2010, Mr. Qu became a director of Haichang Enterprise Development. From March 2010 to May 2012, he further served as the vice president of Haichang Real Estate and he was in charge of cost control, construction management, resources and information management. In addition, from September 2011 to February 2013, he served as the general manager of Wuhan Polar Ocean World Investment Co., Ltd. ("Wuhan Polar"). Currently, Mr. Qu is a director of Haichang Asia BVI and Haichang Holdings HK, as well as a director and joint president of Haichang China.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Qu Naijie (曲乃杰), aged 54, was appointed to the Board on 21 November 2011 and his title was designated as the non-executive Director on 23 February 2014. Qu Naijie is the elder brother of Mr. Qu Naiqiang, the executive Director and Joint President. Qu Naijie is the founder of the Group, the chairman of the Board and the controlling shareholder of the Company. He is primarily responsible for the overall strategic planning, the general corporate and financial and compliance affairs of the Group. Qu Naijie obtained a bachelor's degree in Chinese Language from Liaoning University (遼寧大學) in Shenyang in December 1992 and completed a research master's degree program in enterprise management at the Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1998.

Qu Naijie has over 18 years of experience in corporation management and operations. Qu Naijie commenced oil trading business in 1993 and in order to get involved in the real estate development industry, he established Haichang Group Co in 1998. From November 1996 to July 2012, Qu Naijie served as the chairman of the board of directors of Haichang China, where he has become a director since then. In December 2000, he was appointed as a director of Dalian Laohutan. In 2002, Haichang Group Co and Hutan Park through Dalian Laohutan together developed Dalian Laohutan Polar Aquarium, which since June 2007 has been recognised as a 5A-rated tourist attraction categorised by CNTA and had driven the development of the tourist attractions development industry in Dalian. Following the success of the Dalian Laohutan Polar Aquarium, from 2002 to 2012, Qu Naijie further led the development of seven different theme parks across the PRC. He was appointed as a director of Haichang Asia BVI and Haichang Holdings HK in 2011 and the chairman of the boards of directors of both companies in September 2013. Qu Naijie is also serving as an executive director of Haichang Group Co and Haichang Enterprise Development, as well as a director of most of our operating subsidiaries, including Yantai Fishermen's Wharf Investment Co., Ltd. ("Yantai Fishermen"), Tianjin Polar Tourism Co., Ltd. ("Tianjin Polar"), Wuhan Polar and Chengdu Polar.

Makoto Inoue (井上亮), aged 62, was appointed to the Board on 19 July 2012 and was designated as the non-executive Director on 23 February 2014. He is primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group. Mr. Inoue obtained a bachelor's degree in law from the Faculty of Law of Chuo University in Japan in March 1975.

Mr. Inoue has over 39 years of experience in leasing and finance, investment banking, and alternative investment in a global context. He joined ORIX Corporation (formerly known as "Orient Leasing Co., Ltd.") in April 1975 and is currently a director, representative executive officer, president and chief operating officer of ORIX Corporation, a company listed on the Tokyo Stock Exchange, Osaka Securities Exchange and New York Stock Exchange. Mr. Inoue was a director of Lanka ORIX Leasing Company PLC, a company listed on the Colombo Stock Exchange, Sri Lanka, from 2009 to 2011 and he was also a director of EnTie Commercial Bank Co. Ltd., a company listed on the Taiwan Stock Exchange Corporation, from 2007 to 2012; during his appointments, he took part in the overall strategic management and planning of both companies. In January 2010, Mr. Inoue was appointed as a director of Haichang Enterprise Development. Currently, he is also serving as a non-executive director of China Water Affairs Group Limited (Stock Code: 0855), a company listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Yuan Bing (袁兵), aged 46, was appointed to the Board on 24 August 2012 and his title was designated as the non-executive Director on 23 February 2014. He is primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group. Mr. Yuan graduated with a bachelor's degree in English from Nanjing University (南京大學) in July 1990. In June 1993 and October 1998, Mr. Yuan obtained a master's degree in international relations and a doctorate degree in law from Yale University in the United States, respectively.

Mr. Yuan has extensive experience in corporate finance and investment banking. Mr. Yuan joined Credit Suisse First Boston (Hong Kong) Limited in September 2001 as a vice president of its investment banking division. From April 2004 to June 2006, Mr. Yuan worked at Morgan Stanley Asia Limited, he then rejoined them between October 2006 and February 2009, where he served as a managing director in the fixed income division. Mr. Yuan joined the Hong Kong office of Hony Capital Limited in April 2009 as a director and has been serving as a managing director since January 2010, he is mainly responsible for cross-border transactions as well as direct investments in financial services and environmental protection sectors in Hong Kong. Since November 2010, Mr. Yuan has been serving as a non-executive director and member of audit and compensation committees of Biosensors International Group, Ltd, a company listed on the Singapore Stock Exchange. He is also a non-executive director and a member of the audit committee of Hydoo International Holdings Limited (Stock Code: 1396), a company listed on the Main Board of the Stock Exchange. Currently, Mr. Yuan is also serving as a director of Haichang Asia BVI, Haichang Holdings HK and Haichang China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fang Hongxing (方紅星), aged 42, was appointed as the independent non-executive Director on 23 February 2014. He is primarily responsible for supervising and providing independent judgment to the Board. Professor Fang had been an independent director and the chairperson of the audit committee of each of Neusoft Corporation (東軟集團股份有限公司) (Stock Code: 600718.SH) (a company listed on the Shanghai Stock Exchange), Shenyang Machine Tool Co., Ltd (瀋陽機床股份有限公司) (Stock Code: 000410.SZ) and Zhangzi Island Corporation (獐子島集團股份有限公司) (Stock Code: 002069.SZ) (both companies listed on the Shenzhen Stock Exchange). Professor Fang obtained a bachelor's degree in accounting from Hefei Institute of Economics and Technology (合肥經濟技術學院) (which has now become a part of University of Science and Technology of China (中國科技大學)) in July 1993. He passed the PRC CPA Uniform Examination held by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 1994. He further obtained a master's degree and a PhD in accounting at Dongbei University of Finance and Economics (東北財經大學) in Dalian in April 1996 and July 2004, respectively.

Professor Fang has extensive experience in accounting, auditing and internal control. Since September 2003, he has been teaching accounting at Dongbei University of Finance and Economics. He became an accounting professor at Dongbei University of Finance and Economics in June 2005 and since December 2009, he has been serving as the head of the School of Accounting of the same University. Professor Fang also served as a council member of the Accounting Society of China (中國會計學會), an advisory expert of the China Accounting Standards Committee (財政部會計準則委員會) and the China Corporate Internal Control Standards Committee (企業內部控制標準委員會), a member of the Technical Guidance Committee and the Audit Standards Group of the Chinese Institute of Certified Public Accountants. He was awarded with the title of "Outstanding Professional in the Dalian Municipal" (大連市優秀專家) by Dalian Municipal Government in 2010. In July 2012, Professor Fang was further appointed as a "Liaoning Distinguished Professor" (遼寧特聘教授) by Liaoning Provincial Department of Education. He was later recognized as an "Accounting Leader in the PRC" (全國會計領軍人才) by the Ministry of Finance of China in December 2012.

DIRECTORS AND SENIOR MANAGEMENT

Sun Jianyi (孫建一), aged 62, was appointed as the independent non-executive Director on 23 February 2014. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Sun obtained a diploma in finance at Zhongnan University of Economics and Law (中南財經政法大學) in December 1975. He was recognised as a senior economist by the Guangdong Province (廣東省人事廳) in July 1999. Mr. Sun is currently the vice-chairman of the board, executive vice president and executive director of Ping An Insurance (Group) Company of China, Ltd (中國平安保險(集團)股份有限公司) (Stock Code: 2318.HK and 601318.SH), a company listed on the Stock Exchange and Shanghai Stock Exchange. Furthermore, he is also the chairman of the board of Ping An Bank Co., Ltd (平安銀行股份有限公司) (Stock Code: 000001.SZ) and a director of China Vanke Co., Ltd (萬科企業股份有限公司) (Stock Code: 000002.SZ), both of which are listed on the Shenzhen Stock Exchange. Since June 2008, he has been serving as a council member of the Association for Relations Across the Taiwan Straits (海峽兩岸關係協會).

Xie Yanjun (謝彥君), aged 55, was appointed as the independent non-executive director on 22 August 2014. He is devoted to the research on tourism basic theory and cultural tourism, research methods of tourism and tourism experience. He is currently the dean of the School of Tourism and Hotel Management in Dongbei University of Finance and Economics ("DUFE") located in Dalian, as well as a professor and a doctoral supervisor. He is also a guest professor at a number of Universities in China such as Beijing Union University, Southwestern University of Finance and Economics and Henan University. Professor Xie obtained a diploma in commercial enterprise management (class of Jinzhou) from Liaoning Finance College (遼寧財經學院) (now known as DUFE) in July 1982 and a Ph.D. degree in tourism management from DUFE in July 2005. From April 1993 to April 1994, Professor Xie studied at the University of Bradford in the United Kingdom as a tourism management visiting scholar and from September 2002 to March 2003, he studied at Drexel University in the United States as a senior tourism management visiting scholar. Upon Professor Xie's graduation in 1982, he started his teaching career at the statistic faculty and commercial enterprise management faculty in Liaoning Commercial College (遼寧商業高等專科學校) (now known as Bohai University), he was later transferred to the tourism management faculty in 1987, at which he served various roles until 1997 such as associate professor, vice-head of faculty and head of faculty. Professor Xie then started as an associate professor at DUFE in September 1997 and was promoted to a professor in December 1999, he was then appointed as the vice dean and the dean of the School of Tourism and Hotel Management in DUFE in September 1999 and March 2003, respectively. During December 2010 to October 2012, Professor Xie also served as the general manager at Swish-Hotel Dalian.

DIRECTORS AND SENIOR MANAGEMENT

Professor Xie had undertaken various roles in different tourism organisations over the years, such as a rating inspector of the Dalian Municipal Tourism Hotel Star-rating Committee (大連市旅遊星級飯店評定委員會) and the chairman of the Consultative Committee for Tourism Management Profession in College and Universities under the Ministry of Education (教育部高等學校高職高專旅遊管理類專業教學指導委員會). In July 2002, Professor Xie was invited to assist in organising the 8th Asia Pacific Tourism Association (“APTA”) annual conference in Dalian, which was attended by tourism professionals from different countries. From September 2006 to August 2010, he was further appointed to join the APTA as a national/regional representative for China. Currently, he is the chief expert at the Tourism Basic Theory Research Centre of the China Tourism Research Institute (中國旅遊研究院旅遊基礎理論研究基地), the vice-chairman of the Academic Committee of the China Tourism Research Institute (中國旅遊研究院學術委員會), the vice-chairman of the Tourism Education Sub-committee of the China Tourism Association (中國旅遊協會旅遊教育分會), the chairman of the Consultative Committee for Tourism Management Profession in General College and Universities of Liaoning Province (遼寧省普通高等學校旅遊管理專業教學指導委員會) and a member of the Consultative Committee for Master of Tourism Administration under the State Council Academic Degrees Committee (國務院學位委員會全國旅遊管理專業學位研究生教育指導委員會). Professor Xie is also an academic committee member of Tourism Tribune and a member of the editorial boards of several professional journals such as the Journal of China Tourism Research and Tourism Science. Throughout the years, Professor Xie has compiled and assisted in the preparation of a large amount of research reports, theses, textbooks and monographs on tourism related areas, examples include The Basics of Tourism Studies (基礎旅遊學), Research on Tourism Experience: Toward Empirical Science (旅遊體驗研究：走向實證科學) and Research on Tourism Experience: From a Phenomenological Perspective (旅遊體驗研究：一種現象學的視角).

SENIOR MANAGEMENT

The senior management is responsible for the day-to-day management of the business. The following table sets out certain information concerning the senior management.

Name	Age	Position/Title
Li Xin (李昕)	42	Chief Financial Officer
Gao Jie (高杰)	42	Chief Investment Officer
Tan Guangyuan (譚廣元)	42	Technical Director
Wang Wei (王煒)	46	Operation Director
Wang Zan (王瓚)	39	Planning Design Director
Liu Jiabin (劉家斌)	45	Project Construction Director
Zheng Fang (鄭芳)	37	Marketing Director
Li Daqiang (李大強)	51	Product Director

DIRECTORS AND SENIOR MANAGEMENT

Li Xin (李昕), aged 42, has been serving as the chief financial officer since April 2013. He is primarily responsible for financial planning, financial risks management and financial reporting. Mr. Li obtained a bachelor's degree in industrial economics from the Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1995. He also obtained a master's degree in law from Jilin University (吉林大學) in Jilin in July 2003. Mr. Li is the husband of Ms. Zheng Fang, the marketing director of the Group.

Mr. Li has over 19 years of experience in finance and taxation. Mr. Li served as an officer in the first investigation bureau of the Dalian Municipal Local Taxation Bureau between August 1995 and August 2002, he was responsible for the investigation and examination works. In June 2002, Mr. Li became the general manager of the planning and finance department of Haichang Group Co. His responsibilities include, financial management system development, budget formation, assets management, investment and financial reporting and management. In March 2010, Mr. Li was appointed as the general manager of the planning and finance department of Haichang Enterprise Development, where he also started to serve as the chief financial officer in December 2010. In April 2013, he was appointed as the chief financial officer and the general manager of the planning and finance department of Haichang China.

Gao Jie (高杰), aged 42, has been serving as the chief investment officer since April 2013. He is primarily responsible for investment strategy, corporate development and general compliance matters. Mr. Gao obtained a bachelor's degree in management information system from the Dalian Maritime University (大連海事大學) in Dalian in July 1995 and a master's degree in industrial economics from the Dongbei University of Finance and Economics (東北財經大學) in Dalian in November 1999.

Mr. Gao has over 18 years of experience in finance and banking. Mr. Gao served as a branch client manager and the branch manager of the China Construction Bank (中國建設銀行) from July 1995 to August 2001 and August 2001 to January 2003, respectively. He was mainly responsible for the overall management and the internal control of the branch. He then became the general manager of Dalian Hongji Investment Co., Ltd. (大連宏基投資有限公司) between January 2003 and December 2007, where he took part in the operation of the company and enforcement of investment projects. Mr. Gao was appointed as the general manager of the investment strategy department of Haichang Group Co and Haichang Enterprise Development in November 2007 and March 2010, respectively, his main duties were to develop strategies, analyse the investment market, maintain relationships with financial institutions and investors and explore new areas for investment. Since April 2013, he has been serving as the chief investment officer and the general manager of the corporation development department of Haichang China, he is in charge of strategies formation, investment management, investor relations and legal and internal control compliance matters of the Company.

Tan Guangyuan (譚廣元), aged 42, has been serving as the technical director since April 2013. He is primarily responsible for managing the animal management and facility energy departments. Mr. Tan obtained a bachelor's degree in thermal turbine from the Dalian University of Technology (大連理工大學) in July 1993. He later completed a PhD course in law at the China University of Political Science and Law (中國政法大學) in May 2009 and a research Master in Public Administration (MPA) program at the Party School of Liaoning Provincial Party Committee of the Communist Party of China (中國遼寧省委黨校) in December 2009. In 2006 and 2013, Mr. Tan attended the training courses in the job duties of general manager and senior management organised by CNTA. He was awarded the respective professional training certificates by CNTA in August 2006 and August 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan has over 15 years of experience in the tourism industry. From 1993 to 1999, Mr. Tan worked as a technician at the Dalian City Construction and Management Bureau (大連城市建設管理局) and from 1999 to 2000, he worked as an office manager of the reconstruction headquarters at the Laohutan Bay in Dalian where he was responsible for coordinating the daily works of the reconstruction office. Mr. Tan joined Hutan Park in January 2000 as an office manager and was then appointed as the deputy general manager of Dalian Laohutan as a representative of Hutan Park in March 2003 to oversee the operation and administration of Dalian Laohutan Polar Aquarium, facilities engineering and animals management. He was later promoted as the general manager in March 2008 and was responsible for the overall management of the company. Meanwhile, he also became a director of Dalian Laohutan and has been involved in making strategic decisions for the company since then. From 2011 to 2013, Mr. Tan served as the vice president of Haichang Travel and he was responsible for making strategic decisions and managing the human resources, strategic planning and procurement departments. Since April 2013, Mr. Tan has been serving as the technical director of Haichang China. Mr. Tan became the vice group leader of the aquarium standards development leading small group of the National Aquatic Wildlife Conservation Association (全國水生野生動物保護分會) in March 2010, the vice president of the same Association in April 2011 and a guest member of the European Union of Acquisition Curators in October 2011. He also serves as an advisor to the Japanese Cetaceans Center (日本海豚中心).

Wang Wei (王煒), aged 46, has been serving as the operation director since April 2013. He is primarily responsible for supervising the theme park operations and the merchandise and catering businesses. Mr. Wang obtained a bachelor's degree in aquaculture from the Dalian Institute of Aquaculture (大連水產學院) (now known as Dalian Ocean University (大連海洋大學)) in July 1992 and a master's degree in political economics from the Liaoning Normal University (遼寧師範大學) in Dalian in December 2001.

Mr. Wang has almost 21 years of theme park operation and management, aquaculture, fisheries, economics, marine science and marine mammal training experience. Mr. Wang served as a deputy manager at the Hutan Underwater World Theme Park (虎灘樂園水下世界) from September 1992 to November 1994. In November 1994, he started to work at Dalian Sunasia Tourism Holding Co., Ltd. (大連聖亞旅遊控股股份有限公司) for more than 12 years and he was the vice general manager before he left in May 2007. He was mainly responsible for the management of the maintenance of marine animals and operations. Between October 2007 and February 2008, Mr. Wang served as the general manager of Hangzhou Polar Ocean World Science Co., Ltd. (杭州極地海洋世界科普有限公司) and he was responsible for the overall operation management. Mr. Wang joined Haichang Group Co in March 2009 as the general manager of the tourism operation management department and he was responsible for the management of the operation of the company's tourism projects. In March 2010, he was appointed as the president's assistant and the general manager of the operation management department at Haichang Travel, where he was involved in the management, operation and supervision of our new projects. In April 2011, he was promoted as the vice-president of Haichang Travel and he was responsible for the operation and management of the company and the supervision of marine animals maintenance. Since April 2013, Mr. Wang has also been serving as the operation director and the general manager of the park operation department of Haichang China. Mr. Wang became a member of the Chinese Association of Natural Science Museums (中國自然科學博物館協會) in December 1995, at which he has been serving as a council member since 2001. From 1995 to 2007, Mr. Wang was also a deputy minister of the aquarium professional committee of the same Association. Since 2003, he has also become a member of the Ornamental Fish Sub-committee of the China Society of Fisheries (中國水產學會觀賞魚分會). Mr. Wang reviewed and edited the National Occupational Qualification Training Course (國家職業資格培訓教程) for the marine mammal trainer qualification in April 2007 and was employed by the National Occupational Skill Testing Authority (國家職業技能鑑定所) as an expert to set exam questions.

DIRECTORS AND SENIOR MANAGEMENT

Wang Zan (王瓚), aged 39, has been serving as the planning design director since February 2012. He is primarily responsible for the supervision of the planning and design of our projects and management of design costs. Mr. Wang obtained a double bachelor's degree in port channel and river restoration engineering and applied computer engineering and a master's degree in materials science from Dalian University of Technology (大連理工大學) in Dalian in July 1999 and October 2002, respectively.

Mr. Wang has over 11 years of civil engineering, property design and project management experience. Mr. Wang joined Haichang Group Co in 2002 as an employee in the tourism projects development and supervision department, he was responsible for the design of Dalian Discoveryland, Dalian Haichang Commercial and Qingdao Polar Ocean World projects. In October 2003, Mr. Wang was assigned by Haichang Group Co to be fully responsible for the design works of Dalian Discoveryland. From November 2006 to March 2010, he worked at the planning design department of Haichang Group Co, he was responsible for the design of Chongqing Caribbean Water Park, Chengdu Polar Ocean World, Wuhan Polar Ocean World, Tianjin Polar Ocean World, Yantai Whale Shark Aquarium and Yantai Haichang Yudaishan Hot Spring Resort. He was then appointed as the deputy general manager of the technical management department of Haichang Travel in March 2010 and he was responsible for the management of facilities and techniques, the design works of new projects and projects to be expanded, reconstruction of operating projects, the maintenance of our animals and the management of systems, facilities and energy resources. From March 2011 to February 2012, he served as the general manager of the technical management department of Haichang Travel and was promoted as the planning design director in February 2012. Later in April 2013, Mr. Wang was appointed as the planning design director and the general manager of the planning design department of Haichang China. Mr. Wang has not been a director of any listed companies over the past three years.

Liu Jiabin (劉家斌), aged 45, has been serving as the project construction director since April 2013. He is primarily responsible for the management of the tender and procurement, engineering management, cost and contract and business operation departments. Mr. Liu completed Executive Master in Business Administration at the Dongbei University of Finance and Economics (東北財經大學) in Dalian in December 2014.

Mr. Liu has over 9 years of experience in property development and management experience. Mr. Liu joined Haichang Group Co in September 2002 as the deputy manager of the resources department and he was responsible for establishing the supply chain for the company. He later served as the general manager of Jiemusi Haixin Housing Development Co., Ltd. (佳木斯海新房屋開發有限公司) from March 2005 to April 2007 and he was responsible for the daily management of the project companies. In April 2007, he rejoined Haichang Group Co as the general manager of the tourism development and management department and from November 2007 to July 2009, he served as the general manager of Chengdu Polar, where he was responsible for establishing the strategic goals and operation model for the company. From March 2010 to February 2013, Mr. Liu served as the general manager of Dalian Fisherman's Wharf Development and Construction Co., Ltd. (大連漁夫碼頭開發建設有限公司), a project company owned by Haichang Real Estate. Since May 2012, Mr. Liu has been serving as the vice president of Haichang Real Estate and he is responsible for overseeing the commercial operation department. Since April 2013, he has been serving as the project construction director and the general manager of the engineering management department of Haichang China.

DIRECTORS AND SENIOR MANAGEMENT

Zheng Fang (鄭芳), aged 37, has been serving as the marketing director since April 2013. She is primarily responsible for the management of the sales and marketing and cultural and entertainment works of our Group. Ms. Zheng obtained a bachelor's degree in investment economics from Liaoning University (遼寧大學) in Shenyang in July 1999. Ms. Zheng is the wife of Mr. Li Xin, the chief financial officer of the Group.

Ms. Zheng has over 14 years of experience in investment, corporate finance and management. Ms. Zheng joined Haichang Group Co in June 2000 as the finance manager of the capital department, where she served until March 2006 and was responsible for the coordination, control and tracing of cash, development and implementation of financing plans, development and enhancement of financing channels and provision of supporting skills. In March 2006, she joined Dalian Laohutan as the deputy general manager. She has then become a director of Dalian Laohutan since March 2008 and was promoted as the general manager in April 2011, during her employment, her duties were to develop and implement the annual operation plan and to promote our company to the market. Since April 2013, she has been appointed as the marketing director of Haichang China. In August 2011, she was appointed as a director of the Liaoning Province Wildlife Conservation Association (遼寧省野生動物保護協會). Furthermore, in December 2012, she was appointed as a committee member of the 9th committee of the Chinese People's Political Consultative Conference of Zhongshan District, Dalian City.

Li Daqiang (李大強), aged 51, has been serving as the product director since November 2014. He is primarily responsible for the research, demonstration, development and implementation of new products related to the Group's tourism business. Mr. Li graduated with a bachelor's degree from the Teachers College of Dalian University in June 1989.

Mr. Li joined Haichang Group Co in February 2003 as the general manager of the property department. From 2005 to 2008, he served as the deputy general manager of Dalian Discoveryland and was involved in the construction planning and operation of Dalian Discoveryland. From 2008, Mr. Li has served as the general manager of Dalian Discoveryland, and was responsible for the overall operation and management of the park. During his tenure, Dalian Discoveryland received various domestic tourism industry awards and achieved outstanding operating results, which demonstrated Mr. Li's extensive experience and operational capabilities in sizeable theme parks.

COMPANY SECRETARY

Xing Jun (邢軍), aged 37, has been appointed as the company secretary (the "Company Secretary") and the authorised representative of the Company with effect from 27 March 2015.

Mr. Xing joined the Company in July 2014 and is currently the board secretary and investor relations director. He is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and a charterholder of Chartered Financial Analyst. Mr. Xing holds a bachelor's degree in financial management from Loughborough University in the United Kingdom and he has extensive experience in corporate secretarial functions and had worked in various listed companies in Hong Kong.

DIRECTORS' REPORT

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

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 21 November 2011 as an exempted company with limited liability under the Companies Law (2012 Revision) of the Cayman Islands (the "Companies Law"). The Shares were listed on the Main Board of the Stock Exchange on 13 March 2014 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Group is principally engaged in development and operation of theme parks and ancillary commercial properties in the PRC. There were no significant changes in the nature of the principal activities of the Group during the year ended 31 December 2014.

HUSBANDRY AND CARE OF ANIMALS

1. International and domestic standards serving as the basis for the purchase of animals

In the process of importing animals from abroad, the Group has fully complied with relevant laws and regulations of China and the animal exporting countries (regions) in strict accordance with the procedures as required by the competent authorities.

The following table shows the procedures to be followed and the qualification documents to be obtained in the course of importing animals.

Animal importing procedures	Name of document	Institution to review and approve
Obtaining import and export permits	Provincial or national approvals	Reporting to the national department in charge of forestry and fishery for administrative review and approval upon review and approval by the provincial department in charge of forestry and fishery
	"CITES Permit" or "Certificate for Non-regulated Species"	The Endangered Species Import and Export Management Office or jurisdictional office to issue the certificates

Animal importing procedures	Name of document	Institution to review and approve
Obtaining import quarantine certificate	"Certificate for Animal Quarantine Premises"	Municipal animal quarantine departments to verify, review and approve post-entry animal quarantine premises
	"Import Quarantine Certificate"	Upon review and approval by the provincial department in charge of animal quarantine, reporting to the General Administration of Quality Supervision, Inspection and Quarantine for review and approval and, when approved, the provincial department in charge of animal quarantine to issue certificates
Obtaining tax exemption certificate	"Tax Exemption Certificate"	Reporting to the Endangered Species Import and Export Management Office for review and approval upon review and approval by the provincial department in charge of forestry and fishery
	"Tax Exemption Certificate for Goods"	Territorial customs office to issue the certificates
Obtaining customs clearance	"Customs Clearance"	The owner to submit a bill of entry when the goods are imported and the inspection and customs department to issue customs clearance upon inspection

2. International and domestic standards serving as the basis for the rearing of animals

In terms of living environment, the Group has referred to international practices including some sections in the regulations of the U.S. Department of Agriculture concerning the administration of marine mammals, such as 3.104 Space Requirement, 3.106 Water Quality and Sterilization of Marine Mammal Pool Waters as well as Chapter 35 Water Quality of the CRC Handbook of Marine Mammal Medicine.

In terms of animal rearing administration, the Group has referred to the U.S. Department of Agriculture's Handling Fish Fed to Fish-eating Animals and CRC Handbook of Marine Mammal Medicine – Chapter 36 Nutrition and Energetics, etc.

On the other hand, in recent years, the Chinese Ministry of Agriculture has successively introduced specifications and standards on the administration of aquatic mammal rearing, such as "Requirements for Aquatic Mammal Rearing Facilities" (SC/T 6073-2012), "Requirements for the Classification of Aquatic Mammal Domestication Techniques in Aquariums" (SC/T 9410-2012), "Water Quality for Aquatic Mammals in Aquariums" (SC/T 9411-2012) and "Specifications for Studbook Keeping of Aquatic Mammals" (SC/T 9409-2012), under which stringent specifications and requirements on animal rearing ranging from space requirement, environmental conditions to business qualifications are proposed. The Group has conducted relevant animal rearing and administration work within the framework of these specifications and requirements.

DIRECTORS' REPORT

3. Company's decision on whether to join international organizations such as WAZA

In the international arena, as of now, the Group has joined the International Marine Animal Trainer's Association (IMATA), the International Association for Aquatic Animal Medicine (IAAAM), the European Association for Aquatic Mammals (EAAM) and the Animal Behavior Management Alliance (ABMA). These three bodies are relatively authoritative in the world in terms of marine animal training and healthcare as well as animal behavior management and environment enrichment. Being the member of these bodies and through the participation in relevant conferences and activities, the Group may share many of the overseas advanced technologies and experiences and can timely obtain cutting-edge technical information of the world.

In the PRC, the Group is currently serving as the Vice Chairman of the National Aquatic Wildlife Conservation Association and the Deputy Director of the Aquarium Professional Committee of the Chinese Association of Natural Science Museums. These two bodies are most authoritative in their respective fields. With the Group's position in these two bodies, the Group has actively participated in various academic and management activities and has prepared a number of industry standards, hence playing a leading role in the industry.

As disclosed in the prospectus of the Company dated 28 February 2014 in respect of the global offering of its Shares (the "Prospectus"), the Company is currently consulting relevant domestic government departments and industrial associations and has deepened mutual understanding with WAZA through various means in assessing the likelihood of further contact with and participation in the organization.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 78 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of any dividend in respect of the year ended 31 December 2014.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing, after deducting underwriting fees and related expenses, amounted to approximately HK\$2,374.4 million and they were applied in the manner disclosed in the Prospectus.

The balance of the unutilised proceeds, deposited in normal interest bearing saving accounts, is expected to be applied by the Company as stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Based on the current progress of Shanghai Haichang Polar Ocean Park and Sanya Haitang Bay Dream World projects, including the required approval procedures regarding site selection, land grant, and the planning and design, the Company has used part of the proceeds to pay the land transferring fees for Shanghai Haichang Polar Ocean Park, and will probably use some proceeds to pay a portion of the land transferring fee for Sanya Haitang Bay Dream World projects in 2015. In addition, the Directors will consider utilising the unused portion of proceeds from the Listing to repay the Company's existing bank loans and other borrowings and interests accrued thereon if they are of the view that it is commercially desirable and in the interests of the shareholders as a whole for the Company to do so. The Company is also negotiating with related banks regarding the facility arrangements to ensure sufficient financial support to Shanghai Haichang Polar Ocean Park and/or Sanya Haitang Bay Dream World if necessary.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the percentage of purchases attributable to the Group's major suppliers are as follows:

- the largest supplier: 10.8%
- five largest suppliers in aggregate: 31.8%

The percentages of sales for the year attributable to the Group's major customers are as follows:

- the largest customer: 13.2%
- five largest customers in aggregate: 18.3%

As far as the Company is aware, none of the Directors nor his connected persons and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the abovementioned suppliers and customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2014 are set out in note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2014 are set out in note 35 to the consolidated financial statements in this annual report.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 February 2014 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of our subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;
- any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- any supplier of goods or services to any member of the Group or any Invested Entity;
- any customer of any member of the Group or any Invested Entity;
- any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

DIRECTORS' REPORT

- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 2% of the Shares in issue on the Listing Date, being 80,000,000 Shares ("General Scheme Limit").

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his close associates (or his associates if he is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

DIRECTORS' REPORT

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

No share options had been granted by the Company or remained outstanding under the Share Option Scheme for the year ended 31 December 2014 and no expenses were recognised by the Group for 2014 (2013: nil).

MANAGEMENT TRUST

Mr. Qu Naijie set up a management trust (the "Management Trust") in January 2014. The Management Trust is a revocable discretionary trust settled by Mr. Qu Naijie as settlor with Cantrust (Far East) Limited as trustee for the purposes of recognising and rewarding the contributions of certain eligible persons (the "Beneficiaries"). Speedy Journey Investment Limited is holding the Shares as nominee for Cantrust (Far East) Limited as trustee of the Management Trust and Speedy Journey Investment Limited is 100% owned by Cantrust (Far East) Limited as trustee of the Management Trust. During the year ended 31 December 2014, Speedy Journey Investment Limited increased its shareholding in the Company to 127,756,000 Shares, representing approximately 3.19% of the issued share capital of the Company.

It is the intention of Mr. Qu Naijie and the trustee that the Beneficiaries of the Management Trust include Mr. Qu Naijie himself and a group of eligible persons who had contributed or will contribute to the development and operations of the Group. The group of eligible persons comprises persons who are currently employees of the Group and any such persons who have contributed or will contribute to the operations and development of the Group, and these Beneficiaries may hold up to approximately 3.19% of the issued share capital of the Company. Cantrust (Far East) Limited as trustee has the discretionary powers to, among others, allocate all or a portion of the trust fund of the Management Trust (including the Shares held by Speedy Journey Investment Limited), but Mr. Qu Naijie, as settlor of the Management Trust, may request Cantrust (Far East) Limited as trustee to make distributions of such Shares to one or more Beneficiaries, including himself. For the year ended 31 December 2014, no decision had been made by Mr. Qu Naijie or the trustee with respect to any such distribution.

RESERVES

Details of movement in the reserves of the Company and the Group during the year ended 31 December 2014 are set out on page 82 in the consolidated statement of changes in equity of this annual report and in note 37 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2014, calculated under the Companies Law, amounted to RMB2,760,733,000 representing share premium and capital reserves of RMB2,799,910,000, setting off by accumulated losses of RMB39,177,000.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 31 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

DIRECTORS

The Directors in office during the financial year and as at the date of this annual report were as follows:

Executive Directors

Wang Xuguang (王旭光) (*Chief Executive Officer*) (appointed on 19 July 2012)

Zhao Wenjing (趙文敬) (*Joint President*) (appointed on 19 July 2012)

Qu Naiqiang (曲乃強) (*Joint President*) (appointed on 19 July 2012)

Non-executive Directors

Qu Naijie (曲乃杰) (*Chairman*) (appointed on 21 November 2011)

Makoto Inoue (井上亮) (appointed on 19 July 2012)

Yuan Bing (袁兵) (appointed on 19 July 2012)

Independent Non-executive Directors

Fang Hongxing (方紅星) (appointed on 23 February 2014)

Sun Jianyi (孫建一) (appointed on 23 February 2014)

Wei Xiaolan (魏小安) (appointed on 23 February 2014 and resigned with effect from 27 May 2014)

Xie Yanjun (謝彥君) (appointed with effect from 22 August 2014)

Further details of the Directors are set forth in the section headed "Directors and Senior Management" of this annual report.

In accordance with article 16.2 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the next following general meeting of the Company after his/her appointment.

In accordance with article 16.18 of the Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation and will be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years.

Details of the Directors to be re-elected at the forthcoming annual general meeting of the Company are set out in the circular regarding proposals for general mandates to issue and repurchase Shares and re-election of Directors dated 28 April 2015 to shareholders.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 26 to 37 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation of each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

SERVICE AGREEMENTS OF DIRECTORS

There was no service agreement entered by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director had any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2014.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, Mr. Qu Naijie and Haichang Group Limited (collectively, the "Controlling Shareholders") do not have any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2014.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

EMOLUMENT POLICY

A remuneration committee was set up to develop the Group's emolument policy and structure for remuneration of the Directors of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 9 to the consolidated financial statements in this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there has been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of 2014 interim report of the Company.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Total Issued Shares
Mr. Qu Naijie (Note 1)	Interest in a controlled corporation	2,094,933,000(L)	52.37%
Mr. Qu Naiqiang	Beneficial owner	2,981,333(L)	0.07%
Mr. Wang Xuguang	Beneficial owner	4,586,667(L)	0.11%
Mr. Zhao Wenjing	Beneficial owner	2,981,333(L)	0.07%

Note 1: Mr. Qu Naijie holds 100% of the equity interest in Haichang Group Limited and is the settlor and a beneficiary of the Management Trust, and Speedy Journey Investment Limited is 100% owned by Cantrust (Far East) Limited as trustee of the Management Trust. Therefore, Mr. Qu Naijie is deemed to be interested in 1,967,177,000 Shares held by Haichang Group Limited as disclosed above and the 127,756,000 Shares held by Speedy Journey Investment Limited in the Company, together representing approximately 52.37% of the total issued Shares.

(L) denotes a long position in the Shares.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be 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 were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2014, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Total Issued Shares
Haichang Group Limited	Beneficial owner	1,967,177,000(L)	49.18%
Time Dynasty Limited	Beneficial owner	400,444,000(L)	10.01%
Hony Capital Fund V GP Limited	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Capital Fund V GP, L.P.	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Capital Fund V L.P.	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Capital Management Limited	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Managing Partners Limited	Interest in a controlled corporation	400,444,000(L)	10.01%
Zhao John Huan	Interest in a controlled corporation	400,444,000(L)	10.01%
Oriental Camellia Investment Limited	Beneficial owner	393,384,000(L)	9.83%
ORIX (China) Investment Company Limited	Interest in a controlled corporation	393,384,000(L)	9.83%
ORIX Corporation	Interest in a controlled corporation	393,384,000(L)	9.83%

(L) denotes a long position in the Shares.

Other than as disclosed above, as at 31 December 2014, the Directors have not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS OF ANY MEMBER OF THE GROUP (OTHER THAN THE COMPANY)

So far as the Directors are aware, as at 31 December 2014, the persons other than the Directors and the chief executive who were directly interested in 10% or more of the issued and outstanding share capital of the subsidiaries of the Company then in issue carrying rights to vote in all circumstances at general meetings of each relevant subsidiary, were as follows:

Member of Our Group	Person With 10% or More Interest (other than us)	Capacity	Percentage of the Substantial Shareholder's Interest
Dalian Laohutan Ocean Park Co., Ltd (大連老虎灘海洋公園有限公司)	Dalian Laohutan Marine Park (大連老虎灘海洋公園)	Beneficial owner	41.7%

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any person who have an interest or a short position in the Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DEED OF NON-COMPETITION FROM THE CONTROLLING SHAREHOLDERS

On 27 February 2014, the Controlling Shareholders entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company in order to mitigate any potential conflict of interest between the Group and the Controlling Shareholders. Details of the Deed of Non-competition were disclosed in the Prospectus under the section headed "Relationship with our Controlling Shareholders".

An independent board committee (the "Independent Board Committee") consisting exclusively of independent non-executive Directors is set up to monitor the execution and the performance of obligations of the Deed of Non-competition by the Controlling Shareholders. For the year ended 31 December 2014, the Controlling Shareholders have complied with their obligations under the Deed of Non-competition and the Independent Board Committee has not considered any matter or reached any conclusion pursuant to the Deed of Non-competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as described in the Prospectus and this annual report, as at the year ended 31 December 2014, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 42 to the consolidated financial statements, the following transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

As at 31 December 2014, the Group had entered into the following continuing connected transactions which are required to be disclosed in this annual report pursuant to Chapter 14A of the Listing Rules.

(1) Office Lease

Haichang China, as landlord, entered into a lease dated 24 January 2014 (the "Office Lease") with Haichang Enterprise Development, as tenant, pursuant to which Haichang China has agreed to lease premises for office use to Haichang Enterprise Development for a term of two years from 1 January 2014 to 31 December 2015. As at 31 December 2014, Mr. Qu Naijie, the Controlling Shareholder and a Director, held approximately 62.27% of the equity interests of Haichang Enterprise Development indirectly. As such, Haichang Enterprise Development is an associate of Mr. Qu Naijie and a connected person of the Company for the purpose of the Listing Rules.

The monthly rent under the Office Lease is in an amount of RMB400,000 and was determined after Haichang China had consulted the property valuer on the prevailing market rent. The annual caps for the Office Lease for each of the three years ending 31 December 2013, 2014 and 2015 are RMB2,800,000, RMB4,800,000 and RMB4,800,000 respectively. During the year ended 31 December 2014, the annual cap for the Office Lease has not been exceeded.

Further details of the above continuing connected transaction were fully disclosed in the Prospectus under the section headed "Connected Transactions".

DIRECTORS' REPORT**(2) Project Management Framework Agreement**

Haichang Enterprise Development and Haichang China entered into a project management framework agreement (the "Project Management Framework Agreement") on 24 January 2014, pursuant to which the Group will provide project management and quality control services for the real estate projects of Haichang Enterprise Development in China for the period from the Listing Date to 31 December 2015. Pursuant to the Project Management Framework Agreement, a specific agreement will be signed for each project with specific service terms. The fees payable to the Group for each project will be negotiated on an arm's length basis.

The estimated construction contract sum for the relevant period is based on the projected development schedule of Haichang Enterprise Development, taking into consideration their projected commencement dates, project durations and sizes, which are determined by (i) the projected real estate market demand in the relevant cities; (ii) the projected construction costs; and (iii) the projected macroeconomic conditions. Other factors affecting the estimated construction contract sum, including (i) the land acquisition and relocation compensation costs; (ii) construction and installation costs (e.g. raw material and machinery costs); (iii) overhead costs (e.g. wages, depreciation costs, electricity and water costs), etc. are also taken into account. On this basis, the estimated construction contract sums for the two years ending 31 December 2014 and 2015 are RMB758 million and RMB896 million respectively. Therefore, the proposed annual caps (being 1% of the estimated construction contract sums) for the three years ending 31 December 2013, 2014 and 2015 are nil, RMB7,600,000 and RMB9,000,000, respectively. For the year ended 31 December 2014, the total construction contract sums amounts to approximately RMB363,400,000, and therefore the annual cap for the Project Management Framework Agreement for that year has not been exceeded.

Further details of the above continuing connected transaction were fully disclosed in the Prospectus under the section headed "Connected Transactions".

(3) Property Management Agreements

On 19 September 2014, the Group entered into the five management agreements (the "Property Management Agreements") with Dalian Haichang Property Management Co., Ltd. (大連海昌物業管理有限公司) ("Dalian Property Management"), Tianjin Haichang Polar Property Management Co., Ltd. (天津海昌極地物業管理有限公司) ("Tianjin Property Management"), Wuhan Haichang Property Management Co., Ltd. (武漢海昌物業管理有限公司) ("Wuhan Property Management") and Yantai Haichang Property Management Co., Ltd. (煙台海昌物業管理有限公司) ("Yantai Property Management") (collectively, the "Management Companies"), pursuant to which the Management Companies agreed to provide property management services to some of the subsidiaries of the Group in relation to certain unsold or unleased ancillary commercial properties owned by the Group in Dalian, Tianjin, Wuhan and Yantai of the PRC for a term of three years commencing from 19 September 2014.

As at 19 September 2014, Mr. Qu Naijie, the Controlling Shareholder and a Director, held 60% equity interests in Haichang Group Co. Hence, Haichang Group Co is an associate of Mr. Qu Naijie and a connected person of the Company. As Dalian Property Management is a direct subsidiary of Haichang Group Co and Tianjin Property Management, Wuhan Property Management and Yantai Property Management are indirect subsidiaries of Haichang Group Co, each of the Management Companies is an associate of Mr. Qu Naijie and a connected person of the Company. Accordingly, the transactions contemplated under the Property Management Agreements constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

The major terms of the Property Management Agreements are as follows:

Management Company:	Dalian Property Management	Dalian Property Management	Tianjin Property Management	Wuhan Property Management	Yantai Property Management
Property being managed:	the ancillary commercial properties owned by the Group in Haichang Xincheng, Dalian. The property management services to be provided include (i) facilities maintenance and fire and public safety management, (ii) road traffic and car park management, (iii) daily hygiene maintenance and regular cleaning and (iv) greening and gardening of the areas	the ancillary commercial properties owned by the Group in Dalian Laohutan Fishermen's Wharf, Dalian. The property management services to be provided include (i) facilities maintenance and fire and public safety management, (ii) road traffic and car park management, (iii) daily hygiene maintenance and regular cleaning and (iv) greening and gardening of the areas	the unsold or unleased ancillary commercial properties owned by the Group in Tianjin. The ancillary commercial properties in Tianjin comprise commercial street properties, commercial properties beneath serviced apartments and serviced apartments. The property management services to be provided include (i) repairing, maintenance and management of common areas and public facilities, (ii) maintenance of hygiene and cleanliness of common areas, rubbish collection and rain water and sewage pipes clearance, (iii) maintenance and management of public greening, (iv) vehicles parking management, (v) maintenance and management of public safety and security, (vi) decoration and refurbishment management and (vii) management of documents in connection with the properties.	the unsold or unleased commercial street properties owned by the Group in the commercial street (phase 1) in Wuhan. The property management services to be provided include (i) repairing, management and maintenance of public ground structures and their ancillary facilities, (ii) operation, management, maintenance and repairing of public facilities, (iii) automated systems maintenance and management, (iv) fire and public safety management, (v) road traffic and car park management, (vi) daily hygiene maintenance and regular cleaning, (vii) greening and gardening of the areas, (viii) development of good communication with tenants of the properties and (ix) maintenance of documents in connection with the properties and development of tenants records	the unsold or unleased commercial street properties owned by the Group in Yantai Fishermen's Wharf. The property management services to be provided include (i) repairing, maintenance and management of common areas and public facilities, (ii) maintenance of hygiene and cleanliness of common areas, rubbish collection and rain water and sewage pipes clearance, (iii) maintenance and management of public greening, (iv) vehicles parking management, (v) maintenance and management of public safety and security, (vi) decoration and refurbishment management and (vii) management of documents in connection with the properties.

DIRECTORS' REPORT

Management fee:	<p>The management fee is calculated by reference to the total gross floor area of the unleased or unsold ancillary commercial properties and Haichang China shall pay a management fee of RMB2.5 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold ancillary commercial properties in Haichang Xincheng is approximately 12,392.03 square metres and the management fee payable by Haichang China is approximately RMB371,761 (approximately HK\$468,419) per year.</p>	<p>The management fee is calculated by reference to the total gross floor area of the unleased or unsold ancillary commercial properties and Haichang China shall pay a management fee of RMB3.9 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold ancillary commercial properties in Dalian Laohutan Fishermen's Wharf is approximately 5,825.87 square metres and the management fee payable by Haichang China is approximately RMB272,651 (approximately HK\$343,540) per year.</p>	<p>The management fee is calculated by reference to the total gross floor area of the unleased or unsold ancillary commercial properties and Tianjin Polar shall pay a management fee of (i) RMB2.23 per square metre per month in respect of commercial street properties and commercial properties beneath serviced apartments, (ii) RMB2.73 per square metre per month in respect of unsold serviced apartments and (iii) RMB1.46 per square metre per month in respect of sold serviced apartments (as subsidies to purchasers of serviced apartments). As at 21 September 2014, the total gross floor area of the unleased and unsold commercial street properties, unleased and unsold commercial properties beneath serviced apartments, unsold serviced apartments and sold serviced apartments are approximately 18,517 square metres, 1,232 square metres, 957 sq. m. and 11,768 square metres, respectively. As such, the management fee payable by Tianjin Polar is approximately RMB766,010 (approximately HK\$965,173) per year. In addition, a property management activation fee of RMB15 per square metre is payable with respect to the properties with a total gross floor area of approximately 66,552.06 square metres.</p>	<p>The management fee is calculated by reference to the total gross floor area of the unleased or unsold commercial street properties and Wuhan Polar shall pay a management fee of RMB2.5 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold commercial street properties in the commercial street (phase 1) in Wuhan is approximately 33,700 square metres and the management fee payable by Wuhan Polar is approximately RMB1,011,000 (approximately HK\$1,273,860) per year. If commercial street properties are sold or leased during the term of this Management Agreement, the management fee shall be adjusted in accordance with the above monthly rate per square metre with reference to the actual time of the sale or leasing.</p>	<p>The management fee is calculated by reference to the total gross floor area of the unleased or unsold commercial street properties and Yantai Fishermen shall pay a management fee of RMB1.5 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold commercial street properties in Yantai Fishermen's Wharf is approximately 4,406 square metres and the management fee payable by Yantai Fishermen is approximately RMB79,308 (approximately HK\$99,928) per year. If commercial street properties are sold or leased during the term of this Management Agreement, the management fee shall be adjusted in accordance with the above monthly rate per square metre with reference to the actual time of the sale or leasing.</p>
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Further details of the above continuing connected transactions are disclosed in the Company's announcement dated 21 September 2014.

(4) Property Leasing Agreements

On 14 October 2014, the Group entered into the five property leasing agreements (the "Property Leasing Agreements") with Dalian Shibo Real Estate Development Co., Ltd. (大連世博房地產開發有限公司) ("Shibo Real Estate"), Tianjin Polar Tourism Co., Ltd. (天津極地旅遊有限公司) ("Tianjin Real Estate"), Wuhan Chuangfu Real Estate Development Co., Ltd. (武漢創富房地產開發有限公司) ("Wuhan Real Estate") and Yantai Fishermen's Wharf Investment Co., Ltd. (煙台漁人碼頭投資有限公司) ("Yantai Tourism Development") (collectively, the "Connected Counterparties"), pursuant to which certain vacant ancillary commercial properties owned by the Group in Dalian, Tianjin, Wuhan and Yantai of the PRC are leased by the Group to the Connected Counterparties for a term of three years commencing from 19 September 2014.

As at 14 October 2014, Mr. Qu Naijie, the Controlling Shareholder and a Director, held approximately 62.27% and 60% equity interests in Haichang Enterprise Development and Haichang Group Co, respectively. As Shibo Real Estate, Tianjin Real Estate and Wuhan Real Estate are indirect wholly-owned subsidiaries of Haichang Enterprise Development and Yantai Tourism Development is a wholly-owned subsidiary of Haichang Group Co, each of the Connected Counterparties is an associate of Mr. Qu Naijie and thus a connected person of the Company. Accordingly, the transactions contemplated under the Property Leasing Agreements constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

The major terms of the Property Leasing Agreements are as follows:

Connected Counterparty:	Shibo Real Estate	Tianjin Real Estate	Wuhan Real Estate	Wuhan Real Estate	Yantai Tourism Development
Leased property:	Shop No.701 in Dalian Laohutan Fishermen's Wharf, Dalian, with a gross floor area of approximately 1,717.25 square metres	Shops No. 25-2, 25-3, 25-4 and 25-5 of Building No.25 in the commercial streets adjacent to Tianjin Polar Ocean World, with a total gross floor area of approximately 1,830.61 square metres	Shop No.301 in the commercial streets (phase 1) adjacent to Wuhan Polar Ocean World, with a gross floor area of approximately 4,920.00 square metres	Units No.01 and 02 of Shop No.409 in the commercial streets (phase 1) adjacent to Wuhan Polar Ocean World, with a total gross floor area of approximately 470.40 square metres	Shop No.14 (eastern section) in Yantai Fishermen's Wharf, Yantai, with a gross floor area of approximately 1,373.58 square metres
Usage:	Office	Office	Office	Office or other usage to be agreed between the Group and Wuhan Real Estate	Office

DIRECTORS' REPORT

Rental:	RMB4 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB208,932, RMB219,379 and RMB230,348, respectively	RMB3 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB167,043, RMB175,395 and RMB184,165, respectively	RMB1.8 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB269,370, RMB282,839 and RMB296,981, respectively	RMB1.8 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB25,754, RMB27,042 and RMB28,394, respectively	RMB2.5 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB104,449, RMB109,672 and RMB115,155, respectively
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Further details of the above continuing connected transactions were disclosed in the Company's announcement dated 14 October 2014.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2014 is contained in note 42 to the consolidated financial statements in this annual report.

The independent non-executive Directors have reviewed the continuing connected transactions as contemplated under the Office Lease, the Property Management Framework Agreement, the Property Leasing Agreements and the Property Management Agreements as described above and confirmed that in the year ended 31 December 2014, such transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions:

- (i) nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus and the relevant announcements of the Company in respect of each of the disclosed continuing connected transactions.

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2014.

POST BALANCE SHEET EVENTS

Please see the section headed "Management Discussion and Analysis" in this annual report for a summary of the major events that have occurred in relation to the Company since the balance sheet date.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2014 have been audited by Ernst & Young, the auditors of the Company.

During the preceding three years, there has been no change in the Company's auditors.

AUDIT COMMITTEE

As at the date of this annual report, the audit committee (the "Audit Committee") of the Company comprises three independent non-executive Directors, namely Professor Fang Hongxing, Mr. Sun Jianyi and Professor Xie Yanjun, all of whom are independent non-executive Directors. Professor Fang Hongxing is the chairman of the Audit Committee.

The Audit Committee has reviewed together with the Directors and the Company's external auditor the audited annual results of the Group for the year ended 31 December 2014.

DIRECTORS' REPORT

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its own code of conduct for securities transactions by Directors. The Company has made specific enquiries to all Directors and all Directors have confirmed that they have strictly complied with the Model Code during the year under review.

PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") of the Company is scheduled to be held on 25 June 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 June 2015 to 25 June 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 22 June 2015.

On behalf of the Board

Mr. Wang Xuguang

Executive Director and Chief Executive Officer

27 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Shares were listed on the Main Board of the Stock Exchange with effect from 13 March 2014 and the CG Code has been applicable to the Company since then. The Company has been in compliance with the CG code provisions of the CG Code since 13 March 2014 and up to the date of this annual report except as disclosed below.

Under code provision A.6.7 of the CG Code, all non-executive Directors are recommended to attend general meetings of the Company. Other than Mr. Yuan Bing, all non-executive Directors (including independent non-executive Directors) were absent from the annual general meeting of the Company held on 25 June 2014 (the “2014 AGM”) due to pre-arranged business commitments.

Under code provision E.1.2 of the CG Code, the chairman of the Board is recommended to attend annual general meetings of the Company and to invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board, was absent from the 2014 AGM due to a pre-arranged business commitment. Mr. Wang Xuguang was chosen as the chairman of the 2014 AGM. Other than Mr. Yuan Bing, being the chairman of the risk management and corporate governance committee of the Company, the chairmen of all the other committees of the Company were absent from the 2014 AGM due to pre-arranged business commitments.

Non-compliance with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules and the CG Code

Following the resignation of an independent non-executive Director, Mr. Wei Xiaoan, on 27 May 2014, the number of independent non-executive Directors fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. The number of members of the Audit Committee also fell below the minimum number required under Rule 3.21 of the Listing Rules.

Furthermore, the number of members of the nomination committee (the “Nomination Committee”), the risk management and corporate governance committee (the “Risk Management and Corporate Governance Committee”) and the independent board committee (the “Independent Board Committee”) of the Company also fell below the minimum number required under the code provision A.5.1 of the CG Code and the terms of reference of the respective committees.

The Company had endeavoured to identify a suitable candidate to fill up the roles of Mr. Wei Xiaoan upon his resignation. Professor Xie Yanjun was appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee, the Risk Management and Corporate Governance Committee and the Independent Board Committee with effect from 22 August 2014. Since then, the Company has fulfilled the requirements under Rules 3.10(1), 3.10A, 3.21 of the Listing Rules, the code provision A.5.1 of the CG Code and the terms of reference of the respective committees.

The key corporate governance principles and practices of the Company are outlined later in this annual report.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

To oversee particular aspects of the Company's affairs, the Board has established five Board committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee"), the Nomination Committee, the Risk Management and Corporate Governance Committee and the Independent Board Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Board composition

As at the date of this annual report, the Board comprises nine members, consisting of three executive Directors (the "Executive Directors"), three non-executive Directors (the "Non-executive Directors") and three independent non-executive Directors (the "Independent Non-executive Directors"), whose information is set out in the following table.

Name of Director	Position	Date of first appointment to the Board	Date of last re-election as Director
Wang Xuguang (王旭光)	Executive Director and Chief Executive Officer	19 July 2012	25 June 2014
Zhao Wenjing (趙文敬)	Executive Director and Joint President	19 July 2012	25 June 2014
Qu Naiqiang (曲乃強)	Executive Director and Joint President	19 July 2012	25 June 2014
Qu Naijie (曲乃杰)	Chairman and Non-executive Director	21 November 2011	25 June 2014
Makoto Inoue (井上亮)	Non-executive Director	19 July 2012	25 June 2014
Yuan Bing (袁兵)	Non-executive Director	24 August 2012	25 June 2014
Fang Hongxing (方紅星)	Independent Non-executive Director	23 February 2014	25 June 2014
Sun Jianyi (孫建一)	Independent Non-executive Director	23 February 2014	25 June 2014
Xie Yanjun (謝彥君)	Independent Non-executive Director	22 August 2014	N/A

CORPORATE GOVERNANCE REPORT

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 37 of this annual report. The relationships between the members of the Board are also disclosed under that section.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management and Corporate Governance Committee and the Independent Board Committee.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

The Directors have been provided with the relevant training to ensure that they have a proper understanding of the business and operations of the Company and that they are fully aware of their responsibilities and obligations as a director of a listed company as well as the compliance practice under the Listing Rules. The Company from time to time updates and provides written training materials to the Directors, and organises seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. The Directors may request the Company, pursuant to the policy for Directors to seek independent professional advice, to provide independent professional advice at the expense of the Company to discharge his duties to the Company.

According to records provided by the Directors, a summary of training attended by the Directors during the year ended 31 December 2014 is as follows:

Directors	Attendance
Wang Xuguang (王旭光)	October 2014
Zhao Wenjing (趙文敬)	October 2014
Qu Naiqiang (曲乃強)	October 2014
Qu Naijie (曲乃杰)	October 2014
Makoto Inoue (井上亮)	October 2014
Yuan Bing (袁兵)	October 2014
Fang Hongxing (方紅星)	October 2014
Sun Jianyi (孫建一)	October 2014
Wei Xiaolan (魏小安) (<i>resigned with effect from 27 May 2014</i>)	April 2014
Xie Yanjun (謝彥君) (<i>appointed with effect from 22 August 2014</i>)	October 2014

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The chairman of the Board and the chief executive officer of the Company are currently two separate positions held by Mr. Qu Naijie and Mr. Wang Xuguang, respectively in order to reinforce their independence and accountability. There are clear demarcations of responsibility and authority between the chairman and the chief executive officer which ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The chairman of the Board is responsible for overall strategic planning and overseeing the general corporate, financial and compliance affairs of the Group. The chief executive officer is primarily responsible for the strategic decision making and the management of the Group.

NON-EXECUTIVE DIRECTORS – TERM OF APPOINTMENT

None of the Non-executive Directors are appointed for a specific term of longer than three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2014, save as disclosed in this annual report, the Company was in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Save as disclosed in this annual report, the Company was also in compliance with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company has received written annual confirmation from each of the Independent Non-executive Directors on his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

DIRECTORS' SERVICE AGREEMENTS

None of the Directors who is proposed for re-election at the forthcoming annual general meeting has any service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The rules and procedures governing the appointment, retirement, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION

In accordance with the Articles of Association, at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and shall be eligible for re-election and re-appointment at every annual general meeting provided that each Director shall be subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next general meeting after appointment.

BOARD MEETINGS

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals which are normally scheduled in the fourth quarter of the preceding year. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular board meetings. And the Board will also hold meeting on other occasions when a board-level decision on a particular matter is required, reasonable notice will generally be given.

During the year ended 31 December 2014, four Board meetings were held in March, August, September and October 2014. The attendance records of the Directors at these board meetings are set out below:

Directors	No. of meetings attended/ No. of meetings held	No. of general meetings attended/ No. of general meetings held
Wang Xuguang (王旭光)	2/4 ⁽¹⁾	1/1
Zhao Wenjing (趙文敬)	4/4	0/1
Qu Naiqiang (曲乃強)	4/4	0/1
Qu Naijie (曲乃杰)	2/4 ⁽¹⁾	0/1
Makoto Inoue (井上亮)	4/4	1/1
Yuan Bing (袁兵)	4/4	1/1
Fang Hongxing (方紅星)	4/4	0/1
Sun Jianyi (孫建一)	4/4	0/1
Wei Xiaoan (魏小安)	1/4 ⁽²⁾	N/A
Xie Yanjun (謝彥君)	3/4 ⁽³⁾	N/A

Notes:

- (1) As Mr. Qu Naijie and Mr. Wang Xuguang had material interests in the transactions discussed and approved in two of the Board meetings held during the year ended 31 December 2014, they had absent themselves from the Board meetings and abstained from voting on the relevant Board resolutions as required by the Articles of Association.
- (2) Mr. Wei Xiaoan resigned with effect from 27 May 2014 and only one Board meeting was held prior to his resignation.
- (3) Professor Xie Yanjun was appointed with effect from 22 August 2014 and three Board meetings were held after his appointment.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code throughout the year of 2014.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors and has delegated the corporate governance duties to the Audit Committee which include:

- to monitor the Company's corporate governance and to report to the Board on the Company's compliance with the CG Code;
- to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- to review and monitor the Company's policies and practice on compliance with the legal and regulatory requirements; and
- to develop, review and monitor the code of conduct and business ethics for the Directors and employees of the Company.

NOMINATION COMMITTEE

The Nomination Committee was established on 23 February 2014. As at the date of this annual report, the Nomination Committee consists of three members, being Mr. Qu Naijie, our Non-executive Director, Mr. Sun Jianyi and Professor Xie Yanjun, our Independent Non-executive Directors. Mr. Qu Naijie is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

The principal duties of the Nomination Committee include the following:

- to review, at least once a year, the structure, size and composition (including the skills, knowledge and experience) of the Board and to make recommendation on any proposed changes to the Board due to the implementation of the corporate strategies of the Company;
- to identify individual who has the suitable qualifications to become a Director and to nominate such person to act as a Director or to provide recommendation to the Board in relation to this;
- to assess the independence of Independent Non-executive Directors;
- to make recommendation to the Board on the appointment or re-appointment of Directors and the succession plan of Directors (particularly, the chairman of the Board and the President of the Group/Chief Executive Officer);
- to review and monitor the training and continuous professional development of Directors and senior management; and
- to formulate a policy concerning the diversity of Board members and to disclose such policy or a summary of such in the corporate governance report.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Company believes that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development. Therefore, the Company has adopted a Board diversity policy in accordance with the requirement set out in the CG Code. Diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, a meeting of the Nomination Committee was held in August 2014 to review the structure, size, composition and diversity of the Board and to consider the qualification of Professor Xie Yanjun in relation to his appointment as an Independent Non-executive Director. The attendance record of each member at the Nomination Committee meeting is set out below:

Directors	No. of meetings attended/ No. of meetings held
Qu Naijie (曲乃杰)	1/1
Sun Jianyi (孫建一)	1/1
Wei Xiaoan (魏小安)	0/1 ⁽¹⁾
Xie Yanjun (謝彥君)	0/1 ⁽²⁾

Notes:

- (1) Mr. Wei Xiaoan resigned with effect from 27 May 2014 and no Nomination Committee meeting was held prior to his resignation.
- (2) Professor Xie Yanjun was appointed with effect from 22 August 2014 and no Nomination Committee meeting was held after his appointment.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 February 2014. As at the date of this annual report, the Remuneration Committee consists of three members, being Mr. Wang Xuguang, our Executive Director, Mr. Sun Jianyi and Professor Fang Hongxing, our Independent Non-executive Directors. Mr. Sun Jianyi is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following:

- to consult the chairman and/or chief executive officer for their remuneration proposals for other Executive Directors and senior management. The Remuneration Committee should have access to independent professional advice if necessary;
- to make recommendation to the Board on the Company's policy and structure for remuneration of all Directors and senior management (including grant of share options to employees pursuant to the Company's Share Option Scheme) and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- to review and approve the remuneration proposals for senior management with reference to the corporate goals and objectives established by the Board;

CORPORATE GOVERNANCE REPORT

- to determine, when the Board delegates its responsibilities, the remuneration packages for a particular Executive Director and senior management, including non-pecuniary benefits, pension rights and amount of compensation (including compensation payable for loss or termination of office or appointment);
- to make recommendation to the Board on the remuneration of the Non-executive Directors;
- to consider the salaries paid by and the time commitment and responsibilities requested by companies of similar nature and the employment criteria for other positions of the Group;
- to review and approve the compensation payable to the Executive Directors and senior management for loss or termination of office or appointment such that it is consistent with the contractual terms or is otherwise fair, reasonable and not excessive;
- to review and approve the compensation arrangements in relation to dismissal or removal of Directors for misconduct such that they are consistent with the contractual terms or are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates shall be involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2014, a meeting of the Remuneration Committee was held in August 2014 to review the remuneration policy and structure of the Company. The attendance record of each member at the Remuneration Committee meeting is set out below:

Directors	No. of meetings attended/ No. of meetings held
Wang Xuguang (王旭光)	1/1
Fang Hongxing (方紅星)	1/1
Sun Jianyi (孫建一)	1/1

AUDIT COMMITTEE

The Audit Committee was established on 23 February 2014. As at the date of this annual report, the Audit Committee consists of three members, namely Professor Fang Hongxing, Mr. Sun Jianyi and Professor Xie Yanjun, our Independent Non-executive Directors. Professor Fang Hongxing who possessed the appropriate professional qualifications has been appointed as the chairman of the Audit Committee. The primary duties of the audit committee include:

CORPORATE GOVERNANCE REPORT

Relationship with the external auditor

- to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues of its resignation or dismissal;
- to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit process commences;
- to monitor the compliance of the Company's policy on the engagement of the external auditor for the performance of non-audit services and the hiring of employees or former employees of the external auditor;
- to act as the key representative body for overseeing the relationship between the Company and the external auditor;

Financial information for public disclosure

- to monitor the completeness of the Company's interim and annual reports and financial statements, and to review significant financial reporting judgments contained in the reports and statements before recommending them to the Board for approval, with particular emphasis on:
 - any changes in the accounting policies and practice of the Group;
 - major judgmental areas (including those in the representation letter from the Company to the external auditor);
 - significant account adjustments resulting from the audit process;
 - the going concern assumptions and any qualifications;
 - compliance with accounting and auditing standards;
 - compliance with the Listing Rules and legal requirements in relation to financial reporting; and
- to consider any significant or unusual items that are, or should be, reflected in the reports and financial statements and give due consideration to any matters and reservations that have been raised by the staffs of the Company who are responsible for the accounting and financial reporting functions, the Chief Compliance Officer of the Group and internal and external auditors;

Monitoring of the financial reporting system and internal control procedures

- to review the Company's financial control, internal control and risk management systems;
- to discuss the internal control system with the management to ensure that the management has performed its duty to establish an effective internal control system. Such discussion should include the adequacy of resources, employees' qualifications and experience in accounting and financial reporting functions, and training programmes for employees and its budget;
- to consider major investigation findings on internal control matters and the management's response to these findings, either on its own initiative or at the request of the management;
- to ensure co-ordination between the internal and external auditors, that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness (including the internal audit plans and procedures);
- to review the Group's financial and accounting policies and practice;
- to review the external auditor's letter to the management, any material queries raised by the auditor to the management with respect to accounting records, financial accounts or control systems and the management's response to such queries;
- to ensure that the Board shall provide a timely response to the issues raised in the external auditor's letter to the management;

Corporate governance functions

- to monitor the Company's corporate governance and to report to the Board on the Company's compliance with the CG Code;
- to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- to review and monitor the Company's policies and practice on compliance with the legal and regulatory requirements;
- to develop, review and monitor the code of conduct and business ethics for the directors and employees of the Company;

General

- to consider other matters, as defined by the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, two meetings of the Audit Committee were held in March and August 2014 respectively, to review interim and annual financial results and reports, consider significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and appoint external auditors. The attendance record of each member at the Audit Committee meetings is set out below:

Directors	No. of meetings attended/ No. of meetings held
Fang Hongxing (方紅星)	2/2
Sun Jianyi (孫建一)	2/2
Wei Xiaolan (魏小安)	1/2 ⁽¹⁾
Xie Yanjun (謝彥君)	1/2 ⁽²⁾

Notes:

- (1) Mr. Wei Xiaolan resigned with effect from 27 May 2014 and only one Audit Committee meeting was held prior to his resignation.
- (2) Professor Xie Yanjun was appointed with effect from 22 August 2014 and only one Audit Committee meeting was held after his appointment.

RISK MANAGEMENT AND CORPORATE GOVERNANCE COMMITTEE

The Risk Management and Corporate Governance Committee was established on 23 February 2014. As at the date of this annual report, the Risk Management and Corporate Governance Committee consists of three Directors: namely Mr. Yuan Bing, Professor Fang Hongxing and Professor Xie Yanjun. Mr. Yuan Bing currently serves as the chairman of the risk management and corporate governance committee. The primary duties of the Risk Management and Corporate Governance Committee include, but are not limited to, the following:

- to review the Company's risk management policies and standards, as well as the fundamental concepts and scope of compliance management;
- to review and provide comments on the overall target and basic policy of the compliance and risk management;
- to supervise and monitor the development of risk and compliance management system of the Company;
- to formulate the Company's corporate governance policies and conventional rules, to monitor its implementation and to make recommendations to the Board;
- to review and provide comment on the organisational structure and responsibilities of the Company's compliance and risk management;
- to review the Company's compliance reports and risk assessment reports that need to be reviewed by the Board, and to make proposals on the improvement of the Company's compliance and risk management;

CORPORATE GOVERNANCE REPORT

- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and conventional rules regarding compliance with laws and regulatory rules as well as with its implementation;
- to formulate, review and monitor the Professional Practice Code and Compliance Manual (if available) of the employees and Directors;
- to monitor the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, together with the disclosure in the Corporate Governance Report;
- to monitor the effective implementation of the risk and compliance management by the management of the Company and to evaluate the performance of the responsible senior management;
- to evaluate and opine on the risk of major decision making and solutions to the major risks of the Company that need to be reviewed by our Board; and
- other matters as authorised by the Board.

The written terms of reference of the Risk Management and Corporate Governance Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2014, four meetings of the Risk Management and Corporate Governance Committee were held in April, August, October and December 2014 to review the risk management policies and standards, compliance reports and risk assessment reports and to review the compliance of the CG Code by the Company. The attendance record of each member at the Risk Management and Corporate Governance Committee meetings is set out below:

Directors	No. of meetings attended/ No. of meetings held
Yuan Bing (袁兵)	4/4
Fang Hongxing (方紅星)	4/4
Wei Xiaoan (魏小安)	1/4 ⁽¹⁾
Xie Yanjun (謝彥君)	3/4 ⁽²⁾

Notes:

- (1) Mr. Wei Xiaoan resigned with effect from 27 May 2014 and one Risk Management and Corporate Governance Committee meeting was held prior to his resignation.
- (2) Professor Xie Yanjun was appointed with effect from 22 August 2014 and three Risk Management and Corporate Governance Committee meeting was held after his appointment.

CORPORATE GOVERNANCE REPORT

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee was established on 23 February 2014. As at the date of this annual report, the Independent Board Committee comprises all of our Independent Non-executive Directors, namely Professor Fang Hongxing, Mr. Sun Jianyi and Professor Xie Yanjun. Mr. Sun Jianyi has been appointed as the chairman of the Independent Board Committee. The primary duties of the Independent Board Committee include:

Undertakings in relation to the development of properties

- When the Controlling Shareholders, in accordance with the Deed of Non-Competition, refer to the Group any opportunity to develop, operate, participate and/or otherwise hold any right or interest in any business relating to any properties (the “New Opportunity”), the Independent Board Committee shall consider the New Opportunity in accordance with the terms of the Deed of Non-Competition.
- If the Independent Board Committee considers that the pursuit of the New Opportunity would be in the best interests of the Group, the Committee shall consent to the pursuit of the New Opportunity by the Group.
- If the Independent Board Committee is of the view that the pursuit of the New Opportunity by the Controlling Shareholders will not constitute potential competition with the business of the Group or pursuit of the New Opportunity is not in the interests of our Group, the Committee shall consent to the pursuit of the New Opportunity by the Controlling Shareholders and it shall have the power to impose conditions and restrictions on the development of the properties by the Controlling Shareholders in order to prevent any form of potential competition.
- The Independent Board Committee shall disclose the consideration factors and its conclusion in relation to the New Opportunity in the annual report or interim report of the Company.

Undertakings in relation to the Sale Schedules of Residential Properties

- According to the Deed of Non-Competition, in any city or region where the Group has developed any serviced apartment projects for sale, the Controlling Shareholders, their subsidiaries or associates shall, in the event that they have plans to launch the sale of any residential projects in the same city or region (the “Sale of Residential Properties”), notify the Group the detailed sale terms and all relevant information in writing and the Committee shall have the right to veto the Sale of Residential Properties if it considers that the Sale of Residential Properties would compete against the sale schedule of any projects of the Group.
- If the Group decides to launch its sale of serviced apartment projects in the relevant city or region, the Group shall notify the Controlling Shareholders in writing and the Controlling Shareholders or their subsidiaries or associates can only launch the Sale of Residential Properties after a time gap of six months (the “Time Gap”) from the date on which the Group launches its sale of serviced apartment projects in the same city or region.
- If the Independent Board Committee is of the view that a longer period of time is necessary for the Group to complete the sale of a significant portion of its serviced apartments before the Controlling Shareholders or their subsidiaries or associates launch the Sale of Residential Properties, the Committee shall have the power to extend the Time Gap.
- The Independent Board Committee shall disclose the consideration and its conclusion in relation to the above in the annual report or interim report of the Company.

Option to purchase and/or operate and manage excluded business

- If the Independent Board Committee considers that the properties developed, operated or owned by the Controlling Shareholders or their subsidiaries or associates (the “Excluded Business”) or any part of their new businesses will constitute competition against the Group, the Group shall be entitled to (1) an option to purchase any equity interests, assets or other interests which forms part of such business and/or (2) an exclusive right to operate and manage such business.
- The Committee shall review, consider and decide whether the Group should exercise the option to purchase and/or operate and manage the Excluded Business or the new business.
- If the Committee decides to exercise the option, it shall have the power to impose conditions and/or restrictions in order to ensure that the exercise of the option is in line with the Group’s business strategy and business model.
- The Committee shall disclose the consideration and its conclusion to exercise or not to exercise the above rights in the annual report or interim report of the Company.

Corporate governance functions

For corporate governance, the Independent Board Committee shall, on an annual basis:

- review the compliance with and enforcement of the Deed of Non-Competition by the Controlling Shareholders. The Independent Board Committee shall disclose the results of its review in the annual report of the Company or by way of announcement to the public; and
- review all of its decisions made pursuant the Deed of Non-Competition in such year. The Independent Board Committee shall disclose its decisions and the basis for them in the annual report of the Company or by way of announcement to the public.

The written terms of reference of the Independent Board Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, three meetings of the Independent Board Committee were held in April, August and October 2014 to review the compliance and enforcement of the Deed of Non-Competition by the Controlling Shareholders. The attendance record of each member at the Independent Board Committee meetings is set out below:

Directors	No. of meetings attended/ No. of meetings held
Fang Hongxing (方紅星)	3/3
Sun Jianyi (孫建一)	3/3
Wei Xiaoran (魏小安)	1/3 ⁽¹⁾
Xie Yanjun (謝彥君)	2/3 ⁽²⁾

Notes:

- (1) Mr. Wei Xiaoran resigned with effect from 27 May 2014 and one Independent Board Committee meeting was held prior to his resignation.
- (2) Professor Xie Yanjun was appointed with effect from 22 August 2014 and two Independent Board Committee meetings were held after his appointment.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014, in accordance with the basis of presentation set out in note 2.2 and the accounting policies set out in note 3.3 to the consolidated financial statements in this annual report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors. The insurance covers them against costs, charges, expenses and liabilities incurred arising out of the corporate activities.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board to maintain an adequate internal control system to safeguard shareholder investments and Company assets and review the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Company and considers that the internal control system is effective and adequate.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the total remuneration paid or payable to the Company's auditors, Ernst & Young, for audit services totalling RMB4,500,000.

An analysis of the remuneration paid or payable to Ernst & Young is set out below:

Items of auditors' services	Amount (RMB)
Audit services:	
Annual audit service	4,500,000
Non-audit service:	
	340,000
Total	4,840,000

COMPANY SECRETARY

Mr. Yu Leung Fai, had served as the Company Secretary for the year ended 31 December 2014. He was responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations were followed.

In compliance with Rule 3.29 of the Listing Rules, Mr. Yu Leung Fai has participated in relevant professional training for not less than 15 hours during the year ended 31 December 2014.

As Mr. Yu Leung Fai tendered his resignation as the Company Secretary with effect from 27 March 2015, Mr. Xing Jun has been appointed as the Company Secretary with effect from the same day and, according to Rule 3.29 for the Listing Rules, Mr. Xing Jun will participate in relevant professional training for not less than 15 hours in each financial year.

REMUNERATION OF THE SENIOR MANAGEMENT

Details of the remuneration of Directors and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in note 9 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication with its shareholders and encourage their participation in general meetings, the Company has established a shareholders' communication policy and maintains a website at www.haichangholdings.com, where up-to-date information on the Company's business operations and developments are available.

SHAREHOLDERS' RIGHTS

The Company intends to avoid bundling of resolutions at general meetings such that a separate resolution shall be proposed for each substantially separate issue at general meetings.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

In accordance with the Articles of Association, one or more shareholders of the Company may convene an extraordinary general meeting provided that they deposit a written requisition at the principal office of the Company in Hong Kong and such requisitioning shareholders hold as at the date of deposit of such requisition not less than 10% of the paid up capital of the Company which carries voting rights at general meetings of the Company.

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Law of the Cayman Islands and the Articles of Association.

As regards proposing a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company at the Company's principal office of the Company in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

CONTACT DETAILS

Email: invest.department@haichanggroup.cn

Postal address: Suites 2606-2607, 26/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

CHANGE IN CONSTITUTIONAL DOCUMENTS

A restated memorandum and Articles of Association was adopted by the Company on 23 February 2014 and became effective on the Listing Date. Save as disclosed, there have been no change to the restated memorandum and Articles of Association of the Company during the year ended 31 December 2014.

INVESTOR RELATIONS

The Company believes that maintaining communications with shareholders and potential investors at all times and making timely information disclosure can strengthen the investors' understanding and recognition of the Company, enhance the transparency of the Company and enhance the corporate governance.

The Company attaches great importance to the relationships between the shareholders and potential investors. The Company will treat all the shareholders and the potential investors of the Company equally and avoid selective information disclosure. The Company actively seek the opinions and advice of investors to achieve two-way communication of the Company with its shareholders and potential investors, enabling a constructive interaction between them.

FEBRUARY

Organised the listing press conference
Organised the listing investor conference
Conducted the deal roadshow in Hong Kong

MARCH

Conducted deal roadshows in Singapore, London, Boston and New York
Published the results announcement for 2013
Organised the media exchange
Organised the analyst meeting

APRIL

Participated in the non-deal roadshow in Hong Kong
Participated in the investor luncheon in Hong Kong organised by BNP Paribas and Bank of America Merrill Lynch

JUNE

Organised the media's reverse roadshow in Tianjin
Organised the media's reverse roadshow in Dalian

JULY

Participated in the non-deal roadshow organised by Essence Securities in Shenzhen
Participated in the non-deal roadshow organised by ICBC International in Hong Kong

AUGUST

Published the interim results announcement for 2014
Organised the analyst and investor results presentation in Hong Kong
Organised the media luncheon in Hong Kong
Organised the non-deal roadshow in Hong Kong

SEPTEMBER

Conducted the non-deal roadshow in Shenzhen
Conducted the non-deal roadshow in Shanghai
Conducted the non-deal roadshow in Beijing
Conducted the media's reverse roadshow in Dalian

OCTOBER

Participated in the teleconference organised by First Shanghai

NOVEMBER

Participated in the investor conference organised by Industrial Securities (HK) in Hong Kong
Participated in the investor conference organised by Merrill Lynch in Beijing

DECEMBER

Participated in the investor conference organised by CITIC Securities in Sanya
Participated in the investor conference organised by Haitong Securities in Shanghai
Participated in the investor conference organised by Essence Securities in Shenzhen

INDEPENDENT AUDITORS' REPORT



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To the shareholders of Haichang Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying consolidated financial statements of Haichang Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body 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 International Standards on Auditing. 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, 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 present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2014, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
REVENUE	6	1,531,386	1,378,297
Cost of sales		(857,769)	(788,992)
GROSS PROFIT		673,617	589,305
Other income and gains	6	336,342	284,851
Selling and marketing expenses		(120,460)	(100,019)
Administrative expenses		(265,585)	(200,939)
Other expenses		(55,022)	(1,217)
Finance costs	8	(193,524)	(354,787)
PROFIT BEFORE TAX	7	375,368	217,194
Income tax expenses	10	(163,893)	(89,094)
PROFIT FOR THE YEAR		211,475	128,100
Attributable to:			
Owners of the parent		191,984	108,393
Non-controlling interests		19,491	19,707
		211,475	128,100
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB cents)	12	5.05	3.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000 (Restated)
PROFIT FOR THE YEAR	211,475	128,100
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	13,484	1,120
Revaluation of assets:		
Revaluation gain on assets	49,473	–
Income tax effect	(12,368)	–
	37,105	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	50,589	1,120
Items not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	(622)	(15,158)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(622)	(15,158)
Other comprehensive income	49,967	(14,038)
TOTAL COMPREHENSIVE INCOME	261,442	114,062
Attributable to:		
Owners of the parent	241,951	94,355
Non-controlling interests	19,491	19,707
	261,442	114,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

		31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,639,312	2,730,818
Investment properties	14	1,935,000	1,558,000
Prepaid land lease payments	15	350,355	366,511
Intangible assets	16	7,655	8,057
Available-for-sale investment	17	19,170	19,170
Deferred tax assets	18	121,943	141,373
Long-term prepayments and deposits	25	17,845	19,005
Total non-current assets		5,091,280	4,842,934
CURRENT ASSETS			
Completed properties held for sale	20	474,457	611,465
Properties under development	21	549,859	596,071
Gross amount due from a contract customer	22	89,112	–
Inventories	23	14,882	15,726
Trade receivables	24	58,148	29,033
Available-for-sale investments	17	45,200	200
Prepayments, deposits and other receivables	25	75,732	58,246
Due from the ultimate holding company	26, 42(b)	–	610
Due from related companies	26, 42(b)	1,802	1,478,477
Due from a non-controlling equity holder	26, 42(b)	–	59,675
Pledged bank balances	27	482,099	2,292
Cash and cash equivalents	27	1,551,446	498,828
Total current assets		3,342,737	3,350,623
CURRENT LIABILITIES			
Gross amount due to a contract customer	22	–	13,417
Trade and bills payables	28	345,958	369,954
Other payables and accruals	29	281,323	247,142
Due to related companies	26, 42(b)	5,035	1,161,660
Advances from customers	30	78,227	146,561
Interest-bearing bank and other borrowings	31	1,310,613	945,520
Government grants	33	20,760	18,277
Deferred revenue	34	8,086	5,354
Tax payables	10	221,816	232,049
Total current liabilities		2,271,818	3,139,934
NET CURRENT ASSETS		1,070,919	210,689
TOTAL ASSETS LESS CURRENT LIABILITIES		6,162,199	5,053,623

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	1,459,523	2,440,333
Government grants	33	818,655	873,480
Deferred tax liabilities	18	156,019	77,842
Total non-current liabilities		2,434,197	3,391,655
NET ASSETS			
		3,728,002	1,661,968
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital: nominal value	35	2,451	72
Reserves	37	111,318	80,569
Share capital and other statutory capital reserves		113,769	80,641
Other reserves		3,463,317	1,314,078
		3,577,086	1,394,719
Non-controlling interests		150,916	267,249
TOTAL EQUITY		3,728,002	1,661,968

Wang Xuguang
Director

Zhao Wenjing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent										
	Notes	Issued	Share	Capital	Asset	Statutory	Exchange	Retained	Total	Non-	Total
		capital	premium	reserve	revaluation	reserves	fluctuation	earnings		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 35)	(note 35)	(note 37(a))	(note 37(b))							
At 31 December 2013 and 1 January 2014		72	509,596	647,416	-	80,569	(17,227)	174,293	1,394,719	267,249	1,661,968
Profit for the year		-	-	-	-	-	-	191,984	191,984	19,491	211,475
Exchange differences on translation of foreign operations		-	-	-	-	-	12,862	-	12,862	-	12,862
Revaluation surplus, net of tax		-	-	-	37,105	-	-	-	37,105	-	37,105
Total comprehensive income for the year		-	-	-	37,105	-	12,862	191,984	241,951	19,491	261,442
Issue of shares	35(b)	613	1,934,397	-	-	-	-	-	1,935,010	-	1,935,010
Capitalisation issue	35(a)	1,766	(1,766)	-	-	-	-	-	-	-	-
Share issue expenses		-	(78,542)	-	-	-	-	-	(78,542)	-	(78,542)
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	(2,765)	(2,765)
Deemed distribution to shareholders	37(c)	-	-	(342,566)	-	-	-	-	(342,566)	(133,059)	(475,625)
Capital contribution from shareholders	37(c)	-	-	426,514	-	-	-	-	426,514	-	426,514
Transfer to statutory reserve		-	-	-	-	30,749	-	(30,749)	-	-	-
At 31 December 2014		2,451	2,363,685*	731,364*	37,105*	111,318	(4,365)*	335,528*	3,577,086	150,916	3,728,002

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent (restated)								Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Retained earnings	Total			
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(note 35)	(note 35)	(note 37(a))	(note 37(b))						
At 1 January 2013	72	509,596	912,395	57,519	(3,189)	88,950	1,565,343	258,005	1,823,348	
Profit for the year	-	-	-	-	-	108,393	108,393	19,707	128,100	
Exchange differences on translation of foreign operations	-	-	-	-	(14,038)	-	(14,038)	-	(14,038)	
Total comprehensive income for the year	-	-	-	-	(14,038)	108,393	94,355	19,707	114,062	
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(12,467)	(12,467)	
Deemed distribution to the then shareholders	37(c)	-	(264,979)	-	-	-	(264,979)	2,004	(262,975)	
Transfer to statutory reserve	-	-	-	23,050	-	(23,050)	-	-	-	
At 31 December 2013	72	509,596*	647,416*	80,569	(17,227)*	174,293*	1,394,719	267,249	1,661,968	

* These reserve accounts comprise the consolidated other reserves of RMB3,463,317,000 and RMB1,314,078,000 as at 31 December 2014 and 2013, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		375,368	217,194
Adjustments for:			
Depreciation of items of property, plant and equipment	13	179,165	176,575
Amortisation of intangible assets	16	1,384	1,334
Amortisation of prepaid land lease payments	15	12,901	12,560
Impairment/(reversal) of provision for inventories	23	47	(922)
Loss on disposal of items of property, plant and equipment	7	2,399	4,523
Loss on disposal of investment properties	7	1,018	–
Changes in fair value of investment properties	14	53,031	(71,957)
Government grant recognised	33	(68,474)	(27,672)
Gain on revaluation upon reclassification from completed properties held for sale to investment properties	20	(192,482)	(17,078)
Impairment of trade and bills receivables	24	2,536	489
Impairment of prepayments, deposits and other receivables	25	384	–
Finance costs	8	193,524	354,787
Foreign exchange gain		(1,435)	–
Interest income	7	(33,293)	(149,897)
		526,073	499,936
Increase in properties under development		(96,666)	(52,980)
Decrease in completed property held for sale		145,804	191,200
Increase in a gross amount due from a contract customer		(89,112)	–
(Decrease)/increase in a gross amount due to a contract customer		(13,417)	7,205
Decrease/(increase) in inventories		797	(1,239)
Increase in trade receivables		(31,651)	(9,270)
(Increase)/decrease in prepayments, deposits and other receivables		(17,710)	17,906
Increase in restricted cash and bank balances		(18,316)	–
Decrease in advances from customers		(68,334)	(215,350)
Decrease in trade and bills payables		(23,996)	(147,612)
Increase in other payables and accruals		34,181	58,311
Increase in government grants		16,132	17,113
Increase in deferred revenue		2,732	1,318
		366,517	366,538
Cash generated from operations		366,517	366,538
Interest received		33,293	110,546
Tax paid		(88,888)	(79,634)
		310,922	397,450
Net cash flows from operating activities		310,922	397,450

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(114,142)	(150,039)
Proceeds from disposal of investment properties		36,482	–
Decrease/(increase) in long-term prepayments and deposits		1,160	(758)
(Increase)/decrease in available-for-sale investments		(45,000)	179,982
Decrease/(increase) in an amount due from the ultimate holding company		610	(610)
Decrease in amounts due from related companies		1,489,537	959,707
Decrease/(increase) in an amount due from a non-controlling equity holder		59,675	(7,000)
Purchase of intangible assets	16	(982)	(361)
Additions to investment properties	14	(42,901)	(105,043)
Net cash flows from investing activities		1,384,439	875,878
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares, net of shares issue expenses		1,856,468	–
Decrease in amounts due to related companies		(1,156,625)	(19,588)
Increase/(decrease) of finance lease payables		(105,179)	26,314
Deemed distribution to the then equity holders		(475,625)	(247,874)
Deemed contribution from shareholders		426,514	–
New bank and other loans		841,179	1,060,000
Repayment of bank and other loans		(1,351,717)	(1,577,161)
Increase in pledged deposits		(479,807)	(6)
Acquisition of non-controlling interests		(2,765)	–
Interest paid		(214,937)	(421,975)
Net cash flows used in financing activities		(662,494)	(1,180,290)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,032,867	93,038
Cash and cash equivalents at beginning of year		498,828	405,790
Effect of foreign exchange rate changes, net		1,435	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,533,130	498,828
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position		1,209,631	498,828
Non-pledged deposits with original maturity of less than three months when acquired		341,815	–
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		1,551,446	498,828
Restricted cash and bank balances		(18,316)	–
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		1,533,130	498,828

STATEMENT OF FINANCIAL POSITION

31 December 2014

		31 December 2014	31 December 2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSET			
Investment in a subsidiary	19	–	–
CURRENT ASSETS			
Deposits and other receivables	25	13,660	–
Due from the ultimate holding company	42(b)	–	610
Due from subsidiaries	19	2,895,625	471,005
Cash and cash equivalents	27	281,230	2,481
Total current assets		3,190,515	474,096
CURRENT LIABILITIES			
Other payables and accruals	29	4,985	2,596
Interest-bearing bank and other borrowings	31	441,179	–
Due to related companies	42(b)	–	2,134
Total current liabilities		446,164	4,730
NET CURRENT ASSETS		2,744,351	469,366
TOTAL ASSETS LESS CURRENT LIABILITIES		2,744,351	469,366
EQUITY			
Share capital: nominal value	35	2,451	72
Other reserves	37	2,741,900	469,294
TOTAL EQUITY		2,744,351	469,366
NET ASSETS		2,744,351	469,366

Wang Xuguang
DirectorZhao Wenjing
Director

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

1. CORPORATE INFORMATION

Haichang Holdings Ltd., (the “Company”), was incorporated in the Cayman Islands on 21 November 2011 with limited liability. The registered office address of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s subsidiaries are principally engaged in the development, construction and operation of theme parks, property development and investment and hotel operations in the People’s Republic of China (the “PRC”). In the opinion of the directors of the Company, the Company’s immediate and ultimate holding company was Haichang Group Limited, a company incorporated in the British Virgin Islands (the “BVI”) at 31 December 2014.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (the “IASB”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention except for derivative financial instrument. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 BASIS OF PRESENTATION

Pursuant to the group reorganisation (the "Reorganisation") as more fully explained in the section "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 28 February 2014 for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group in January 2014 other than 大連海昌發現王國主題公園有限公司 ("Discoveryland") and 重慶海昌加勒比海旅遊發展有限公司 ("Chongqing Caribbean").

In December 2014, the Group completed its acquisitions of Discoveryland and Chongqing Caribbean as further detailed in note 3.2.

The consolidated financial statements have been prepared by applying the principle of pooling of interest method accounting as if the Reorganisation and acquisitions of Discoveryland and Chongqing Caribbean had been completed since 1 January 2013 because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation and the acquisitions of Discoveryland and Chongqing Caribbean.

The shares of the Company were listed on the Stock Exchange on 13 March 2014.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended 31 December 2014 and 2013 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014 and 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or year businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>
Amendment to IFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to IFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to IFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to IFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective IFRSs</i>

¹ Effective from 1 July 2014

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

- (a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.
- (b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.
- (e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.
- (f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.
- (g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.
- (h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no significant impact on the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.1 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCES NOT YET ADOPTED

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

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

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.1 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCES NOT YET ADOPTED (continued)

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

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

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

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.3, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.2 PRIOR YEAR RESTATEMENT

Restatement of prior years' financial statements as a result of business combinations for entities under common control

Pursuant to an agreement entered into on 24 September 2013 between Haichang Asia Investment Limited (a related company of the Company), Orix (China) Investment Company Limited ("Orix", a company established in the PRC a related company of the Company), 大連海昌集團有限公司 ("Haichang Group", a related company of the Company) and Haichang Holdings (Hong Kong) Limited ("Haichang Hong Kong", a subsidiary of the Company) that Haichang Hong Kong would acquire the entire equity interest in Discoveryland.

Pursuant to an agreement entered into on 23 September 2013 between 大連海昌旅遊集團有限公司 ("Dalian Tourism", a subsidiary of the Company) and 大連海昌房地產集團有限公司 ("Haichang Property Group", a related company of the Company) that Dalian Tourism would acquire the entire equity interest in Chongqing Caribbean.

Further details of the foregoing agreements ("Share Subscription Agreements") are set out in section headed "HISTORY, REORGANIZATION AND CORPORATE STRUCTURE" of the Company's prospectus for public offering dated 28 February 2014.

In December 2014, the Group completed the acquisitions of Discoveryland and Chongqing Caribbean at purchase considerations of approximately RMB416,621,000 and RMB10,211,000, respectively. Since the Company, Discoveryland and Chongqing Caribbean were under common control of Mr. Qu Naijie ("Mr. Qu", a director and shareholder of the Company) before and after the completion of the aforesaid acquisitions, the business combination of Discoveryland and Chongqing Caribbean has been accounted for under pooling of interest method.

Business combinations arising from transfers of interests in entities that are under the control of the holder that controls the Group are accounted for as if the acquisitions had occurred at the beginning of the reporting period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the equity holder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.2 PRIOR YEAR RESTATEMENT (continued)

The opening balances as at 1 January 2013 and comparative information for the year ended 31 December 2013 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is summarised below:

Restated consolidated statement of profit or loss for the year ended 31 December 2013

	As previously reported <i>RMB'000</i>	Effect of prior year adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
REVENUE	1,122,807	255,490	1,378,297
Cost of sales	(615,796)	(173,196)	(788,992)
GROSS PROFIT	507,011	82,294	589,305
Other income and gains	264,041	20,810	284,851
Selling and marketing expenses	(80,914)	(19,105)	(100,019)
Administrative expenses	(155,934)	(45,005)	(200,939)
Other expenses	(864)	(353)	(1,217)
Finance costs	(351,985)	(2,802)	(354,787)
PROFIT BEFORE TAX	181,355	35,839	217,194
Income tax expenses	(80,432)	(8,662)	(89,094)
PROFIT FOR THE YEAR	100,923	27,177	128,100
Attributable to:			
Owners of the parent	86,108	22,285	108,393
Non-controlling interests	14,815	4,892	19,707
	100,923	27,177	128,100
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB cents)	2.87	0.74	3.61

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.2 PRIOR YEAR RESTATEMENT (continued)

Restated consolidated statement of comprehensive income for the year ended 31 December 2013

	As previously reported <i>RMB'000</i>	Effect of prior year adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
PROFIT FOR THE YEAR	100,923	27,177	128,100
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,120	–	1,120
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(15,158)	–	(15,158)
Other comprehensive income	(14,038)	–	(14,038)
TOTAL COMPREHENSIVE INCOME	86,885	27,177	114,062
Attributable to:			
Owners of the parent	72,070	22,285	94,355
Non-controlling interests	14,815	4,892	19,707
	86,885	27,177	114,062

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.2 PRIOR YEAR RESTATEMENT (continued)

Restated consolidated statements of financial position as at 31 December 2013

	As previously reported <i>RMB'000</i>	Effect of prior year adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	1,865,012	865,806	2,730,818
Investment properties	1,376,000	182,000	1,558,000
Prepaid land lease payments	304,692	61,819	366,511
Intangible assets	376	7,681	8,057
Available-for-sale investment	19,170	–	19,170
Deferred tax assets	63,090	78,283	141,373
Long-term prepayments	19,005	–	19,005
Total non-current assets	3,647,345	1,195,589	4,842,934
CURRENT ASSETS			
Completed properties held for sale	527,651	83,814	611,465
Properties under development	476,257	119,814	596,071
Inventories	8,200	7,526	15,726
Trade receivables	26,791	2,242	29,033
Available-for-sale investment	200	–	200
Prepayments, deposits and other receivables	54,348	3,898	58,246
Due from the ultimate holding company	610	–	610
Due from related companies	1,460,891	17,586	1,478,477
Due from a non-controlling equity holder	59,675	–	59,675
Pledged bank balances	2,292	–	2,292
Cash and cash equivalents	495,936	2,892	498,828
Total current assets	3,112,851	237,772	3,350,623
CURRENT LIABILITIES			
Gross amount due to a contract customer	13,417	–	13,417
Trade and bills payables	360,175	9,779	369,954
Other payables and accruals	227,709	19,433	247,142
Due to related companies	787,292	374,368	1,161,660
Advances from customers	145,838	723	146,561
Interest-bearing bank and other borrowings	931,448	14,072	945,520
Government grants	9,516	8,761	18,277
Deferred revenue	5,354	–	5,354
Tax payables	232,049	–	232,049
Total current liabilities	2,712,798	427,136	3,139,934
NET CURRENT ASSETS	400,053	(189,364)	210,689
TOTAL ASSETS LESS CURRENT LIABILITIES	4,047,398	1,006,225	5,053,623

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.2 PRIOR YEAR RESTATEMENT (continued)

Restated consolidated statements of financial position as at 31 December 2013 (continued)

	As previously reported <i>RMB'000</i>	Effect of prior year adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	2,440,333	–	2,440,333
Government grants	585,703	287,777	873,480
Deferred tax liabilities	77,842	–	77,842
Total non-current liabilities	3,103,878	287,777	3,391,655
NET ASSETS	943,520	718,448	1,661,968
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital: nominal value	72	–	72
Reserves	80,569	–	80,569
Share capital and other statutory capital reserves	80,641	–	80,641
Other reserves	724,951	589,127	1,314,078
	805,592	589,127	1,394,719
Non-controlling interests	137,928	129,321	267,249
TOTAL EQUITY	943,520	718,448	1,661,968

Restated consolidated statement of cash flows for year ended 31 December 2013

	As previously reported <i>RMB'000</i>	Effect of prior year adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
Cash and cash equivalents at beginning of year	404,040	1,750	405,790
Net cash flows from operating activities	314,590	82,860	397,450
Net cash flows from/(used in) investing activities	935,799	(59,921)	875,878
Net cash flows used in financing activities	(1,158,493)	(21,797)	(1,180,290)
Cash and cash equivalents as stated in the statement of financial position	495,936	2,892	498,828

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Subsidiaries

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

Fair value measurement

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair value measurement (continued)**

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

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

- | | | |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

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

Impairment of non-financial assets

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third-party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment and depreciation**

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

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

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

Park and other buildings	20 to 40 years
Machinery	5 to 10 years
Motor vehicles	4 to 10 years
Office equipment and furniture	3 to 5 years
Live animals	3 years

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

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

Construction in progress represents a building under construction and machinery under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation is calculated on the straight-line basis to write off the cost of computer software over the estimated useful lives of 5 to 10 years.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as available-for-sale financial investments and loan and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

Subsequent measurement

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

Loans and receivables

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments and other financial assets (continued)***Subsequent measurement (continued)**Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related companies and interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or 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 the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are merchandise goods and stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured;
- (b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;
- (d) from the rendering of services, when the services are rendered;
- (e) from ticket sales, when receiving ticket fare or rights to collect money from tourist parties;
- (f) rental income, on a time proportion basis over the lease terms;
- (g) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (h) income from hotel operations, recognised upon services rendered.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in the PRC ("PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute 18% to 20% of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the statement of profit or loss as incurred.

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Where funds have been borrowed generally and used for the purpose of obtaining qualified assets, a capitalisation rate 8.31% has been applied to the expenditure on the individual assets.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"). The Company's functional currency is USD. The Group's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

(i) **Operating lease commitments – Group as lessor**

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

(ii) **Sale and finance lease back – Group as lessee**

The Group has entered into a sale and finance lease back arrangements on certain of the Group's machinery. The Group has determined that it retains all the significant risks and rewards of ownership of these items machinery under such sale and finance lease back arrangement.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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

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

(v) Combination of entity in which the Group holds less than a majority of voting rights

The Group considers that it controls 大連老虎灘四維影院有限公司 ("4D Cinema") even though it owns less than 50% of the voting rights. This is because the other equity holder of 4D Cinema has delegated its equity holder's right to the Group to control and operate 4D Cinema.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) **Valuation of properties under development and properties held for sale**

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

(ii) **Allocation of construction cost on properties under development, investment properties and construction in progress**

When developing properties, the Group typically divides the development projects into phases and categories. Costs directly related to the development of a phase and categories are recorded as the cost of such phase and categories. Costs that are common to each phase and categories are allocated to each phase based on the saleable/usable floor area of each phase and categories as a percentage of the total saleable/usable floor area of the entire project. The cost of the unit sold subsequent to the completion of the properties is determined by the floor area in square meters sold during the year multiplied by the average cost per square meter of that particular phase or categories of the project.

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

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

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

The Group is subject to LAT in Mainland China. The provision for LAT is based on management's best estimate according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(v) Deferred tax assets

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

(vi) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2014 was RMB1,935,000,000 (2013: RMB1,558,000,000 (restated)). Further details, including the key assumptions used for fair value measurements and a sensitivity analysis, are set out in note 14 to the financial statements.

(vii) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss.

(viii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ix) Provision for impairment of receivables

Provision for impairment of receivables is made based on the ageing and past repayment pattern of the receivables. The assessment of the impairment amount required involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact on the carrying value of receivables and impairment charge/write-back of impairment in the period in which the estimate has been changed.

(x) Provision for completed properties held for sale and properties under development

The Group recognised a provision for the completed properties held for sale and properties under development when the cost of the properties exceeded the net realisable value. The assessment of the provision requires management estimates on the future selling price and future cost to be incurred of the properties. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact on the carrying value of properties and provision charge/write-back of impairment in the period in which the estimate has been changed.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the parks operations segment engages in the development, construction and operation of theme parks;
- (b) the property development and holding segment engages in properties sales, construction contracts sales and management of the Group's developed and operating properties for rental income potential and for capital appreciation; and
- (c) the others segment engages in hotel operation and the provision of services to guests.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations.

Segment assets exclude intangible assets, available-for-sale investments, trade receivables, prepayments, deposits and other receivables, deferred tax assets, an amount due from the ultimate holding company, amounts due from related companies, an amount due from a non-controlling equity holder, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

The Group's liabilities are managed on a group basis except for the gross amount due to a contract customer which is a segment liability.

No further geographical segment information is presented as over 90% of the Group's revenue from external customers is derived from its operation in Mainland China and over 90% of the Group's non-current assets are located in Mainland China.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments

Year ended 31 December 2014

	Park operations <i>RMB'000</i>	Property development and holding <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers and total revenue	1,097,180	419,832	14,374	1,531,386
Revenue				1,531,386
Segment results	536,255	127,930	9,432	673,617
<i>Reconciliation</i>				
Unallocated gains				387,532
Unallocated expenses				(492,257)
Finance costs				(193,524)
Profit before tax				375,368

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

31 December 2014

	Park operations RMB'000	Property development and holding RMB'000	Others RMB'000	Total RMB'000
Segment assets	3,034,657	2,959,316	89,112	6,083,085
<i>Reconciliation:</i>				
Corporate and other unallocated assets				2,350,932
Total assets				8,434,017
Segment liabilities	-	-	-	-
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				4,706,015
Total liabilities				4,706,015
Other segment information				
Impairment losses recognised in the statement of profit or loss	431	2,536	-	2,967
Depreciation and amortisation				
Unallocated				1,384
Segment	192,066	-	-	192,066
Capital expenditure*				
Unallocated				982
Segment	114,142	42,901	-	157,043

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2013 (restated)

	Park operations <i>RMB'000</i>	Property development and holding <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	966,284	399,955	12,058	1,378,297
Intersegment sales	4,891	–	–	4,891
Total revenue	971,175	399,955	12,058	1,383,188
<i>Reconciliation:</i>				
Elimination of intersegment sales				(4,891)
Revenue				1,378,297
Segment results	428,857	149,313	11,135	589,305
<i>Reconciliation</i>				
Unallocated gains				284,851
Unallocated expenses				(302,175)
Finance costs				(354,787)
Profit before tax				217,194

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

31 December 2013 (restated)

	Park operations RMB'000	Property development and holding RMB'000	Others RMB'000	Total RMB'000
Segment assets	3,144,163	2,765,536	–	5,909,699
<i>Reconciliation:</i>				
Corporate and other unallocated assets				2,283,858
Total assets				8,193,557
Segment liabilities	–	–	13,417	13,417
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				6,518,172
Total liabilities				6,531,589
Other segment information				
Impairment losses recognised in the statement of profit or loss	489	–	–	489
Depreciation and amortisation				
Unallocated				1,334
Segment	189,135	–	–	189,135
Capital expenditure*				
Unallocated				361
Segment	150,039	105,043	–	255,082

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

Information about major customers

No information about major customers is presented as no single customer from whom contributed over 10% of the Group's revenue was derived for the year ended 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of tickets by theme park operation, and the sales of goods by restaurant and store operations, in-park recreation income, income from hotel operations, the sales of properties, and gross rental income received and receivable from investment properties, an appropriate proportion of contract revenue of construction contracts for 2014 and 2013, net of business tax and other surcharges.

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Revenue			
Ticket sales		943,055	832,577
Property sales		169,113	317,178
Food and beverage sales		83,815	77,071
Sale of merchandise		45,568	42,768
Rental income	7	48,074	24,442
In-park recreation income		24,742	13,868
Construction contracts		202,645	58,335
Income from hotel operations		14,374	12,058
		1,531,386	1,378,297
Other income			
Government grants	33	68,474	27,672
Bank interest income	7	22,860	4,269
Interest income from related companies	7	10,433	145,628
Income from insurance claims		10,863	7,672
Foreign exchange gains		20,441	–
Others		10,789	10,575
		143,860	195,816
Gains			
Fair value gains on investment properties	14	–	71,957
Gain on revaluation upon reclassification from completed properties held for sale to investment properties, net	20	192,482	17,078
		192,482	89,035
		336,342	284,851

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

7. PROFIT BEFORE TAX

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

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Cost of properties sold	20	145,804	191,200
Cost of merchandise sold		19,196	17,633
Cost of services provided		692,769	580,159
Depreciation	13	179,165	176,575
Amortisation of intangible assets	16	1,384	1,334
Direct operating expenses arising on rental earning properties		4,883	1,134
Impairment of trade receivables	24	2,536	489
Impairment of prepayments and other receivables	25	384	–
Amortisation of prepaid land lease payments	15	12,901	12,560
Minimum lease payments under operating leases in respect of properties		2,888	2,258
Auditors' remuneration		4,805	1,633
Employee benefit expense (excluding directors and chief executive's remuneration):			
Wages and salaries		149,708	127,757
Bonuses		39,235	26,718
Retirement benefit scheme contributions		19,984	17,843
		208,927	172,318
Direct operating expenses			
Foreign exchange differences, net		(20,441)	243
Impairment/(reversal) of provision for inventories	23	47	(922)
Fair value loss/(gains) on investment properties	14	53,031	(71,957)
Loss on disposal of investment properties		1,018	–
Gain on revaluation upon reclassification from completed properties held for sale to investment properties	20	(192,482)	(17,078)
Rental income	6	(48,074)	(24,442)
Bank interest income	6	(22,860)	(4,269)
Interest income from related companies	6	(10,433)	(145,628)
Government grants recognised	33	(68,474)	(27,672)
Loss on disposal of items of property, plant and equipment		2,399	4,523

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

8. FINANCE COSTS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (Restated)
Interest on bank loans and other loans	207,449	401,030
Interest on finance leases	7,488	20,945
Total interest expenses on financial liabilities not at fair value through profit or loss	214,937	421,975
Less: Interest capitalised	(21,413)	(67,188)
	193,524	354,787

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for 2014 and 2013, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance(Cap.622) with reference to section 161 of the predecessor Hong Kong Companies Ordinance(Cap.32), is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Fees	2,090	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,200	150
Retirement benefit scheme contributions	62	–
	2,262	150
	4,352	150

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014 RMB'000	2013 RMB'000
Mr. Fang Hongxing	100	–
Mr. Wei Xiaoan	100	–
Mr. Sun Jianyi	100	–
Mr. Xie Yanjun	50	–
	350	–

Mr. Fang Hongxing, Mr. Wei Xiaoan and Mr. Sun Jianyi were appointed as the independent non-executive directors of the Company on 23 February 2014. Mr. Wei Xiaoan has tendered his resignation as an independent non-executive director of the Company with effect from 27 May 2014. Mr. Xie Yanjun was appointed as the independent non-executive directors of the Company on 22 August 2014.

There were no other emoluments payable to the independent non-executive directors during the year (2013: nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(b) Chief executive, executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2014				
Chief executive:				
Mr. Wang Xuguang	400	800	31	1,231
Executive directors:				
Mr. Zhao Wenjing	400	700	–	1,100
Mr. Qu Naiqiang	400	700	31	1,131
	800	1,400	31	2,231
Non-executive directors:				
Mr. Qu Naijie	180	–	–	180
Mr. Makoto Inoue	180	–	–	180
Mr. Yuan Bing	180	–	–	180
	540	–	–	540
Year ended 31 December 2013				
Chief executive:				
Mr. Wang Xuguang	–	–	–	–
Executive directors:				
Mr. Zhao Wenjing	–	150	–	150
Mr. Qu Naiqiang	–	–	–	–
	–	150	–	150
Non-executive directors:				
Mr. Qu Naijie	–	–	–	–
Mr. Makoto Inoue	–	–	–	–
Mr. Yuan Bing	–	–	–	–
	–	–	–	–

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(c) Five highest paid employees

Details of the remuneration of the five highest paid employees for the years ended 31 December 2014 and 2013 who were neither a director nor chief executive of the Company are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kinds	3,150	1,363
Performance-related bonuses	1,350	696
Retirement benefit scheme contributions	156	157
	4,656	2,216

The remuneration of all the non-director and non-chief executive highest paid employees fell within the band of nil to RMB1,000,000.

10. INCOME TAX

Provision for PRC corporate income tax has been provided at the applicable income tax rate of 25% for the year ended 31 December 2014 (2013: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

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

	2014 RMB'000	2013 RMB'000 (Restated)
Current – Mainland China:		
Charge for the year	76,164	52,200
LAT	2,491	19,519
	78,655	71,719
Deferred tax (note 18)	85,238	17,375
Total tax charge for the year	163,893	89,094

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective rate is as follows:

	2014 RMB'000	2013 RMB'000 (Restated)
Profit before tax	375,368	217,194
Tax at the statutory income tax rate	93,842	54,298
Tax losses not recognised	38,857	22,434
Income not subject to tax	(1,371)	(13,254)
Temporary difference not recognised	2,944	–
Withholding tax	23,857	–
Expenses not deductible for tax	3,896	10,977
Sub-total	162,025	74,455
Provision for LAT	2,491	19,519
Tax effect on LAT	(623)	(4,880)
Tax charge for the year at the effective rate	163,893	89,094

Tax payables in the consolidated statement of financial position represent:

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
PRC corporate income tax	181,472	187,677
LAT	40,344	44,372
	221,816	232,049

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB RMB17,086,000 (2013: loss of RMB8,077,000) which has been dealt with in the financial statements of the Company.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the year, and the weighted average number of ordinary shares issued during the year on the assumption that the capitalisation issue of 2,885,608,004 shares (note 35(a)) have been effective on 1 January 2013.

The calculation of the basic earnings per share amounts is based on:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	191,984	108,393

	Number of ordinary shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,804,945,055	3,000,000,000

There were no potentially dilutive ordinary shares in issue during the year and therefore the diluted earnings per share is the same as the basic earnings per share.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT

	Park and other buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Live animals RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2013 (restated)	2,533,969	908,711	26,484	72,057	123,294	19,001	3,683,516
Additions (restated)	51,523	44,119	5,674	11,697	16,264	20,762	150,039
Transfers (restated)	3,678	1,241	-	1,615	-	(6,534)	-
Disposals (restated)	(3,052)	(1,765)	(1,167)	(391)	(6,882)	-	(13,257)
At 31 December 2013 and 1 January 2014 (restated)	2,586,118	952,306	30,991	84,978	132,676	33,229	3,820,298
Additions	7,137	4,475	3,405	5,356	11,464	82,305	114,142
Revaluation surplus	13,018	-	-	-	-	30,989	44,007
Transfers to investment properties	(24,442)	-	-	-	-	(44,870)	(69,312)
Transfers	34,307	1,820	-	5,499	-	(41,626)	-
Disposals	-	(1,526)	(435)	(3,092)	(9,121)	-	(14,174)
At 31 December 2014	2,616,138	957,075	33,961	92,741	135,019	60,027	3,894,961
Accumulated depreciation							
At 1 January 2013 (restated)	(306,171)	(450,444)	(19,263)	(55,495)	(90,266)	-	(921,639)
Depreciation for the year (restated)	(85,993)	(58,918)	(3,484)	(7,704)	(20,476)	-	(176,575)
Disposals (restated)	-	1,652	1,049	306	5,727	-	8,734
At 31 December 2013 and 1 January 2014 (restated)	(392,164)	(507,710)	(21,698)	(62,893)	(105,015)	-	(1,089,480)
Depreciation for the year	(81,959)	(65,845)	(3,605)	(8,662)	(19,094)	-	(179,165)
Transfers to investment properties	1,221	-	-	-	-	-	1,221
Disposals	-	349	227	2,471	8,728	-	11,775
At 31 December 2014	(472,902)	(573,206)	(25,076)	(69,084)	(115,381)	-	(1,255,649)
Net carrying amount							
At 31 December 2014	2,143,236	383,869	8,885	23,657	19,638	60,027	2,639,312
At 31 December 2013 (restated)	2,193,954	444,596	9,293	22,085	27,661	33,229	2,730,818

The Group's parcels of land where the hotel buildings, parks and other buildings are situated in Mainland China are held under medium term leases.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the property, plant and equipment as at 31 December 2014 was certain machinery with a net carrying amount of RMB157,602,000 (2013: RMB223,961,000 (restated)) which was held under finance leases.

The Group's property, plant and equipment with a carrying value of RMB1,464,770,000 (2013: RMB1,086,965,000) were pledged to secure banking facilities granted to the Group at 31 December 2014 (note 31).

The Group pledged its buildings with a carrying value of RMB245,609,000 at 31 December 2013 for bank loans granted to 大連海昌企業發展有限公司 ("Haichang Corporation Development"), a company in which Mr. Qu has beneficial interest as equity holder (note 42(a)(xv)).

14. INVESTMENT PROPERTIES

	Completed RMB'000
At 31 December 2013 and 1 January 2014 (restated)	1,558,000
Additions	42,901
Reclassification from property, plant and equipment (note 13)	68,091
Reclassification from prepaid land lease payments (note 15)	8,562
Reclassification from completed properties held for sale (note 20)	347,977
Disposal	(37,500)
Net loss from fair value adjustments (note 7)	(53,031)
At 31 December 2014	1,935,000

	Completed RMB'000 (Restated)	Under construction RMB'000 (Restated)	Total RMB'000 (Restated)
At 1 January 2013	996,000	324,000	1,320,000
Additions	64,162	40,881	105,043
Reclassification from completed properties held for sale (note 20)	61,000	–	61,000
Transfer upon completion	364,881	(364,881)	–
Net gain from fair value adjustments (note 6)	71,957	–	71,957
At 31 December 2013	1,558,000	–	1,558,000

Certain investment properties are leased to third parties under operating leases, the summary details of which are included in note 40(a).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

14. INVESTMENT PROPERTIES (continued)

Investment properties are stated at fair value, which has been determined with reference to the valuations performed by DTZ Debenham Tie Leung Limited – Beijing Branch (“DTZ”), independent firms of professionally qualified valuers, on the income approach, as at 31 December 2014. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm’s length transaction at the date of valuation. The Group’s management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Investment properties of approximately RMB1,935,000,000 (31 December 2013: RMB1,558,000,000) as at 31 December 2014 are located in Mainland China under medium term leases.

In 2014 and 2013, the Group transferred certain completed properties held for sale to investment properties. The properties were revalued at the dates of change in use by DTZ. The difference between the fair values of the properties at those dates and their then carrying amounts of RMB192,482,000 and RMB17,078,000 were recognised in the statement of profit or loss for the year ended 31 December 2014 and 2013, respectively.

Included in the completed investment properties were certain buildings with carrying values of RMB549,000,000 (2013: RMB518,000,000 (restated)), of which the property certificates have not been obtained as at 31 December 2014.

The Group’s investment properties with a carrying value of RMB525,703,000 (2013: RMB544,116,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2014 (note 31).

The Group’s investment properties with a carrying value of RMB160,963,000 (2013: nil) were pledged to secure finance lease facilities granted to the Group as at 31 December 2014 (note 32).

Fair value hierarchy

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

	Fair value measurement as at 31 December 2014 using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
Recurring fair value measurement for:				
Commercial properties	–	–	1,935,000	1,935,000

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2013 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	

Recurring fair value measurement for:

Commercial properties	–	–	1,558,000	1,558,000
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During the year ended 31 December 2014 (2013: nil), there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Carrying amount at 1 January	1,558,000	1,320,000
Additions	42,901	105,043
Reclassification from property, plant and equipment	68,091	–
Reclassification from prepaid land lease payments	8,562	–
Reclassification from completed properties held for sale	347,977	61,000
Disposal	(37,500)	–
Net (loss)/gain from fair value adjustments recognised in other income in profit or loss	(53,031)	71,957
Carrying amount at 31 December	1,935,000	1,558,000

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

Commercial properties	Valuation technique	Significant unobservable inputs	Range (weighted average)
Year ended 31 December 2014	Income method	Market monthly rental rate (RMB/sq.m.)	69-141
		Capitalisation rate	4.5%-6.5%

Under the income method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

15. PREPAID LAND LEASE PAYMENTS

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Carrying amount at beginning of the year	378,614	391,174
Revaluation surplus	5,467	–
Transfers to investment properties (note 14)	(8,562)	–
Amortised during the year	(12,901)	(12,560)
Carrying amount at end of year	362,618	378,614
Current portion included in prepayments, deposits and other receivables (note 25)	(12,263)	(12,103)
Non-current portion	350,355	366,511

The Group's parcels of leasehold land are situated in Mainland China and are held under long term leases.

The Group pledged its land amounting to RMB57,990,000 as at 31 December 2013 for bank loans granted to Haichang Corporation Development at nil consideration (note 42(a)(xv)).

The leasehold interests in land of RMB183,112,000 (2013: RMB228,740,000) were pledged for certain borrowings granted to the Group as at 31 December 2014 (note 31).

The Group experienced delays in the commencement of construction of certain parcels of land in Mainland China with carrying values at 31 December 2014 of RMB36,879,000 (2013: RMB38,859,000). Under the relevant PRC laws, the Group may be subject to penalties from relevant government authorities as a result of delay in commencement of construction. Having taken into account the Company's legal counsel advice, the directors of the Company are of opinion that the payment of a penalty would be remote and no provision is required. As at 31 December 2014, the construction of the relevant park and ancillary facilities on the parcels of land were completed.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

16. INTANGIBLE ASSETS

Intangible assets comprised computer software with useful lives of 5 to 10 years. The movements in intangible assets are analysed as follows:

	2014 RMB'000	2013 RMB'000 (Restated)
Software		
At 1 January		
Cost	13,142	12,781
Accumulated amortisation	(5,085)	(3,751)
Net carrying amount	8,057	9,030
Cost at 1 January, net of accumulated amortisation	8,057	9,030
Additions	982	361
Amortisation provided during the year	(1,384)	(1,334)
At 31 December, net of accumulated amortisation	7,655	8,057
At 31 December		
Cost	14,124	13,142
Accumulated amortisation	(6,469)	(5,085)
Net carrying amount	7,655	8,057

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

17. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Current		
Bank structured products, at fair value	45,200	200

The balance represented principal-protected structured products with maturity within one year.

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Non-current		
Unlisted equity investments, at cost	19,170	19,170

The Group holds a 9% equity interest in an unlisted company, 成都忠捷置業有限公司 in Mainland China with registered capital of RMB213,000,000. The principal business of 成都忠捷置業有限公司 is the development and sale of properties.

The unlisted equity investment was stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

18. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax liabilities and assets are as follows:

Deferred tax liabilities

	Withholding tax RMB'000	Interest capitalised RMB'000	Rental income recognised RMB'000	Depreciation allowance of investment properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Change in fair value of investment properties RMB'000	Total RMB'000
As at 1 January 2014 (restated)	-	29,408	3,771	23,113	4,754	139,675	200,721
Charged/(credited) to the statement of profit or loss (note 10)	23,857	6,718	2,249	4,530	(4,029)	47,231	80,556
As at 31 December 2014	23,857	36,126	6,020	27,643	725	186,906	281,277
As at 1 January 2013 (restated)	-	39,934	2,284	18,262	6,246	117,416	184,142
Charged/(credited) to the statement of profit or loss (note 10) (restated)	-	(10,526)	1,487	4,851	(1,492)	22,259	16,579
As at 31 December 2013 (restated)	-	29,408	3,771	23,113	4,754	139,675	200,721

Deferred tax assets

	Tax losses RMB'000	Advances from customers on presale of properties RMB'000	Government grants RMB'000	Impairment of assets RMB'000	Accruals and other payables RMB'000	Total RMB'000
As at 1 January 2014 (restated)	8,587	5,005	222,832	204	27,624	264,252
Credited/(charged) to the statement of profit or loss (note 10)	(8,587)	(893)	(12,978)	12	5,395	(17,051)
As at 31 December 2014	-	4,112	209,854	216	33,019	247,201
As at 1 January 2013 (restated)	11,242	6,325	225,330	436	21,715	265,048
Credited/(charged) to the statement of profit or loss (note 10) (restated)	(2,655)	(1,320)	(2,498)	(232)	5,909	(796)
As at 31 December 2013 (restated)	8,587	5,005	222,832	204	27,624	264,252

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

18. DEFERRED TAX ASSETS/LIABILITIES (continued)

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

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	121,943	141,373
Net deferred tax liabilities recognised in the consolidated statement of financial position	(156,019)	(77,842)
	(34,076)	63,531

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

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Tax losses not recognised for deferred tax assets	459,645	304,217

In accordance with the PRC laws and regulations, tax losses arising in Mainland China could be carried forward for a period of five years to offset against future taxable profits.

Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, deferred tax liabilities of RMB23,857,000 have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. Pursuant to a resolution of the board of directors of the Company, these subsidiaries will not distributed such earnings derived up to 31 December 2013. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was nil as at 31 December 2014 (2013: RMB217,633,000).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

19. INVESTMENTS IN SUBSIDIARIES

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	–	–
Shares listed in Hong Kong, at cost	–	–
	–	–

The amounts due from subsidiaries included in the Company's current assets of RMB2,896,000 (2013: RMB471,000) are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the Company's subsidiaries as at the date of this report are set out below:

Name	Place and date of incorporation/ establishment and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Haichang Holdings (Asia) Ltd ("Haichang Asia")	British Virgin Islands 22 November 2011	USD50,000	100%	–	Investment holding
Haichang Hong Kong	Hong Kong 5 December 2011	HKD1	–	100%	Investment holding
海昌(中國)有限公司 ("Haichang China") [#]	Mainland China 11 December 1996	RMB19,067,000	–	100%	Investment holding
大連海昌旅遊集團有限公司 ("Dalian Tourism") [#]	Mainland China 2 February 2010	RMB10,000,000	–	100%	Investment holding
大連老虎灘海洋公園有限公司 ("LHT") ^{*#}	Mainland China 9 November 2001	RMB240,584,000	–	58.3%	Park operation
青島極地海洋世界有限公司 ("Qingdao Park") [#]	Mainland China 26 September 2002	RMB246,148,000	–	100%	Park operation
大連海昌商務有限公司 ("Haichang Commercial") [#]	Mainland China 13 May 2003	RMB30,000,000	–	100%	Property development
成都極地海洋實業有限公司 ("Chengdu Park") [#]	Mainland China 18 December 2003	RMB30,305,000	–	100%	Park operation, property development and investment

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ establishment and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
武漢極地海洋世界投資有限公司 ("Wuhan Park") [#]	Mainland China 25 October 2004	RMB60,000,000	–	100%	Park operation, property development and investment
煙台漁人碼頭投資有限公司 ("Yantai Park") [#]	Mainland China 15 March 2005	RMB30,000,000	–	100%	Park and hotel operations
天津極地旅遊有限公司 ("Tianjin Park") [#]	Mainland China 24 September 2007	RMB204,889,025	–	100%	Park operation, property development and investment
4D Cinema ^{**}	Mainland China 25 May 2001	RMB20,000,000	–	49%	Park operation
上海海昌極地世界有限公司 ("Shanghai Haichang") [#]	Mainland China 19 July 2011	RMB10,000,000	–	100%	Park development and operation
大連海昌發現王國主題公園 有限公司 ("Discoveryland") ^{***}	Mainland China 28 May 2012	RMB413,211,000	–	100%	Park operation, property development and investment
重慶海昌加勒比海旅遊發展 有限公司 ("Chongqing Caribbean") ^{***}	Mainland China 18 January 2012	RMB10,000,000	–	100%	Park operation, property development and investment

Haichang China is a wholly-owned foreign investment enterprise and its registered capital was fully paid up at 31 December 2014.

* According to the articles of association of LHT, the profit sharing ratios of LHT are not in proportion to their equity ratios but are as defined in the articles of association. Pursuant to the articles of association, Haichang China and the other equity holder share the profits of LHT at a 70%:30% ratio, respectively.

** 4D Cinema is treated as a subsidiary since the Group has been delegated the equity holder's right from the other equity holder to control and operate 4D Cinema. The profit sharing ratios of 4D Cinema are in proportion to the respective equity ratio of the equity holder.

*** The Group acquired the entire equity interests in Discoveryland and Chongqing Caribbean in December 2014.

The type of the subsidiary is limited liability company.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

19. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group's subsidiary that has material non-controlling interests are set out below:

LHT

	2014	2013
Percentage of equity interest held by non-controlling interests	41.7%	41.7%
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period allocated to non-controlling interests	14,203	13,398
Accumulated balances of non-controlling interests at the reporting dates	129,049	114,846
Revenue	152,531	148,559
Other income and gains	24,043	53,663
Cost of sales	(64,294)	(68,277)
Total expense	(49,158)	(74,318)
Income tax expense	(15,778)	(14,967)
Total comprehensive income for the year	47,344	44,660
Current assets	242,811	729,129
Non-current assets	101,267	111,974
Current liabilities	(8,588)	(52,957)
Non-current liabilities	–	(500,000)
Net cash flows from operating activities	68,038	45,321
Net cash flow from/(used in) investing activities	7,251	(5,050)
Net cash flows used in financing activities	(17,840)	(42,212)
Net increase/(decrease) in cash and cash equivalents	57,449	(1,941)

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

20. COMPLETED PROPERTIES HELD FOR SALE

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Carrying amount at 1 January 2014	611,465	554,685
Transfer from properties under development (note 21)	164,291	291,902
Fair value change on completed properties held for sale	192,482	17,078
Reclassification to investment properties (note 14)	(347,977)	(61,000)
Recognised in the current year (note 7)	(145,804)	(191,200)
Carrying amount at 31 December	474,457	611,465

21. PROPERTIES UNDER DEVELOPMENT

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Carrying amount at 1 January	596,071	767,805
Additions	118,079	120,168
Transfer to completed properties held for sale (note 20)	(164,291)	(291,902)
Carrying amount at 31 December	549,859	596,071

The properties under development are located in Mainland China with lease terms ranging from 40 to 70 years.

Certain of the Group's properties under development with carrying values at 31 December 2014 of RMB80,932,000 (2013: RMB82,441,000) were pledged to secure bank loans granted to the Group at 31 December 2014 (note 31).

As at 31 December 2013, the Group pledged its properties under development amounting to RMB297,922,000 for the Company's loans granted to Haichang Corporation Development (note 42(a)(xii)).

As at 31 December 2013, the Group pledged its properties under development amounting to RMB286,270,000 for the loans granted to Haichang Group (note 42(a)(xiii)).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

22. CONSTRUCTION CONTRACTS

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Gross amounts due from a contract customer	89,112	–
Gross amounts due to a contract customer	–	(13,417)
	89,112	(13,417)

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Contract costs incurred plus recognised profits less recognised losses to date	281,100	66,993
Less: Progress billings	(191,988)	(80,410)
	89,112	(13,417)

23. INVENTORIES

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i> (Restated)
Merchandise	15,748	16,545
Provision for impairment	(866)	(819)
	14,882	15,726

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

24. TRADE RECEIVABLES

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i> (Restated)
Trade receivables	64,387	32,736
Less: Provision for doubtful debts	(6,239)	(3,703)
	58,148	29,033

The Group's trading terms with its institutional customers and lessee are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, net of provision for doubtful debts, is as follows:

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i> (Restated)
Within 90 days	36,972	13,588
Over 90 days and within one year	9,592	3,692
Over one year	11,584	11,753
	58,148	29,033

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

24. TRADE RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
At 1 January	3,703	3,214
Impairment losses recognised (note 7)	2,536	489
	6,239	3,703

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i> (Restated)
Neither past due nor impaired	55,969	26,657
Past due within one year	2,136	2,333
Past due over one year	43	43
	58,148	29,033

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The carrying amounts of the trade receivables approximate to their fair values due to their relatively short maturity terms.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i> (Restated)
Prepayments	24,067	31,695
Deposits and other receivables	57,247	33,453
Current portion of prepaid land lease payments (note 15)	12,263	12,103
	93,577	77,251
Less: Non-current portion	(17,845)	(19,005)
	75,732	58,246

The movements in provision for impairment of prepayments and other receivables are as follows:

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
At 1 January	10,531	10,042
Impairment losses recognised (note 7)	384	489
	10,915	10,531

The Company

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Deposits and other receivables	13,660	–

The carrying amounts of deposits and other receivables approximate to their fair values due to their relatively short maturity terms.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

26. BALANCES WITH DUE FROM/TO RELATED COMPANIES/A NON-CONTROLLING EQUITY HOLDER/ULTIMATE HOLDING COMPANY

As at 31 December 2013, the amount due from Haichang Group of RMB530,000,000 was unsecured, bore interest at 13.56% per annum (note 42(a)(ix)). During the year ended 31 December 2014, the amount of RMB530,000,000 due from Haichang Group was settled.

An unsecured and interest-free amount of RMB700,000,000 due from Haichang Corporation Development at 31 December 2013 with maturity date on 31 December 2013 and has been fully settled.

Except for the above, balances with related companies, a non-controlling equity holder and ultimate holding company are interest-free, unsecured and repayable on demand. The carrying amounts of these balances approximate to their fair values due to their relatively short maturity terms.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**The Group**

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Cash and bank balances	2,033,545	501,120
Denominated in RMB	1,507,749	221,692
Denominated in Hong Kong dollar ("HKD")	97,314	–
Denominated in United State dollar ("USD")	428,482	279,428
Cash and bank balances	2,033,545	501,120

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash and bank balances	281,230	2,481
Denominated in RMB	262,936	–
Denominated in HKD	16,658	–
Denominated in USD	1,636	2,481
Cash and bank balances	281,230	2,481

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

An analysis of the cash and cash equivalents and pledged bank balances is as follows:

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Cash and bank balances	1,211,730	501,120
Time deposits with original maturity of less than three months	821,815	–
	2,033,545	501,120
Less: Pledged for interest-bearing bank loans	(480,541)	(539)
Pledged for mortgage loans of purchasers	(1,550)	(1,546)
Pledged for bills payable	(8)	(207)
	(482,099)	(2,292)
Unpledged cash and cash equivalents	1,551,446	498,828
Less: Restricted cash and bank balances*	(18,316)	–
Unpledged and unrestricted cash and cash equivalents	1,533,130	498,828

* The cash balance received from customers for presale properties are restricted to use for construction of related properties.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash and bank balances	281,230	2,481

Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and bank balances and pledged bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged bank balances approximate to their fair values.

28. TRADE AND BILLS PAYABLES

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Less than one year	154,488	60,000
Over one year	191,470	309,954
	345,958	369,954

The bills payable were secured by the pledge of the Group's time deposits of RMB8,000 at 31 December 2014 (2013: RMB207,000) (note 27).

The trade payables are interest-free and normally settled on terms of 30 to 180 days.

The fair values of trade and bills payables approximate to their carrying amounts due to their relatively short maturity terms.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

29. OTHER PAYABLES AND ACCRUALS

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Other payables	255,886	234,508
Accruals	25,437	12,634
	281,323	247,142

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Other payables and accruals	4,985	2,596

All other payables are unsecured, interest-free and repayable on demand.

The fair values of other payables approximate to their carrying amounts due to their relatively short maturity terms.

30. ADVANCES FROM CUSTOMERS

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group	2014			2013 (restated)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Finance lease payables* (note 32)	12-23	2015	40,213	12-23	2014	121,986
Other loans – secured	9	2015	38,997	8-15	2014	140,743
Bank loans – secured	3	2015	441,179	7-8	2014	158,000
Current portion of non-current loans – secured	6-9	2015	790,224	7-15	2014	524,791
			<u>1,310,613</u>			<u>945,520</u>
Non-current						
Finance lease payables* (note 32)	12-23	2016-2017	2,505	12-23	2015-2017	25,911
Other loans – secured	9	2016-2017	128,629	8-15	2015-2018	777,095
Bank loans – secured	6-9	2016-2025	1,328,389	7-15	2015-2025	1,637,327
			<u>1,459,523</u>			<u>2,440,333</u>
			<u>2,770,136</u>			<u>3,385,853</u>

The Company	2014			2013		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3	2015	441,179			–

- * The finance lease payable of RMB3,291,000 to 龐大歐力士汽車租賃有限公司 (“Orix Lease”) bears interest at 22.6% per annum, and the other balances of finance lease payables of RMB39,427,000 bears interest at rates ranging from 12.3% to 12.9% per annum, at 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	1,231,403	682,791	441,179	–
In the second year	314,919	399,411	–	–
In the third to fifth years, inclusive	748,270	880,518	–	–
Beyond five years	265,200	357,398	–	–
	2,559,792	2,320,118	441,179	–
Other borrowings repayable:				
Within one year or on demand	79,210	262,729	–	–
In the second year	60,145	125,686	–	–
In the third to fifth years, inclusive	70,989	677,320	–	–
Beyond five years	–	–	–	–
	210,344	1,065,735	–	–
	2,770,136	3,385,853	–	–

- (i) The Group's bank and other loans were secured by the pledges of the Group's assets with carrying values at 31 December 2014 and 2013 as follows:

		31 December 2014 RMB'000	31 December 2013 RMB'000
	Notes		
Property, plant and equipment	13	1,464,770	1,086,965
Investment properties	14	525,703	544,116
Prepaid land lease payments	15	183,112	228,740
Properties under development	21	80,932	82,441
Pledged bank balances	27	480,541	539

Tianjin Park pledged income received and its right for park operation for certain borrowings amounting to RMB278,770,000 granted to the Group at 31 December 2014 (2013: RMB335,900,000).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(i) (continued)

LHT pledged its income received and right for park operation rights for certain borrowings amounting to RMB500,000,000 granted to the Group at 31 December 2013.

Yantai Park pledged its income received and right for park operation rights and Qingdao Park pledged its 100% equity interest and income from property rights for certain borrowings amounting to RMB246,686,000 granted to the Group at 31 December 2014 (2013: RMB186,500,000).

Qingdao Park pledged its trade receivables arising from sales from January 2010 to January 2025 for certain borrowings amounting to RMB400,140,000 granted to the Group at 31 December 2014 (2013: RMB550,080,000). As at 31 December 2014, the related trade receivables amounted to RMB13,375,000 (2013: RMB14,922,000).

(ii) As at 31 December 2013, certain related companies and Mr. Qu executed guarantees for certain borrowings amounting to RMB631,800,000 granted to the Group (note 42(a)(xiv)).

As at 31 December 2013, certain other non-current loans of RMB530,000,000 granted to the Group were applied and lent to Haichang Group at a similar interest rate (note 26).

Haichang Corporation Development executed guarantees for bank loans granted to the Group amounting to RMB500,000,000 as at 31 December 2013 (note 42(a)(xiv)).

Haichang Group and Mr. Qu executed guarantees for bank loans granted to the Group amounting to RMB30,000,000 as at 31 December 2013 (note 42(a)(xiv)).

Haichang Corporation Development and Haichang Group executed guarantees jointly for bank loans granted to the Group amounting to RMB101,800,000 as at 31 December 2013 (note 42(a)(xiv)).

All the Group's borrowings are denominated in RMB and HKD.

The bank and other borrowings balances of the Group bear interest at floating rates, except for bank and other borrowings of RMB1,577,509,000 at 31 December 2014 (2013: RMB1,520,024,000) that bear interest at fixed rates.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

32. FINANCE LEASE PAYABLES

The Group carried out sale and lease back transactions for certain of its machinery to obtain borrowings. The sale and lease back transactions are classified as finance leases and have remaining lease terms of three years.

	Minimum lease payments 31 December 2014 RMB'000	Present value of minimum lease payments 31 December 2014 RMB'000	Minimum lease payments 31 December 2013 RMB'000 (Restated)	Present value of minimum lease payments 31 December 2013 RMB'000 (Restated)
Amounts payable:				
Within one year	85,187	40,213	141,304	121,985
In the second year	17,111	985	79,643	11,791
In the third year	2,014	1,520	19,249	14,121
Total minimum finance lease payments	104,312	42,718	240,196	147,897
Future finance charges	(61,594)		(92,299)	
Total net finance lease payables (note 31)	42,718		147,897	
Portion classified as current liabilities (note 31)	(40,213)		(121,986)	
Non-current portion (note 31)	2,505		25,911	

The fair value of the Group's finance lease payables approximated to RMB43,076,000 at 31 December 2014 (2013: RMB151,271,000 (restated)).

The Group pledged its investment properties with carrying values of RMB160,963,000 for certain finance lease payables amounting to RMB39,428,000 at 31 December 2014 (note 14).

The finance lease payables amounting to RMB14,072,000 at 31 December 2013 were guaranteed by Haichang Group (note 42(a)(xvi)).

The finance lease payable of RMB3,291,000 to Orix Lease at 31 December 2014 (2013: RMB4,015,000) was unsecured, bore interest at 22.6% per annum, with maturity date on 31 December 2017.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

33. GOVERNMENT GRANTS

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Carrying amount at 1 January	891,757	902,316
Received during the year	16,132	17,113
Recognised in profit or loss (note 6)	(68,474)	(27,672)
	839,415	891,757
Current	20,760	18,277
Non-current	818,655	873,480
	839,415	891,757

Government grants have been received either for the construction of certain items of property, plant and equipment, properties under development, investment properties or for business development of the Group subsidiaries. There are no unfulfilled conditions and contingencies relating to these grants.

34. DEFERRED REVENUE

Deferred revenue represents the pre-sale of parks' tickets.

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Year ended 31 December 2014

35. SHARE CAPITAL

Shares

	Number of ordinary shares	
	Nominal value of USD0.0001 each	USD

Authorised:

At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	500,000,000	50,000
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	Number of ordinary shares	
	Nominal value of USD0.0001 each	USD

Issued and fully paid		
1 January 2013	114,391,996	11
Capitalisation issue (note (a))	2,885,608,004	289
Issue of new shares (note (b))	1,000,000,000	100

At 31 December 2013 and 1 January 2014 and 31 December 2014	4,000,000,000	400
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	31 December 2014 RMB'000	31 December 2013 RMB'000
Issued and fully paid:		
Ordinary shares	2,451	72

(a) In February 2014, the Company issued 2,885,608,004 ordinary shares of USD0.0001 each upon capitalisation in an amount of USD0.3 million standing to the share premium account of the Company to the then shareholders whose names were on the register of members of the Company.

(b) In March 2014, 1,000,000,000 new ordinary shares of USD0.0001 were issued at HKD2.45 each by the Company for a total consideration of HKD2,450,000,000 (equivalent to RMB1,935,010,000), before share issue expenses upon global offering of the Company.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

36. SHARE AWARD SCHEME

Mr. Qu, a director and a controlling shareholder of the Company, adopted a management share purchase scheme (the "Share Purchase Scheme") on 19 November 2014 to allow eligible participants to purchase a total of 172,000,000 Shares, representing 4.3% of the total issued share capital of the Company, at a price of HKD1.2 per shares (being the average of closing prices of the Company's shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheets for the 21 business days in October 2014) from an intermediary which is an associate of Mr. Qu for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

During the year ended 31 December 2014, Mr. Qu sold 172,000,000 shares of the Company at a price of HKD1.2 per shares to the eligible persons of the Company.

37. RESERVES

Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(a) Capital reserve

The amounts represent deemed contribution from equity holders less deemed distribution to equity holders, consideration paid by the Group to non-controlling equity holders over their then share of net assets of subsidiaries acquired, and dilution upon capital contribution by the non-controlling equity holders.

(b) Statutory reserves

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

(c) Deemed distribution to the equity holders

In September 2013, Dalian Tourism acquired 9% and 40% equity interests in 4D Cinema from Haichang Group and 大連聯運有限公司 ("Dalian Lianyun") at considerations of RMB1,800,000 and RMB8,000,000, respectively, and the considerations were recognised in equity directly as a deemed distribution to the equity holders.

As at 31 December 2013, the Group granted loans to Haichang Corporation Development at a below market interest rate which resulted in a deemed distribution of RMB39,351,000 upon discounting to net present value during the year ended 31 December 2013.

37. RESERVES (continued)

Group (continued)

(c) Deemed distribution to the equity holders (continued)

In December 2013 and January 2014, Haichang China entered into sale and purchase agreements in relation to the purchases of certain properties from 大連世博房地產開發有限公司 (a company in which Mr. Qu has an indirect beneficial interest as an equity holder) which were constituted as a business of property investment and holding ("Shibo Business") and have been accounted for as business combinations under common control since the earliest dates of combinations. The net assets of Shibo Business so consolidated to the Group has been accounted for as a deemed contribution from the equity holders since 1 January 2013. The operating profit of RMB664,000 generated from Shibo Business for the year ended 31 December 2013 was recognised in equity directly as deemed distribution to the equity holders.

In December 2013, settlement made by the Group to 大連世博房地產開發有限公司 of RMB224,826,000 in relation to the acquisition consideration of Shibo Business was accounted for as a deemed distribution to the equity holders.

In December 2013, corporate income tax attributable to Discoveryland prior to the completion of its demerger was borne by Haichang Corporation Development which has been accounted for as deemed contribution of RMB9,662,000.

In January 2014, further settlement was made by the Group to 大連世博房地產開發有限公司 of RMB38,751,000 in relation to the acquisition consideration of Shibo Business that was accounted for as a deemed distribution to the equity holders.

In January 2014, the Group acquired a 100% equity interest in Shanghai Haichang from Haichang Group for a total consideration of RMB10,000,000 and the consideration paid was recognised in equity directly as a deemed distribution to the equity holders.

In December 2014, the Group acquired Discoveryland and Chongqing Caribbean from Haichang Asia Investment Limited (a company of which Mr. Qu has an indirect beneficial interest as an equity holder), Orix, Haichang Group and Haichang Property Group (a company of which Mr. Qu has an indirect beneficial interest as an equity holder) separately, which has been accounted for as a business combination under common control under the pooling of interest method. The net assets of Discoveryland and Chongqing Caribbean so consolidated to the Group have been accounted for as a deemed contribution from the equity holders since 1 January 2013. In December 2014, the Group paid RMB426,874,000 in relation to the acquisition consideration of Discoveryland and Chongqing Caribbean.

Pursuant to the Share Subscription Agreements, the previous equity holders of Discoveryland and Chongqing Caribbean repaid the Company RMB426,514,000 for the cash payment received by them in connection with the sale of Discoveryland and Chongqing Caribbean. The repayment was accounted for as a capital contribution from the equity holders.

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Year ended 31 December 2014

37. RESERVES (continued)

Group (continued)

(d) Reserves of the Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	509,596	–	(3,567)	(14,014)	492,015
Loss for the year	–	–	–	(8,077)	(8,077)
Other comprehensive loss exchange difference on translation	–	–	(14,644)	–	(14,644)
Total comprehensive loss	–	–	(14,644)	(8,077)	(22,721)
At 31 December 2013 and 1 January 2014	509,596	–	(18,211)	(22,091)	469,294
Loss for the year	–	–	–	(17,086)	(17,086)
Other comprehensive income exchange difference on translation	–	–	(622)	–	(622)
Total comprehensive loss	–	–	(622)	(17,086)	(17,708)
Issue of shares	1,934,397	–	–	–	1,934,397
Capitalisation issue	(1,766)	–	–	–	(1,766)
Share issue expenses	(68,831)	–	–	–	(68,831)
Deemed contribution from shareholders	–	426,514	–	–	426,514
At 31 December 2014	2,373,396	426,514	(18,833)	(39,177)	2,741,900

38. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2014, the Group capitalised borrowing costs of RMB21,413,000 (2013: RMB67,188,000) with the corresponding increase recognised in the amount of the properties under development, which did not result in cash flows.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

39. CONTINGENT LIABILITIES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	51,788	87,657
Guarantees given to banks in connection with facilities granted to related companies**	–	449,449
	51,788	537,106

* The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the mortgage loan and ends after the execution of the purchaser's collateral agreement.

The Group did not incur any material losses during the year (2013: nil) in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

** The Group provided guarantees to banks in connection with bank facilities granted to the related companies and the directors consider that no provision is required in respect of the guarantees.

40. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from three months to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Within one year	48,409	17,667
In the second to fifth years, inclusive	164,271	69,198
After five years	280,132	145,635
	492,812	232,500

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

40. OPERATING LEASE COMMITMENTS (continued)

(b) As lessee

The Group leases certain parcels of its land and office buildings under operating lease arrangements.

At the end of each of the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within one year	5,562	1,608
In the second to fifth years, inclusive	5,887	4,511
	11,449	6,119

41. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting period:

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restate)
Contracted, but not provided for:		
Properties under development, buildings and machinery	373,938	306,501
Authorised but not contracted	28,736	51,803
	402,674	358,304

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES

The related companies with which the Group had transactions were as follows:

Name of related party	Relationship with the Group
Mr. Qu	Director and beneficial shareholder of the Company
程春萍 (“Ms. Cheng”)	Spouse of Mr. Qu and beneficial shareholder of the Company
Haichang Corporation Development	Mr. Qu and Ms. Cheng are beneficial equity holders
天津海昌房地產開發有限公司 (“Tianjin Haichang Property”)	Mr. Qu and Ms. Cheng are beneficial equity holders
Haichang Group	Mr. Qu and Ms. Cheng are beneficial equity holders
Haichang Property Group	Mr. Qu and Ms. Cheng are beneficial equity holders
成都海昌置業有限公司 (“Chengdu Haichang Property”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌房屋開發有限公司 (“Haichang Property Development”)	Mr. Qu and Ms. Cheng are beneficial equity holders
武漢物業管理有限公司 (“Wuhan Property Management”)	Mr. Qu and Ms. Cheng are beneficial equity holders
武漢創富房地產發展有限公司 (“Wuhan Chuangfu”)	Mr. Qu and Ms. Cheng are beneficial equity holders
成都融信置地有限公司 (“Chengdu Rongxin Property”)	Mr. Qu and Ms. Cheng are beneficial equity holders
香港海昌置業有限公司 (“Haichang Land”)	Mr. Qu and Ms. Cheng are beneficial equity holders
SAS LAMONT (“SAS LAMONT”)	Mr. Qu and Ms. Cheng are beneficial equity holders
Sea-rich Oil (Singapore) Pte. Ltd. (“Sea-rich Oil”)	Mr. Qu and Ms. Cheng are beneficial equity holders
Dalian Lianyun	Mr. Qu and Ms. Cheng are beneficial equity holders
Hong Kong Oriental Investment (Holding) Ltd. (“HK East investment”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌電子工程有限公司 (“Haichang Electronic”)	Mr. Qu and Ms. Cheng are beneficial equity holders
Orix Lease	A joint venture of a beneficial shareholder of the Company
大連海昌商業運營管理有限公司 (“Haichang Business Operation Management”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連拉蒙酒業有限公司 (“Dalian LAMONT”)	Mr. Qu and Ms. Cheng are beneficial equity holders
煙台海昌物業管理有限公司 (“Yantai Property Management”)	Mr. Qu and Ms. Cheng are beneficial equity holders
天津海昌極地物業管理有限公司 (“Tianjin Property Management”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌欣城物業有限公司 (“Haichang Xincheng”)	Mr. Qu and Ms. Cheng are beneficial equity holders
Hong Kong Smooth Clear Holdings Limited (“Hong Kong Smooth Clear”)	Mr. Qu Cheng (the son of Mr. Qu and Ms. Cheng) is beneficial equity holder
Hong Kong Merry Great Investment Limited	Mr. Qu Cheng is a beneficial equity holder
Sea Fortune Navigation Limited (“Sea Fortune”)	Mr. Qu Cheng is a beneficial equity holder
大連世博房地產開發有限公司 (“Dalian Shibo”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連奧林匹克電子城海昌網絡技術服務中心 (“Dalian Olympic”)	Mr. Qu and Ms. Cheng are beneficial equity holders
天津極地海洋置業有限公司 (“Tianjin Pole Ocean Property”)	Mr. Qu and Ms. Cheng are beneficial equity holders
重慶極地實業有限公司 (“Chongqing Polar Industry”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌置業地紅酒莊園有限公司 (“Haichang Redwine”)	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌物業管理有限公司 (“Dalian Property Management”)	Mr. Qu and Ms. Cheng are beneficial equity holders
煙台海昌旅遊發展有限公司 (“Yantai Haichang Tourism Development”)	Mr. Qu and Ms. Cheng are beneficial equity holders

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

		2014 RMB'000	2013 RMB'000
<i>Rental income:</i>			
Haichang Corporation Development	(a)(i)	4,800	2,674
Wuhan Chuangfu	(a)(i)	1,009	–
Dalian Shibo	(a)(i)	714	–
Tianjin Haichang Property	(a)(i)	600	–
Yantai Haichang Tourism Development	(a)(i)	357	–
		7,480	2,674
<i>Interest income:</i>			
Haichang Group	(a)(ii)	10,433	94,332
Haichang Corporation Development	37(c)	–	39,351
		10,433	133,683
<i>Management fee income:</i>			
Tianjin Haichang Property	(a)(iii)	1,281	–
Chengdu Haichang Property	(a)(iii)	1,212	–
Wuhan Chuangfu	(a)(iii)	1,142	–
		3,635	–
<i>Management fee expense:</i>			
Tianjin Property Management	(a)(iv)	1,200	–
Wuhan Property Management	(a)(iv)	288	1,680
Dalian Property Management	(a)(iv)	160	–
Yantai Property Management	(a)(iv)	16	–
		1,664	1,680
<i>Expenses paid on behalf of a related company:</i>			
Chengdu Rongxin Property	(a)(v)	–	584
<i>Purchase of property, plant and equipment:</i>			
Orix Lease	(a)(vi)	–	4,644
<i>Purchase of properties:</i>			
Haichang Property Development	(a)(vii)	–	88,603
<i>Interest expense:</i>			
Haichang Corporation Development	(a)(viii)	–	33,075

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

- (i) The Group leased out office space to Haichang Corporation Development for RMB382,000 per month for a seven-month period commencing from 1 June 2013. The Group continues to lease the premises to Haichang Corporation Development under a new lease (the "Lease") dated 24 January 2014 pursuant to which the Group will lease the premises to Haichang Corporation Development for a term of two years from 1 January 2014 to 31 December 2015 for RMB400,000 per month. Rental income for the period ended 31 December 2014 from Haichang Corporation Development was RMB4,800,000 (2013: RMB2,674,000).

On 14 October 2014, the Group leased out office space to Wuhan Chuangfu, Dalian Shibo, Tianjin Haichang Property, and Yantai Haichang Tourism Development for RMB295,000, RMB209,000, RMB167,000 and RMB104,000 per month for a three-year period commencing from 19 September 2014 and subject to a 5% increment for every twelve-month period. Rental income for the period ended 31 December 2014 from Wuhan Chuangfu, Dalian Shibo, Tianjin Haichang Property and Yantai Haichang Tourism Development were RMB1,009,000, RMB714,000, RMB600,000 and RMB357,000.

In the opinion of the directors of the Company, the transactions between the Group and Haichang Corporation Development, Wuhan Chuangfu, Dalian Shibo, Tianjin Haichang Property, Yantai Haichang Tourism Development were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

- (ii) The Group derived interest income amounting to RMB10,433,000 (2013: RMB94,332,000) from Haichang Group from the loan granted which bore interest at 13.56% per annum and the loan was repaid in February 2014.
- (iii) On 24 January 2014, Haichang Enterprise Development and the Group entered into a project management framework agreement (the "Project Management Framework Agreement"), pursuant to which Group would provide project management and quality control services for the real estate projects of Haichang Enterprise Development in Mainland China from the date of the Company's shares listing on the Stock Exchange to 31 December 2015.

On 1 July 2014, Tianjin Haichang Property, Chengdu Haichang Property and Wuhan Chuangfu entered into management service agreements with the Group to engage the Group to provide management service for an eighteen-month period commencing from 1 July 2014. During the year ended 31 December 2014, management fee income from Tianjin Haichang Property, Chengdu Haichang Property and Wuhan Chuangfu were RMB1,281,000, RMB1,212,000 and RMB1,142,000.

In the opinion of the directors of the Company, the transactions between the Group and Tianjin Haichang Property, Chengdu Haichang Property, Wuhan Chuangfu were conducted in the ordinary and usual course of business and on terms and conditions agreed mutually.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

- (iv) On 19 September 2014, Tianjin Property Management, Wuhan Property Management, Dalian Property Management and Yantai Property Management entered into a property management agreement with the Group to engage the Group to provide management service at RMB2,020,000, RMB1,011,000, RMB644,000 and RMB79,000 per annum for a three-year period commencing from 19 September 2014. During the year ended 31 December 2014, management fee expense to Tianjin Property Management, Wuhan Property Management, Dalian Property Management and Yantai Property Management were RMB1,200,000 (including an one-off fee of RMB998,000), RMB288,000, RMB160,000 and RMB16,000, respectively (2013: nil, RMB1,680,000, nil and nil, respectively).

In the opinion of the directors of the Company, the transactions between the Group and Tianjin Property Management, Wuhan Property Management, Dalian Property Management, Yantai Property Management were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

- (v) During the year ended 31 December 2013, the Group paid RMB584,000 for expenses on behalf of Chengdu Rongxin Property on an actual incurred basis.
- (vi) During the year ended 31 December 2013, the Group purchased motor vehicles from Orix Lease with a consideration of RMB4,644,000.

The purchases from Orix Lease were made on prices and conditions as mutually agreed.

- (vii) During the year ended 31 December 2012, the Group purchased certain properties from Haichang Property Development with a consideration of RMB88,603,000. The Group fully paid the amount during the year ended 31 December 2012 and the property was delivered to the Group during the year ended 31 December 2013.

The properties purchased from Haichang Property Development were made on prices and conditions as mutually agreed.

- (viii) During the year ended 31 December 2013, Haichang Corporation Development granted a loan to the Group through certain bank which bore interest at 15.00% per annum and was repaid in 2013.
- (ix) As at 31 December 2013, certain other non-current loans of RMB530,000,000 granted to the Group were applied and lent to Haichang Group at a similar interest rate of 13.56% per annum (note 31(ii)).

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

- (x) The Group entered into sale and purchase agreements in relation to the purchase of 17 properties from Dalian Shibo, at a total consideration of RMB278,756,000 in December 2013. The transaction was completed in January 2014. In January 2014, settlement made by the Group to Dalian Shibo of RMB38,751,000 in relation to the acquisition consideration of Shibo Business was accounted for as a deemed distribution to the equity holders.
- (xi) The Group acquired a 100% equity interest in Shanghai Haichang from Haichang Group at a total consideration of RMB10 million in January 2014.
- (xii) As at 31 December 2013, the Group pledged properties under development with an amount of RMB297,922,000 for bank loans granted to Haichang Corporation Development at nil consideration.
- (xiii) As at 31 December 2013, the Group pledged properties under development with an amount of RMB286,270,000 for bank loans granted to Haichang Group at nil consideration.
- (xiv) As at 31 December 2013, certain related companies and Mr. Qu executed guarantees for certain borrowings amounting to RMB631,800,000 granted to the Group at nil consideration.

Haichang Corporation Development executed guarantees for bank loans amounting to RMB500,000,000 as at 31 December 2013 granted to the Group at nil consideration.

Haichang Group and Mr. Qu executed guarantees for bank loans amounting to RMB30,000,000 as at 31 December 2013 granted to the Group at nil consideration.

Haichang Corporation Development and Haichang Group executed guarantees for bank loans amounting to RMB101,800,000 as at 31 December 2013 granted to the Group at nil consideration.

- (xv) The Group pledged its land and buildings amounting to RMB303,599,000 for bank loans as at 31 December 2013 granted to Haichang Corporation Development at nil consideration.
- (xvi) The finance lease payables amounting to RMB14,072,000 as at 31 December 2013 were guaranteed by Haichang Group at nil consideration.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

(xvii) Pursuant to a share subscription agreement dated 24 May 2012 entered into between the Company, Haichang Group, Mr. Qu and Hony Capital (“Hony”), the Company issued 14,391,996 shares of USD0.0001 each for a consideration of USD80,500,000 (“Hony Agreement”).

Pursuant to a share subscription agreement dated 13 July 2012 entered into between the Company, Orix and Orix Hong Kong (a wholly-owned subsidiary of Orix), the Company issued 15,000,000 shares of USD0.0001 each (“Orix Agreement”) to Orix Hong Kong at par value.

As covenants in relation to the restructuring plan as contemplated in the Orix Agreement and the Hony Agreement, after the completion of acquisition of Discoveryland by the Group, as deferred payment of the initial subscription premium of Mr. Qu’s beneficial shares, the equity holders of Discoveryland and/or their affiliates should repay to the Company such amount that equals to the cash payment received by him in connection with the sale of Discoveryland as consideration for their equity interest therein.

As covenants in relation to the restructuring plan as contemplated in the Orix Agreement and the Hony Agreement, after the completion of the acquisition of Chongqing Caribbean by the Group, the equity holder of Chongqing Caribbean and/or his affiliates shall repay to the Company such amount that equals to the cash payment received by them in connection with the sale of Chongqing Caribbean as consideration for their equity interest therein, as deferred payment of the initial subscription premium of Mr. Qu’s beneficial shares.

In the case where the acquisitions of Discoveryland and Chongqing Caribbean could not be completed before the end of 2014, Mr. Qu and the Company should indemnify Hony and Orix Hong Kong and their affiliates for losses, if any, incurred to foregoing investors. This indemnification is subject to various limitations specified in the Orix Agreement and the Hony Agreement and the maximum liability of Mr. Qu and the Company shall not exceed 20% of the total share purchase price as specified in the Orix Agreement.

The acquisitions mentioned above were completed in December 2014.

(xviii) In September 2013 and in October 2013, the Group entered into an agreement with Haichang Group to transfer 46 and 15 trademarks from Haichang Group to the Group at nil consideration, respectively.

(xix) The Group acquired certain subsidiaries and businesses pursuant to the Group’s reorganisation in 2013 and 2014 from related companies. The details are set out in note 37(b) and (c).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies

The Group had the following balances with its related parties at the end of each of the reporting periods:

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Due from related companies		
Chengdu Haichang Property	1,212	–
Dalian Property Management	320	–
Orix Lease	231	231
Yantai Property Management	39	304
Haichang Corporation Development	–	874,128
Haichang Group	–	551,750
Haichang Property Group	–	20,000
Hong Kong Merry Great Investment Limited	–	7,213
Dalian Lianyun	–	6,300
Sea Fortune	–	6,097
HK East Investment	–	5,487
Hong Kong Smooth Clear	–	4,774
Tianjin Haichang Property	–	1,066
Chengdu Rongxin Property	–	584
Tianjin Property Management	–	280
Haichang Redwine	–	150
Haichang Xincheng	–	113
	1,802	1,478,477
Due from a non-controlling equity holder		
大連老虎灘公園有限公司 (“Hutan Park”)	–	59,675
Due to related companies		
Dalian Shibo	2,003	228,041
Wuhan Chuangfu	1,696	–
Yantai Haichang Tourism Development	996	–
Tianjin Haichang Property	294	–
Wuhan Property Management	46	1,680
Haichang Corporation Development	–	699,896
Chongqing Polar Industry	–	18,053
Haichang Group	–	128,008
Sea-rich Oil	–	69,100
Tianjin Pole Ocean Property	–	7,965
Haichang Property Development	–	4,801
Dalian LAMONT	–	1,977
SAS LAMONT	–	1,219
Haichang Land	–	915
Dalian Olympic	–	5
	5,035	1,161,660
Finance lease payables		
Orix Lease	3,291	4,015

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies (continued)

The maximum amounts outstanding during the years ended 31 December 2014 and 2013 are as follows:

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Due from related companies		
Haichang Corporation Development	874,129	1,459,425
Haichang Group	551,750	1,168,276
Haichang Property Group	20,000	20,000
Hong Kong Merry Great Investment Limited	7,213	7,213
Dalian Lianyun	6,300	6,300
Sea Fortune	6,097	6,097
HK East Investment	5,487	5,561
Hong Kong Smooth Clear	4,774	4,774
Chengdu Haichang Property	1,212	34
Tianjin Haichang Property	1,066	1,066
Chengdu Rongxin Property	584	584
Dalian Property Management	320	–
Yantai Property Management	304	372
Tianjin Property Management	280	280
Orix Lease	231	231
Haichang Redwine	150	150
Haichang Xincheng	113	113
Sea-rich Oil	–	614
Haichang Business Operation Management	–	898
Haichang Electronic	–	70,000
Wuhan Property Management	–	158
Haichang Property Development	–	82,960
Other Loans		
Haichang Corporation Development	–	583,000
Finance lease payables		
Orix Lease (note 32)	4,015	4,644

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies (continued)

The Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Due from the ultimate holding company Haichang Group Limited	–	610
Due from subsidiaries Haichang Hong Kong Haichang Asia	2,895,013 612	470,395 610
	2,895,625	471,005
Due to related companies SAS LAMONT Haichang Land	– –	1,219 915
	–	2,134

Further details of the amounts with the ultimate holding company/related companies/a non-controlling equity holder are set out in note 26.

(c) Compensation to the key management

	31 December 2014 RMB'000	31 December 2013 RMB'000
Emoluments: Salaries, allowances, bonuses, benefits and other expenses Post-employment benefits	9,650 270	1,275 43
	9,920	1,318

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

31 December 2014

Financial assets

	Loans and receivables <i>RMB'000</i>	Available-for- sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Financial assets included in deposits and other receivables (note 25)	57,247	–	57,247
Available-for-sale investments	–	64,370	64,370
Trade receivables	58,148	–	58,148
Due from related companies	1,802	–	1,802
Pledged deposits	482,099	–	482,099
Cash and cash equivalents	1,551,446	–	1,551,446
	2,150,742	64,370	2,215,112

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Financial liabilities included in other payables and accruals (note 29)	281,323
Interest-bearing bank and other borrowings (note 31)	2,770,136
Trade and bills payables	345,958
Due to related companies	5,035
	3,402,452

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group (continued)

31 December 2013

Financial assets

	Loans and receivables <i>RMB'000</i> (Restated)	Available-for- sale financial assets <i>RMB'000</i> (Restated)	Total <i>RMB'000</i> (Restated)
Financial assets included in deposits and other receivables (note 25)	33,453	–	33,453
Available-for-sale investments	–	19,370	19,370
Trade receivables	29,033	–	29,033
Due from related companies	1,478,477	–	1,478,477
Due from the ultimate holding company	610	–	610
Due from a non-controlling equity holder	59,675	–	59,675
Pledged deposits	2,292	–	2,292
Cash and cash equivalents	498,828	–	498,828
	2,102,368	19,370	2,121,738

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i> (Restated)
Financial liabilities included in other payables and accruals (note 29)	247,142
Interest-bearing bank and other borrowings (note 31)	3,385,853
Trade and bills payables	369,954
Due to related companies	1,161,660
	5,164,609

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

31 December 2014

Financial assets

Financial assets included in prepayments, deposits and other receivables	13,660
Due from subsidiaries	2,895,625
Cash and cash equivalents	281,230
	3,190,515

Financial liabilities

Interest-bearing bank and other borrowings (note 31)	441,179
Other payables	4,985
	446,164

31 December 2013

Financial assets

Due from the ultimate holding company	610
Due from subsidiaries	471,005
Cash and cash equivalents	2,481
	474,096

Financial liabilities

Other payables	2,596
Due to related companies	2,134
	4,730

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

31 December 2014

Financial liabilities

	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>
Financial lease payables	42,718	43,076
Interest-bearing bank and other borrowings	1,577,509	1,581,605
	1,620,227	1,624,681

31 December 2013

Financial liabilities

	Carrying amount <i>RMB'000</i> (Restated)	Fair value <i>RMB'000</i> (Restated)
Financial lease payables	147,897	151,271

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from related companies, an amount due from the ultimate holding company, an amount due from a non-controlling equity holder, and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that except for the interest-bearing bank loans with fixed interest rate, the fair values of interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the fact that these borrowings are made between the Group and independent third-party financial institutions or related companies based on prevailing market interest rates.

The fair values of the interest-bearing bank loans with fixed interest rate and the finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at 31 December 2014 was assessed to be insignificant.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Finance lease payables	–	43,076	–	43,076
Interest-bearing bank and other borrowings	–	1,581,605	–	1,581,605
	–	1,624,681	–	1,624,681

As at 31 December 2013

	Fair value measurement using			Total RMB'000 (Restated)
	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	
Finance lease payables	–	151,271	–	151,271

During the years ended 31 December 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, an amount due from the ultimate holding company, amounts due from/to related companies, an amount due from a non-controlling equity holder, available-for-sale investments, pledged deposits and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings set out in note 31. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity, other than retained earnings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
For the year ended 31 December 2014	100 (100)	(11,499) 11,499
For the year ended 31 December 2013	100 (100)	(21,450) 21,450

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB, except for capital injections from shareholders. All of the Group's assets and liabilities are denominated in RMB, except for those owned by the Company and certain subsidiaries which are denominated in USD and HKD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before (or after) tax RMB'000
2014		
If the RMB weakens against the USD	10	(144,637)
If the RMB strengthens against the USD	(10)	144,637
If the RMB weakens against the HKD	10	(43,565)
If the RMB strengthens against the HKD	(10)	43,565
2013		
If the RMB weakens against the USD	10	27,943
If the RMB strengthens against the USD	(10)	(27,943)

* Excluding retained profits

Credit risk

There are no significant concentrations of credit risk within the Group. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, trade receivables, deposits and other receivables, an amount due from a non-controlling equity holder, amounts due from related companies, an amount due from ultimate holding company arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are closely monitored on an ongoing basis.

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

	31 December 2014					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Finance lease payables	–	21,297	63,890	19,125	–	104,312
Interest-bearing bank borrowings	–	616,517	802,613	1,423,516	285,200	3,127,846
Trade and bills payables	345,958	–	–	–	–	345,958
Other payables and accruals	281,323	–	–	–	–	281,323
Due to related companies	5,035	–	–	–	–	5,035
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties	51,788	–	–	–	–	51,788
	684,104	637,814	866,503	1,442,641	285,200	3,916,262

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2013 (restated)					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Finance lease payables	–	35,326	105,978	98,892	–	240,196
Interest-bearing bank borrowings	–	139,000	682,780	2,234,900	250,200	3,306,880
Trade and bills payables	369,954	–	–	–	–	369,954
Other payables and accruals	247,142	–	–	–	–	247,142
Due to related companies	1,161,660	–	–	–	–	1,161,660
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties	87,657	–	–	–	–	87,657
Guarantees given to banks in connection with facilities granted to related companies	449,449	–	–	–	–	449,449
	2,315,862	174,326	788,758	2,333,792	250,200	5,862,938

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

The Group monitors capital using a net debt to total equity ratio. Net debt includes interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Interest-bearing bank and other borrowings	2,770,136	3,385,853
Due to the related companies	5,035	1,161,660
Less: Due from related companies	(1,802)	(1,478,477)
Less: Pledged bank balances*	(480,000)	–
Less: Cash and cash equivalents	(1,551,446)	(498,828)
Net debt	741,923	2,570,208
Total equity	3,728,002	1,661,968
Net debt to total equity ratio	20%	155%

* The pledged bank balances were pledged to secure interest-bearing bank and other borrowings granted to the Group at 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

46. SUBSEQUENT EVENTS

In January 2015, the Group successfully bided for land use rights of land with a total site area of approximately 297,155 square meter in Shanghai, the PRC which will be used for the development of Shanghai Haichang Polar Ocean Park at a total purchase consideration of RMB728.1 million.

Mr. Qu sold, on 13 January 2015 to certain eligible participants under the Share Award Scheme, 83,084,476 ordinary shares of the Company, representing 2.08% of the total issued share capital of the Company, at a price of HKD1.36 per share via an intermediary which is an associate of Mr. Qu.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2015.

MAJOR PROPERTIES HELD BY THE GROUP

City-Phase (Usage)	Address	Status	Actual or Planned Construction Period	Total Actual or Planned GFA (underground GFA, if applicable) ¹ (sq.m.)	Total GFA Sold Cumulatively (sq.m.)	Total Actual or Planned GFA Held for Sale (sq.m.)	Total Actual or Planned GFA Held for Investment (sq.m.)	Term of Land	Interest attributable to the Group
Qingdao (Commercial Street)	Qingdao Polar Ocean World, 60 Donghai East Road, Qingdao, Shandong Province, the PRC	Completed	01/2005 – 07/2006	38,345	20,888	Nil	17,457	40 years	100%
Chengdu – Phase 1 (Commercial Street)	Phase 1 of Chengdu Polar Ocean World, Chengdu, Sichuan Province, the PRC	Completed	09/2007 – 07/2011	51,379	18,971	7,956	24,452	40 years	100%
Chengdu – Phase 2 (Clubhouse)	The clubhouse of Phase 2 of Chengdu Polar Ocean World, Chengdu, Sichuan Province, the PRC	Completed	03/2010 – 09/2011	22,552	13,717	8,835	Nil	40 years	100%
Chengdu – Phase 2 (Hotel and Office Complex)	The office building of Phase 2 of Chengdu Polar Ocean World, Chengdu, Sichuan Province, the PRC	Under development	04/2013 – 05/2015	46,126 (12,135)	N/A	33,991	Nil	40 years	100%
Yantai (Commercial Street)	Yantai Fisherman's Wharf, Binhai Road, Yantai, Shandong Province, the PRC	Completed	04/2008 – 06/2012	42,107	31,035	Nil	11,072	40 years	100%
Wuhan – Phase 1 (Commercial Street)	Phase 1 of Wuhan Polar Ocean World, Dongxihu District, Wuhan, Hubei Province, the PRC	Completed	08/2011 – 03/2013	43,518	Nil	Nil	43,518	40 years	100%
Wuhan – Phase 2 (Commercial Street)	Phase 2 of Wuhan Polar Ocean World, Dongxihu District, Wuhan, Hubei Province, the PRC	For future development	11/2015 – 05/2017	97,384 (22,300)	N/A	N/A	N/A	40 years	100%
Wuhan – Phase 3 (Serviced Apartments)	Phase 3 of Wuhan Polar Ocean World, Dongxihu District, Wuhan, Hubei Province, the PRC	For future development	11/2015 – 05/2017	153,158 (35,890)	N/A	N/A	N/A	40 years	100%
Tianjin – Block B (Commercial Street)	Block B, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	Completed	06/2010 – 11/2013	33,267 (12,783)	1,586	Nil	23,368 ²	40 years	100%
Tianjin – Block D (Commercial Street)	Block D, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	Completed	08/2010 – 11/2013	36,392 (10,148)	6,913	16,686	2,645	40 years	100%
Tianjin – Block E (Serviced Apartments)	Block E, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	Under development	09/2010 – (03/2014 – 09/2015) ³	59,006 (12,118)	10,567	36,321	Nil	40 years	100%
Tianjin – Block A (Serviced Apartments and Commercial Street)	Block A, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	For future development	10/2015 – 10/2017	120,749 (37,938)	N/A	N/A	N/A	40 years	100%
Dalian (Commercial Street) ⁴	Dalian Tiger Beach Fisherman's Wharf, Dalian, Liaoning Province, the PRC	Completed	–	12,671 ⁴	–	–	12,671 ⁴	40 years	100%

MAJOR PROPERTIES HELD BY THE GROUP

City-Phase (Usage)	Address	Status	Actual or Planned Construction Period	Total Actual or Planned GFA (underground GFA, if applicable) ¹ (sq.m.)	Total GFA Sold Cumulatively (sq.m.)	Total Actual or Planned GFA Held for Sale (sq.m.)	Total Actual or Planned GFA Held for Investment (sq.m.)	Term of Land	Interest attributable to the Group
Dalian (Haichang Xincheng)	Haichang Xincheng Commercial Space, 137 Huale Street, Zhongshan District, Dalian, Liaoning Province, the PRC	Completed	-	6,365	-	-	6,365	70 years	100%
Chongqing – Phase 1 (Commercial Street)	Chongqing Caribbean Water Park, Nan An District, Chongqing, the PRC	Completed	04/2008 – 12/2011	32,529	-	8,092	24,437	40 years	100%
Chongqing – Phase 2	Chongqing Caribbean Water Park, Nan An District, Chongqing, the PRC	For future development	11/2015 – 09/2017	54,095 (9,758)	N/A	N/A	N/A	40 years	100%

Notes:

- Property ownership certificate for underground GFA is usually not available in accordance with the practice of PRC land administrative authorities.
- This includes 4,470 sq.m. of underground GFA for which property ownership certificate will be available according to the relevant property survey conducted by the land administrative authorities.
- The development of Block E is expected to be completed in two stages with different construction completion dates.
- The ancillary commercial properties in Dalian, namely Dalian Fishermen's Wharf, were not developed by us and were acquired by us. As of 31 December 2014, the total GFA of the properties that had been acquired by us was 12,671 sq.m. Therefore, the information about its development is not relevant.